

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

A. EXPLANATORY NOTES PURSUANT TO THE INTERIM FINANCIAL REPORT – IN COMPLIANCE WITH FINANCIAL REPORTING STANDARD (“FRS”)

A1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with the requirement of FRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2013.

The significant accounting policies and methods of computation adopted in the unaudited interim financial statements are consistent with those adopted in the Group’s audited financial statements for the year ended 31 December 2013.

The following are accounting standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board (“MASB”) and have been adopted by the Group and the Company except for amendments effective from 1 July 2014:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

The following FRSs, Amendments to FRS and IC Interpretation have been issued but are not yet adopted by the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

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- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

FRSs, Interpretations and amendments shall be effective subject to the date to be confirmed:

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- FRS 9, *Financial Instruments (2013)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

The Group and the Company shall apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for amendments to FRS 12 which are not applicable to the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014 and 1 January 2015, except for amendments to FRS 2 and amendments to FRS 138 which are not applicable to the Company.

The initial application of the other accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company.

The Group and the Company falls within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate/MFRS 141, Agriculture*. Therefore, the Group and the Company are currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) and is referred to as a “Transitioning Entity”. Being a Transitioning Entity, the Group and the Company will adopt the

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MFRS and present its first set of MFRS financial statements when adoption of the MFRS is mandated by the MASB.

A2. **AUDITORS' REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

A3. **SEASONAL OR CYCLICAL FACTORS**

The Group's operations were not significantly affected by any seasonal or cyclical factors.

A4. **UNUSUAL ITEMS**

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the current quarter.

A5. **MATERIAL CHANGES IN ACCOUNTING ESTIMATES**

There were no changes in accounting estimates of amounts reported in prior interim period which have a material effect on the current interim period save as disclosed in item A1 above.

A6. **ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES**

Save as disclosed below, there were no issuance and repayment of debts and equity securities, shares buy-back, share cancellations, shares held as treasury shares or resale of treasury shares during the current quarter under review and financial year to date:-

Share Buy-back

There were no shares purchased during the current quarter.

At the date of this report, a total of 12,373,400 shares purchased back were held as treasury shares with a total cost of RM5,355,982. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

A7. **DIVIDEND PAID**

No dividend has been paid for the current quarter ended 30 September 2014.

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A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 9 months ended 30 September 2014.

Business Segment	Construction (RM'000)	Property Development (RM'000)	Eliminations (RM'000)	Consolidated (RM'000)
Revenue from external customers	-	57,216	-	57,216
Inter-segment revenue	36,452	-	(36,452)	-
Total Revenue	36,452	57,216	(36,452)	57,216
Segment result	3,828	36,752	(13,594)	26,986
Unallocated income/(expenses)				(101)
Interest income				265
Profit from operations				27,150
Finance cost				(164)
Profit Before Tax				26,986
Taxation				(8,911)
Net Profit for the period				18,075

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The values of property, plant and equipment have been brought forward without amendments from the previous financial statements for the year ended 31 December 2013.

A10. SUBSEQUENT MATERIAL EVENTS

There were no material events subsequent to the balance sheet date and up to the date of issuance of this Interim Financial Report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

On 25 July 2014, the Company had disposed 2 ordinary shares of RM1.00 each in Support Capital Sdn Bhd (“SCSB”) representing 100% of the issued and paid-up capital of SCSB for a total cash consideration of RM2.

Subsequent to the Disposal, SCSB will cease to be a subsidiary and the subsidiary of SCSB, Kenly (HK) Limited (“**Kenly**”) will cease to be an indirect subsidiary of the Company.

SCSB is the holding company for Kenly and holds 79.4% equity interest in Kenly comprising 7,600,000 ordinary shares of HK\$1 each in Kenly. Currently, Kenly is a dormant company.

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Save as disclosed above, there were no changes in the composition of the Group for the quarter ended 30 September 2014 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operation.

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

	Quarter Ended 30.09.2014 RM'000	Financial Year Ended 31.12.2013 RM'000
A Contingent Liabilities		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	2,494	1,431

B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 30 September 2014 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01/07/14- 30/09/14 (RM'000)	Preceding Year Qtr 01/07/13- 30/09/13 (RM'000)	Current Year 01/01/14- 30/09/14 (RM'000)	Preceding Year 01/01/13- 30/09/13 (RM'000)
Revenue	28,007	16,646	57,216	40,611
Profit before tax	13,128	9,492	26,986	19,444
Profit after tax (before Minority Interest)	7,477	7,544	18,075	14,984
Profit attributable to equity holders of the parent	7,477	7,544	18,075	14,984

Current Year-todate vs Previous Year-todate

Pre-tax profit for the current quarter ended 30 September 2014 of RM13.1 million was higher by RM3.64 million as compared to RM9.5 million in the previous year corresponding period. The higher pre-tax profit for the current quarter was mainly due to higher volume of work done during the current quarter.

After-tax profit for the current quarter ended 30 September 2014 at RM7.5 million was similar to the previous year correspondence quarter mainly due to under provision of income tax for the preceding year, taken up in the current quarter.

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Performance for the respective operating business segments for the current year to date as at 30 September 2014 as compared to the previous year corresponding period is analysed as follows:-

- 1) Property development operations - the segmental profit increased by RM16.0 million to RM36.8 million from the preceding year corresponding period mainly due to higher volume of work done on its Ken Rimba Jimbaran project and sales mix of higher margin units in the current year to date.
- 2) Construction operations - segmental profit at RM3.8 million was lower due mainly to higher construction cost and overheads incurred in the current year to date as compared to the preceding year corresponding period profit of RM6.2 million.

B2. MATERIAL VARIATION AGAINST THE PRECEDING QUARTER RESULTS

A comparison of the quarterly results of the current and preceding quarter is as follows:

	Current Quarter 01/07/14- 30/09/14 (RM'000)	Preceding Quarter 01/04/14- 30/06/14 (RM'000)
Revenue	28,007	14,788
Profit after tax (before Minority Interest)	7,477	6,857
Profit after tax (after Minority Interest)	7,476	6,857

The revenue for the current quarter ended 30 September 2014 at RM28.0 million was higher than the preceding quarter of RM14.8 million. Profit after tax for the current quarter was marginally higher mainly due to higher revenue recorded during the quarter and was affected by the under provision of income tax for the preceding year, taken up in this quarter.

B3. PROSPECTS FOR 2014

After a stronger growth of 6.3% in the first half of 2014, the Malaysian economy is expected to grow moderately for the second half of 2014 mainly supported by domestic demand which continues to drive growth. The property sector is expected to expand at a moderate pace supported by the Government's effort to promote home ownership as well as the ongoing implementation of the Government's Economic Transformation Programme.

The KEN Rimba Condominium I project received favourable responses from its soft launch in the quarter, and is expected to contribute positively to the Group's performance for 2014.

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External forces such as increases in material costs, fuel and energy costs including manpower resources in the construction sector are expected to continue to exert pressure on the Group's operating margin. Barring any unforeseen circumstances, the Board of Directors is of the view that the Group will record favourable performance for the financial year ending 31 December 2014.

B4. PROFIT FORECAST AND ESTIMATES ANNOUNCED OR DISCLOSED

No applicable as there were no profit forecast or estimates that has been announced or disclosed for the financial year 2014.

B5. TAX EXPENSE

	Current Year Qtr 01/07/14- 30/09/14 (RM'000)	Preceding Year Qtr 01/07/13- 30/09/13 (RM'000)	Current Year 01/01/14- 30/09/14 (RM'000)	Preceding Year 01/01/13- 30/09/13 (RM'000)
In respect of current period				
- income tax	7,006	2,373	12,220	6,908
- deferred tax	<u>(1,354)</u>	<u>(425)</u>	<u>(3,309)</u>	<u>(2,448)</u>
	<u>5,652</u>	<u>1,948</u>	<u>8,911</u>	<u>4,460</u>

The Group's effective tax rate for the 9 months ended 30 September 2014 was above the statutory rate of 25% mainly due to the under provision of income tax for the preceding year and taken up in the current quarter. The higher effective tax rate for the current quarter was mainly due to the impact of the under provision of income tax for the preceding year taken up in the current quarter.

B6. THE STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as of the date of this report.

B7. BORROWINGS AND DEBT SECURITIES

The Group has unsecured short term borrowings of RM2.0 million at the end of the current quarter to 30 September 2014.

B8. MATERIAL LITIGATION

There were no material litigation pending as at the date of this report.

B9. DIVIDEND

The Board does not recommend any interim dividend for current quarter under review (2013 - Nil).

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B10. EARNINGS PER SHARE

	Quarter Ended 30.09.2014	9 months Ended 30.09.2014
A Basic Earnings		
	RM'000	RM'000
Net profit attributable to shareholders	<u>7,477</u>	<u>18,075</u>
Weighted average number of ordinary shares	179,346	179,346
Basic earnings per share (sen)	4.16 *	10.07*
B Diluted earnings	N/A	N/A

There is no impending effect on the diluted earnings per share.

(*Note: Paid-up share capital RM95.8 million consist of 191,720,000 ordinary shares of RM0.50 per share after share split)

B11. REALISED AND UNREALISED PROFITS

In compliance with Bursa Malaysia directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, requiring the disclosure and breakdown of the unappropriated profits and accumulated losses as at the reporting period, into realised and unrealised profit or losses and also to Bursa Malaysia issued guidance on the disclosure and the format required, the break down or retained profits of the Group as at the reporting date, into realised and unrealised profits pursuant to the directive, is as follows:-

	Group 30.09.2014 RM'000	Group 31.12.2013 RM'000
Total retained earnings of KHB and Its subsidiaries		
- Realised	170,738	129,223
- Unrealised	<u>(6,704)</u>	<u>(6,704)</u>
	164,034	122,519
Less:		
Consolidated adjustments	<u>(62,420)</u>	<u>(34,945)</u>
Total Group retained profits and per Consolidated accounts	<u>101,614</u>	<u>87,574</u>

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B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01/07/14- 30/09/14 (RM'000)	Preceding Year Qtr 01/07/13- 30/09/13 (RM'000)	Current Year 01/01/14- 30/09/14 (RM'000)	Preceding Year 01/01/13- 30/09/13 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Gain on disposal of property plant and equipments	-	-	-	36
Interest income	224	79	265	102
Other income	848	730	2,086	2,066
Allowance for impairment loss on other receivables	-	-	-	-
Depreciation	(227)	(116)	(676)	(619)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

By Order of the Board,

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Chow Chooi Yoong
Company Secretary
Date : 14 November 2014