



KEN HOLDINGS BERHAD (106173-M)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2018	Preceding Year Corresponding Quarter 31.12.2017	Current Year To Date 31.12.2018	Preceding Year Corresponding Period 31.12.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	2,811	39,067	64,282	104,208
Cost of sales	(369)	(13,931)	(18,831)	(35,502)
Gross Profit	2,442	25,136	45,451	68,706
Operating expenses	(5,007)	(3,117)	(13,753)	(10,314)
Other operating income	1,192	934	4,219	4,475
(Loss)/Profit before tax	(1,373)	22,953	35,917	62,867
Income tax expense	(1,289)	(5,651)	(11,856)	(12,467)
(Loss)/Profit for the period / Total comprehensive (loss)/income for the period	(2,662)	17,302	24,061	50,400
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(2,662)	17,302	24,063	50,399
Non-controlling interest	-	-	(2)	1
	(2,662)	17,302	24,061	50,400
(Loss)/Earnings per share (sen) :				
(i) Basic (loss)/earnings per ordinary share	(1.48)	9.65	13.42	28.10
(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 2017)

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	(Unaudited)	(Audited)
	As at	As at
	31.12.2018	31.12.2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,394	14,689
Inventories	104,881	104,539
Investment properties	132,478	126,786
Other investments	26	26
Deferred tax assets	11,229	16,322
	264,008	262,362
Current assets		
Contract assets	-	12,422
Inventories	88,284	73,531
Receivables, deposits and prepayments	12,867	6,635
Cash and cash equivalents	16,710	2,766
	117,861	95,354
Total Assets	381,869	357,716
EQUITY AND LIABILITIES		
EQUITY		
Share capital	95,860	95,860
Treasury shares at cost	(5,366)	(5,365)
Reserves	8,367	8,367
Non-controlling interest	47	45
Retained earnings	220,788	201,208
Total equity	319,696	300,115
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	16,100	16,191
	16,100	16,191
Current liabilities		
Contract liabilities	-	198
Payables and accruals	43,610	32,688
Borrowings	2,000	5,500
Taxation	463	3,024
	46,073	41,410
Total Liabilities	62,173	57,601
Total equity and liabilities	381,869	357,716
Net assets per share (RM)	1.78	1.67

(The Unaudited Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

	<----- 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 2017	95,860	(5,362)	8,367	155,293	254,158	44	254,202
Total comprehensive income for the year	-	-	-	50,399	50,399	1	50,400
Dividend paid to owners of the Company	-	-	-	(4,484)	(4,484)	-	(4,484)
Treasury shares	-	(3)	-	-	(3)	-	(3)
At 31 December 2017	95,860	(5,365)	8,367	201,208	300,070	45	300,115
At 1 January 2018	95,860	(5,365)	8,367	201,208	300,070	45	300,115
Net profit for the period	-	-	-	24,063	24,063	-	24,063
Total comprehensive income for the period	-	-	-	24,063	24,063	-	24,063
Changes in ownership interests in a subsidiary	-	-	-	-	-	2	2
Dividend paid to owners of the Company	-	-	-	(4,483)	(4,483)	-	(4,483)
Treasury shares	-	(1)	-	-	(1)	-	(1)
At 31 December 2018	95,860	(5,366)	8,367	220,788	319,649	47	319,696

(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 2017)

KEN HOLDINGS BERHAD (106173-M)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

	Current Period To Date 31.12.2018 RM'000	Preceding Year Corresponding Period 31.12.2017 RM'000
Cash flows from operating activities		
Profit before tax	35,917	62,867
Adjustments for:		
Non-cash items	2,776	2,483
Non-operating items	(447)	(245)
Operating profit before working capital changes	<u>38,246</u>	<u>65,105</u>
Changes in working capital:		
Net changes in current assets	(9,336)	(6,043)
Net changes in current liabilities	10,915	(48,336)
Cash generated from operations	<u>39,825</u>	<u>10,726</u>
Interest received	354	308
Tax refund	772	38
Tax paid	(9,943)	(13,771)
Net cash from / (used in) operating activities	<u>31,008</u>	<u>(2,699)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,530)	(477)
Acquisition of investment properties	(7,643)	(10,138)
Interest received	237	91
Net cash used in investing activities	<u>(8,936)</u>	<u>(10,524)</u>
Cash flows from financing activities		
Repurchase of treasury shares	(1)	(3)
Drawdown of borrowings	12,000	3,500
Repayment of borrowings	(15,500)	-
Dividends paid	(4,483)	(4,484)
Interest paid	(144)	(117)
Net cash used in financing activities	<u>(8,128)</u>	<u>(1,104)</u>
Net changes in cash and cash equivalents	13,944	(14,327)
Effect of exchange rate fluctuations on cash held	-	(37)
Cash and cash equivalents at the beginning of the financial period	2,766	17,130
Cash and cash equivalents at the end of the financial period	<u><u>16,710</u></u>	<u><u>2,766</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 2017)

A. EXPLANATORY NOTES PURSUANT TO THE INTERIM FINANCIAL REPORT – IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD (“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 31 December 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 MFRS 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 FRS in Malaysia to MFRS 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 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
• IC Interpretation 23 – Uncertainty over Income Tax Treatments	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
• Amendment to IC Interpretation 12 Service Concession Arrangements	1 January 2020
• Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
• Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
• Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
• Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs	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 not purchased any of its own shares for the quarter ended 31 December 2018.

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 31 December 2018.

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 12 months ended 31 December 2018.

Business Segment	Construction RM'000	Property Development RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	221	54,917	-	55,138
Inter-segment revenue	29,384	-	(29,384)	-
Total revenue	29,605	54,917	(29,384)	55,138
Segment result	1,520	30,182	-	31,702
Unallocated income/(expenses)				3,768
Interest income				591
Profit from operations				36,061
Finance cost				(144)
Profit before tax				35,917
Taxation				(11,856)
Net profit for the period				24,061

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 31 December 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 31.12.2018 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 31 December 2018 and the corresponding periods in the preceding year is as follows:

	Current Year Quarter 01.10.2018 – 31.12.2018 RM'000	Preceding Year Quarter 01.10.2017 – 31.12.2017 RM'000	Current Year 01.10.2018 – 31.12.2018 RM'000	Preceding Year 01.10.2017 – 31.12.2017 RM'000
Revenue	2,811	39,067	64,282	104,208
(Loss)/Profit before tax	(1,373)	22,953	35,917	62,867
(Loss)/Profit after tax (before non-controlling interest)	(2,662)	17,302	24,061	50,400
(Loss)/Profit attributable to equity holders of the parent	(2,662)	17,302	24,063	50,399

Current year to-date vs previous year to-date

Loss before tax and loss after tax for the current quarter ended 31 December 2018 of RM1.4 million and RM2.7 million, respectively was mainly due to the completion of Ken Rimba Condominium 1 (“KRC1”) project during the 2nd quarter and hence, lower revenue contribution from the property development segment during the current quarter.

Performance for the respective operating business segments for the current year to date as at 31 December 2018 as compared to the previous year’s corresponding period is analysed as follows:

- 1) Property development operations – Segmental revenue decreased by RM49.7 million to RM54.9 million due to the completion of KRC1 project during the 2nd quarter. Accordingly, segmental profit decreased by RM6.7 million to RM30.2 million during the current quarter.
- 2) Construction operations – Segmental revenue decreased by RM27.8 million to RM29.6 million due to higher volume of work done during the previous year’s corresponding quarter. Correspondingly, segmental profit decreased by RM24.2 million to RM1.5 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 01.10.2018 – 31.12.2018 RM'000	Preceding Quarter 01.07.2018 – 30.09.2018 RM'000
Revenue	2,811	2,633
(Loss)/Profit after tax (before Non-controlling Interest)	(2,662)	(1,017)
(Loss)/Profit after tax (after Non-controlling Interest)	(2,662)	(1,017)

The revenue for the current quarter ended 31 December 2018 at RM2.8 million was slightly higher than the preceding quarter ended 30 September 2018 of RM2.6 million. Lower revenue contribution from the property development segment resulted in loss after tax posted during the current quarter.

B3. PROSPECTS FOR 2019

Sentiments in the Malaysian property market is expected to remain challenging in 2019 due to the continued weak consumer sentiment, stringent lending environment, concerns on oversupply of properties, and the general economic uncertainties contributing to create a cautious outlook. The Group will continue focusing on its strategic efforts to strengthen 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 2019.

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 01.10.2018 – 31.12.2018 RM'000	Preceding Year Quarter 01.10.2017 – 31.12.2017 RM'000	Current Year 01.01.2018 – 31.12.2018 RM'000	Preceding Year 01.01.2017 – 31.12.2017 RM'000
In respect of current period				
- income tax	1,431	1,950	6,853	12,234
- deferred tax	(142)	3,701	5,003	233
	1,289	5,651	11,856	12,467

The Group's effective tax rate for the 12 months ended 31 December 2018 was higher than the statutory rate of 24% mainly due to the under provision of income tax for the preceding year taken up in the current 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 ended 31 December 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 matter in the Defendant’s favour with cost.

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

B9. DIVIDEND

The Board has recommended a first and final single tier dividend of 1.5 sen per ordinary share (2017: 2.5 sen per ordinary share) in respect of the financial year ended 31 December 2018. 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 31.12.2018 RM’000	12 months ended 31.12.2018 RM’000
A Basic Earnings		
Net (loss)/profit attributable to shareholders	(2,662)	24,691
Weighted average number of ordinary shares (‘000)	179,337	179,337
Basic (loss)/earnings per share (sen)	(1.48)	13.77
B Diluted earnings	-	-

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

B11. PROFIT FOR THE PERIOD

	Current Year Quarter 01.10.2018 - 31.12.2018 RM'000	Preceding Year Quarter 01.10.2017 - 31.12.2017 RM'000	Current Year 01.01.2018 - 31.12.2018 RM'000	Preceding Year 01.01.2017 - 31.12.2017 RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	131	31	591	399
Other income	1,062	903	3,629	3,722
Depreciation	(774)	(633)	(2,764)	(2,483)
Interest expense	(28)	(41)	(144)	(116)

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: 22 February 2019