

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 Securities”) (“Listing Requirements”) and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2014.

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 2014.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

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 (2012 - 2014)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (2012 - 2014)*
- Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128 - *Sales or contribution of assets between an investor and its associates 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, *Employees Benefit (2012 – 2014)*
- Amendments to FRS 127, *Equity Method in separate financial statements*
- Amendments to FRS 134, *Interim Financial Statements (2012 - 2014)*

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 plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for FRS 14 which is not applicable to the Group and the Company.

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

The amendments to FRS 10, FRS 12 and FRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

The Group is currently assessing the financial impact that may arise from the adoption of the amendments.

The Group and the Company's financial statements beginning on 1 January 2017 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by MASB and International Financial Reporting Standards ("IFRS").

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

The Group and the Company fall within the scope of IC Interpretation 15, Agreements for the Construction of Real Estate. Therefore, the Group and the Company is currently exempted from adopting the MFRSs and is referred to as a "Transitioning Entity".

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

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

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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 financial period.

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 financial period.

A6. ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

Save as disclosed below, there were no other 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 financial period under review:

Share Buy-back

The Company had purchased a total of 1,000 of its own shares at an average price of RM1.20 per share totalling RM1,245 for the quarter ended 30 June 2015. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 12,376,400 shares purchased back were held as treasury shares with a total cost of RM5,359,351. 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

During the current quarter, dividend of RM5,380,308 was paid on 18 June 2015 in respect of the financial year ended 31 December 2014.

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A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 6 months ended 30 June 2015.

Business Segment	Construction (RM'000)	Property Development (RM'000)	Eliminations (RM'000)	Consolidated (RM'000)
Revenue from external customers	-	28,361	-	28,361
Inter-segment revenue	31,188	-	(31,188)	-
Total revenue	31,188	28,361	(31,188)	28,361
Segment result	2,553	7,814	(385)	9,982
Unallocated income/(expenses)				(88)
Interest income				139
Profit from operations				10,033
Finance cost				(53)
Profit before tax				9,980
Taxation				(2,170)
Net profit for the period				7,810

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 2014.

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

There were no changes in the composition of the Group for the quarter ended 30 June 2015 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 30.06.2015 RM'000	Financial Year Ended 31.12.2014 RM'000
A Contingent Liabilities		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	1,895	3,814

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B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 30 June 2015 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01/04/15- 30/06/15 (RM'000)	Preceding Year Qtr 01/04/14- 30/06/14 (RM'000)	Current Year 01/01/15- 30/06/15 (RM'000)	Preceding Year 01/01/14- 30/06/15 (RM'000)
Revenue	14,217	14,788	28,361	29,209
Profit before tax	5,042	8,638	9,980	13,857
Profit after tax (before Minority Interest)	3,947	6,857	7,810	10,598
Profit attributable to equity holders of the parent	3,947	6,857	7,810	10,598

Current year to-date vs previous year to-date

Pre-tax profit for the current quarter ended 30 June 2015 of RM5.0 million was lower by RM3.6 million as compared to the previous year's corresponding period of RM8.6 million. This was mainly due to sales mix of lower margin units during the current quarter.

After-tax profit for the current quarter ended 30 June 2015 of RM3.9 million was lower than the previous year's corresponding quarter of RM6.9 million.

Performance for the respective operating business segments for the current quarter to date as at 30 June 2015 as compared to the previous year's corresponding period is analysed as follows:

- 1) Property development operations - the segmental profit reduced by RM12.5 million to RM7.8 million from the preceding year's corresponding period was mainly due to higher volume of work done on Ken Rimba Jimbaran project and sales mix of higher margin units in the preceding year's corresponding quarter.
- 2) Construction operations - segmental profit of RM2.6 million was mainly due to higher volume of work done in the current quarter. The lower segmental profit of RM0.4 million in preceding year corresponding quarter was mainly due higher to overheads incurred during that quarter.

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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 01/04/15- 30/06/15 (RM'000)	Preceding Quarter 01/01/15- 31/03/15 (RM'000)
Revenue	14,217	14,143
Profit after tax (before Minority Interest)	3,947	3,864
Profit after tax (after Minority Interest)	3,947	3,864

The revenue for the current quarter ended 30 June 2015 at RM14.2 million was marginally higher than the preceding quarter 31 March 2015 of RM14.1 million. Similarly, profit after tax for the current quarter was marginally higher compared to preceding quarter.

B3. PROSPECTS FOR 2015

The Malaysian economy remained resilient to record a steady growth of 5.6% in the first quarter of 2015 (Q4 2014: 5.7%), despite uncertainties in the external environment, supported by strong domestic demand and external sector. Domestic demand will continue to drive growth in 2015, led by private sector spending and higher development expenditure.

The Malaysian property market is expected to remain challenging in 2015 following the recent implementation of Goods and Services Tax (GST) coupled with concerns on oversupply of properties, a tight lending environment, weakening of the ringgit and the general economic uncertainties, all contributing to create a cautious and pessimistic outlook.

The Group has existing unrecognised revenue of RM173 million from its on-going projects as at 30 June 2015 which will continue to contribute positively towards the Group's revenue and earnings performance for 2015.

External forces such as increases in material costs, energy costs including manpower resources and GST impact 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.

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B4. PROFIT FORECAST AND ESTIMATES ANNOUNCED OR DISCLOSED

Not applicable as there were no profit forecast or estimates that has been announced or disclosed for the financial year 2015.

B5. TAX EXPENSE

	Current Year Qtr 01/04/15- 30/06/15 (RM'000)	Preceding Year Qtr 01/04/14- 30/06/14 (RM'000)	Current Year 01/01/15- 30/06/15 (RM'000)	Preceding Year 01/01/14- 30/06/14 (RM'000)
In respect of current period				
- income tax	1,130	3,450	2,217	5,214
- deferred tax	<u>(35)</u>	<u>(1,669)</u>	<u>(47)</u>	<u>(1,955)</u>
	<u>1,095</u>	<u>1,781</u>	<u>2,170</u>	<u>3,259</u>

The Group's effective tax rate for the 6 months ended 30 June 2015 was marginally below the statutory rate of 24%.

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 June 2015.

B8. MATERIAL LITIGATION

On 4 June 2015, the Company announced that the Company and three of its wholly-owned subsidiaries, namely Ken Property Sdn Bhd, Ken Capital Sdn Bhd and Ken JBCC Sdn Bhd ("Defendants") had on 3 June 2015 been served with an application for interlocutory injunction ("Application") filed by Sazean Holdings Sdn Bhd to prevent the Defendants from taking any form of action including development of a land in Johor owned by Ken JBCC Sdn Bhd (formerly known as Gadini Sdn Bhd) pending the full disposal of the High Court Suit No. 22NCVC-6f4-01/2015. The hearing of the Application was held in July 2015 but the court has adjourned the decision to 2 September 2015. The Company will make the necessary announcement on further development of this matter in due course.

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B9. DIVIDEND

The Board does not recommend any interim dividend for current quarter under review (2014 - Nil).

B10. EARNINGS PER SHARE

	Quarter Ended 30.06.2015	6 months Ended 30.06.2015
	RM'000	RM'000
A Basic Earnings		
Net profit attributable to shareholders	<u>3,947</u>	<u>7,810</u>
Weighted average number of ordinary shares	179,346	179,346
Basic earnings per share (sen)	2.20 *	4.35*
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 Paragraphs 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 30.06.2015 RM'000	Group 31.12.2014 RM'000
Total retained earnings of KHB and its subsidiaries		
- Realised	183,662	174,014
- Unrealised	<u>(4,144)</u>	<u>(4,192)</u>
	179,518	169,822
Less:		
Consolidated adjustments	<u>(61,598)</u>	<u>(54,331)</u>
Total Group retained profits and per consolidated accounts	<u>117,920</u>	<u>115,491</u>

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B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01/04/15- 30/06/15 (RM'000)	Preceding Year Qtr 01/04/14- 30/06/14 (RM'000)	Current Year 01/01/15- 30/06/15 (RM'000)	Preceding Year 01/01/14- 30/06/14 (RM'000)
Profit for the period is arrived at after crediting/(charging):				
Gain on disposal of property, plant and equipment	-	-	10	-
Interest income	34	27	139	41
Other income	911	617	1,845	1,238
Depreciation	(250)	(226)	(485)	(449)

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

By Order of the Board,

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Andrea Huong Jia Mei
Company Secretary
Date: 11 August 2015