



KEN HOLDINGS BERHAD (106173-M)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2017	Preceding Year Corresponding Quarter 30.06.2016	Current Year To Date 30.06.2017	Preceding Year Corresponding Period 30.06.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	27,384	16,630	41,023	33,063
Cost of sales	(8,617)	(8,919)	(14,395)	(18,544)
Gross Profit	18,767	7,711	26,628	14,519
Operating expenses	(1,988)	(2,992)	(3,731)	(5,552)
Other operating income	1,009	925	2,300	1,944
Profit before tax	17,788	5,644	25,197	10,911
Income tax expense	(4,245)	(1,486)	(6,003)	(2,934)
Profit for the period / Total comprehensive income for the period	13,543	4,158	19,194	7,977
Total comprehensive income attributable to:				
Owners of the Company	13,543	4,158	19,194	7,977
	13,543	4,158	19,194	7,977
Earnings per share (sen) :				
(i) Basic earnings per ordinary share	7.55	2.32	10.70	4.45
(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 2016)

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	(Unaudited) As at 30.06.2017 RM'000	(Audited) As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,879	14,837
Land held for development	104,260	104,172
Investment properties	123,847	118,506
Other investments	26	26
Deferred tax assets	13,486	16,672
	256,498	254,213
Current assets		
Inventories	65,373	66,522
Property development costs	3,110	6,680
Receivables, deposits and prepayments	26,463	12,709
Cash and cash equivalents	4,800	17,130
	99,746	103,041
Total Assets	356,244	357,254
EQUITY AND LIABILITIES		
EQUITY		
Share capital	95,860	95,860
Treasury shares at cost	(5,364)	(5,362)
Reserves	8,367	8,367
Non-controlling interest	44	44
Retained earnings	174,487	155,293
Total equity	273,394	254,202
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	16,276	16,308
	16,276	16,308
Current liabilities		
Payables and accruals	62,547	80,826
Borrowings	2,000	2,000
Taxation	2,027	3,918
	66,574	86,744
Total Liabilities	82,850	103,052
Total equity and liabilities	356,244	357,254
Net assets per share (RM)	1.52	1.42

(The Unaudited Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	<----- Attributable to owners of the Company ----->						Total equity RM'000
	<----- Non-distributable ----->			Distributable		Non-controlling interest RM'000	
	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000		
At 1 January 2016	95,860	(5,360)	8,367	132,950	231,817	41	231,858
Net profit for the year	-	-	-	27,723	27,723	3	27,726
Dividend paid to owners of the Company	-	-	-	(5,380)	(5,380)	-	(5,380)
Treasury shares	-	(2)	-	-	(2)	-	(2)
At 31 December 2016	<u>95,860</u>	<u>(5,362)</u>	<u>8,367</u>	<u>155,293</u>	<u>254,158</u>	<u>44</u>	<u>254,202</u>
At 1 January 2017	95,860	(5,362)	8,367	155,293	254,158	44	254,202
Net profit for the period	-	-	-	19,194	19,194	-	19,194
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	19,194	19,194	-	19,194
Treasury shares	-	(2)	-	-	(2)	-	(2)
At 30 June 2017	<u>95,860</u>	<u>(5,364)</u>	<u>8,367</u>	<u>174,487</u>	<u>273,350</u>	<u>44</u>	<u>273,394</u>

(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 2016)

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

	Current Period To Date 30.06.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Profit before tax	25,197	36,945
Adjustments for:		
Non-cash items	392	916
Non-operating items	(234)	(297)
Operating profit before changes in working capital	25,355	37,564
Changes in working capital		
Net changes in current assets	(8,919)	4,497
Net changes in current liabilities	(18,279)	2,450
Cash (used in)/generated from operations	(1,843)	44,511
Interest received	208	128
Tax refunded	33	110
Tax paid	(4,977)	(14,610)
Net cash (used in)/ from operating activities	(6,579)	30,139
Investing Activities		
Additions to property, plant and equipment	(341)	(708)
Additions to investment properties	(5,434)	(25,446)
Interest from fixed deposits	76	274
Net cash used in investing activities	(5,699)	(25,880)
Financing Activities		
Repurchase of treasury shares	(2)	(2)
Dividend paid	-	(5,380)
Interest paid	(50)	(105)
Net cash used in financing activities	(52)	(5,487)
Net changes in cash and cash equivalents	(12,330)	(1,228)
Effect of exchange rate fluctuations on cash held	-	15
Cash and cash equivalents at the beginning of the financial period	17,130	18,343
Cash and cash equivalents at the end of the financial period	4,800	17,130

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

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 (“Listing Requirements”) and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2016.

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 2016.

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 2018

- *FRS 9, Financial Instruments (2014)*
- *IC Interpretation 22, Foreign Currency Transactions and Advance Consideration*
- *Amendments to FRS 1, First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- *Amendments to FRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- *Amendments to FRS 4, Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- *Amendments to FRS 128, Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- *Amendments to FRS 140, Investment Property – Transfers of Investment Property*

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.

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 are currently exempted from adopting the MFRSs and are 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 2016 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 2,000 of its own shares at an average price of RM0.93 per share totalling RM1,904.99 for the quarter ended 30 June 2017. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 12,381,400 shares purchased back were held as treasury shares with a total cost of RM5,364,278. 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 30 June 2017.

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 6 months ended 30 June 2017.

Business Segment	Property		Eliminations RM'000	Consolidated RM'000
	Construction RM'000	Development RM'000		
Revenue from external customers	-	41,023	-	41,023
Inter-segment revenue	16,897	-	(16,897)	-
Total revenue	16,897	41,023	(16,897)	41,023
Segment result	1,732	22,083	1,382	25,197
Unallocated income/(expenses)				(272)
Interest income				322
Profit from operations				25,247
Finance cost				(50)
Profit before tax				25,197
Taxation				(6,003)
Net profit for the period				19,194

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 2016.

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 2017 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 30.06.2017 RM'000	Financial Year Ended 31.12.2016 RM'000
A Contingent Liabilities		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	633	790

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 30 June 2017 and the corresponding periods in the preceding year is as follows:

	Current Year Quarter 01.04.2017 – 30.06.2017 RM'000	Preceding Year Quarter 01.04.2016 – 30.06.2016 RM'000	Current Year 01.01.2017 – 30.06.2017 RM'000	Preceding Year 01.01.2016 – 30.06.2016 RM'000
Revenue	27,384	16,630	41,023	33,063
Profit before tax	17,788	5,644	25,197	10,911
Profit after tax (before Non-controlling interest)	13,543	4,158	19,194	7,977
Profit attributable to equity holders of the parent	13,543	4,158	19,194	7,977

Current year to-date vs previous year to-date

Profit before tax for the current quarter ended 30 June 2017 of RM25.2 million was higher as compared to the previous year's corresponding period of RM10.9 million mainly due to the sales mix of higher margin units and lower overhead cost during the current quarter.

Correspondingly, profit after tax for the current quarter ended 30 June 2017 of RM19.2 million was higher than the previous year's corresponding quarter of RM8.0 million.

Performance for the respective operating business segments for the current year to date as at 30 June 2017 as compared to the previous year's corresponding period is analysed as follows:

- 1) Property development operations – Revenue increased by RM8.0 million to RM41.0 million due to higher progressive billings during the current quarter. Segmental profit increased by RM15.0 million to RM22.1 million was mainly due to the sales mix of higher margin units during the current quarter.
- 2) Construction operations – Revenue decreased by RM17.4 million to RM16.9 million due to lower volume of work done in the current quarter to date as the Group's corporate office tower has been completed in December 2016. As a result, segmental profit decreased by RM1.8 million during the current quarter.

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 01.04.2017 – 30.06.2017 RM'000	Preceding Quarter 01.01.2017 – 31.03.2017 RM'000
Revenue	27,384	13,639
Profit after tax (before Non-controlling Interest)	13,543	5,651
Profit after tax (after Non-controlling Interest)	13,543	5,651

The revenue for the current quarter ended 30 June 2017 at RM27.4 million was higher than the preceding quarter ended 31 January 2017 of RM13.6 million. Correspondingly, 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, the Group's performance is expected to remain positive following the contribution of unbilled sales from its on-going KEN Rimba Condominium 1 project and continuous demand for affordable housing developments. The Group's corporate office tower currently has an occupancy rate of approximately 35% and the Group will continue undertaking strategic efforts to strengthen 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 2017.

B5. TAX EXPENSE

	Current Year Quarter 01.04.2017 – 30.06.2017 RM'000	Preceding Year Quarter 01.04.2016 – 30.06.2016 RM'000	Current Year 01.01.2017 – 30.06.2017 RM'000	Preceding Year 01.01.2016 – 30.06.2016 RM'000
In respect of current period				
- income tax	1,462	1,517	2,850	3,044
- deferred tax	2,783	(31)	3,153	(110)
	4,245	1,486	6,003	2,934

The Group's effective tax rate for the 6 months ended 30 June 2017 was equivalent to 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 2017.

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 Plaintiff had subsequently requested for adjournment of the trial dates and was granted by the Court. During the case management held on 5 May 2017, the Court has fixed the new trial dates on 2 August 2017, 3 August 2017, 7 August 2017, 9 August 2017, 20 November 2017, 21 November 2017, 22 November 2017 and 23 November 2017.

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 (2016 - Nil).

B10. EARNINGS PER SHARE

	Quarter Ended 30.06.2017 RM'000	6 months ended 30.06.2017 RM'000
A Basic Earnings		
Net profit attributable to shareholders	13,543	19,194
Weighted average number of ordinary shares ('000)	179,339	179,339
Basic earnings per share (sen)	7.55	10.70
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 30.06.2017 RM'000	Group 31.12.2016 RM'000
Total retained earnings of KHB and its subsidiaries		
- Realised	246,337	237,064
- Unrealised	(2,423)	(2,455)
	243,914	234,609
Less:		
Consolidated adjustments	(69,427)	(79,316)
Total Group retained profits and per consolidated accounts	174,487	155,293

B12. PROFIT FOR THE PERIOD

	Current Year Quarter 01.04.2017 - 30.06.2017 RM'000	Preceding Year Quarter 01.04.2016 - 30.06.2016 RM'000	Current Year 01.01.2017 - 30.06.2017 RM'000	Preceding Year 01.01.2016 - 30.06.2016 RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	91	76	322	190
Other income	917	850	1,977	1,754
Depreciation	(200)	(256)	(392)	(459)
Interest expense	(25)	(28)	(50)	(25)

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: 21 August 2017