

# KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

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## 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 not been 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 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- 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)*
- 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 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*

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- Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to FRS 10, *Consolidated Financial Statements*, FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116, *Property, Plant and Equipment* and FRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- FRS 9, *Financial Instruments (2014)*

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

- 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.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2015 and 1 January 2016, except for amendments to FRS and amendments 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 MFRS and present its first set of MFRS financial statements when adoption of the MFRS is mandated by the MASB.

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## **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 12,375,400 shares purchased back were held as treasury shares with a total cost of RM5,358,106. 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 31 December 2014.

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## A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 12 months ended 31 December 2014.

<b>Business Segment</b>	<b>Construction (RM'000)</b>	<b>Property Development (RM'000)</b>	<b>Eliminations (RM'000)</b>	<b>Consolidated (RM'000)</b>
Revenue from external customers	-	91,082	-	91,082
Inter-segment revenue	58,114	-	(58,114)	-
Total Revenue	58,114	91,082	(58,114)	91,082
<b>Segment result</b>	8,766	37,572	(2,138)	44,200
Unallocated income/(expenses)				(361)
Interest income				320
Profit from operations				44,159
Finance cost				(190)
Profit Before Tax				43,969
Taxation				(12,018)
Net Profit for the period				31,951

## 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

On 16 January 2015, the Company acquired 15,000 ordinary shares of RM1.00 each (acquisition) representing 15% equity interest in Wealthy Discovery Sdn Bhd ("WDSB") via its wholly-owned subsidiary, Sphere Supreme Sdn Bhd ("SSSB") for a total cash consideration of RM495,000. SSSB currently owns 40% equity interest in WDSB. Upon completion of the acquisition, WDSB will become a subsidiary of the Group via SSSB.

Save for the above, 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.

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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.

Save as disclosed above, there were no changes in the composition of the Group for the quarter ended 31 December 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 31.12.2014 RM'000	Financial Year Ended 31.12.2013 RM'000
<b>A Contingent Liabilities</b>		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	3,875	1,431

## B. BURSA MALAYSIA LISTING REQUIREMENTS

### B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 31 December 2014 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01/10/14- 31/12/14 (RM'000)	Preceding Year Qtr 01/12/13- 31/12/13 (RM'000)	Current Year 01/01/14- 31/12/14 (RM'000)	Preceding Year 01/01/13- 31/12/13 (RM'000)
Revenue	33,866	15,217	91,082	55,828
Profit before tax	16,985	8,812	43,969	28,257
Profit after tax (before Minority Interest)	13,878	5,910	31,951	20,895
Profit attributable to equity holders of the parent	13,878	5,910	31,951	20,895

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## **Current Year-todate vs Previous Year-todate**

Pre-tax profit for the current quarter ended 31 December 2014 of RM16.9 million was higher by RM8.1 million as compared to RM8.8 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 from on-going projects.

Performance for the respective operating business segments for the current year to date as at 31 December 2014 as compared to the previous year corresponding period is analysed as follows:-

- 1) Property development operations - the segmental revenue at RM91.1 million was higher than the revenue of RM55.8 million recorded in the preceding year corresponding period due to higher volume of work done. Segmental profit of RM37.6 million was similar to the preceding year corresponding period mainly due to sale mix of lower margin projects undertaken in the current period.
- 2) Construction operations - segmental profit at RM10.7 million was higher due mainly to higher volume of work done in the current year to date as compared to the preceding year corresponding period profit of RM7.5 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 01/10/14- 31/12/14 (RM'000)	Preceding Quarter 01/07/14- 30/09/14 (RM'000)
Revenue	33,866	28,007
Profit after tax (before Minority Interest)	13,878	7,477
Profit after tax (after Minority Interest)	13,878	7,476

The revenue for the current quarter ended 31 December 2014 at RM33.9 million was higher than the preceding quarter of RM28.0 million. Profit after tax for the current quarter at RM13.9 million was higher than the preceding quarter due mainly to revision on cost for on-going projects in the current quarter.

## **B3. PROSPECTS FOR 2015**

Global economic recovery is expected to continue in 2015 but for emerging Asia, growth is expected to remain steady with improve outlook on domestic demand and gradual global economic recovery. The Malaysian economy is expected to remain

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steady in 2015 but more challenging with the effects of falling oil prices in the later part of 2014. GDP growth is likely to be in the range of 4.5% to 5.5%. With the continued implementation of Economic Transformation Programme and major infrastructure projects such as the Mass Rapid Transit 2 and Light Rail Transit 3 and with the revised 2015 Budget measures to promote growth will provide support to the growth of the economy in general.

The KEN Rimba Condominium I project launched in 2014 is expected to contribute positively to the Group's performance for 2015.

External forces such as increases in material costs including implementation of GST which will affect on-going projects 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 2015.

## 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 01/10/14- 31/12/14 (RM'000)	Preceding Year Qtr 01/10/13- 31/12/13 (RM'000)	Current Year 01/10/14- 31/12/14 (RM'000)	Preceding Year 01/01/13- 31/12/13 (RM'000)
In respect of current period				
- income tax	105	2,373	12,325	9,282
- deferred tax	<u>3,002</u>	<u>529</u>	<u>(307)</u>	<u>(1,920)</u>
	<u>3,107</u>	<u>2,902</u>	<u>12,018</u>	<u>7,362</u>

The Group's effective tax rate for the 12 months ended 31 December 2014 was above the statutory rate of 25% mainly due to certain disallowed expenses. The lower effective tax rate for the current quarter was mainly due to under provision of income tax that had been taken up as income tax in the previous 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 31 December 2014.

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## B8. MATERIAL LITIGATION

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

## B9. DIVIDEND

The Board has recommended a first and final single tier dividend comprising of 6% (2013: 4.5% single tier dividend) in respect of the financial year ended 31 December 2014. The proposed dividend shall be subject to approval of the shareholders at the forthcoming Annual General Meeting to be held on a date, which shall be announced later.

## B10. EARNINGS PER SHARE

	Quarter Ended 31.12.2014	12 months Ended 31.12.2014
<b>A Basic Earnings</b>		
	RM'000	RM'000
Net profit attributable to shareholders	<u>13,878</u>	<u>31,952</u>
Weighted average number of ordinary shares	179,346	179,347
Basic earnings per share (sen)	7.74 *	17.82*
<b>B Diluted earnings</b>	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 breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits pursuant to the directive, is as follows:-

Group

Group



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	31.12.2014 RM'000	31.12.2013 RM'000
Total retained earnings of KHB and Its subsidiaries		
- Realised	174,014	129,223
- Unrealised	<u>(4,192)</u>	<u>(6,704)</u>
	169,822	122,519
Less:		
Consolidated adjustments	<u>(54,331)</u>	<u>(34,945)</u>
Total Group retained profits and per Consolidated accounts	<u>115,491</u>	<u>87,574</u>

## B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01/10/14- 31/12/14 (RM'000)	Preceding Year Qtr 01/10/13- 31/12/13 (RM'000)	Current Year 01/01/14- 31/12/14 (RM'000)	Preceding Year 01/01/13- 31/12/13 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Gain on disposal of property plant and equipments	5	-	5	36
Interest income	54	16	320	117
Other income	565	705	3,432	2,978
Allowance for impairment loss on other receivables	-	-	-	-
Depreciation	(230)	(333)	(906)	(835)
Interest expense	(26)	(55)	(190)	(261)

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 : 25 February 2015