



KEN HOLDINGS BERHAD (106173-M)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015	Current Year To Date 31.12.2016	Preceding Year Corresponding Period 31.12.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	35,917	30,664	92,816	74,266
Cost of sales	(20,164)	(13,500)	(49,526)	(33,900)
Gross Profit	15,753	17,164	43,290	40,366
Operating expenses	(3,080)	(3,657)	(10,284)	(12,735)
Other operating income	1,012	1,199	3,935	4,281
Profit before tax	13,685	14,706	36,941	31,912
Income tax expense	(2,450)	(3,949)	(9,219)	(8,592)
Profit for the period	11,235	10,757	27,722	23,320
Other comprehensive (loss)/income:				
Surplus on revaluation of property, plant and equipment	-	2,155	-	2,155
Total comprehensive income for the period	11,235	12,912	27,722	25,475
Total comprehensive income attributable to:				
Owners of the Company	11,236	12,912	27,724	25,475
Minority interest	(1)	-	(2)	-
	11,235	12,912	27,722	25,475
Earnings per share (sen) :				
(i) Basic earnings per ordinary share	6.26	6.00	15.46	13.00
(ii) Diluted earnings per ordinary share	-	-	-	-

(The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015)

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	(Unaudited) As at 31.12.2016 RM'000	(Audited) As at 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,837	14,882
Land held for development	104,172	103,876
Investment properties	118,506	93,246
Other investments	26	26
Deferred tax assets	16,672	13,194
	254,213	225,224
Current assets		
Inventories	66,522	56,338
Property development costs	6,680	19,271
Receivables, deposits and prepayments	18,399	14,580
Cash and cash equivalents	17,130	18,343
	108,731	108,532
Total Assets	362,944	333,756
EQUITY AND LIABILITIES		
EQUITY		
Share capital	95,860	95,860
Treasury shares at cost	(5,362)	(5,360)
Reserves	8,367	8,367
Non-controlling interest	43	41
Retained earnings	155,292	132,950
Total equity	254,200	231,858
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	16,308	17,523
	16,308	17,523
Current liabilities		
Payables and accruals	86,518	78,384
Borrowings	2,000	2,000
Taxation	3,918	3,991
	92,436	84,375
Total Liabilities	108,744	101,898
Total equity and liabilities	362,944	333,756
Net assets per share (RM)	1.42	1.29

(The Unaudited Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015)

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

	←----- Attributable to owners of the Company ----->				Distributable	Total	Non-controlling interest	Total equity				
	←----- Non-distributable ----->								Retained earnings	RM'000	RM'000	RM'000
	Share capital	Treasury shares	Revaluation reserve	Translation reserve								
At 1 January 2015	95,860	(5,358)	6,212	-	115,491	212,205	55	212,260				
Net profit for the year	-	-	-	-	23,320	23,320	-	23,320				
Other comprehensive income	-	-	2,155	-	-	2,155	-	2,155				
Total comprehensive income for the year	-	-	2,155	-	23,320	25,475	-	25,475				
Acquisition of equity interest from a non-controlling interest	-	-	-	-	(481)	(481)	(14)	(495)				
Dividend paid to owners of the Company	-	-	-	-	(5,380)	(5,380)	-	(5,380)				
Treasury shares	-	(2)	-	-	-	(2)	-	(2)				
At 31 December 2015	95,860	(5,360)	8,367	-	132,950	231,817	41	231,858				
At 1 January 2016	95,860	(5,360)	8,367	-	132,950	231,817	41	231,858				
Net profit for the period	-	-	-	-	27,722	27,722	-	27,722				
Other comprehensive income	-	-	-	-	-	-	-	-				
Total comprehensive income for the period	-	-	-	-	27,722	27,722	-	27,722				
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	2	2				
Dividend paid to owners of the Company	-	-	-	-	(5,380)	(5,380)	-	(5,380)				
Treasury shares	-	(2)	-	-	-	(2)	-	(2)				
At 31 December 2016	95,860	(5,362)	8,367	-	155,292	254,157	43	254,200				

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015)

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

	Current Period To Date 31.12.2016 RM'000	Preceding Year Corresponding Period 31.12.2015 RM'000
Profit before tax	36,941	31,912
Adjustments for:		
Non-cash items	933	(310)
Non-operating items	(261)	(350)
Operating profit before changes in working capital	<u>37,613</u>	<u>31,252</u>
Changes in working capital		
Net changes in current assets	(1,193)	(13,067)
Net changes in current liabilities	8,140	32,478
Cash generated from operations	<u>44,560</u>	<u>50,663</u>
Interest received	127	239
Tax refund	110	188
Tax paid	(14,609)	(12,475)
Net cash from operating activities	<u>30,188</u>	<u>38,615</u>
Investing Activities		
Property, plant and equipment	(709)	(552)
Improvements in investment properties	(25,446)	(25,889)
Acquisition of subsidiary, net of cash and cash equivalents	-	(495)
Proceeds from disposal of property, plant and equipment	-	40
Interest received	241	216
Net cash used in investing activities	<u>(25,914)</u>	<u>(26,680)</u>
Financing Activities		
Purchase of treasury shares	(2)	(2)
Dividend paid	(5,380)	(5,380)
Interest paid	(105)	(105)
Net cash used in financing activities	<u>(5,487)</u>	<u>(5,487)</u>
Net changes in cash and cash equivalents	(1,213)	6,448
Effect of exchange rate fluctuations on cash held	-	101
Cash and cash equivalents at the beginning of the financial period	<u>18,343</u>	<u>11,794</u>
Cash and cash equivalents at the end of the financial period	<u>17,130</u>	<u>18,343</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year 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”) (“Listing Requirements”) and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2015.

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 2015.

The Group and the Company have adopted the below FRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2016 except for FRS 14, Amendments to FRS 5, Amendments to FRS 11 and Amendments to FRS 138 which are not applicable to the Group and the Company. The adoption of these FRSs, amendments and interpretations do not have any significant impact on the financial statements of the Group and the Company for the current quarter.

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

- FRS 14, Regulatory Deferral Accounts
- 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)*
- 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*
- 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 (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)*

The following are accounting standards, amendments and interpretations that have been issued by the 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 2017

- Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014 – 2016 Cycle)*
- Amendments to FRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

- FRS 9, Financial Instruments (2014)

FRSs, Interpretations and amendments effective for a date yet to be confirmed

- 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*

The Group and the Company's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by MASB and International Financial Reporting Standards.

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 except as mentioned below:

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 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 2015 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 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 RM0.88 per share totalling RM924 for the quarter ended 31 December 2016. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 12,379,400 shares purchased back were held as treasury shares with a total cost of RM5,362,373. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

A7. DIVIDENDS PAID

No dividend has been paid for the current quarter ended 31 December 2016.

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 12 months ended 31 December 2016.

Business Segment	Construction RM'000	Property Development RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	-	92,816	-	92,816
Inter-segment revenue	95,718	-	(95,718)	-
Total revenue	95,718	92,816	(95,718)	92,816
Segment result	13,460	23,470	11	36,941
Unallocated income/(expenses)				(297)
Interest income				402
Profit from operations				37,046
Finance cost				(105)
Profit before tax				36,941
Taxation				(9,219)
Net profit for the period				27,722

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 2015.

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 2016 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 31.12.2016 RM'000	Financial Year Ended 31.12.2015 RM'000
A Contingent Liabilities		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	790	2,075

B. ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF THE LISTING REQUIREMENTS
B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 31 December 2016 and the corresponding periods in the preceding year is as follows:

	Current Year Quarter 01.10.2016 – 31.12.2016 RM'000	Preceding Year Quarter 01.10.2015 – 31.12.2015 RM'000	Current Year 01.01.2016 – 31.12.2016 RM'000	Preceding Year 01.01.2015 – 31.12.2015 RM'000
Revenue	35,917	30,664	92,816	74,266
Profit before tax	13,685	14,706	36,941	31,912
Profit after tax (before Minority Interest)	11,235	10,757	27,722	23,320
Profit attributable to equity holders of the parent	11,235	10,757	27,722	23,320

Current year to-date vs previous year to-date

Profit before tax for the current quarter ended 31 December 2016 of RM13.7 million was marginally lower as compared to the previous year's corresponding period of RM14.7 million.

Profit after tax for the current quarter ended 31 December 2016 of RM11.2 million was higher than the previous year's corresponding quarter of RM10.8 million due to lower overhead cost during the current quarter.

Performance for the respective operating business segments for the current year to date as at 31 December 2016 as compared to the previous year's corresponding period is analysed as follows:

- 1) Property development operations – Revenue increased by RM21.9 million to RM92.8 million due to new sales recorded and higher progressive billings during the current year. Correspondingly, segmental profit also increased from RM22.8 million to RM23.5 million during the current year.
- 2) Construction operations – Revenue increased by RM25.2 million to RM95.7 million due to higher volume of work done in the current year to date. As a result, segmental profit of RM13.5 million was higher by RM4.7 million than the preceding year's corresponding period.

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 01.10.2016 – 31.12.2016 RM'000	Preceding Quarter 01.07.2016 – 30.09.2016 RM'000
Revenue	35,917	23,835
Profit after tax (before Minority Interest)	11,236	8,515
Profit after tax (after Minority Interest)	11,235	8,515

The revenue for the current quarter ended 31 December 2016 at RM35.9 million was higher than the preceding quarter ended 30 September 2016 of RM23.8 million. Similarly, profit after tax for the current quarter was higher compared to the preceding quarter.

B3. PROSPECTS FOR 2017

The property market sentiment is expected to remain challenging following the weakening of the ringgit and the general economic uncertainties coupled with stringent bank lending guidelines. However, with the unbilled sales from its on-going KEN Rimba Condominium 1 project and continuous demand for affordable housing, the Group's performance is expected to remain positive. The Group's corporate headquarters, which was recently completed in December 2016, will also contribute long-term recurring income to the Group. Barring any unforeseen circumstances, the Board of Directors is of the view that the Group will achieve favourable results for the financial year ending 31 December 2017.

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 2016.

B5. TAX EXPENSE

	Current Year Quarter 01.10.2016 – 31.12.2016 RM'000	Preceding Year Quarter 01.10.2015 – 31.12.2015 RM'000	Current Year 01.01.2016 – 31.12.2016 RM'000	Preceding Year 01.01.2015 – 31.12.2015 RM'000
In respect of current period				
- income tax	6,380	7,367	13,912	12,107
- deferred tax	(3,930)	(3,418)	(4,693)	(3,515)
	<u>2,450</u>	<u>3,949</u>	<u>9,219</u>	<u>8,592</u>

The Group's effective tax rate for the 12 months ended 31 December 2016 was higher than the statutory rate of 24% mainly due to certain expenses which are not deductible for tax purposes and under provision of income tax for the preceding year taken up during the year.

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 2016.

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.

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.

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 Defendant has appealed to the Court of Appeal against the High Court’s decision for allowing part of the Application and the Court of Appeal has dismissed the Application. The Plaintiff filed a motion for Leave to Appeal to Federal Court and is still in the case management stage. Hearing date for the Motion is yet to be fixed pending the Grounds of Judgment from the Court of Appeal.

The Plaintiff has filed an application to amend their Statement of Claim (“Amendment Application”) and the Court has allowed the Plaintiff’s Amendment Application. The Defendant has filed their amended Defence and Counterclaim and the Court has fixed the trial dates in August 2016.

Subsequently, the matter has been fixed for case management on 8 November 2016 and the trial dates have been postponed to 23, 24, 25 and 28 November 2016.

During the case management held on 8 November 2016, the Court has postponed the trial dates in November 2016 to 5, 8 and 9 May 2017 and the matter is fixed for further case management on 13 December 2016 for the final compliance of all the cause papers.

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 5% (2015: 6% single tier dividend) in respect of the financial year ended 31 December 2016. 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 31.12.2016 RM'000	12 months ended 31.12.2016 RM'000
A Basic Earnings		
Net profit attributable to shareholders	11,235	27,722
Weighted average number of ordinary shares ('000)	179,341	179,343
Basic earnings per share (sen)	6.26	15.46
B Diluted earnings	-	-

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

B11. REALISED AND UNREALISED PROFITS

In compliance with Bursa Malaysia directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the 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 31.12.2016 RM'000	Group 31.12.2015 RM'000
Total retained earnings of KHB and its subsidiaries		
- Realised	237,062	198,989
- Unrealised	(2,455)	(2,558)
	234,607	196,431
Less:		
Consolidated adjustments	(79,315)	(63,481)
Total Group retained profits and per consolidated accounts	155,292	132,950

**B12. PROFIT FOR THE PERIOD**

	Current Year Quarter 01.10.2016 - 31.12.2016 RM'000	Preceding Year Quarter 01.10.2015 - 31.12.2015 RM'000	Current Year 01.01.2016 - 31.12.2016 RM'000	Preceding Year 01.01.2015 - 31.12.2015 RM'000
Profit for the period is arrived at after crediting/(charging):				
Gain on disposal of property, plant and equipment	-	-	-	38
Interest income	63	169	402	455
Other income	948	929	3,533	3,687
Depreciation	(239)	(222)	(931)	(861)
Interest expense	(25)	(26)	(105)	(105)

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,

.....
Andrea Huong Jia Mei
Company Secretary
Date: 22 February 2017