

**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 September 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**

No dividend has been paid for the current quarter ended 30 September 2015.

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**A8. SEGMENTAL REPORTING**

Segmental analysis of the results and assets employed for 9 months ended 30 September 2015.

<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	-	43,601	-	43,601
Inter-segment revenue	47,097	-	(47,097)	-
Total revenue	47,097	43,601	(47,097)	43,601
<b>Segment result</b>	4,580	12,782	(155)	17,207
Unallocated income/(expenses)				(211)
Interest income				286
Profit from operations				17,282
Finance cost				(79)
Profit before tax				17,203
Taxation				(4,643)
Net profit for the period				12,560

**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 September 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**

	<b>Quarter Ended 30.09.2015 RM'000</b>	<b>Financial Year Ended 31.12.2014 RM'000</b>
<b>A Contingent Liabilities</b>		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	2,219	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 September 2015 and the corresponding periods in the preceding year is as follows:

	<b>Current Year Qtr 01.07.2015 – 30.09.2015 RM'000</b>	<b>Preceding Year Qtr 01.07.2014 – 30.09.2014 RM'000</b>	<b>Current Year 01.01.2015 – 30.09.2015 RM'000</b>	<b>Preceding Year 01.01.2014 – 30.09.2014 RM'000</b>
Revenue	15,241	28,007	43,601	57,216
Profit before tax	7,224	13,129	17,203	26,986
Profit after tax (before Minority Interest)	4,751	7,477	12,560	18,075
Profit attributable to equity holders of the parent	4,751	7,477	12,560	18,075

**Current year to-date vs previous year to-date**

Pre-tax profit for the current quarter ended 30 September 2015 of RM7.2 million was lower by RM5.9 million as compared to the previous year's corresponding period of RM13.1 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 September 2015 of RM4.8 million was also lower than the previous year's corresponding quarter of RM7.5 million.

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

- 1) Property development operations - the segmental profit reduced by RM24.0 million to RM12.8 million from the preceding year's corresponding period was due to sales mix of higher margin units in the preceding year's corresponding period.
- 2) Construction operations - segmental profit of RM4.6 million was higher due to higher volume of work done in the current year to date as compared to the preceding year's corresponding period profit of RM3.8 million.

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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:

	<b>Current Quarter 01.07.2015 – 30.09.2015 RM'000</b>	<b>Preceding Quarter 01.04.2015 – 30.06.2015 RM'000</b>
Revenue	15,241	14,217
Profit after tax (before Minority Interest)	4,751	3,947
Profit after tax (after Minority Interest)	4,751	3,947

The revenue for the current quarter ended 30 September 2015 at RM15.2 million was marginally higher than the preceding quarter 30 June 2015 of RM14.2 million. Similarly, profit after tax for the current quarter was marginally higher compared to preceding quarter.

## **B3. PROSPECTS FOR 2015**

The Malaysian economy registered a growth of 4.7% in the third quarter of 2015 (Q2 2015: 4.9%), supported by strong domestic demand. Private consumption growth moderated to 4.1% as households continued to adjust to the implementation of Goods and Services Tax (GST).

The property market sentiment is expected to remain challenging following the 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.

The Group has existing unrecognised revenue of RM111 million from its on-going projects as at 30 September 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**

	<b>Current Year Qtr 01.07.2015 – 30.09.2015 RM'000</b>	<b>Preceding Year Qtr 01.07.2014 – 30.09.2014 RM'000</b>	<b>Current Year 01.01.2015 – 30.09.2015 RM'000</b>	<b>Preceding Year 01.01.2014 – 30.09.2014 RM'000</b>
In respect of current period				
- income tax	2,523	7,006	4,740	12,220
- deferred tax	(50)	(1,354)	(97)	(3,309)
	<u>2,473</u>	<u>5,652</u>	<u>4,643</u>	<u>8,911</u>

The Group's effective tax rate for the 9 months ended 30 September 2015 was marginally above the statutory rate of 25% mainly due to 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 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-64-01/2015.

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The Court has allowed the Application whereby only part of the prayers was granted. The outcome of the Injunction is that the Defendants are only prevented from imposing any encumbrances on the land, selling and/or auctioning the land pending full disposal of the High Court Suit No. 22NCVC-64-01/2015. Nevertheless, it does not affect the development progress of the land. Costs in the cause shall be decided at the end of the trial which will be held in February 2016.

The Court has also allowed the Defendants application for securities for costs whereby the Plaintiff is required to deposit into their solicitor's client account the sum of RM50,000 in the form of fixed deposit.

The Company will make the necessary announcement on further development of this matter in due course.

**B9. DIVIDEND**

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

**B10. EARNINGS PER SHARE**

	<b>Quarter Ended 30.09.2015</b>	<b>9 months Ended 30.09.2015</b>
<b>A Basic Earnings</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholders	<u>4,751</u>	<u>12,560</u>
Weighted average number of ordinary shares ('000)	179,345	179,345
Basic earnings per share (sen)	2.65	7.00
<b>B Diluted earnings</b>	N/A	N/A

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



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**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 profits 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:

	<b>Group 30.09.2015 RM'000</b>	<b>Group 31.12.2014 RM'000</b>
Total retained earnings of KHB and its subsidiaries		
- Realised	191,433	174,014
- Unrealised	(4,094)	(4,192)
	<u>187,339</u>	<u>169,822</u>
Less:		
Consolidated adjustments	(64,669)	(54,331)
Total Group retained profits and per consolidated accounts	<u>122,670</u>	<u>115,491</u>

**B12. PROFIT FOR THE PERIOD**

	<b>Current Year Qtr 01.07.2015 - 30.09.2015 RM'000</b>	<b>Preceding Year Qtr 01.07.2014 - 30.09.2014 RM'000</b>	<b>Current Year 01.01.2015 - 30.09.2015 RM'000</b>	<b>Preceding Year 01.01.2014 - 30.09.2014 RM'000</b>
Profit for the period is arrived at after crediting/(charging):				
Gain on disposal of property, plant and equipment	28	-	38	-
Interest income	147	224	286	265
Other income	913	848	2,758	2,086
Depreciation	(154)	(227)	(639)	(676)

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: 23 November 2015