

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 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”) 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 RM1.07 per share totalling RM1,065 for the quarter ended 31 December 2015. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 12,377,400 shares purchased back were held as treasury shares with a total cost of RM5,360,415. 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 2015.

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A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 12 months ended 31 December 2015.

Business Segment	Construction RM'000	Property Development RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	-	70,873	-	70,873
Inter-segment revenue	70,522	-	(70,522)	-
Total revenue	70,522	70,873	(70,522)	70,873
Segment result	8,843	22,858	(796)	30,905
Unallocated income/(expenses)				(350)
Interest income				455
Profit from operations				31,010
Finance cost				(105)
Profit before tax				30,905
Taxation				(8,697)
Net profit for the period				22,208

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The values of property, plant and equipment are based on a valuation carried out during the financial quarter by independent registered professional valuers using the comparison method of valuation to ascertain the fair value.

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 31 December 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 31.12.2015 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	1,824	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 31 December 2015 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01.10.2015 – 31.12.2015 RM'000	Preceding Year Qtr 01.10.2014 – 31.12.2014 RM'000	Current Year 01.01.2015 – 31.12.2015 RM'000	Preceding Year 01.01.2014 – 31.12.2014 RM'000
Revenue	27,272	33,866	70,873	91,082
Profit before tax	13,701	16,985	30,905	43,970
Profit after tax (before Minority Interest)	9,647	13,878	22,208	31,952
Profit attributable to equity holders of the parent	9,647	13,878	22,208	31,952

Current year to-date vs previous year to-date

Pre-tax profit for the current quarter ended 31 December 2015 of RM13.7 million was lower by RM3.3 million as compared to the previous year's corresponding period of RM17.0 million. This was mainly due to sales mix of lower margin units during the current quarter.

After-tax profit for the current quarter ended 31 December 2015 of RM9.6 million was also lower than the previous year's corresponding quarter of RM13.9 million.

Performance for the respective operating business segments for the current year to date as at 31 December 2015 as compared to the previous year's corresponding period is analysed as follows:

- 1) Property development operations - the segmental profit reduced by RM14.7 million to RM22.9 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 RM8.8 million was marginally higher than the preceding year's corresponding period due to higher volume of work done in the current year to date.

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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 01.10.2015 – 30.12.2015 RM'000	Preceding Quarter 01.07.2015 – 30.09.2015 RM'000
Revenue	27,272	15,241
Profit after tax (before Minority Interest)	9,647	4,751
Profit after tax (after Minority Interest)	9,647	4,751

The revenue for the current quarter ended 31 December 2015 at RM27.3 million was higher than the preceding quarter 30 September 2015 of RM15.2 million. Similarly, profit after tax for the current quarter was higher compared to the preceding quarter.

B3. PROSPECTS FOR 2016

The Malaysian economy is expected to remain on a steady growth path, expanding between 4% - 5% in 2016 despite a more challenging external environment, including moderate global growth, declining commodity prices and volatility in financial markets. Against the backdrop of increased uncertainty in the global economy, growth in the Malaysian economy will be driven by domestic demand, with private expenditure as the main anchor, while public expenditure will increase moderately.

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. However, with the unbilled sales from its on-going projects, the Group's performance is expected to remain positive.

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 2016.

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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 01.10.2015 – 31.12.2015 RM'000	Preceding Year Qtr 01.10.2014 – 31.12.2014 RM'000	Current Year 01.01.2015 – 31.12.2015 RM'000	Preceding Year 01.01.2014 – 31.12.2014 RM'000
In respect of current period				
- income tax	4,165	105	8,905	12,325
- deferred tax	(111)	3,002	(208)	(307)
	4,054	3,107	8,697	12,018

The Group's effective tax rate for the 12 months ended 31 December 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 31 December 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 Plaintiff has filed an application to amend the Statement of Claim and therefore the trial dates have been vacated and pending for the Court's further instruction.

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

B9. DIVIDEND

The Board has recommended a first and final single tier dividend comprising 6% (2014: 6% single tier dividend) in respect of the financial year ended 31 December 2015. 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 31.12.2015	12 months Ended 31.12.2015
A Basic Earnings	RM'000	RM'000
Net profit attributable to shareholders	<u>9,647</u>	<u>22,208</u>
Weighted average number of ordinary shares ('000)	179,341	179,342
Basic earnings per share (sen)	5.38	12.38
B Diluted earnings	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 for retained profits of the Group as at the reporting date, into realised and unrealised profits pursuant to the directive, is as follows:

	Group 31.12.2015 RM'000	Group 31.12.2014 RM'000
Total retained earnings of KHB and its subsidiaries		
- Realised	198,795	174,014
- Unrealised	(2,543)	(4,192)
	<u>196,252</u>	<u>169,822</u>
Less:		
Consolidated adjustments	(64,415)	(54,331)
Total Group retained profits and per consolidated accounts	<u>131,837</u>	<u>115,491</u>

B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01.10.2015 - 31.12.2015 RM'000	Preceding Year Qtr 01.10.2014 - 31.12.2014 RM'000	Current Year 01.01.2015 - 31.12.2015 RM'000	Preceding Year 01.01.2014 - 31.12.2014 RM'000
Profit for the period is arrived at after crediting/(charging):				
Gain on disposal of property, plant and equipment	-	5	38	5
Interest income	169	54	455	320
Other income	929	565	3,687	3,432
Depreciation	(222)	(230)	(861)	(906)
Interest expense	(26)	(26)	(105)	(261)

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: 25 February 2016