

A. EXPLANATORY NOTES PURSUANT TO THE INTERIM FINANCIAL REPORT – IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRSs”)

A1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with the requirement of MFRS 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 2017.

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 2017.

The Group and the Company’s financial statements for reporting period ended 30 June 2018 are prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”) issued by MASB and International Financial Reporting Standards. The date of transition to the MFRSs Framework was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs in Malaysia to MFRSs are disclosed as follows:

Statement of financial position as at 31 December 2017

	<i>Previously reported under FRSs RM’000</i>	<i>Restated under MFRSs RM’000</i>
Non-current assets		
Inventories	-	104,539
Land held for property development	104,539	-
Current assets		
Contract assets	-	12,422
Inventories	65,447	73,531
Trade and other receivables	17,819	6,635
Property development costs	8,084	-
Current liabilities		
Contract liabilities	-	198
Amount due to contract customers	198	-

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:

	Effective dates for financial periods beginning on or after
• Amendments to MFRS 3, MFRS 11, MFRS 112, MFRS 119 and MFRS 123 (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
• Amendments to MFRS 9, Prepayment Features with Negative Compensation	1 January 2019
• MFRS 16, Leases	1 January 2019
• Amendments to MFRS 128, Long Term Interest in Associates and Joint Ventures	1 January 2019
• Amendments to MFRS 2, Share-based Payment	1 January 2020
• Amendments to MFRS 3, Business Combinations	1 January 2020
• Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
• Amendment to MFRS 14, Regulatory Deferral Accounts	1 January 2020
• Amendments to MFRS 101, Presentation of Financial Statements	1 January 2020
• Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
• Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
• Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
• Amendment to MFRS 138 Intangible Assets	1 January 2020
• MFRS 17, Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A2. AUDITORS' REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2017 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 RM0.80 per share totalling RM843.65 for the quarter ended 30 June 2018. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 12,383,400 shares purchased back were held as treasury shares with a total cost of RM5,366,095. 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 2018.

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 6 months ended 30 June 2018.

Business Segment	Property		Eliminations	Consolidated
	Construction	Development		
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	199	54,915	-	55,114
Inter-segment revenue	14,037	-	(14,037)	-
Total revenue	14,236	54,915	(14,037)	55,114
Segment result	4,588	29,740	-	34,328
Unallocated income				2,016
Interest income				157
Profit from operations				36,501
Finance cost				(88)
Profit before tax				36,413
Taxation				(8,673)
Net profit for the period				27,740

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 2017.

A10. SUBSEQUENT MATERIAL EVENTS

There were no material events subsequent to the end of the reporting quarter 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 2018 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 30.06.2018 RM'000	Financial Year Ended 31.12.2017 RM'000
A Contingent Liabilities		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	226	332

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 2018 and the corresponding periods in the preceding year is as follows:

	Current Year Quarter 01.04.2018 – 30.06.2018 RM'000	Preceding Year Quarter 01.04.2017 – 30.06.2017 RM'000	Current Year 01.01.2018 – 30.06.2018 RM'000	Preceding Year 01.01.2017 – 30.06.2017 RM'000
Revenue	51,082	27,384	58,838	41,023
Profit before tax	33,352	17,788	36,413	25,197
Profit after tax (before Non-controlling interest)	25,553	13,543	27,740	19,194
Profit attributable to equity holders of the parent	25,552	13,543	27,739	19,194

Current year to-date vs previous year to-date

Profit before tax for the current quarter ended 30 June 2018 of RM33.4 million was higher as compared to the previous year's corresponding period of RM17.8 million mainly due to completion of Ken Rimba Condominium 1 project ahead schedule and fully handed over.

Correspondingly, profit after tax for the current quarter ended 30 June 2018 of RM25.6 million was higher than the previous year's corresponding quarter of RM13.5 million.

Performance for the respective operating business segments for the current year to date as at 30 June 2018 as compared to the previous year's corresponding period is analysed as follows:

- 1) Property development operations – Segmental revenue increased by RM13.9 million to RM54.9 million due to the completion of Ken Rimba Condominium 1 project. Correspondingly, segmental profit increased by RM7.7 million to RM29.7 million during the current quarter.
- 2) Construction operations – Segmental revenue decreased by RM2.7 million to RM14.2 million due to lower value of work done as compared to previous year's corresponding period. Segmental profit increased by RM2.9 million to RM4.6 million due to lower value of construction costs and overheads incurred.

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 01.04.2018 – 30.06.2018 RM'000	Preceding Quarter 01.01.2018 – 31.03.2018 RM'000
Revenue	51,082	7,756
Profit after tax (before Non-controlling Interest)	25,553	2,187
Profit after tax (after Non-controlling Interest)	25,552	2,187

The revenue for the current quarter ended 30 June 2018 at RM51.1 million was higher than the preceding quarter ended 31 March 2018 of RM43.3 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. The Group's performance is expected to remain positive following the Group's continuous strategy effort to focus on strengthening its long-term recurring income as well as monetisation of the remaining inventories of 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 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 2018.

B5. TAX EXPENSE

	Current Year Quarter 01.04.2018 – 30.06.2018 RM'000	Preceding Year Quarter 01.04.2017 – 30.06.2017 RM'000	Current Year 01.01.2018 – 30.06.2018 RM'000	Preceding Year 01.01.2017 – 30.06.2017 RM'000
In respect of current period				
- income tax	2,290	1,462	2,680	2,850
- deferred tax	5,509	2,783	5,993	3,153
	7,799	4,245	8,673	6,003

The Group's effective tax rate for the 6 months ended 30 June 2018 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 ended 30 June 2018.

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 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 in relation to the Application where the Federal Court has decided the said matter in the Defendant’s favour with cost.

The trial for High Court Suit No. 22NCVC-64-01/2015 commenced on 15 December 2017 is currently still ongoing.

B9. DIVIDEND

The Board does not recommend any interim dividend for the current quarter under review.

B10. EARNINGS PER SHARE

	Quarter Ended 30.06.2018 RM'000	6 months ended 30.06.2018 RM'000
A Basic Earnings		
Net profit attributable to shareholders	25,552	27,739
Weighted average number of ordinary shares ('000)	179,337	179,337
Basic earnings per share (sen)	14.25	15.47
B Diluted earnings	-	-

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

B11. PROFIT FOR THE PERIOD

	Current Year Quarter 01.04.2018 - 30.06.2018 RM'000	Preceding Year Quarter 01.04.2017 - 30.06.2017 RM'000	Current Year 01.01.2018 - 30.06.2018 RM'000	Preceding Year 01.01.2017 - 30.06.2017 RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	58	91	157	322
Other income	851	917	1,668	1,977
Depreciation	(645)	(200)	(1,279)	(392)
Interest expense	(26)	(25)	(88)	(50)

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: 29 August 2018