



KEN HOLDINGS BERHAD (106173-M)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016	Current Year To Date 31.12.2017	Preceding Year Corresponding Period 31.12.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	39,067	35,917	104,562	92,816
Cost of sales	(13,931)	(20,164)	(36,098)	(49,526)
Gross Profit	25,136	15,753	68,464	43,290
Operating expenses	(3,117)	(3,080)	(9,719)	(10,280)
Other operating income	934	1,012	4,121	3,935
Profit before tax	22,953	13,685	62,866	36,945
Income tax expense	(5,651)	(2,450)	(14,914)	(9,219)
Profit for the period / Total comprehensive income for the period	17,302	11,235	47,952	27,726
Total comprehensive income attributable to:				
Owners of the Company	17,302	11,236	47,952	27,723
Minority interest	-	(1)	-	3
	17,302	11,235	47,952	27,726
Earnings per share (sen) :				
(i) Basic earnings per ordinary share	9.65	6.26	26.74	15.46
(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 31 DECEMBER 2017

	(Unaudited) As at 31.12.2017 RM'000	(Audited) As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,689	14,837
Land held for development	104,539	104,172
Investment properties	126,785	118,506
Other investments	26	26
Deferred tax assets	16,322	16,672
	262,361	254,213
Current assets		
Inventories	65,447	66,522
Property development costs	8,084	6,680
Receivables, deposits and prepayments	19,056	12,709
Cash and cash equivalents	2,766	17,130
	95,353	103,041
Total Assets	357,714	357,254
EQUITY AND LIABILITIES		
EQUITY		
Share capital	95,860	95,860
Treasury shares at cost	(5,365)	(5,362)
Reserves	8,367	8,367
Non-controlling interest	44	44
Retained earnings	198,762	155,293
Total equity	297,668	254,202
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	16,191	16,308
	16,191	16,308
Current liabilities		
Payables and accruals	32,885	80,826
Borrowings	5,500	2,000
Taxation	5,470	3,918
	43,855	86,744
Total Liabilities	60,046	103,052
Total equity and liabilities	357,714	357,254
Net assets per share (RM)	1.66	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)

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	<----- Attributable to owners of the Company ----->						
	<----- Non-distributable ----->				Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	
At 1 January 2016	95,860	(5,360)	8,367	132,950	231,817	41	
Total comprehensive income 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	95,860	(5,362)	8,367	155,293	254,158	44	254,202
At 1 January 2017	95,860	(5,362)	8,367	155,293	254,158	44	254,202
Net profit for the period	-	-	-	47,952	47,952	-	47,952
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	47,952	47,952	-	47,952
Dividend paid to owners of the Company	-	-	-	(4,483)	(4,483)	-	(4,483)
Treasury shares	-	(3)	-	-	(3)	-	(3)
At 31 December 2017	95,860	(5,365)	8,367	198,762	297,624	44	297,668

(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 31 DECEMBER 2017

	Current Period To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Profit before tax	62,866	36,945
Adjustments for:		
Non-cash items	2,519	916
Non-operating items	(282)	(297)
Operating profit before changes in working capital	<u>65,103</u>	<u>37,564</u>
Changes in working capital		
Net changes in current assets	(6,242)	4,497
Net changes in current liabilities	(48,139)	2,450
Cash generated from operations	<u>10,722</u>	<u>44,511</u>
Interest received	308	128
Tax refunded	38	110
Tax paid	(13,771)	(14,610)
Net cash (used in)/ from operating activities	<u>(2,703)</u>	<u>30,139</u>
Investing Activities		
Additions to property, plant and equipment	(477)	(708)
Additions to investment properties	(10,137)	(25,446)
Proceeds from disposal of property, plant and equipment	1	-
Interest from fixed deposits	91	274
Net cash used in investing activities	<u>(10,522)</u>	<u>(25,880)</u>
Financing Activities		
Repurchase of treasury shares	(3)	(2)
Drawdown of borrowings	3,500	-
Dividend paid	(4,483)	(5,380)
Interest paid	(117)	(105)
Net cash used in financing activities	<u>(1,103)</u>	<u>(5,487)</u>
Net changes in cash and cash equivalents	(14,328)	(1,228)
Effect of exchange rate fluctuations on cash held	(36)	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	<u><u>2,766</u></u>	<u><u>17,130</u></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 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 1,000 of its own shares at an average price of RM0.93 per share totalling RM973.70 for the quarter ended 31 December 2017. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 12,382,400 shares purchased back were held as treasury shares with a total cost of RM5,365,252. 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 2017.

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 12 months ended 31 December 2017.

Business Segment	Construction RM'000	Property Development RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	-	104,562	-	104,562
Inter-segment revenue	57,408	-	(57,408)	-
Total revenue	57,408	104,562	(57,408)	104,562
Segment result	25,723	36,872	271	62,866
Unallocated income/(expenses)				(283)
Interest income				399
Profit from operations				62,982
Finance cost				(116)
Profit before tax				62,866
Taxation				(14,914)
Net profit for the period				47,952

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 31 December 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 31.12.2017 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	331	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 31 December 2017 and the corresponding periods in the preceding year is as follows:

	Current Year Quarter 01.10.2017 – 31.12.2017 RM'000	Preceding Year Quarter 01.10.2016 – 31.12.2016 RM'000	Current Year 01.01.2017 – 31.12.2017 RM'000	Preceding Year 01.01.2016 – 31.12.2016 RM'000
Revenue	39,067	35,917	104,562	92,816
Profit before tax	22,953	13,685	62,866	36,945
Profit after tax (before Non-controlling interest)	17,302	11,235	47,952	27,726
Profit attributable to equity holders of the parent	17,302	11,236	47,952	27,723

Current year to-date vs previous year to-date

Profit before tax for the current quarter ended 31 December 2017 of RM23.0 million was higher as compared to the previous year's corresponding period of RM13.7 million mainly due to higher volume of work done during the current quarter.

Correspondingly, profit after tax for the current quarter ended 31 December 2017 of RM17.3 million was higher than the previous year's corresponding quarter of RM11.2 million.

Performance for the respective operating business segments for the current year to date as at 31 December 2017 as compared to the previous year's corresponding period is analysed as follows:

- 1) Property development operations – Revenue increased by RM11.7 million to RM104.6 million due to higher progressive billings and further sales recorded from Ken Rimba Condominium 1 project during the current quarter. Correspondingly, segmental profit increased by RM13.4 million to RM36.9 million during the current quarter.
- 2) Construction operations – Revenue decreased by RM38.3 million to RM57.4 million mainly due to the completion of the Group's corporate office tower, Menara KEN TTDI, in December 2016. However, segmental profit increased by RM12.3 million due to lower cost incurred 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 01.10.2017 – 31.12.2017 RM'000	Preceding Quarter 01.07.2017 – 30.09.2017 RM'000
Revenue	39,067	24,472
Profit after tax (before Non-controlling Interest)	17,302	11,458
Profit after tax (after Non-controlling Interest)	17,302	11,458

The revenue for the current quarter ended 31 December 2017 at RM39.1 million was higher than the preceding quarter ended 30 September 2017 of RM24.5 million. Correspondingly, profit after tax for the current quarter was also higher as compared to the preceding quarter.

B3. PROSPECTS FOR 2018

The Malaysian property market is expected to remain challenging in 2018 with concerns on oversupply of properties, a tight lending environment, hike in interest rates and the general economic uncertainties all contributing to create a cautious outlook. However, the Group is expected to see positive performance from its project, KEN Rimba Condominium 1 (KRC1) in Shah Alam, which is scheduled to be completed by Q1 2018 and continuous demand for affordable housing developments. The Group will also continue to undertake strategic efforts to focus on strengthening its long-term recurring income. 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 2018.

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 01.10.2017 – 31.12.2017 RM'000	Preceding Year Quarter 01.10.2016 – 31.12.2016 RM'000	Current Year 01.01.2017 – 31.12.2017 RM'000	Preceding Year 01.01.2016 – 31.12.2016 RM'000
In respect of current period				
- income tax	1,950	6,380	14,681	13,912
- deferred tax	3,701	(3,930)	233	(4,693)
	5,651	2,450	14,914	9,219

The Group's effective tax rate for the 12 months ended 31 December 2017 was approximately 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 RM5.5 million at the end of the current quarter to 31 December 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. During the hearing held on 21 November 2017, the trial dates 22 November 2017 and 23 November 2017 have been vacated and the Court has fixed the new trial date on 15 December 2017

The trial for the matter commenced on 15 December 2017 and will continue on 24 January 2018, 28 February 2018, 26 March 2018, 27 March 2018, 28 March 2018, 29 March 2018, 30 March 2018, 17 April 2018, 20 April 2018, 2 May 2018, 3 May 2018 and 4 May 2018. Subsequently, the hearing on 24 January 2018 has been vacated and the Court has fixed the new trial date on 14 February 2018. All other trial dates remain unchanged.

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 of 2.5 sen per ordinary share (2016: 2.5 sen per ordinary share) in respect of the financial year ended 31 December 2017. 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 31.12.2017 RM'000	12 months ended 31.12.2017 RM'000
A Basic Earnings		
Net profit attributable to shareholders	17,302	47,952
Weighted average number of ordinary shares ('000)	179,338	179,338
Basic earnings per share (sen)	9.65	26.74
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 31.12.2017 RM'000	Group 31.12.2016 RM'000
Total retained earnings of KHB and its subsidiaries		
- Realised	280,269	237,064
- Unrealised	(1,933)	(2,455)
	<u>278,336</u>	<u>234,609</u>
Less:		
Consolidated adjustments	(79,574)	(79,316)
Total Group retained profits and per consolidated accounts	<u>198,762</u>	<u>155,293</u>

B12. PROFIT FOR THE PERIOD

	Current Year Quarter 01.10.2017 - 31.12.2017 RM'000	Preceding Year Quarter 01.10.2016 - 31.12.2016 RM'000	Current Year 01.01.2017- 31.12.2017 RM'000	Preceding Year 01.01.2016 - 31.12.2016 RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	31	63	399	402
Other income	903	948	3,722	3,533
Depreciation	(633)	(239)	(2,483)	(931)
Interest expense	(41)	(25)	(116)	(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,

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 Andrea Huong Jia Mei
 Company Secretary
 Date: 26 February 2018