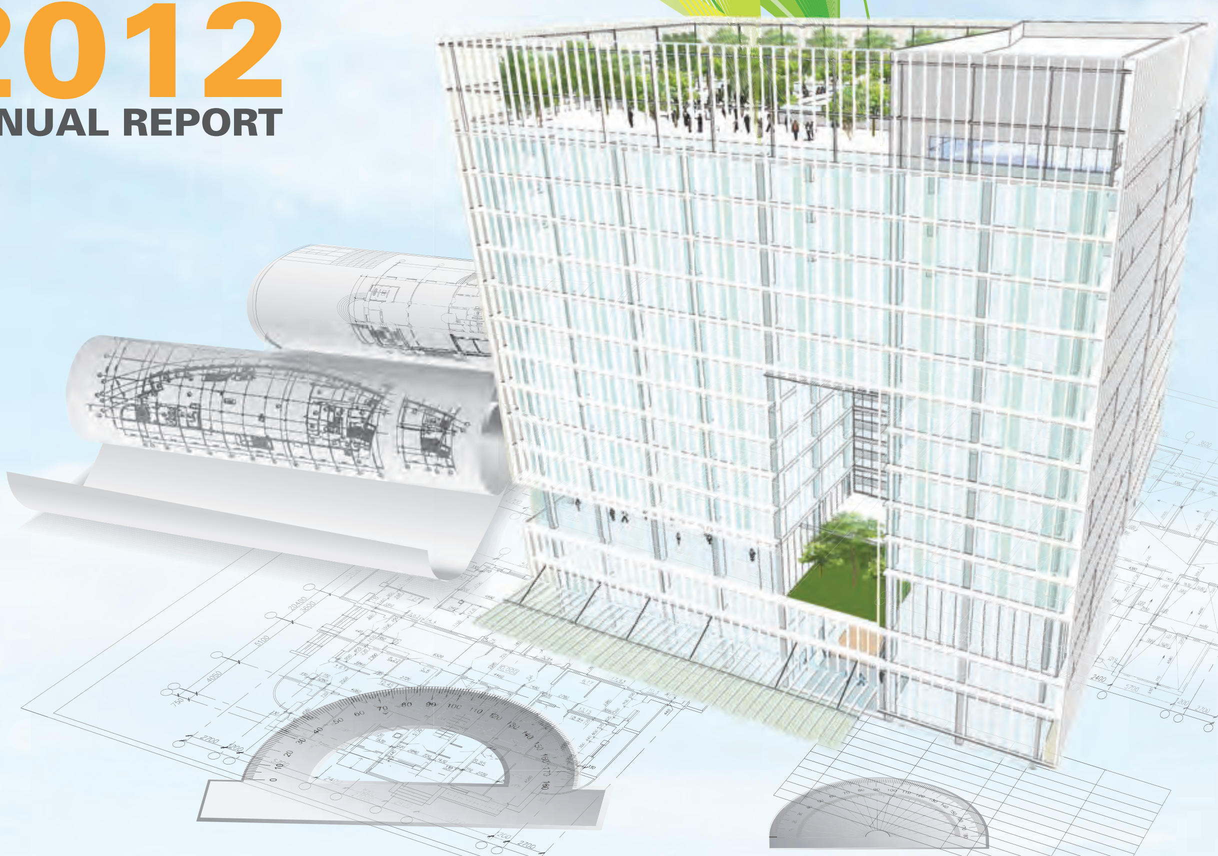
KEN™ HOLDINGS BERHAD
(106173-M)

33 years since 1980
Developing Your Future

2012 ANNUAL REPORT



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AWARDS
HIGHLIGHTS

KEN Group's commitment and dedication towards green development

1. FIABCI-Malaysia Property Award 2011: Sustainable Development Category;
2. New Straits Times SC Cheah Choice Awards 2010 : Best Green Developer;
3. Carbon Neutral Status 2011;
4. Carbon Neutral Status 2010;

AWARDS & RECOGNITION

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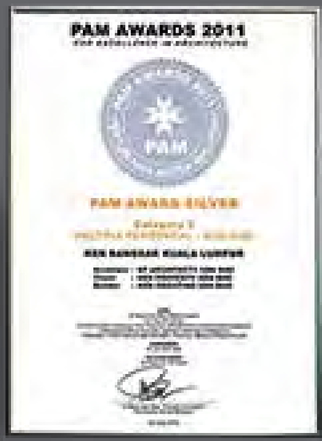

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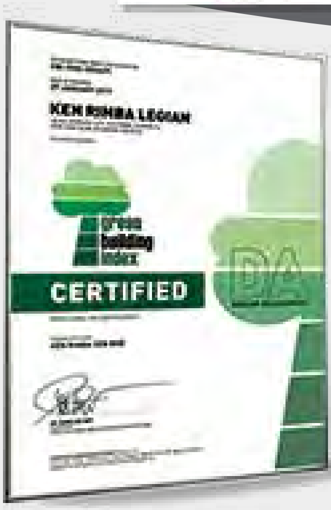

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KEN Bangsar

5. Building and Construction Authority (BCA) Singapore Green Mark Gold^{PLUS} Award;
6. PAM Silver Award for Excellence In Architecture;
7. The Edge - PAM Green Excellence Award 2010;
8. FUTURARC Green Leadership Citation Award 2011;
9. Green Building Index (GBI) Gold Award;

KEN Rimba

10. Green Building Index (GBI) Certified Award for KEN Rimba Legian Residences;
11. GBI Pilot Project for the Green Building Index (GBI) Township Tool

Dear Valued Shareholders,

On behalf of the Board of Directors of **KEN Holdings Berhad** *("Board"), I am pleased to present the Annual Report and the audited Financial Statements of the Group and the Company for the financial year ended ("FYE") 31 December 2012.*

KEN Holdings Berhad has always been Malaysia's pioneering green developer and has won numerous awards since 2009. We hope to continue to build on our achievements to expand our footprint as an esteemed award winning property developer in the other states in Malaysia. During the year, we have been reclassified under the Properties sector at Bursa Malaysia Securities Berhad in view of the significant revenue contribution by the property development activities. We hope to continue to deliver in this sector whilst taking on the challenges of creating green certified sustainable developments that are affordable to the community.

FINANCIAL REVIEW

For the FYE 31 December 2012, the Group's revenue decreased by 38.1% to RM54.1 million as compared to the previous financial year of RM87.2 million. In tandem with the lower revenue, the Group recorded a lower pre-tax profit of RM22.8 million (2011: RM31.4 million).

Net assets per share of the Group was RM1.74 as at 31 December 2012 (2011: RM1.61), an increase of 8.1% from the previous year, despite the lower revenue and post-tax profit recorded for the FYE 31 December 2012.

DIVIDENDS

The Board has recommended a first and final franked dividend of 6.0 sen per ordinary share less tax 25% in respect of the FYE 31 December 2012 for your continued support and confidence in us. The proposed dividend shall be subject to shareholders' approval at the forthcoming Annual General Meeting.

OUTLOOK

The Malaysian economy is expected to strengthen further and is projected to grow at a faster rate of 4.5% - 5.5% in 2013 with strong domestic demand projected during the second half of 2013. Given that domestic economy activity is expected to strengthen further in 2013 and inflation estimated to increase moderately, public and private consumption are likely to be maintained.

The property sector is projected to expand, albeit at a moderate pace, after recording several years of resilient growth especially in the southern corridor of Peninsular Malaysia. Given the tremendous growth potential in the Iskandar Malaysia region (Iskandar) and with the Malaysian and Singapore government's agreement towards the development of infrastructure projects such as the Mass Rapid Transit (MRT) and high speed rail link, we are optimistic that the spin off will contribute positively to the economy and property sector in the Iskandar region and it will continue to grow for the next few decades. These favourable factors will definitely augur well for the development of our newly acquired land bank of approximately 22.8 acres strategically located in the

Johor Bahru city centre, which has been earmarked for the development of an integrated green city. In view of the close proximity to Singapore, the development of the Iskandar region coupled with the government's infrastructure initiatives, an influx of Singaporean and foreign investors are expected in the future.

Against this backdrop, the Board is confident that the development of the Iskandar region will positively impact the Group's future earnings from its integrated green city within the city centre.

CORPORATE RESPONSIBILITY

Apart from creating a successful business that enhances shareholders value, the Group places a high priority on social and environmental responsibility through charitable activities, practising good corporate governance and implementing energy efficient initiatives at our workplace. There are also continuous efforts in incorporating green initiatives into all future property developments.

As part of our educational initiatives, we have been providing scholarships to deserving students through KEN Foundation with the objective of developing talents who will be the future leaders of tomorrow. The KEN Foundation scholarship programme is more than just to provide financial assistance as it includes opportunities for internship trainings at our Group's subsidiaries with the aim to equip them with the requisite practical experience and development of skills needed for the workforce. Some of the scholars are now employees of the Group and we will have more such scholars joining the Group in the near future. We believe that the notable performance of the Group stems not only from the quality of our assets but also the strength and capability of the people managing and operating those assets.

CORPORATE GOVERNANCE

The Board is committed to uphold the principles and recommendations set out in the Malaysian Code of Corporate Governance 2012 ("Code") in the conduct of activities of the Group with a view to enhance stakeholder value and increasing investors and customers' confidence. The Group's Statement of Corporate Governance pertaining to the implementation of the Code during the year under review can be found on pages 18 to 24 of this Annual Report.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend our deepest condolences to the family of our late Independent Non-Executive Director, Mr. Sha Thiam Fook, who passed away in December 2012. Mr. Sha has been an honourable member of the Board for the past 17 years and we shall always remember him for his invaluable contributions to the Group.

As we conclude the financial year, the Board and I would like to take this opportunity to thank our shareholders, purchasers, suppliers, financiers, business associates and the regulatory authorities for their continuous support and confidence in us. We would also like to extend our appreciation to the management and employees for their invaluable contribution and strong dedication to the Group. We look forward to another successful year, continuously creating value for our stakeholders.

DATO' TAN BOON KANG DPMT., DPNS
Group Executive Chairman
Kuala Lumpur
27 March 2013

upcoming project in Johor Bahru

Firstly, I would like to thank my fellow Board members for the opportunity to take on the responsibilities of Group Managing Director. With my 8 years of experience and growth with the Company, I am confident that I will be able to contribute greatly to the expansion and success of the Group. While we are the leading green property developer in the country, it is our honor to continuously lift this bar.

OVERVIEW

The Malaysian economy is expected to grow at 4.5% - 5.5% in 2013 with domestic demand as the driving force. With the anticipated improvement in global economic growth in the later part of 2013, exports are expected to improve amidst better external environments.

The favourable economic prospect is expected to remain supportive of the property sector in Malaysia in 2013. Strong capitalisation and ready access to credit for household and businesses in the country will facilitate growth in the economy, which will translate into active property development activities.

PROPERTY DEVELOPMENT OPERATIONS

KEN Rimba Township

KEN Rimba is Malaysia's first green township in Shah Alam, comprised of double storey terrace houses, a commercial centre and condominium developments. The financial year 2012 saw the completion of the KEN Rimba Legian Residences, the 1st phase development of 328 units of double storey terrace houses being delivered vacant possession during the 2nd quarter of 2012.

Upcoming projects include the KEN Rimba Jimbaran Residences, the 2nd phase development of 168 units of double storey terrace houses complete with a loft, and the KEN Rimba Condominiums, both of which are open for registration.

KEN Rimba Jimbaran sets a new standard for landed homes, having achieved the prestigious BCA Green Mark GoldPLUS Award (Provisional). The KEN Rimba Condominiums will set another benchmark for our portfolio of properties as we are targeting to achieve the highest green rating for this development whilst continuing to price these units at affordable prices.

The Group is expected to see positive performance from its projects as the launch of KEN Rimba Jimbaran Residences will be in the 1st quarter of 2013 and KEN Rimba Commercial Centre will be handed over in 2nd quarter of 2013.

KEN TTDI

Strategically located in the prime area of Taman Tun Dr. Ismail, the construction of our future corporate headquarters is expected to be completed by 2014. This commercial building will comprise of a combination of Grade A office blocks, food and beverage outlets as well as a performing arts theatre. We are also aiming to achieve the highest green rating possible and shall fulfil Multimedia Super Corridor (MSC) status for this development. Upon completion, this office building will provide long term sustainable income and revenue to the Group in view of the growing demand for commercial space in Taman Tun Dr Ismail.

At the social forefront, we also aim to support and nurture the arts and culture through the construction of a performing arts theatre which will be housed in our future corporate headquarters, KEN TTDI. The aim is to provide a platform for young Malaysians with the opportunity to develop and showcase their talents and skills. We will continue to support the local performing arts as one of our corporate social responsibility initiatives.

UPCOMING DEVELOPMENTS

As one of the leaders at the forefront of sustainable development in Malaysia, we are committed to developing green certified developments for all our future property developments. It is also our aim to continue looking out for the well-being of the community.

In the 3rd quarter of 2012, the Group acquired prime land in the southern corridor of Johor Bahru measuring approximately 22.8 acres. We plan to develop an integrated green city for this development. The proposed development will spearhead the Group's vision as a premier developer involved in high value green cities throughout Malaysia and will consist of residential and commercial areas, service suites, retail podiums, corporate office, hotels, comprehensive healthcare centres and higher educational establishments, which shall be undertaken in phases. This proposed development is expected to benefit the Group as it is strategically located in the city centre of Johor Bahru. With the improved connectivity and accessibility between Johor Bahru and Singapore via the Rapid Transit System proposed by the Malaysia and Singapore government, we are confident that this iconic development will cater to growing demand from the local working group who prefers to reside in Malaysia but commute daily to Singapore for work.

GREEN EFFORTS WITHIN THE COMPANY

As part of our continuing efforts of integrating corporate responsibility into our working practices, we have initiated an energy conservation competition between the departments in our office since 2011. We also constantly encourage the practice of re-cycling as well as a move towards reducing the usage of paper through implementing an electronic document management system. Additionally, during the same year, the Group Executive Chairman and myself have started using hybrid cars and to date, the Group has a total of 5 hybrid cars in use which contributes to the reduction of carbon gas emission to the environment. This is also to show our commitment to what we believe in and through this, we actively demonstrate to the company and staff that we "walk the talk" and live what we preach. Since then, employees of the Group have also upgraded to hybrid cars.

Through the Group's very own sports club, Kelab Sukan & Sosial KEN (KSSK), we continue to play an active role in social activities by organising various social activities and making charitable contributions to various childrens' orphanages and old folks homes. Through KSSK, staff are able to maintain a balance and healthy lifestyle through fun filled recreational company organised trips. This is to demonstrate the Group's believe in one's overall health and sustainable well-being.

Further details of our corporate responsibility initiatives and activities are set out on pages 33 to 51 of this Annual Report.

Once again, I deeply appreciate your faith in me and the shareholders' continuous support to the Group. Whilst we value what we do, at the end of the day, it is our people that are our most important asset. This includes each and every one of our shareholders.

TAN CHEK SIONG
Group Managing Director
Kuala Lumpur
27 March 2013

1. Dato' Tan Boon Kang
2. Tan Chek Siong
3. YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail
4. Tang Kam Chee
5. YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar
6. YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud
7. Tan Moon Hwa
8. Dato' Ir. Dr. Ashaari bin Mohamad
9. Sha Thiam Lu

Dato' Tan Boon Kang

Group Executive Chairman 55 years of age • Malaysian

Dato' Tan Boon Kang is the founder of the Group and has been the driving force behind the growth of the Group in all its activities over the past 33 years. He was appointed to the Board on 18 March 1996 and has been Chairman/Managing Director of the Group from March 2009 to February 2013. On 28 February 2013, he was re-designated as Group Executive Chairman. He is also a member of the Remuneration Committee.

He has vast experience in the specialist engineering business and was the pioneer in Malaysia for the highly-acclaimed soil-nailing system which is now the most widely used method of slope protection. He has contributed significantly in elevating the Group to one of the more established specialist engineering companies in Malaysia and Hong Kong. He was also instrumental in diversifying the Group's business into property development and has created a very eminent brand name whilst developing a loyal following amongst property buyers in the Klang Valley.

He does not hold any other directorship in other public listed companies.

Dato' Tan is the brother of Mr Tan Moon Hwa, Executive Director of the Company and is also the father of Mr Tan Chek Siong, Group Managing Director of the Company.

Tan Chek Siong

Group Managing Director 32 years of age • Malaysian

Tan Chek Siong was appointed to the Board on 24 February 2006 as an Executive Director. On 28 February 2013, he was re-designated as Group Managing Director. He graduated with a Bachelors of Civil Engineering from the University College London, United Kingdom in 2001 and also received his Graduate Diploma in Law from The College of Law, London, United Kingdom in 2004.

He joined the Group in October 2004 as a Special Assistant to the Managing Director. Prior to joining the Group, he worked with Arup Consulting Engineers in London, working in the geotechnical division and was subsequently seconded to the GBP 5.6 billion Channel Tunnel Rail Link project, constructing England's first high speed railway lines, a new international station in Stratford, East London, 36km of tunnels under Central London and a new Eurostar terminal at St. Pancras.

He currently oversees the Group's operations in property development, construction, property management and sales & marketing. He was also instrumental in spearheading the Green building movement transformation in the Group on sustainable development. The Group has garnered numerous awards, the latest being the FIABCI's Property Award 2011 for Sustainable Development and the Green Mark Gold^PLUS Award (Provisional) for KEN Rimba Jimbaran Residences.

He actively serves on the Real Estate & Housing Developer's Association, REHDA National council sitting as the Chairman of the Environment Committee and Deputy Chairman of REHDA YOUTH.

He does not hold any other directorship in other public listed companies.

He is the son of Dato' Tan Boon Kang, Group Executive Chairman of the Company and the nephew of Mr Tan Moon Hwa, Executive Director of the Company.

Tang Kam Chee

Executive Director 58 years of age • Malaysian

Tang Kam Chee was appointed to the Board on 20 February 1998. He is an associate member of the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators (UK). He graduated from Kolej Tunku Abdul Rahman with a Diploma in Business Studies and started his career in audit with Hanafiah Raslan Mohamad (merged and now known as Ernst & Young), a public accounting firm in 1977.

He has over 20 years experience in accounting, finance, administration and corporate finance. He has worked in a number of industries, namely in the beverage industry with Fraser & Neave Berhad, the motor trade business with Cycle & Carriage Bintang Berhad, financial services with MBf Capital Berhad and property development with Metroplex Berhad. He joined the Group in 1997 as Director, Finance and Administration and currently oversees the corporate and financial operations of the Group.

Mr Tang does not hold any other directorship in other public listed companies.

Tan Moon Hwa

Executive Director 50 years of age • Malaysian

Tan Moon Hwa was appointed to the Board on 18 March 1996. He has been with the Group since 1980 and has extensive experience, with more than 15 years in the specialist engineering business, particularly in the geo-technical sector and structural repair and rehabilitation works. He currently heads the specialist engineering section and has improvised techniques to expedite and improve efficiency.

He does not hold any other directorship in other public listed companies.

He is the brother of Dato' Tan Boon Kang, Group Executive Chairman of the Company and the uncle of Mr Tan Chek Siong, Group Managing Director of the Company.

YB Dato' Seri Raja Haji Ahmad Zainudin bin Raja Haji Omar
Independent Non-Executive Director 57 years of age • Malaysian

YB Dato' Seri Raja Haji Ahmad Zainudin bin Raja Haji Omar was appointed to the Board on 29 January 2003. He has been actively involved in the political scene in Malaysia since 1982. He was the Press Secretary to the Menteri Besar of Perak in 1982 and moved on to be the Political Secretary in 1986 until 1999. He has also been a Member of Parliament for the constituency of Larut and is also the State Assemblyman in Perak.

He is also a director of Muhibbah Engineering (M) Berhad.

YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud
Non-Independent Non-Executive Director 38 years of age • Malaysian

YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud was appointed to the Board on 28 April 2009. He graduated from The American University, United Kingdom with a Degree in Business Administration.

He started his career with the Berjaya Group Berhad in 1994 as an Assistant Manager, Group Public Affairs & Administration where he was involved in a number of projects of the Berjaya Group such as the Bukit Tinggi Resort - Pahang, Berjaya Times Square, Desa Waterpark, Kuala Lumpur, Berjaya Redang Resorts – Pulau Redang, Trengganu, etc. In 1999, he was appointed as Special Assistant to the Chairman & CEO of Berjaya Group to oversee the corporate affairs of the Group and also often liaises with the Government bodies.

He joined Ancom Berhad in 2003 and was appointed a Director of the subsidiaries of the Ancom Berhad Group involved in shipping and industrial chemical mainly for the oil and gas industry.

YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail
Non-Independent Non-Executive Director 58 years of age • Malaysian

YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail was appointed to the Board on 5 March 2012. He graduated from the University College of Wales, Aberystwyth, United Kingdom with a Bachelor of Science in Economic (Hons). He started his career with ICI Paints Malaysia in 1976 as Marketing Manager in the paints division. In 1985, he joined Armitage Shanks Malaysia as a General Manager, marketing its toiletries fittings line of products. In 1995, he ventured into his own business dealing with the trading of construction materials.

He does not hold any other directorship in other public listed companies.

Dato' Ir. Dr. Ashaari bin Mohamad
Independent Non-Executive Director 60 years of age • Malaysian

Dato' Ir. Dr. Ashaari bin Mohamad was appointed as an Independent Non-Executive Director of the Company on 20 February 2013.

He holds a Doctorate of Philosophy in Civil Engineering from University of New Hampshire, United States of America, Master of Science in Engineering from the University of South Caroline, United States of America and a Bachelor of Science degree in Engineering (Civil) from the University of Aberdeen, Scotland.

He was attached with Jabatan Kerja Raya (JKR), Penang, as a State Director from July 2001 to January 2005 and became the Senior Director of the Engineering Branch of JKR in February 2005. He then joined the Minister of Works, Malaysia, as a technical adviser from December 2011 to November 2012.

He does not hold any other directorship in other public listed companies.

Sha Thiam Lu
Independent Non-Executive Director 46 years of age • Malaysian

Mr Sha was appointed to the Board on 20 February 2013 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Remuneration Committee and a member of the Nomination and Audit Committee.

He graduated from Arkansas State University, United State of America with a Bachelor of Science in Computer Information System (Hons) in 1990 and Bachelor of Science in Accounting in 1991. He was admitted to the Australian Society of Certified Practising Accountants as a Certified Practising Accountant in 1998. He is also a member of the Malaysian Institute of Accountants and a Certified Financial Planner of the Financial Planning Association of Malaysia. He joined Sha & Co. (now known as Sha, Tan & Co.) in 1993, public accountants firm, and became a partner of the firm in 1999. Mr Sha has over 20 years of working experience in the field of audit, financial accounting and planning.

He does not hold any other directorship in other public listed companies.

Notes :
1. Save as disclosed above, none of the Directors have any family relationship with any other Directors and/or substantial shareholders of the Company.
2. None of the Directors have any conflict of interest with the Company.
3. None of the Director have been convicted for any offences against the law other than traffic offences (if any) within the past ten (10) years.
4. Please refer to the Statement of Corporate Governance on pages 18 to 24 of this Annual Report for the Directors' meeting attendance records.

NOTICE IS HEREBY GIVEN THAT the Twenty-Ninth Annual General Meeting of the Company will be held at the Tournament Room, West Lobby, Kuala Lumpur Golf & Country Club, No.10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 18 April 2013, at 10.00 a.m. for the transaction of the following businesses:-

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To declare a first and final dividend of 6 sen per ordinary share less tax 25% in respect of the year ended 31 December 2012. **(Resolution 2)**

3. To approve the Directors' fees of RM160,000 /- (2011: RM140,000) in respect of the year ended 31 December 2012. **(Resolution 3)**

4. To re-elect the following Directors who retire pursuant to the Company's Articles of Association and, being eligible, offer themselves for re-election:-

   (a) Mr. Tang Kam Chee — Article 101 **(Resolution 4)**
   (b) YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud — Article 101 **(Resolution 5)**
   (c) Mr. Sha Thiam Lu — Article 106 **(Resolution 6)**
   (d) Dato' Ir. Dr. Ashaari bin Mohamad — Article 106 **(Resolution 7)**

5. To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

6. As Special Business:-
   To consider and, if thought fit, to pass the following resolutions:-

   (a) Ordinary Resolution 1 **(Resolution 9)**
   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   "**THAT** subject always to the Companies Act, 1965, Articles of Association of the Company and approvals of the relevant governmental/regulatory bodies where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued capital for the time being of the Company and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

(b) Ordinary Resolution 2 **(Resolution 10)**
Proposed Renewal of Authority For Share Buy-Back

"**THAT**, subject to compliance with the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to allocate an amount not exceeding the total available retained profits of the Company for the purpose of and to purchase such amount of ordinary shares of RM1.00 each in the Company (Proposed Purchase) as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the point of purchase;

AND THAT, upon completion of the purchase by the Company of its own shares (KEN Shares), the Directors are authorised to retain the KEN Shares as treasury shares or cancel the KEN Shares or retain part of the KEN Shares so purchased as treasury shares and cancel the remainder **AND THAT** the Directors are further authorised to resell the treasury shares on Bursa Securities or distribute the treasury shares as dividends to the Company's shareholders or subsequently cancel the treasury shares or any combination of the three;

AND THAT the Directors be and are hereby empowered to carry out the above immediately upon the passing of this resolution and from the date of the passing of this resolution until:

(i) the conclusion of the next Annual General Meeting of the Company following the General Meeting at which this resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders in General Meeting,

whichever is the earliest but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors deem fit and expedient in the interest of the Company to give full effect to the Proposed Purchase with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities."

(c) Ordinary Resolution 3 **(Resolution 11)**
Continuing in Office as Independent Non-Executive Director

"THAT authority be and is hereby given to YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

7. To transact any other business for which due notice shall have been given.

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders at the Twenty-Ninth Annual General Meeting, a first and final dividend of 6 sen per ordinary share less tax 25% in respect of the year ended 31 December 2012 will be payable on 21 June 2013 to depositors registered in the Record of Depositors on 7 June 2013.

A depositor shall qualify for entitlement only in respect of:-

(a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 7 June 2013 in respect of transfers; and

(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD,

CHOW CHOOI YOONG (MAICSA 0772574)
HAZLINA BT HARUN (LS 03078)
Company Secretaries

Kuala Lumpur
27 March 2013

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint any person as his/her proxy to attend and vote instead of him/her. There shall be no restriction as to the qualification of proxy.

2. A member may appoint up to two persons to be his/her proxy. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

3. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

4. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.

5. The Proxy Form must be deposited at the Company's Registered Office at No. 6, Jalan Datuk Sulaiman, Taman Tun Dr. Ismail, 60000 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.

6. **General Meeting Record of Depositors**
For purposes of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 55(C) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 12 April 2013 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.

7. **Explanatory Notes on Special Business:**

(a) **Resolution pursuant to Section 132D of the Companies Act, 1965**

Resolution No. 9 proposed under item 6(a) is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965 which was approved by shareholders at the last year's Annual General Meeting. There was no issuance of new shares during the year.

The proposed Resolution No. 9, if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors considered would be in the interests of the Company up to an aggregate not exceeding 10% of the issued share capital of the Company without convening a general meeting. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The renewal mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding investment project(s), working capital and/or acquisition.

(b) **Resolution pursuant to Proposed Renewal of Authority For Share Buy-Back**

Resolution No. 10 proposed under item 6(b), if passed, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting. For further information, please refer to the Circular to Shareholders dated 27 March 2013 which is circulated together with this Annual Report.

(c) **Resolution pursuant to Continuing in Office as Independent Non-Executive Director**

In line with the Malaysian Code on Corporate Governance 2012, the Nomination Committee has assessed the independence of YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and upon its recommendation, the Board of Directors has recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

(i) YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar has fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities, and hence, he would be able to provide an element of objectivity, independent judgment and balance to the Board;

(i) His length of service on the Board of more than nine years does not in any way interfere with his exercise of objective judgment or his ability to act in the best interests of the Company and Group. In fact, YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar, having been with the Company for more than nine years, is familiar with the Group's business operations and has devoted sufficient time and commitment to his role and responsibilities as an Independent Director for informed and balance decision making; and

(iii) He has exercised due care during his tenure as Independent Director of the Company and has discharged his duties with reasonable skill and competence, bringing independent judgment and depth into the Board's decision making in the interest of the Company and its shareholders.

CORPORATE INFORMATION

Board of Directors	
Dato' Tan Boon Kang	*Group Executive Chairman*
Tan Chek Siong	*Group Managing Director*
Tan Moon Hwa	*Executive Director*
Tang Kam Chee	*Executive Director*
YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud	*Independent Non-Executive Director*
YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail	*Independent Non-Executive Director*
YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar	*Independent Non-Executive Director*
Dato' Ir. Dr. Ashaari bin Mohamad	*Independent Non-Executive Director*
Sha Thiam Lu	*Independent Non-Executive Director*

Audit Committee	
YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar	*Chairman*
YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud	*Member*
YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail	*Member*
Sha Thiam Lu	*Member*

Nomination Committee	
YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar	*Chairman*
Sha Thiam Lu	*Member*
YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud	*Member*

Remuneration Committee	
Sha Thiam Lu	*Chairman*
Dato' Tan Boon Kang	*Member*
YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar	*Member*

Company Secretaries

Chow Chooi Yoong
(MAICSA 0772574)

Hazlina bt Harun
(LS03078)

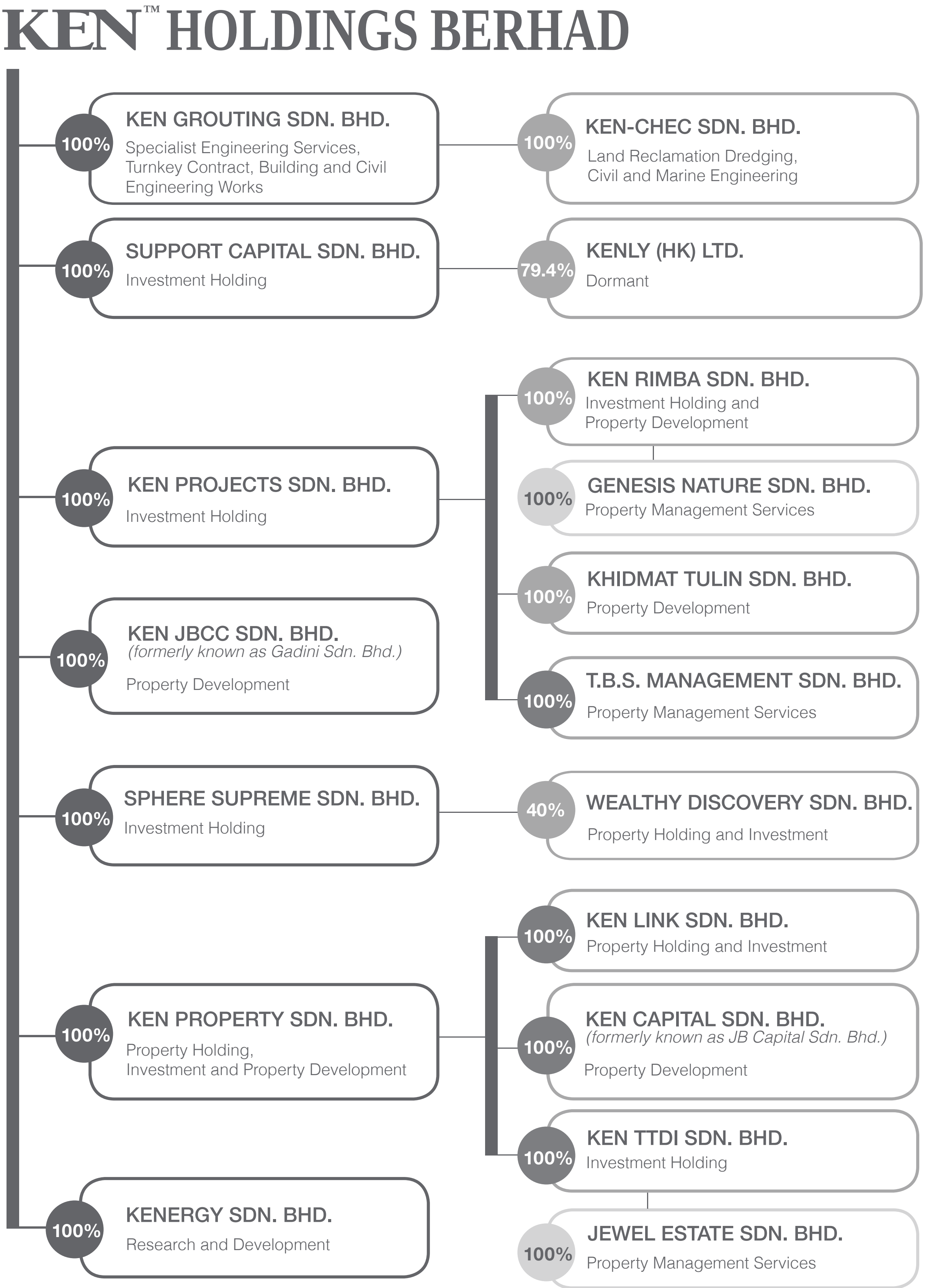
Auditors
KPMG (Firm No: AF0758)
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor

Share Registrar
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel (03) 2264-3883
Fax (03) 2282-1886
E-mail: is.enquiry@my.tricorglobal.com

Stock Exchange Listing
Main Market of Bursa Malaysia Securities Berhad
Stock Code : 7323
Stock Name : KEN
Sector : Properties

Registered Office
6 Jalan Datuk Sulaiman
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel (03) 7727-9933
Fax (03) 7728-8246
E-mail: khb@kenholdings.com.my
Website: www.kenholdings.com.my

Principal Banker
Malayan Banking Berhad (Maybank)


KEN™ HOLDINGS BERHAD
100%
KEN GROUTING SDN. BHD.
Specialist Engineering Services, Turnkey Contract, Building and Civil Engineering Works
100%
KEN-CHEC SDN. BHD.
Land Reclamation Dredging, Civil and Marine Engineering
100%
SUPPORT CAPITAL SDN. BHD.
Investment Holding
79.4%
KENLY (HK) LTD.
Dormant
100%
KEN RIMBA SDN. BHD.
Investment Holding and Property Development
100%
GENESIS NATURE SDN. BHD.
Property Management Services
100%
KEN PROJECTS SDN. BHD.
Investment Holding
100%
KHIDMAT TULIN SDN. BHD.
Property Development
100%
KEN JBCC SDN. BHD.
(formerly known as Gadini Sdn. Bhd.)
Property Development
100%
T.B.S. MANAGEMENT SDN. BHD.
Property Management Services
100%
SPHERE SUPREME SDN. BHD.
Investment Holding
40%
WEALTHY DISCOVERY SDN. BHD.
Property Holding and Investment
100%
KEN LINK SDN. BHD.
Property Holding and Investment
100%
KEN PROPERTY SDN. BHD.
Property Holding, Investment and Property Development
100%
KEN CAPITAL SDN. BHD.
(formerly known as JB Capital Sdn. Bhd.)
Property Development
100%
KEN TTDI SDN. BHD.
Investment Holding
100%
KENERGY SDN. BHD.
Research and Development
100%
JEWEL ESTATE SDN. BHD.
Property Management Services

PRINCIPAL ACTIVITIES

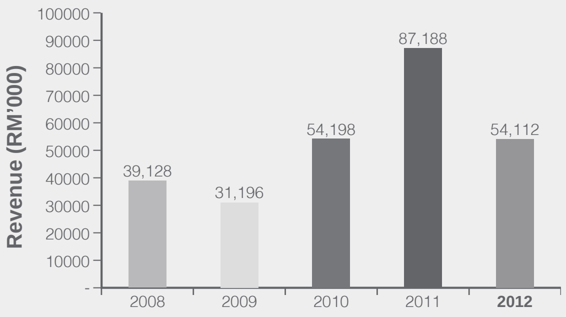
The Company

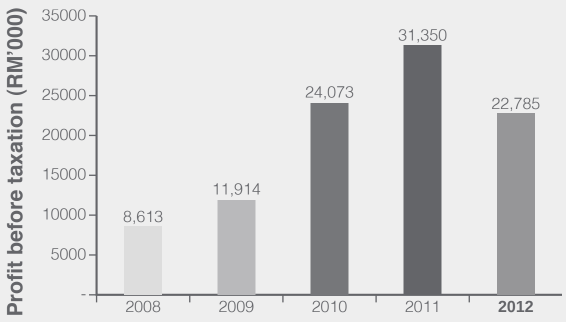
Investment holding and provision of management services.

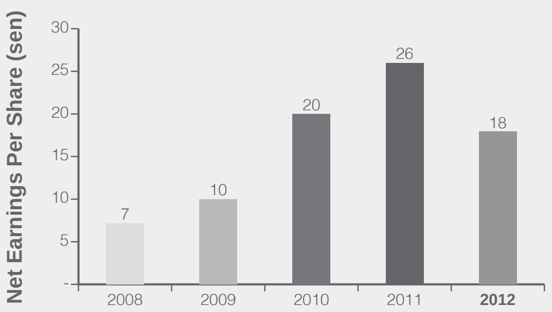
The Subsidiairy Companies

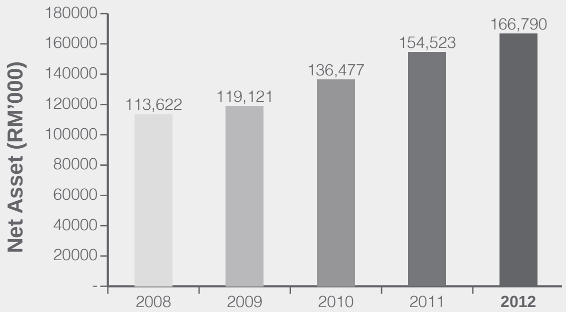
Include property holding, investment and development, specialist engineering services, geo-technical, civil engineering and building works, land reclamation and marine engineering, project and property management.

FIVE YEARS GROUP FINANCIAL STATISTICS	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	**2012 RM'000**
Revenue	39,128	31,196	54,198	87,188	**54,112**
Profit before taxation	8,613	11,914	24,073	31,350	**22,785**
Profit after taxation	6,277	9,866	19,020	23,234	**16,449**
Profit attributable to shareholders	6,277	9,866	19,020	23,234	**16,449**
Shareholders' fund	113,622	119,121	136,477	154,523	**166,790**
Issued share capital	95,860	95,860	95,860	95,860	**95,860**
Total assets	154,226	152,788	176,312	198,242	**268,299**
Net Asset	113,622	119,121	136,477	154,523	**166,790**
Net earnings per share (sen)	7	10	20	26	**18**
Net assets per share (sen)	119	124	142	161	**174**









The Board of Directors ("Board") is committed to ensure that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of safeguarding shareholders' investment and ultimately enhancing shareholders value.

The following paragraphs describe how the Group has applied the principles and recommendations on corporate governance and the extent to which it has complied with the recommendations set out in the Malaysian Code of Corporate Governance 2012 ("Code").

BOARD OF DIRECTORS

Board Responsibilities

The Board has overall responsibilities for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The key responsibilities include a review of strategic direction for the Group and overseeing the business operations of the Group, evaluating whether they are properly managed.

The Group practices a division of responsibility between the Executive and Non-Executive Directors. The Executive Directors are responsible for the overall management of the Group, ensuring that strategies, policies and matters set by the Board are effectively implemented. The Non-Executive Directors fulfill a pivotal role in corporate governance accountability; providing unbiased and independent views, advice and evaluation of the strategies proposed by the executive members of the Board ensuring that the long term interests of all stakeholders, namely the company shareholders, employees, customers, business associates and the community as a whole, are always protected.

Composition of the Board

With the demised of Mr. Sha Thiam Fook on 4 December 2012, the Board had seven (7) members, comprising three (3) Independent Non-Executive Directors and four (4) Executive Directors as at 31 December 2012. On 20 February 2013, Dato' Ir. Dr. Ashaari bin Mohamad and Mr. Sha Thiam Lu were appointed to the Board as Independent Non-Executive Directors.

Currently, the Board has five (5) Independent Non-Executive Directors which is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") which requires one third of the Board members to comprise independent members. Each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

One of the recommendations of the Code states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that YB Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar who has served on the Board for ten (10) years remain objective and independent in participating in deliberations and decision making of the Board and Board Committees. He has demonstrated independence in expressing his views and carrying out his roles as member of the Board, Audit and Remuneration Committees and Chairman of the Nomination Committee. The board has recommended to retain him as an independent director and shall seek shareholders' approval at the forthcoming Annual General Meeting in accordance with the recommendation of the Code.

On 28 February 2013, Dato' Tan Boon Kang has been re-designated as Group Executive Chairman and Mr. Tan Chek Siong has been re-designated as Group Managing Director. The current Board comprise of a majority of independent directors which is in line with the recommendation of the Code, where the Chairman of the Board is not an independent director.

The Board members' qualifications, skills and experience is set out under the profile of Board as presented on pages 9 to 10 of this Annual Report.

Board Meetings

Board meetings are held at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year ended 31 December 2012, the Board met on six (6) occasions, where it deliberated on a variety of matters including the Group's results, major investments and strategic decisions and direction of the Group.

The Board delegates specific responsibilities to the Board Committees so as to enhance business operational efficiency as well as efficacy. All of these committees have written constitutions and terms of reference, and they have the authority to examine particular issues and report back to the Board with their recommendations. The Board receives reports of their proceedings and deliberations.

Record of each Director's meeting attendance for financial year ended 31 December 2012 is contained in the table below:

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Dato' Tan Boon Kang	(6/6)^			(1/1)^
Mr. Tan Chek Siong	(6/6)^			
Mr. Tan Moon Hwa	(6/6)^			
Mr. Tang Kam Chee	(6/6)^			
Mr. Sha Thiam Fook (Demised on 4 December 2012)	(5/6)^	(4/5)^	(1/1)^	(1/1)^
YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud	(3/6)^	(3/5)^	(0/1)^	
YB Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	(6/6)^	(5/5)^	(1/1)^	(1/1)^
YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail	(6/6)^			

Note: ^ denote membership and ( ) indicate meetings attended out of total scheduled since the beginning of the financial year.

Supply of Information

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of the meetings. Every Director has unhindered access to the advice and services of the Company Secretary and senior management. The Board of Directors, whether as a full board or in their individual capacity, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

All scheduled meetings held during the year were preceded with a formal agenda issued by the Company Secretary and prior to the meeting of the Board and the Board Committees, Board papers which include reports relevant to the issues of the meeting were circulated in a timely manner to all Directors. These Board papers are issued prior to the meeting to enable Directors to obtain further explanations, where necessary in order to be properly briefed before the meeting.

The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company. The Company Secretary attends all board meetings and ensures that accurate and adequate records of the proceedings of board meetings and decisions made are properly kept.

Appointment and Re-election of Directors

Procedures relating to the appointment and re-election of Directors are contained in the Company's Articles of Association. New appointees will be considered and reviewed by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company shall ensure that all regulatory obligations are met.

New Directors are subject to election at the Annual General Meeting ("AGM"), following their first appointment. In addition, an election of Directors shall take place each year and all Directors shall retire from office every three (3) years but shall be eligible for election. This has been consistently practiced. This also provides an opportunity for shareholders to renew their mandate. The election of each Director is voted separately. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and shareholdings in the Group of each Director standing for election are furnished in this Annual Report. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

The Board through the Nomination Committee annually appraises the current composition size of the Board to be assured that it brings the required mix of skills and core competencies required for the Board to discharge its duties effectively.

Directors' Training

All Directors have completed the Mandatory Accreditation Programme and the Continuing Education Programme prescribed by Bursa Securities except for new Directors who shall be expected to complete the programme within the scheduled time. The Directors will continue to undergo other relevant training programmes on a continuous basis in compliance with Paragraph 15.08 of the Listing Requirements.

During the financial year ended 31 December 2012, the Directors have attended a training programme conducted by an external training provider on the topic Managing Sustainable Transformation Changes Process. In April 2012, YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail has attended and completed the Mandatory Accreditation Programme within the required time frame pursuant to Paragraph 15.08 of the Listing Requirements.

Updates on companies and securities legislations, and other relevant rules and regulations such as amendments to the Companies Act, 1965, Listing Requirements and the Code was provided to the Board together with Board papers, to acquaint them with the latest developments in these areas.

Board Committees

The Board has delegated certain responsibilities to the Board Committees which operate within clearly defined terms of reference. The main Committees of the Board include the Audit Committee, Nomination Committee and Remuneration Committee.

(a) *Audit Committee*

The Audit Committee is responsible for reviewing issues of accounting policy and presentation for external financial reporting, monitoring the work of the internal audit function, reviewing the independence of the Group's external auditors and ensuring that an objective and professional relationship is maintained with the external auditors, who in turn, have access at all times to the Chairman of the Committee.

On 4 December 2012, YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail was appointed a member of the Audit Committee.

Subsequently, on 20 February 2013, YB Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar was appointed as the new Chairman of the Audit Committee to replace the late Chairman, Mr. Sha Thiam Fook. On the same day, Mr Sha Thiam Lu, a member of the Malaysian Institute of Accountants (MIA) was also appointed a member of the Audit Committee which is in compliance with Paragraph 15.09 of the Listing Requirements.

The Board has established an Audit Committee consisting of the following Non-Executive Directors, the majority of whom are independent directors:
(i) YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar (Chairman);
(ii) YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud;
(iii) YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail; and
(iv) Mr. Sha Thiam Lu.

A summary of the activities of the Committee during the financial year is set out in the Audit Committee report on pages 27 to 31 of this Annual Report.

(b) *Nomination Committee*

The Nomination Committee has the responsibility for proposing and recommending new nominees to the Board and for assessing Directors on an on-going basis. The Nomination Committee also assesses the effectiveness of the Board as a whole and the contribution of each individual Director and Board Committee member.

On 20 February 2013, YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar was appointed as the new Chairman of the Nomination Committee to replace the late Chairman, Mr. Sha Thiam Fook. On the same day, Mr Sha Thiam Lu was appointed a member of the Nomination Committee.

The Board has established a Nomination Committee consisting of the following Non-Executive Directors, the majority of whom are independent directors:
(i) YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar (Chairman);
(ii) YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud; and
(iii) Mr. Sha Thiam Lu.

(c) ***Remuneration Committee***

The Remuneration Committee is entrusted with the role of determining and recommending to the Board the remuneration framework for Directors as well as remuneration packages of Executive Directors in all its form drawing for outside advice if necessary. None of the Executive Directors participated in any way in determining their remuneration. The Board as whole determines the remuneration of Non-Executive Directors with individual directors abstaining from decisions in respect of their individual remuneration.

On 20 February 2013, Mr. Sha Thiam Lu was appointed as the new Chairman of the Remuneration Committee to replace the late Chairman, Mr. Sha Thiam Fook.

The members of the Remuneration Committee consist of the following Non-Executive Directors, the majority of whom are independent directors:
(i) Mr. Sha Thiam Lu (Chairman);
(ii) Dato' Tan Boon Kang; and
(iii) YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar.

The policy practiced on Directors' remuneration by the Remuneration Committee is to provide the remuneration necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align their interest with those of the shareholders.

The remuneration of the Non-Executive Directors consist of fees and allowances for their services in connection with the Board and Board Committee meetings. They do not have contracts and do not participate in any share option scheme of the Group. Fees payable to Company's Directors are subject to yearly approval by shareholders at the Company's AGM.

Directors Remuneration

An analysis of the aggregate Directors' remuneration of the Company for the financial year ended 31 December 2012 categorised in appropriate components is set out below:

	Fee RM'000	Benefits-in-Kind RM'000	Salaries and Other Emoluments RM'000	Bonus RM'000	Total RM'000
Executive	80	58	1,624	732	2,494
Non-Executive	80	-	46	-	126
	160	58	1,670	732	2,620

An analysis of the number of Directors whose remuneration, paid by the Group, falls in successive bands of RM50,000 is set out below:

Range of Remuneration	Executive	Non-Executive
Below RM50,000	-	4
RM200,001 - RM250,000	1	-
RM400,001 - RM450,000	2	-
RM1,450,001 - RM1,500,000	1	-
	4	4

SHAREHOLDERS

Investors Relations and Shareholder Communications

The Board recognises the importance of an effective communication channel between the Board, shareholders and the investment community. The Annual Report, press releases and quarterly results are the primary mode of disseminating information on the Group's business activities and provide regular updates on the Group's financial performance and operations. In addition, other corporate information is available to all shareholders in the Annual Report. The policy of the Board is to promote effective communication and proactive engagement with its shareholders with the intention of giving shareholders a clear and complete picture of the Group's performance and position as possible.

The AGM represents the principal forum for dialogue and interaction with shareholders where shareholders are informed of current developments. Shareholders are encouraged to participate in the discussion and to give their views to the Board. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder(s) with a written answer after the AGM. Additionally, a press conference is held immediately after the AGM to brief members of the media on key events of the Group and areas of interest. The Group Executive Chairman, Group Managing Director and Executive Directors are also present at the press conference to explain any issues.

The Board has also appointed YB Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar as the Senior Independent Director to whom shareholders can voice their view and concerns by e-mail at rajaaz@kenholdings.com.my.

Bursa Securities also provides the Company to electronically publish all its announcements, including full versions of its quarterly result announcement, circulars and Annual Report at Bursa Securities' website at www.bursamalaysia.com/website/bm. The Company also maintains its homepage that allows all shareholders and investors access to information about the Group at www.kenholdings.com.my. The Group's homepage is updated regularly to provide the latest information about the Group, including announcements and quarterly results of the Group.

Whilst the Company endeavours to provide as much information as possible to its shareholders, it must also be wary of the legal regulatory framework governing the release of material and price-sensitive information. As such, corporate disclosure will take into account the prevailing legislative restrictions and requirements as well as the investors' needs for timely release of price-sensitive information, such as financial performance results and statements, material acquisitions, significant corporate proposals as well as other significant corporate events.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's annual audited financial statements, quarterly announcement of results to shareholders as well as the Chairman's statement and review of operations in the Annual Report.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes to ensure accuracy, adequacy of all relevant information for disclosure and that necessary steps have been taken to ensure that the Group had used all the applicable accounting policies consistently, and that the policies are supported by reasonable prudent judgements and estimates. The Board has taken due care and reasonable steps to ensure that the requirements of accounting standards and relevant regulations were fully met.

Relationship with Auditors

The Board through the Audit Committee has established formal and transparent relationship with the external auditors which have been maintained on a professional basis. Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's term of reference as detailed on pages 27 to 30 of this Annual Report.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 27 to 31 of this Annual Report.

The details of audit fee and non-audit fee payable to the external auditors are set out below:

	2012 RM'000
Audit fee payable	105
Non-audit fee payable	45
Total	**150**

Statement on Risk Management and Internal Control

The Statement on Risk Management and Internal Control furnished on pages 25 to 26 of this Annual Report provides an overview on the state of internal controls within the Group.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the affairs of the Group and of the Company as at the end of the accounting period and of the profit and loss and cash flows for the period ended. In preparing the financial statements, the Board made judgements and estimates that are reasonable and prudent and also ensures that the financial statements are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Compliance Statement

The Company has, in all material aspects, complied with the recommendations of the Code throughout the financial year save for the following:

(a) the Board must comprise a majority of independent directors where the chairman of the Board is not an independent director; and
(b) the tenure of an independent director should not exceed a cumulative term of nine years.

Subsequent to the financial year ended 31 December 2012, two (2) new independent directors were appointed and the current Board comprise of a majority of independent directors which is in line with the recommendation of the Code.

The Board has recommended to retain an independent director whose tenure has exceeded nine years and shall seek shareholders' approval at the forthcoming AGM.

This statement was made in accordance with a resolution of the Board dated 15 March 2013.

The Board of Directors ("Board") believes that the practice of good corporate governance is an important continuous process in accordance with Paragraph 15.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board continues to review the system to ensure that the risk management and internal control system provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud. The process is regularly reviewed by the Board and is guided by the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines")*.

The Board has established a risk management framework which consists of a formalised risk management policy and procedure for a systematic and consistent approach to evaluate and improve the adequacy and effectiveness of the Group's risk management process. The key elements of the risk management framework are as follows:

(a) a documented risk management policy and procedure with defined risk strategy and risk management policy on risk assessment, risk communication and risk monitoring;

(b) defined parameters for risk rating; and

(c) a Risk Management Committee ("RMC") chaired by the Managing Director of the Company with the main functions of recommending appropriate risk management policy to the Board, maintaining overall risk management oversights and to review the risk profile of the Group on an ongoing basis.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard investment, the interest of customers, regulators, employees, and the Group's assets.

Key risk management and internal control processes

The key processes that have been established in reviewing the adequacy and effectiveness of the risk management and internal control system include:

- The RMC conducts an annual risk assessment exercise in the identification and evaluation of the significant risk affecting the Company and one of its significant subsidiaries, KEN Grouting Sdn Bhd (KGSB). During the year, six significant risk areas were selected for specific review and a general review was performed on the other risk areas. The risk profile of the Company and KGSB together with the Risk Register were updated and presented in the RMC meeting.

  The risk assessment performed in 2012 was subsequently reviewed and approved by the Audit Committee and the Board respectively in March 2013.

- The internal audit function reports its findings to the Audit Committee of the Company. The Audit Committee examines the Group's system of internal control through reviews of reports on risk assessment exercises performed by the RMC and reports from the internal audit function.

During the year, the internal audit function was outsourced to an appointed independent consultant which undertook internal audit reviews on selected risk areas of the Company and KGSB and its findings were presented to the Audit Committee and the Board in August 2012 and February 2013.

The independent consultant also presented the annual audit plan for 2013 which has been reviewed and approved by the Audit Committee in February 2013.

- The key elements adopted to monitor and review the effectiveness of the system of internal control were:
  - The organisational structure of the Company and its subsidiaries has defined lines of accountability and authority for all aspects of the business;

- Management/project committee meetings and departmental meetings were held monthly to identify, discuss and resolve operational, financial and key management issues;
- Budget was prepared for each subsidiary and reviewed by the Managing Director;
- Management reports were prepared monthly and monitored against budget on a quarterly basis;
- Board Committees comprise of Audit Committee, Nomination Committee, Remuneration Committee, Management/Project Committee and Risk Management Committee with defined terms of reference and functions have been established;

  The terms of reference of the RMC has been revised to include recommendations made in the Guidelines on roles and responsibilities for risk management and internal control;
- Standard Operating Procedures were documented in Standard Operating Procedure Manuals and covered:
  - Finance and administration processes;
  - Sales administration and marketing processes;
  - Human resources processes;
  - Property management processes; and
  - Purchasing processes.
- Internal quality audits were conducted on KEN Rimba Sdn Bhd (KRSB), KEN TTDI Sdn Bhd (KEN TTDI) and KGSB during the year to monitor compliance with ISO 9001:2008 as well as identify and monitor operational issues;
- KGSB, KRSB and KEN TTDI have been certified by a certification body for compliance with ISO 9001:2008;
- The Audit Committee reviewed the quarterly results before approval by the Board for public releases. The Audit Committee also reviewed the audit findings of the external auditors, the annual financial statements and Annual Report of the Group The minutes of the Audit Committee were tabled to the Board on a periodic basis. Further details of the activities of the Audit Committee were set out in the Audit Committee report;
- The Group's internal audit function has the responsibility to assure the Board, via the Audit Committee that internal control systems were fully implemented through its audit reviews on selected risk areas during the year and submitted its findings to the Audit Committee; and
- Appointment of suitable employees with the required qualification and experience to fulfill their responsibilities and to provide education, training and development to enhance employees' skills and to reinforce such qualities.

The Board remains committed towards operating a sound system of risk management and internal control and therefore recognises that the system must continuously evolve to support the growth and dynamics of the Group. As such the Board, in striving for continuous improvement, will put in place appropriate action plans, where necessary, to further enhance the Group's system of internal control.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 issued by Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2012, and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of risk management and internal controls within the Group.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon.

This statement was made in accordance with a resolution of the Board dated 15 March 2013.

ESTABLISHMENT AND COMPOSITION

The Audit Committee of KEN Holdings Berhad was established on 19 March 1996. For the financial year ended 31 December 2012, the Committee comprise the following directors:

Chairman:	Sha Thiam Fook (MIA member) (Demised on 4 December 2012)	*(Independent Non-Executive Director)*
Members:	Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar	*(Independent Non-Executive Director)*
	YTM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud	*(Independent Non-Executive Director)*
	YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail	*(Independent Non-Executive Director)*

Following the demised of Mr. Sha Thiam Fook, YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail was appointed a member of the Audit Committee on the same day to maintain the composition of not fewer than three (3) members pursuant to Paragraph 15.09 of the Listing Requirements.

Subsequently, on 20 February 2013, YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar was appointed as the new Chairman of the Audit Committee to replace the late Chairman, Mr. Sha Thiam Fook. On the same day, Mr. Sha Thiam Lu, a member of the Malaysian Institute of Accountants (MIA) was also appointed a member of the Audit Committee which is in compliance with Paragraph 15.09 of the Listing Requirements.

SUMMARY OF THE TERMS OF REFERENCE

(1) MEMBERSHIP

(a) The Committee shall be appointed by the Board from amongst the directors of the Company and shall be composed exclusively of Non-Executive Directors of no fewer than three (3) members, of whom the majority shall be independent.

(b) The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or alternatively a person who has fulfill such other requirements as prescribed or approved by Bursa Securities.

(c) No alternate director shall be appointed as a member of the Committee.

(d) The members of the Committee shall elect from among their number a Chairman who is non-executive and independent, as defined above.

(e) If one or more members of the Committee resign, die or for any other reason cease to be a member with the result that the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") are breached, the Board shall, within three (3) months of the event, appoint such number of new members as may be required to correct the breach.

(f) The Board shall review the term of office of Committee members no less than once every three (3) years.

(2) AUTHORITY

The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:

(a) investigate any activity within the Committee's terms of reference;

(b) have resources which are reasonably required to enable it to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company or its subsidiaries;

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

(e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

(f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

(3) FUNCTIONS AND RESPONSIBILITIES

(3.1) The functions of the Committee shall be, amongst others, to review the following and report the same to the Board:-

(a) with the external auditors, the scope of the audit and the audit plan;

(b) with the external auditors, their evaluation of the system of internal controls;

(c) with the external auditors, their management letter and the management's response;

(d) with the external auditors, their audit report;

(e) the assistance given by the employees to the external auditors;

(f) the nomination or re-appointment of the external auditors and their audit fees as well as matters pertaining to resignation or change of the external auditors;

(g) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

(h) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(i) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-

(i) any changes in or implementation of major accounting policy changes;

(ii) significant adjustments arising from the audit;

(iii) significant and unusual events;

(iv) the going concern assumption; and

(v) compliance with accounting standards and other legal requirements;

(j) any related party transaction and conflict of interest situation that may arise within the Company or the group including any transaction, procedure or course of conduct that raises questions of management integrity; and

(k) any other matters as directed by the Board.

(3.2) The Committee shall establish an internal audit function which is independent of the activities it audits.

(3.3) The Committee shall oversee all internal audit functions and is authorised to commission investigations to be conducted by internal audit as it deems fit.

(3.4) The internal auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.

(3.5) All proposals by management regarding the appointment, transfer or dismissal of the internal auditor shall require the prior approval of the Committee.

(3.6) The Committee shall prepare an Annual Report to the Board that provides a summary of the activities of the Committee and the internal audit function or activity for inclusion in the Company's Annual Report.

(3.7) The Committee may report any breaches of the Listing Requirements, which have not been satisfactorily resolved, to the Bursa Securities.

(4) QUORUM, ATTENDANCE AND FREQUENCY OF MEETINGS

(a) The quorum shall be formed only if there is a majority of members present at the meeting who are independent directors.

(b) The Finance Director, the representatives of the independent consultant for internal audit function and a representative of the external auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting upon the invitation of the Audit Committee, specific to the relevant meeting. However, at least twice (2) a year the Committee shall meet with the external auditors without executive Board members present.

(c) The Chairman shall call for meetings, to be held not less than four (4) times a year. The external auditors may request a meeting if they consider one necessary.

AUDIT COMMITTEE MEETINGS

The Audit Committee met five (5) times during the financial year ended 31 December 2012. The details of Audit Committee's meetings held and attended by the Committee during the financial year are as follows:

Name of Members	No of Audit Committee Meetings Attended/Held
Chairman: Sha Thiam Fook (Chairman) *(Independent Non-Executive Director)*	4/5
Members: Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar *(Independent Non-Executive Director)*	5/5
YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud *(Independent Non-Executive Director)*	3/5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

The Audit Committee carried out its duties in accordance with its Terms and Reference. During the financial year ended 31 December 2012, the activities of the Audit Committee included the following:-

(a) Reviewed the unaudited quarterly financial results and announcements of the Company and the Group prior to submission to the Board of Directors for consideration and approval;

(b) Reviewed the year end financial statements ended 31 December 2011;

(c) Reviewed the external auditors' reports for the financial year ended 31 December 2011 in relation to audit and accounting issues arising from the audit and the management's response;

(d) Reviewed the assistance given by the employees to the external auditors in respect of the audit for the financial year ended 31 December 2011;

(e) Considered the audit fee payable and the nomination of the external auditors for recommendation to the Board for re-appointment;

(f) Reviewed the Audit Committee Report, Corporate Governance Statement and Statement of Internal Control for the financial year ended 31 December 2011 and recommended its adoption to the Board;

(g) Reviewed the external auditors' audit plan and scope of audit for the financial year ended 31 December 2012;

(h) Met with the external auditors twice (2) during the financial year ended 31 December 2012 without the presence of any executive Board members;

(i) Reviewed the Risk Management Assessment Report of the Company and its wholly-owned subsidiaries;

(j) Reviewed Internal Audit Plan for 2012 of the Company, the scope and focus of the internal audit programmes; and

(k) Reviewed internal audit reports of the Company and its operating subsidiaries prepared by the internal auditor, the audit recommendations made and management's response to the recommendations.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an internal audit consulting company and the selected team is independent of the activities audited by them and the external auditors.

The internal audit function is to ensure a regular review of the adequacy and integrity of the Group's internal control systems so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group. The Internal Auditor undertakes internal audit function based on the audit plan that is reviewed and approved by the Audit Committee.

During the financial year, the Internal Auditors conducted the internal control reviews on the operating functions and procedures and recommended action plans for improvement by management. The final audit reports containing audit findings and recommendations together with management's responses thereto were circulated to all members of the Audit Committee. Areas of improvement identified were communicated to the management for further action. All internal audit reports were reviewed by the Audit Committee and discussed at Audit Committee Meetings. Follow-up reviews would subsequently be performed to ascertain the extent of implementation of the recommended corrective action for improvements.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2012 was RM26,000.

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposal during the financial year ended 31 December 2012.

SHARE BUY-BACKS

During the financial year ended 31 December 2012, the Company bought back a total of 57,000 of its ordinary shares of RM1.00 each ("KEN Shares") which are listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") in the open market. The details of the KEN Shares bought back during the financial year are as follows:

Monthly Breakdown 2012	No. of KEN Shares Bought Back & Retained as Treasury Shares	Buy Back Price Per Share (RM)			Average Cost Per Share (RM)	Total Cost (RM)
		Lowest	Highest	Average		
January	20,000	1.03	1.05	1.04	1.05	20,952.04
March	15,000	1.30	1.31	1.31	1.31	19,692.67
May	20,000	1.23	1.24	1.24	1.24	24,880.61
October	2,000	1.26	1.26	1.26	1.28	2,563.76

All the KEN Shares bought back during the financial year are held as treasury shares in accordance with Section 67A(3A)(b) of the Companies Act, 1965. As at 31 December 2012, a total of 6,083,700 KEN Shares were held at treasury shares. None of the treasury shares held were resold or cancelled during the financial year.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2012.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year ended 31 December 2012, the Company did not sponsor any ADR or GDR programme.

IMPOSITION OF SANCTIONS/PENALTIES

There was no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies during the financial year ended 31 December 2012.

NON-AUDIT FEES

The total amount of non-audit fees to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2012 amounted to RM45,000.

VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced.

PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2012.

MATERIAL CONTRACTS

There were no material contracts (not being contract entered into in the ordinary course of business) entered into by the Company and its subsidiary companies which involve Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2012 or, entered into since the end of previous financial year except as disclosed in Note 27 to the Financial Statements.

Sustainability Report

COMMITING TO SUSTAINABILITY AS A KEY TO SUCCESS

CONTENT

ENVIRONMENT

COMMUNITY

ENVIRONMENT

COMMITTING TO SUSTAINABILITY AS A KEY TO SUCCESS

At KEN Holdings Berhad ("KEN Holdings"), we believe that what's good for business must also be good for the environment. This firm conviction has guided the organization to focus on green and sustainable property development. As one of Malaysia's pioneering green and award winning green property developer, KEN Holdings is committed to comply with environmentally sustainable practices in all its current and future developments.

Since 2009, KEN Holdings has focused the bulk of its attention on green development. All projects undertaken by KEN Holdings have been green-rated; this includes KEN Bangsar, KEN Rimba Legian Residences, KEN Rimba Commercial Centre and KEN Rimba Jimbaran Residences. Our future projects, KEN Rimba Condo, KEN TTDI and KEN JBCC will be green rated as well.

BCA Green Mark is a Singapore green building rating system. It provides a comprehensive framework for assessing the overall environmental performance of new and existing buildings to promote sustainable design, construction and operations practices in buildings.

KEN Bangsar was the first residential development in Kuala Lumpur to obtain the Green Mark Gold^{PLUS} Award. KEN Rimba Legian Residences has also recently been awarded the Green Mark Gold Award. The latest KEN Holdings development – KEN Rimba Jimbaran Residences has just conducted its Green Mark pre-assessment and been awarded the Green Mark Gold^{PLUS} Award (Provisional).

Project	Rating System			STATUS
	GREEN MARK	LEED	GBI	
KEN Bangsar	GREEN MARK Gold^{PLUS} Award		GBI GOLD Award	Completed
KEN Rimba Township			GBI Township Certified (Provisional)	
KEN Rimba Legian Residences	GREEN MARK GOLD Award		GBI Certified Award	Completed
KEN Rimba Commercial Centre	GREEN MARK Certified Award (Provisional)			In progress
KEN Rimba Jimbaran Residences	Green Mark Gold^{PLUS} Award (Provisional)			In progress
KEN Rimba Condo	Aiming for Green Mark Platinum Award			In progress
KEN TTDI (Commercial Building)	Aiming for Green Mark Platinum Award	Aiming for LEED Core and Shell Award		In progress
KEN JBCC	Aiming for Green Mark District Platinum			In progress

GREEN EFFORTS

PROJECT	KEN BANGSAR
Energy Efficiency	Naturally-ventilated and daylit carpark > High efficiency Daikin multi split inverter air conditioners > Low-emissivity laminated glass to reduce heat gain as well as to improve thermal comfort. > Lighting: (i) Energy efficient light bulbs, T5, PLC bulbs & LED (ii) Provision of motion sensor for staircase, male and female surau, mail box area > Energy efficient lift with security control > Central water heater
Water Efficiency	> Water efficient fittings, all WELS rated. > Rainwater harvesting for landscape irrigation > Water efficient drip irrigation system with automatic rain sensor control and time control
Sustainable Site Planning and Management	> Extensive greenery around the development > Sustainable construction practice: 3R Program (Reduce, Recycle and Reuse) Reduce: Irregular extra pieces of driveway marble re-used at planter box Reuse: Irregular and extra pieces of feature wall marble re-cut and re-used at refuse chamber Recycle: Odd sized and remnant marble pieces from the washroom and apartment floors were recycled for feature walls at lobby column and wall > Conserve and restore existing natural area, trees.
Indoor Environmental Quality	> Low VOC paint to improve indoor environmental quality.
Innovative features	> CHEEL system: Waste heat from the air conditioner system is being recycled and reused for generation of hot water to the common toilets

KEN RIMBA LEGIAN RESIDENCES	KEN RIMBA JIMBARAN RESIDENCES	KEN RIMBA COMMERCIAL CENTRE
> North-south orientation for better natural ventilation > Adjustable glass louvred windows to facilitate air flow and ventilation > 100% of habitable spaces are daylit > Provision of breathable roof	> North-south orientation for better natural ventilation > Adjustable glass louvred windows to facilitate air flow and ventilation > 100% of habitable spaces are daylit > Provision of breathable roof	> North-south orientation for better natural ventilation
> Rainwater harvesting for gardening and car porch washing without using potable water > Provision of water efficient fitting	> Rainwater harvesting for gardening and car porch washing without using potable water > Provision of water efficient fitting	> Provision of water efficient fitting
> Thermal insulated and powder-coated for aluminium frame > Green-rated gypsum plasterboard > Simulated planks for the main gate using recycled material > Provision of recycling bins for collection and storage of different recyclable waste such as paper, glass, plastic food waste etc. > Provision of compost bin for on-site composting > Provision of sheltered bicycle parking lots	> Green-rated gypsum plasterboard > Provision of recycling bins for collection and storage of different recyclable waste such as paper, glass, plastic food waste etc. > Provision of compost bin for on-site composting > Provision of sheltered bicycle parking lots	> Provision of recycling bins for collection and storage of different recyclable waste such as paper, glass, plastic food waste etc. > Provision of sheltered bicycle parking lots
> Heat reflective paint for the external walls > Low VOC for all internal walls	> Heat reflective paint for the external walls > Low VOC for all internal walls	> Low VOC for all internal walls
> Internal green planter under a skylight for natural daylighting	> Provision of solar water heater	

KEN BANGSAR

The KEN Bangsar project, completed in 2009, is a remarkable testament to the sustainability of environmentally sound practices in construction. Thanks to the myriad of green technology-driven measures undertaken by KEN Holdings, KEN Bangsar is today widely recognised as the most environmentally friendly residential project in the country.

Materials for the lobby are re-used

In recognition of the numerous green initiatives that have been incorporated into the design philosophy and subsequent construction of the building, KEN Bangsar was duly accorded several prestigious awards, including the Green Mark Gold^{PLUS} Award (final certificate) from the Building and Construction Authority (BCA) of Singapore and Green Building Index Gold Award from Malaysia.

IMPLEMENTATION OF 3R PROGRAM (REDUCE, RECYCLE, REUSE)

- Reduce: Irregular extra pieces of driveway marble re-used at planter box
- Reuse: Irregular and extra pieces of feature wall marble re-cut and re-used at refuse chamber
- Recycle: Odd sized and remnant marble pieces from the washroom and apartment floors were recycled for feature walls at lobby column and wall

Before



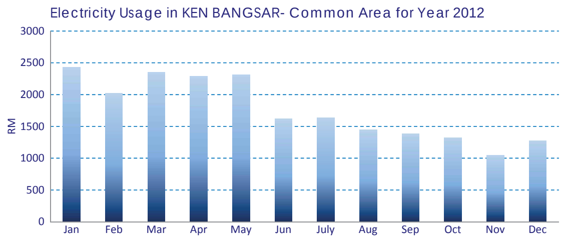
After



ENERGY MANAGEMENT

The electricity and water consumption data for KEN Bangsar from January to December 2012 collected for monitoring purposes.

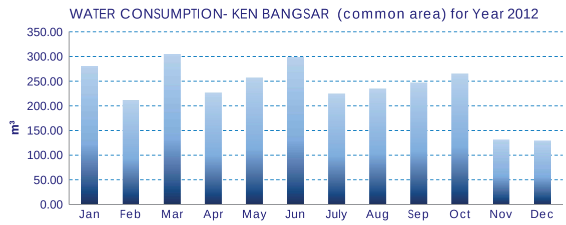
KEN Bangsar Energy Consumption 2012



With incorporation of green features into KEN Bangsar such as daylit and naturallly-ventilated carpark and lobby, provision of motion sensor for all staircases and mail room, CHEEL system and etc, the monthly electricity bill of KEN Bangsar is approximately RM2,500 to RM2,000 monthly, from the months of January to May 2012.

We believe that to successfully operate a green building, a well-trained management team is a key factor. No matter how well designed a green building is, without a good building management team, a green building cannot perform as it should. Thanks to the great effort from the management team of KEN Bangsar, Jewel Estate, the electricity bill of KEN Bangsar was reduced to between RM1,500 and RM1,000 monthly, for August to December 2012.

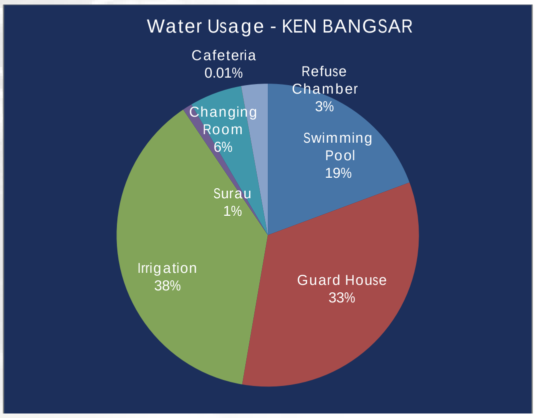
KEN Bangsar Water Consumption 2012



To reduce potable water usage, all KEN Bangsar residential units including the bathrooms in common areas are fitted out with water efficient fittings and sanitary wares. By adopting these eco-friendly fittings, the base building annual water consumption has been reduced by 50% compared to conventional fittings.

Another environmental feature is the adoption of rainwater harvesting. Surface water from the roof is collected in a rainwater harvesting tank and linked to a drip irrigation system with a rain sensor control system; this allows no potable water consumption for landscape irrigation, reducing potable water usage for common areas by 50% and saving 4m^3 of base potable water consumption per day.

Breakdown of the water usage



KEN RIMBA TOWNSHIP

KEN Rimba is a new township in Shah Alam, comprised of two terraced home components, Legian Residences and Jimbaran Residences, condominium developments and a commercial centre.

KEN Holdings, being one of the most Green awarded developers in Malaysia, is very focused on the development of green buildings. As such, a series of innovative green features have been incorporated into the KEN Rimba development. These efforts have seen it awarded the first Green Building Index (GBI) rated Township in Malaysia.

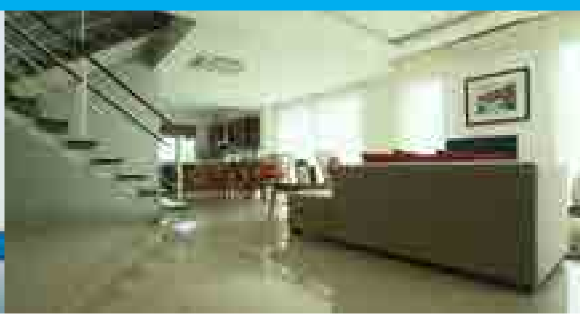
KEN RIMBA TOWNSHIP

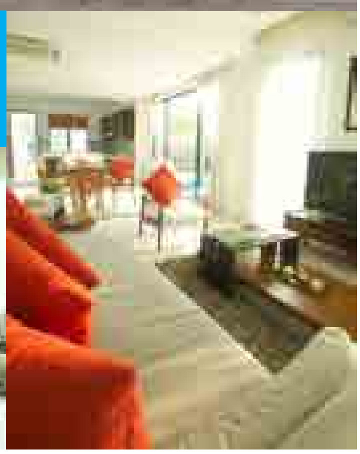
KEN RIMBA LEGIAN RESIDENCES

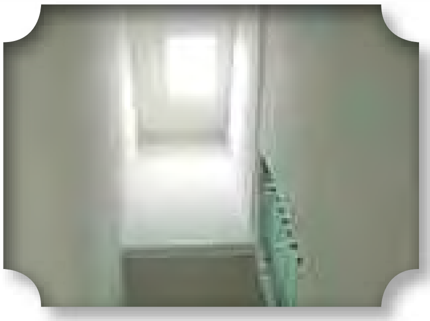
Similarly, KEN Rimba Legian Residences, an inspirational residential project comprising 328 units of terrace homes in Shah Alam, succinctly illustrates how the practice of employing environmentally sound practices in construction does not inevitably have to be limited to high-cost luxury developments; the idea is that green buildings can also be incorporated into the design and construction of mid-priced homes.

The township is a fine example of ecologically viable, affordable, and desirable residences saw the KEN Rimba Legian Residences project being awarded the Green Mark Gold Award from the Building and Construction Authority (BCA) of Singapore, the first such award accorded to a terrace or linked-home development in Malaysia. It was also the recipient of the Green Building Index Certification, and both these prestigious awards are testament to Legian Residences' status as the country's first truly green township.

KEN RIMBA LEGIAN RESIDENCES







Skylight to allow natural lighting in the house

In-house green planters for internal landscaping

North-south orientation of the houses for better ventilation and lessening the need for electrical cooling devices

Australian adjustable glass louvered windows to facilitate air flow and ventilation

Rainwater harvesting tank for gardening and car porch washing without using potable water

Main gate plank is fabricated using recycled materials

Planting of Palawan trees at the back lanes, turfed walkways features between end lots.

Provision of covered walkway to the commter station

KEN RIMBA COMMERCIAL CENTRE

Part of the greater KEN Rimba township project, the KEN Rimba Commercial Centre has also been recognised for the green initiatives that have been incorporated into its design philosophy. It was awarded the Green Mark Certified (Provisional) certificate from the Building and Construction Authority (BCA) of Singapore.

KEN RIMBA JIMBARAN RESIDENCES

Located in Section 16 of Shah Alam, all homes enjoy ample natural light and ventilation. Additional features such as skylights reduce the need for excessive artificial lighting while indoor planter areas encourage home-owners to incorporate greenery and small gardens within their homes.

KEN Rimba Jimbaran Residences is targeting the green building award from Singapore's Building and Construction Authority (BCA) for its Green Mark's GoldPLUS award.

The residential development features materials and fittings chosen with care, with sustainability in mind. The concept of green living is evident in every aspect of the building, from the design down to the materials and finishes selected for the terrace houses. A long narrow floor plan with provision of opening windows in opposite walls coupled with special-order Australian adjustable glass louvered windows create cross ventilation that naturally cools the habitable spaces when it is none air conditioned. All units are also provided with excellent rating water fittings by Singapore's Water Efficiency Labeling Scheme (WELS), which provides water saving of approximately 37%. In addition, rainwater harvesting tanks are also provided which can be used for daily activities such as irrigation and car porch washing. There is also a covered walkway connecting the nearby Padang Jawa KTM Komuter station to the KEN Rimba township.

WASTE MANAGEMENT & MONITORING OF WATER AND ELECTRICITY USAGE

– KEN Rimba Legian Residences

A comprehensive waste management plan had been implemented during the construction period of KEN Rimba Legian Residences. The plan had been communicated across to all the workers on site.

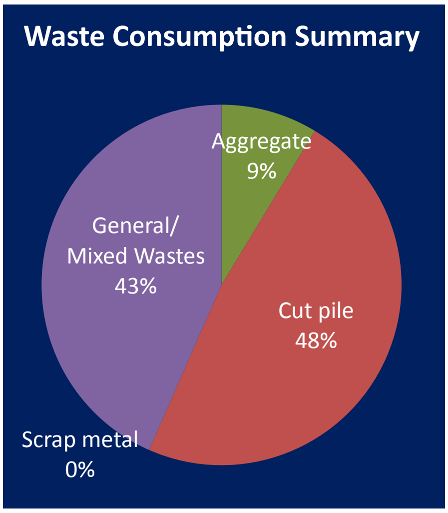
Waste materials on the project site basically falls into 3 categories of management:

A) Re-use
Materials that were re-used include:
i) Waste concrete that could be crushed to be used as hardcore for pavement
ii) Waste concrete that were used for the temporary access road

B) Recycle
Materials that were sent for recycling include steel re-bars.

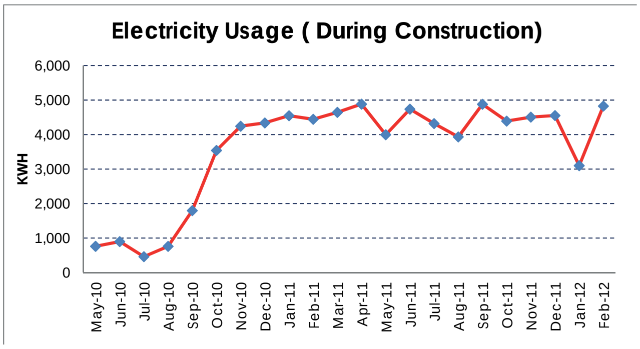
C) Landfill
Construction wastes that couldn't be reused for other project nor satisfy the above would only be sent to landfill for disposal.

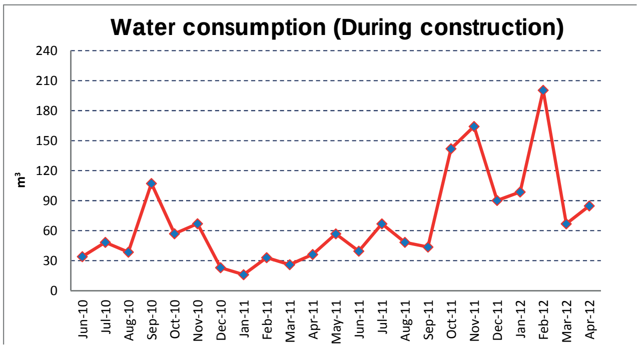
Construction material	Wastes [kg]	Density [kg/m³]	Volume [m³]	Recycled / Reused/ Disposal
Aggregate			154.00	Reused for construction activities
Cut pile			850.00	Reused for paving
Scrap metal	750	7840	0.10	Recycled
General/ Mixed Wastes			770.00	Landfill for disposal
Grand Total			1774.10	
Diversion rate			**57%**	



About 57% of the total construction wastes had been diverted with implementation of waste management plan.

The monthly electricity and water used for construction were obtained and tracked.





CARBON NEUTRAL

This is actually the second year that KEN Holdings remains its carbon neutral status by investing in carbon offset project and implementing measures such as using energy efficient hybrid car, promote energy saving among staff through energy saving contests, and replace the use of diesel with biodiesel.

Carbon offset projects invested by KEN Holdings in 2011 include the GHANA charcoal stove project, a Wind Turbine project in Ningxia, China and a Hydro Power Generation project in China. In 2012, KEN Holdings heavily invested in the rainforest rehabilitation project in Borneo, Malaysia (INFAPRO).

CARBON EMISSION AND OFFSETTING METHOD

The Carbon Footprint study conducted was in accordance with an internationally recognised methodology - the WRI GHG Protocol. The organisational boundary was limited to the operations at KEN Holdings Corporate Headquarters for the year of 2011.

Annual Carbon Emissions 2011	kg CO_2e/ year
Fuel Combustion	243,228
[Car, motorcycle, lorry and plant equipment]	
Air con recharge	5,533
Electricity Consumption	85,602
Total	**334,363**

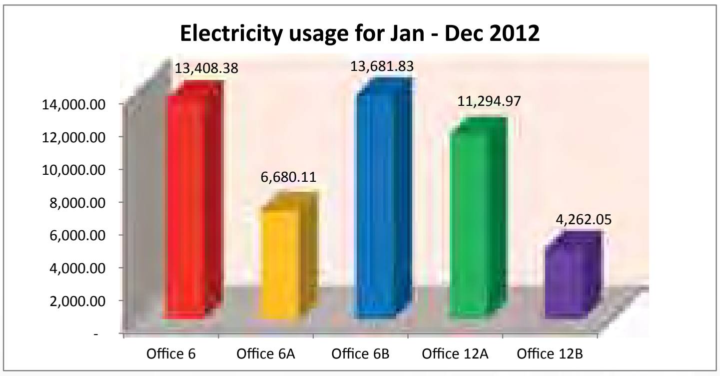
The followings measures have been taken by KEN Holdings in order to reduce the carbon footprint of KEN Holdings:

(i) Use of fuel efficient vehicles (Hybrid Car)

Both the Group Executive Chairman and Group Managing Director, as well as staff of the company has since upgraded to using hybrid cars to minimise carbon emmission.

(ii) An energy saving contest was held at the company's corporate HQ building in order to promote saving energy, raise awareness as well as cutting carbon foot print.
Energy saving measures taken include:

- All T8 light bulbs had been replaced with energy efficient T5 light bulb
- All lights are turned off when the offices are not in use.
- Sharing of green strategies and practices among KEN's staff
- Computer equipment that is not essential is automatically turned to sleeping mode/ off when not in use.
- Air conditioning units are always turned to the highest comfortable temperature in order to reduce unnecessary energy expenditure and ensuring units in unused areas of the office are switched off.



Improvement in energy saving

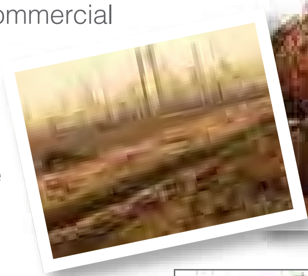
Office	Average Jul – Dec'11	Average Jan – Dec'12	Saving in %
Office 6	RM 1,250.39	RM 1,117.37	11%
Office 6A	RM 667.30	RM 556.68	17%
Office 6B	RM 1,227.79	RM 1140.15	7%
Office 12A	RM 1,035.39	RM 941.25	9%
Office 12B	RM 354.87	RM 355.17	1%

(ii) Replacement of the use of diesel for construction works with biodiesel

(iii) Investment in forest rehabilitation project, Malaysia (INFAPRO)

DEFORESTATION IN SABAH

The island of Borneo has the world's tallest tropical rainforest and harbors an abundance of unique wildlife and biodiversity. However, this rainforest is becoming increasingly threatened by unsustainable commercial logging and oil palm plantations - putting this unique ecosystem at risk. Therefore, KEN Holdings has decided to heavily invest in the rainforest restoration project in Borneo, Malaysia (INFAPRO Project), which aims to re-establish these precious forests and hence reduce carbon emission into the atmosphere.

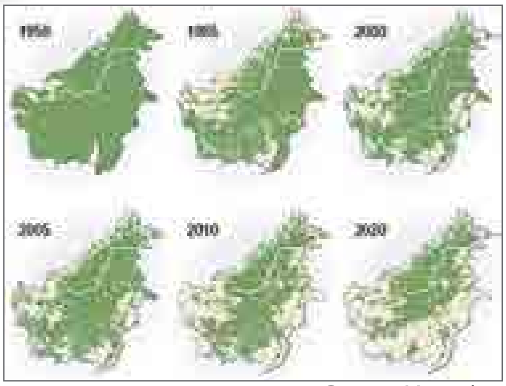


Source: First Climate

LOGGING IN SABAH

The project is located at the eastern side of the Yayasan Sabah concession area within the Ulu Segama Forest Reserve in the Lahad Datu district. It creates a protective buffer to the famous Danum Valley Conservation Area, an undisturbed tropical rainforest.

Without this project, the forest would be re-logged and would only slowly recuperate due to high quantities of vines and climbing bamboos suppressing the remnant trees and the natural regeneration process.



Source: Mongabay

INFAPRO PROJECT

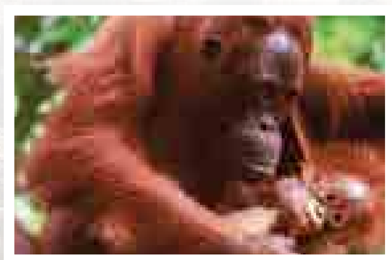
Improved Forest Management (IFM) methodologies are designed to facilitate the transition of unsustainably managed forests towards a high-productive forest. The INFAPRO project has been designed to rehabilitate an area of 25,000 ha adjacent to the unique primary forests of Danum Valley though IFM activities. It is located in an area with a high density and diversity of fauna.

The main tree species in this region are Dipterocarps which are indigenous to South-East Asia and considered commercially valuable. The Dipterocarpaceae is a large family of tropical hardwood trees that is known for its long-lived species that can grow to exceptional sizes.

The project avoids re-logging and rehabilitates the forest by enrichment planting and liberation thinning by cutting climbers and vines. Apart from sequestering carbon, restorations activities help improve a variety of ecosystem functions.

SUSTAINABILITY BENEFITS

With a total 25,000 ha being reforested and ca. 138,000 tons of CO_2 being captured, the project does not only contributes to climate change mitigation but also provides additional social benefits and will also contribute towards the biodiversity of the forest. These include the following:



- Provision of employment opportunities for locals in the areas of planting, sampling and administration
- Enlargement of the habitat of several mammal and bird species
- The relatively fast return of animal species to the area, in particularly birds, Orang Utans, Sun bears and Pygmy elephants.
- Retreat area for the Sumatran Rhino, a critically endangered species.

COMMUNITY

TRINITY CHILDREN HOME

Trinity children home is a welfare home for children located at Petaling Jaya. It was founded by Joseph Clemonds, a solicitor.

Trinity Children Home is home to 25 mainly Indian boys and girls between the ages of 5 to 17 years. The children are from various backgrounds: some are orphaned, some only have a single parent who can't afford to feed them and others are either abandoned or neglected.

The building is a small double storeys detached landed house with living spaces, kitchen, dining area, small office and etc. It is in need of a general upgrade due to the following issues:

- Cramped rooms with bunk beds
- Insufficient toilets and in need of renovation
- No proper dining room
- Faulty electrical
- Leaking roof and falling ceiling boards
- Mosquitoes (no netting)
- Lack of natural light and ventilation

REHDA Youth group is underway to renovate the rundown 'Trinity Children Home' and turn it into 'Green Home'. The objective is to provide the orphanage with a comfortable and healthy living environment.

REHDA Youth members (such as Bandar Utama Development, Glomac, KEN Holdings and etc) are chipping in time and resources. VERITAS will be offering architecture services, BSD Consultancy acting as green consultants, Akzo Nobel providing low VOC and heat reflective paints, Monier to install a cool roof system.

SHELTER HOME OF CHILDREN & FARM IN THE CITY

Our Company's sports club, Kelab Sukan & Sosial KEN (KSSK Club) organized a half-day outing to the Shelter Home of Children, located in Petaling Jaya. KSSK members accompanied the children to Farm in the City, a petting zoo located at Seri Kembangan.

Teaching kids green habits.

Children enjoyed having direct interaction with animals.

A VISIT TO OLD FOLK HOME (RUMAH CARING KAJANG)

Rumah Caring Kajang was founded by Wendy Yap, a social worker, in 2004 with a vision to lend a helping hand to senior citizens, the mentally challenged, single mothers with children, young unmarried mothers and drug addicts.

Rumah Caring has been occupying two units in Taman Muhibbah, Kajang, for nine years. It is currently home to 28 residents aged between 13 and 94, including six with minor depression and mental development problems.

On 11 February 2012, KSSK Club organised a charity dinner in conjunction with the Chinese New Year festive. Additionally, staff and management team of KEN Holdings have donated daily provisions and angpows were distributed to each resident of the home.

KSSK members carrying goodie bags to be given to each resident

Giving angpows and goodie bags to each resident of the home

Dinner time

KEN FOUNDATION

KEN Foundation was established in 2005 with the aim of providing educational opportunities to needy, deserving Malaysian students accepted into but without the wherewithal to study at local universities. Selected students are given a chance to further their studies at our local universities and thereon realise their potential in the becoming leaders of tomorrow.

KEN Holdings Berhad has pledged 1% of its annual profits before tax to be channelled into this foundation. To date, the foundation has raised and contributed in excess of RM1 million towards achieving this goal. As the group evolves organically, so too will the KEN Foundation continue in providing a cache of talents from which the Group can extract as future leaders of the Company.

The scholarship disbursed by the foundation cover tuition fees, food and lodging so that recipients can focus on their studies without worrying about these attendant costs. During the term of their scholarships, recipients are also given internship training in order to equip them with the requisite practical experience to nurture their minds and through this, be groomed for the future.

As part of our continuing efforts in assisting needy and able Malaysian students in realising their dreams of obtaining a university degree, a total of 4 outstanding and deserving students have received their scholarship awards this year. Currently, the KEN Foundation supports a total of 19 students who are pursuing their studies in their respective local universities. Graduated scholars have also commenced employment within the KEN Group.

KEN Bangsar,
Malaysia's first multiple award winning high rise residence

Upcoming project in Johor Bahru

KEN Rimba Legian Residences

Financial Statements

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The Company is principally engaged in investment holding and provision of management services whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	16,449	6,907

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary dividend of 6.0 sen per ordinary share less tax at 25% totalling RM4,040,024 (4.5 sen net per ordinary share) in respect of the financial year ended 31 December 2011 on 22 June 2012.

The first and final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2012 is 6.0 sen per ordinary share less tax at 25% totaling RM4,039,934 (4.5 sen net per ordinary share).

Directors of the Company

Directors who served since the date of the last report are:

Dato' Tan Boon Kang
Tan Moon Hwa
Tan Chek Siong
Tang Kam Chee
YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar
YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud
YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail
Dato' Ir. Dr. Ashaari bin Mohamad (appointed on 20 February 2013)
Sha Thiam Lu (appointed on 20 February 2013)
Sha Thiam Fook (deceased on 4 December 2012)

Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
Company	**At 1.1.2012 '000**	**Bought '000**	**Sold '000**	**At 31.12.2012 '000**
Directors of the Company:				
Interests in the Company:				
Dato' Tan Boon Kang	1,982	–	–	1,982
Tan Chek Siong	3,121	–	–	3,121
Tan Moon Hwa	606	–	(5)	601
Tang Kam Chee	115	–	(15)	100
Indirect interests in the Company:				
Dato' Tan Boon Kang	45,004	–	–	45,004

	Number of ordinary shares of HK$1.00 each			
Subsidiary	**At 1.1.2012 '000**	**Bought '000**	**Sold '000**	**At 31.12.2012 '000**
Kenly (HK) Ltd.				
Indirect interests in the subsidiary:				
Dato' Tan Boon Kang	6,030	–	–	6,030

	Number of ordinary shares of RM1.00 each			
Company	**At 1.1.2012 '000**	**Bought '000**	**Sold '000**	**At 31.12.2012 '000**
Spouse of Dato' Tan Boon Kang:				
Interests in the Company:				
To' Puan Lau Pek Kuan	1,959	–	–	1,959
Indirect interests in the Company:				
To' Puan Lau Pek Kuan	45,028	–	–	45,028
Children of Dato' Tan Boon Kang:				
Interests in the Company:				
Tan Chek Een	3,000	–	–	3,000
Tan Chek Ying	3,000	–	–	3,000

By virtue of their interests in the shares of the Company, Dato' Tan Boon Kang is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Other statutory information *(cont'd)*

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the year

(i) Acquisition of subsidiaries

On 5 January 2012, the Company acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Kenergy Sdn. Bhd. ("Kenergy") for a total cash consideration of RM2.

On 18 July 2012, the Company acquired 3,970,635 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Sdn. Bhd. (formerly known as Gadini Sdn. Bhd.) ("Ken JBCC") for a total cash consideration of RM40.56 million and assumed liabilities of RM15.61 million.

On 14 August 2012, the Group via its wholly-owned subsidiary, Ken Property Sdn. Bhd. acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken Capital Sdn. Bhd. (formerly known as JB Capital Sdn. Bhd.) ("Ken Capital") for a total cash consideration of RM2.

The above transactions were completed during the year. Consequently, Kenergy, Ken JBCC and Ken Capital became wholly-owned subsidiaries of Ken Holdings Berhad.

(ii) Acquisition of shares in a jointly-controlled entity

On 2 October 2012, the Group via its wholly-owned subsidiary, Sphere Supreme Sdn. Bhd. acquired 2 ordinary shares of RM1 each in Wealthy Discovery Sdn. Bhd. for a total cash consideration of RM2. Subsequently, it subscribed for additional 39,998 ordinary shares of RM1 each and in total, it holds 40,000 ordinary shares of RM1 each in Wealthy Discovery Sdn. Bhd. representing 40% of the equity interest.

(iii) Repurchase of Company's shares

During the financial year, the Company repurchased 57,000 of its issued ordinary shares for a total cash consideration of RM68,089 from the open market at an average price of RM1.19 per share. As at 31 December 2012, total treasury shares held by the Company was 6,083,700.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Tan Boon Kang	Tang Kam Chee

Kuala Lumpur, Malaysia

Date: 15 March 2013

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Assets					
Property, plant and equipment	3	13,312	12,874	–	–
Land held for property development	4	85,738	21,507	–	–
Investment properties	5	42,313	33,898	–	–
Investments in subsidiaries	6	–	–	53,891	13,333
Investment in jointly-controlled entity	7	3	–	–	–
Other investments	8	26	26	–	–
Deferred tax assets	9	8,865	5,999	143	82
Trade and other receivables	10	–	–	–	94,020
Total non-current assets		150,257	74,304	54,034	107,435
Inventories	11	40,801	12,942	–	–
Property development costs	12	36,833	39,440	–	–
Current tax assets		1,067	1,296	–	–
Trade and other receivables	10	30,661	8,111	82,650	1,319
Cash and cash equivalents	13	8,680	62,149	90	8,919
Total current assets		118,042	123,938	82,740	10,238
Total assets		268,299	198,242	136,774	117,673
Equity					
Share capital		95,860	95,860	95,860	95,860
Reserves		70,930	58,663	23,932	21,133
Total equity	14	166,790	154,523	119,792	116,993
Liabilities					
Deferred tax liabilities	9	18,503	5,008	–	–
Total non-current liabilities		18,503	5,008	–	–
Trade and other payables	15	75,518	36,728	12,444	670
Loans and borrowings	16	4,494	–	4,494	–
Current tax liabilities		2,994	1,983	44	10
Total current liabilities		83,006	38,711	16,982	680
Total liabilities		101,509	43,719	16,982	680
Total equity and liabilities		268,299	198,242	136,774	117,673

The notes on pages 64 to 103 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue					
- property development revenue		53,993	87,188	–	–
- dividends		–	–	8,511	24,828
- management fees		119	–	660	780
		54,112	87,188	9,171	25,608
Cost of sales					
- property development costs		(23,509)	(49,755)	–	–
Gross profit		30,603	37,433	9,171	25,608
Other income		1,871	1,677	–	–
Distribution expenses		(517)	(1,166)	–	–
Administrative expenses		(10,463)	(8,021)	(1,590)	(564)
Results from operating activities		21,494	29,923	7,581	25,044
Finance income		1,351	1,427	219	174
Finance costs		(23)	–	(23)	–
Share of loss of jointly-controlled entity	7	(37)	–	–	–
Profit before tax		22,785	31,350	7,777	25,218
Income tax expense	19	(6,336)	(8,116)	(870)	(2,857)
Profit for the year	17	16,449	23,234	6,907	22,361
Other comprehensive (expense)/ income, net of tax					
Foreign currency translation differences for foreign operations		(74)	79	–	–
Total other comprehensive (expense)/ income for the year	20	(74)	79	–	–
Total comprehensive income for the year		16,375	23,313	6,907	22,361
Basic earnings per ordinary share	21	18 sen	26 sen		

The notes on pages 64 to 103 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

		Attributable to owners of the Company					
		Non-distributable				Distributable	
	Note	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group							
At 1 January 2011		95,860	(3,478)	6,212	(743)	38,626	136,477
Foreign currency translation differences for foreign operations	20	–	–	–	79	–	79
Profit for the year		–	–	–	–	23,234	23,234
Total comprehensive income for the year		–	–	–	79	23,234	23,313
Own shares acquired	14	–	(1,679)	–	–	–	(1,679)
Dividends to owners of the Company	22	–	–	–	–	(3,588)	(3,588)
At 31 December 2011/ 1 January 2012		95,860	(5,157)	6,212	(664)	58,272	154,523
Foreign currency translation differences for foreign operations	20	–	–	–	(74)	–	(74)
Profit for the year		–	–	–	–	16,449	16,449
Total comprehensive (expense)/ income for the year		–	–	–	(74)	16,449	16,375
Own shares acquired	14	–	(68)	–	–	–	(68)
Dividends to owners of the Company	22	–	–	–	–	(4,040)	(4,040)
At 31 December 2012		95,860	(5,225)	6,212	(738)	70,681	166,790
		Note 14	Note 14	Note 14	Note 14		

The notes on pages 64 to 103 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Note	*Non-distributable* Share capital RM'000	Treasury shares RM'000	*Distributable* Retained earnings RM'000	Total RM'000
Company					
At 1 January 2011		95,860	(3,478)	7,517	99,899
Total comprehensive income for the year		–	–	22,361	22,361
Own shares acquired	14	–	(1,679)	–	(1,679)
Dividends to owners of the Company	22	–	–	(3,588)	(3,588)
At 31 December 2011/ 1 January 2012		95,860	(5,157)	26,290	116,993
Total comprehensive income for the year		–	–	6,907	6,907
Own shares acquired	14	–	(68)	–	(68)
Dividends to owners of the Company	22	–	–	(4,040)	(4,040)
At 31 December 2012		95,860	(5,225)	29,157	119,792
		Note 14	Note 14	Note 14	

The notes on pages 64 to 103 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from operating activities					
Profit before tax		22,785	31,350	7,777	25,218
Adjustments for:					
Depreciation of investment properties	5	155	155	–	–
Depreciation of property, plant and equipment	3	656	447	–	–
Dividend income		–	–	(8,511)	(24,828)
Finance income		(1,351)	(1,427)	(219)	(174)
Finance costs		23	–	23	–
Gain on disposal of property, plant and equipment		(17)	(61)	–	–
Share of loss of jointly-controlled entity		37	–	–	–
Unrealised loss/(gain) on foreign exchange		104	(78)	–	–
Operating profit/(loss) before changes in working capital		22,392	30,386	(930)	216
Changes in working capital:					
Inventories		4,159	3,005	–	–
Land held for property development		(2,404)	(1,283)	–	–
Property development costs		(21,238)	7,836	–	–
Trade and other payables		23,302	3,408	11,765	(27)
Trade and other receivables		(22,702)	15,909	12,689	(16,621)
Cash generated from/(used in) operations		3,509	59,261	23,524	(16,432)
Interest received		209	293	–	–
Income tax paid		(8,574)	(10,669)	(147)	(179)
Income tax refunded		229	3	–	–
Net cash (used in)/from operating activities		(4,627)	48,888	23,377	(16,611)
Cash flows from investing activities					
Additions to property, plant and equipment	3	(1,095)	(682)	–	–
Acquisition of a subsidiary	28	(40,558)	–	(40,558)	–
Investment in jointly-controlled entity		(40)	–	–	–
Dividends received		–	–	7,761	22,128
Interest income from fixed deposits		1,142	1,134	219	174
Additions to investment properties	5	(8,570)	(12,924)	–	–
Proceeds from disposal of property, plant and equipment		18	61	–	–
Net cash (used in)/from investing activities		(49,103)	(12,411)	(32,578)	22,302

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from financing activities					
Dividends paid to owners of the Company	20	(4,040)	(3,588)	(4,040)	(3,588)
Drawdown of loans and borrowings		3,500	–	3,500	–
Repurchase of treasury shares	14	(68)	(1,679)	(68)	(1,679)
Interest paid		(14)	–	(14)	–
Net cash used in financing activities		(622)	(5,267)	(622)	(5,267)
Net (decrease)/increase in cash and cash equivalents		(54,352)	31,210	(9,823)	424
Effect of exchange rate fluctuations on cash held		(111)	92	–	–
Cash and cash equivalents at 1 January		62,149	30,847	8,919	8,495
Cash and cash equivalents at 31 December		7,686	62,149	(904)	8,919

Notes to cash flow statements

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash and bank balances	13	6,008	11,583	90	6
Deposits placed with licensed banks	13	2,672	50,566	–	8,913
Bank overdraft	16	(994)	–	(994)	–
		7,686	62,149	(904)	8,919

The notes on pages 64 to 103 are an integral part of these financial statements.

Ken Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follow:

Principal place of business/Registered office

6, Jalan Datuk Sulaiman
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in jointly-controlled entity. The financial statements of the Company as at and for the financial year ended 31 December 2012 do not include other entities.

The Company is principally engaged in investment holding activities and provision of management services while the principal activities of the subsidiaries are as stated in Note 6.

These financial statements were authorised for issue by the Board of Directors on 15 March 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs) and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (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 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

1. Basis of preparation *(cont'd)*

(a) Statement of compliance *(cont'd)*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 *(cont'd)*

- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory effective Date of FRS 9 and Transitional Disclosures*

The Group and the Company plan to apply those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for IC Interpretation 20 and Amendments to FRS 1 which are not applicable to the Group and to the Company from the annual period beginning on 1 January 2013.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts on the financial statements of the Group and of the Company.

The Group is an entity within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate* and will be exempted from adopting Malaysian Financial Reporting Standards (MFRSs) and as such is referred to as a "Transitioning Entity". Being a Transitioning Entity, the Group is required to adopt MFRSs for annual period beginning on 1 January 2014.

Hence, the financial statements of the Group and of the Company for the annual period beginning on 1 January 2014 will be prepared in accordance with the MFRSs issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 January 2014 and 1 January 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

1. **Basis of preparation** *(cont'd)*

(c) **Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) **Use of estimates and judgements**

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 - valuation of investment properties
- Note 12 - calculation of revenue and cost of sales for property development projects
- Note 15 and 26 - provisions and contingencies
- Note 28 - business combination

2. **Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

(a) **Basis of consolidation**

(i) **Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) **Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

2. Significant accounting policies *(cont'd)*

(a) Basis of consolidation *(cont'd)*

(ii) Business combinations *(cont'd)*

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Jointly-controlled entity

A jointly-controlled entity is an entity over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly-controlled entity is accounted for in the consolidated financial statements using the equity method less any impairment losses. The consolidated financial statements include the Group's share of the profit or loss.

Investment in jointly-controlled entity is measured in the Company's statement of financial position at cost less any impairment losses.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

2. Significant accounting policies *(cont'd)*

(b) Foreign currency *(cont'd)*

(i) Foreign currency transactions *(cont'd)*

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

2. **Significant accounting policies** *(cont'd)*

(c) **Financial instruments** *(cont'd)*

(ii) **Financial instrument categories and subsequent measurement** *(cont'd)*

(b) Available-for-sale financial assets *(cont'd)*

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment (see Note 2(l)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) **Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) **Property, plant and equipment**

(i) **Recognition and measurement**

Items of property, plant and equipment are measured at cost / valuation less any accumulated depreciation and any accumulated impairment losses.

2. **Significant accounting policies** *(cont'd)*

(d) **Property, plant and equipment** *(cont'd)*

(i) **Recognition and measurement** *(cont'd)*

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from the carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) **Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) **Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• freehold building	25 years
• leasehold land	60 - 85 years
• motor vehicles	5 years
• machinery and equipment	5 years
• furniture and fittings	5 years

2. **Significant accounting policies** *(cont'd)*

(d) **Property, plant and equipment** *(cont'd)*

(iii) **Depreciation** *(cont'd)*

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(e) **Leased assets**

Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) **Investment properties**

(i) **Investment properties carried at cost**

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) **Determination of fair value**

The Directors estimate the fair values of the Group's investment properties for disclosure purposes without involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

(iii) **Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

2. Significant accounting policies *(cont'd)*

(f) Investment properties *(cont'd)*

(iii) Depreciation *(cont'd)*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment properties. Freehold land is not depreciated. Investment properties under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods for building are 25 - 50 years.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(g) Inventories

Completed properties held for sale are measured at the lower of cost and net realisable value.

The cost of inventories includes expenditures incurred in the acquisition of land, direct cost and appropriate proportions of common cost attributable to developing the properties to completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

(i) Land held for property development

Land held for property development consists of land or such portions thereof on which no development activity has been carried out or where development activities are not expected to be completed within the Group's operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Land held for property development is classified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's operating cycle of 2 to 3 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group has previously carried the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS 201.

2. Significant accounting policies *(cont'd)*

(j) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value. The excess of revenue recognised in profit or loss over billings to the purchasers is shown as progress billings receivable under trade and other receivables while the excess billing to purchasers over revenue recognised in profit or loss is shown as progress billings under trade and other payables.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft.

(l) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries and jointly-controlled entity) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, assets arising from construction contracts and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

2. Significant accounting policies *(cont'd)*

(l) Impairment *(cont'd)*

(ii) Other assets *(cont'd)*

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit of (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

2. Significant accounting policies *(cont'd)*

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(p) Revenue and other income

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

2. Significant accounting policies *(cont'd)*

(p) Revenue and other income *(cont'd)*

(ii) Property development

Revenue from property development activities are recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for works performed to date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development cost incurred that is probable will be recoverable, and property development cost on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including cost to be incurred over the defect liability period, is recognised immediately in profit or loss.

Revenue from the sale of completed properties is measured at fair value of the consideration received or receivable and is recognised, in the profit or loss when significant risks and rewards of ownership have been transferred to the customer.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Management fee income

Management fee income is recognised on an accrual basis.

(v) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

2. Significant accounting policies *(cont'd)*

(r) Income tax *(cont'd)*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. Property, plant and equipment

Group	Building RM'000	Land RM'000	Motor vehicles RM'000	Site equipment RM'000	Plant and machinery RM'000	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
Cost/Valuation								
At 1 January 2011	500	11,547	3,237	528	8,134	831	251	25,028
Additions	–	–	575	–	–	87	20	682
Disposals	–	–	(460)	–	–	(4)	(4)	(468)
Write off	–	–	–	(32)	(540)	(86)	–	(658)
Effect of movement in exchange rates	–	–	2	–	–	4	2	8
At 31 December 2011/ 1 January 2012	500	11,547	3,354	496	7,594	832	269	24,592
Additions	–	–	867	–	–	219	9	1,095
Disposals	–	–	(142)	–	–	(9)	–	(151)
Write off	–	–	(128)	–	–	(175)	(51)	(354)
At 31 December 2012	500	11,547	3,951	496	7,594	867	227	25,182
Representing items at:								
Cost	–	1,847	3,951	496	7,594	867	227	14,982
Valuation - 2010	500	9,700	–	–	–	–	–	10,200
At 31 December 2012	500	11,547	3,951	496	7,594	867	227	25,182
Depreciation								
At 1 January 2011	–	–	2,799	528	8,060	767	235	12,389
Depreciation for the year	20	134	224	–	15	43	11	447
Disposals	–	–	(460)	–	–	(4)	(4)	(468)
Write off	–	–	–	(32)	(540)	(86)	–	(658)
Effect of movement in exchange rates	–	–	2	–	–	5	1	8
At 31 December 2011/1 January 2012	20	134	2,565	496	7,535	725	243	11,718
Depreciation for the year	20	134	398	–	15	80	9	656
Disposals	–	–	(142)	–	–	(8)	–	(150)
Write off	–	–	(128)	–	–	(175)	(51)	(354)
At 31 December 2012	40	268	2,693	496	7,550	622	201	11,870
Carrying amounts								
At 1 January 2011	500	11,547	438	–	74	64	16	12,639
At 31 December 2011/ 1 January 2012	480	11,413	789	–	59	107	26	12,874
At 31 December 2012	460	11,279	1,258	–	44	245	26	13,312

3. Property, plant and equipment *(cont'd)*

3.1 Property, plant and equipment under the revaluation model

The Group revalues its property comprising land and building every 5 years. Property under the revaluation model was last revalued by the Directors in 2010 based on valuations carried out on 24 December 2010 and 31 January 2011 by Mr Long Tian Chek and Mr Sr Tew Kok Huat, independent registered professional valuers with Henry Butcher Malaysia Sdn. Bhd., using the comparison method.

Had the freehold building and freehold and leasehold land been carried under the cost model, their carrying amounts would have been as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Freehold land	490	490
Freehold building	95	99
Leasehold land with unexpired lease period of more than 50 years	1,792	1,818
	2,377	2,407

3.2 Land

Included in the carrying amounts of land are:

	Group	
	2012 RM'000	**2011 RM'000**
Freehold land	2,700	2,700
Leasehold land with unexpired lease period of more than 50 years	8,579	8,713
	11,279	11,413

4. Land held for property development

Group **Cost**	**Freehold land RM'000**	**Development costs RM'000**	**Total RM'000**
At 1 January 2011	20,030	194	20,224
Additions	–	24	24
Transfer from property development costs	–	1,259	1,259
At 31 December 2011/1 January 2012	20,030	1,477	21,507
Acquisition through business combination	70,000	–	70,000
Additions	–	1,278	1,278
Transfer to property development costs	(5,788)	(1,259)	(7,047)
At 31 December 2012	84,242	1,496	85,738

5. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Under construction RM'000	Total RM'000
Cost				
At 1 January 2011	1,741	2,921	16,854	21,516
Additions	5,611	1,012	6,301	12,924
At 31 December 2011/1 January 2012	7,352	3,933	23,155	34,440
Additions	155	–	8,415	8,570
At 31 December 2012	7,507	3,933	31,570	43,010
Depreciation				
At 1 January 2011	–	387	–	387
Depreciation for the year	–	155	–	155
At 31 December 2011/1 January 2012	–	542	–	542
Depreciation for the year	–	155	–	155
At 31 December 2012	–	697	–	697
Carrying amounts				
At 1 January 2011	1,741	2,534	16,854	21,129
At 31 December 2011/1 January 2012	7,352	3,391	23,155	33,898
At 31 December 2012	7,507	3,236	31,570	42,313
Fair values				
At 1 January 2011	1,886	3,778	–	5,664
At 31 December 2011/1 January 2012	7,497	5,336	–	12,833
At 31 December 2012	8,451	5,508	–	13,959

Estimation uncertainty and key assumptions

The Group estimates the fair values of all investment properties based on the following key assumptions:

– Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities;

– Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

The following are recognised in profit or loss in respect of investment properties:

	Group 2012 RM'000	Group 2011 RM'000
Rental income	296	281
Direct operating expenses		
– income generating investment properties	(62)	(61)

Security

During the year, a financial institution has lodged a private caveat on the land owned by a subsidiary with carrying amounts of RM15.8 million to secure banking facilities granted to the Company (Note 16).

6. Investments in subsidiaries

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares - at cost	53,891	13,333

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Effective ownership interest 2012 %	Effective ownership interest 2011 %
Ken Grouting Sdn. Bhd.	Specialist engineering services, turnkey contracts, building and civil engineering works	100	100
Ken Projects Sdn. Bhd.	Investment holding	100	100
Ken Property Sdn. Bhd.	Property holding and investment and housing developer	100	100
Support Capital Sdn. Bhd.	Investment holding	100	100
Sphere Supreme Sdn. Bhd.	Investment holding	100	100
Kenergy Sdn. Bhd. †	Dormant	100	–
Ken JBCC Sdn. Bhd. (formerly known as Gadini Sdn. Bhd.)	Property development	100	–
The subsidiary of Support Capital Sdn. Bhd. is:			
Kenly (HK) Ltd. †	Dormant	79.4	79.4
The subsidiary of Ken Grouting Sdn. Bhd. is:			
Ken-Chec Sdn. Bhd. †	Land reclamation, civil, dredging, and marine engineering	100	100
The subsidiaries of Ken Projects Sdn. Bhd. are:			
Khidmat Tulin Sdn. Bhd.	Housing developer	100	100
T.B.S. Management Sdn. Bhd. †	Property management services	100	100
Ken Rimba Sdn. Bhd.	Housing developer and investment holding	100	100
The subsidiary of Ken Rimba Sdn. Bhd. is:			
Genesis Nature Sdn. Bhd. †	Property management services	100	100
The subsidiaries of Ken Property Sdn. Bhd. are:			
Ken Link Sdn. Bhd.	Property holding and investment	100	100
Ken TTDI Sdn. Bhd.	Investment holding	100	100
Ken Capital Sdn. Bhd. (formerly known as JB Capital Sdn. Bhd.)†	Dormant	100	–
The subsidiary of Ken TTDI Sdn. Bhd. is:			
Jewel Estate Sdn. Bhd. †	Property management services	100	100

† Not audited by member firms of KPMG International.

All the subsidiaries were incorporated in Malaysia, except for Kenly (HK) Ltd., which was incorporated in Hong Kong.

7. Investment in jointly-controlled entity

	Group 2012 RM'000	Group 2011 RM'000
At cost		
Unquoted shares	40	–
Share of post-acquisition reserves	(37)	–
	3	–

The summarised financial information for jointly-controlled entity, not adjusted for the percentage ownership held by the Group are as follows:

	Country of Incorporation	Effective Ownership Interest	Revenue (100%) RM'000	Loss (100%) RM'000	Total Assets (100%) RM'000	Total Liabilities (100%) RM'000
Wealthy Discovery Sdn. Bhd.	Malaysia	40%	–	92	16,713	16,705

The Company has a 40% (2011: Nil) equity interest in a jointly-controlled entity, Wealthy Discovery Sdn. Bhd.. The principal activity of the jointly-controlled entity is property holding and investment.

8. Other investments

		Shares	
Group	Total RM'000	Unquoted RM'000	Quoted in Malaysia RM'000
2012			
Available-for-sale financial assets	140	20	120
Less: Impairment loss	(114)	–	(114)
	26	20	6
Market value of quoted investments	8	–	8
2011			
Available-for-sale financial assets	140	20	120
Less: Impairment loss	(114)	–	(114)
	26	20	6
Market value of quoted investments	8	–	8

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Group						
Property, plant and equipment	–	–	(1,758)	(1,704)	(1,758)	(1,704)
Property development costs	–	–	(2,916)	(3,304)	(2,916)	(3,304)
Land held for property development	–	–	(13,829)	–	(13,829)	–
Provisions	143	82	–	–	143	82
Other items	8,722	5,917	–	–	8,722	5,917
Deferred tax assets/(liabilities)	8,865	5,999	(18,503)	(5,008)	(9,638)	991
Company						
Provisions	143	82	–	–	143	82

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Tax loss carry-forward	11,841	11,747	–	–

Tax loss carry-forward relates to a subsidiary incorporated in Hong Kong. The tax losses do not expire under the tax legislation of Hong Kong.

Deferred tax asset has not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Movement in temporary differences during the year

	At 1.1.2011 RM'000	Recognised in profit or loss (Note19) RM'000	At 31.12.2011/ 1.1.2012 RM'000	Recognised in profit or loss (Note19) RM'000	Acquired in business combination (Note 28) RM'000	At 31.12.2012 RM'000
Group						
Property, plant and equipment	(1,725)	21	(1,704)	(54)	–	(1,758)
Property development costs	(4,019)	715	(3,304)	388	–	(2,916)
Land held for property development	–	–	–	–	(13,829)	(13,829)
Provisions	92	(10)	82	61	–	143
Other items	3,986	1,931	5,917	2,805	–	8,722
	(1,666)	2,657	991	3,200	(13,829)	(9,638)
Company						
Provisions	92	(10)	82	61	–	143

10. Trade and other receivables

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current					
Amount due from subsidiaries		–	–	–	94,020
Current					
Trade					
Trade receivables		21,223	6,815	–	–
Retention sum	10.1	1,364	1,414	–	–
		22,587	8,229	–	–
Less: Allowance for impairment loss		(2,676)	(2,783)	–	–
		19,911	5,446	–	–
Progress billings receivable		–	43	–	–
		19,911	5,489	–	–
Non-trade					
Amount due from subsidiaries	10.2	–	–	82,645	1,313
Amount due from jointly-controlled entity	10.2	6,680	–	–	–
Other receivables and deposits	10.3	4,345	2,907	5	6
Less: Allowance for impairment loss		(275)	(285)	–	–
		10,750	2,622	82,650	1,319
		30,661	8,111	82,650	1,319

10.1 Full impairment losses have been made for the retention sum outstanding at year end.

10.2 The amounts due from subsidiaries and jointly-controlled entity are unsecured, interest free and repayable on demand.

10.3 Included in other receivables and deposits is an advance of RM2 million (2011: Nil) by a subsidiary to a third party for services to be rendered in the normal course of business.

11. Inventories

	Group 2012 RM'000	Group 2011 RM'000
Completed properties	40,801	12,942
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,338	1,902

12. Property development costs

	Group	
	2012 RM'000	2011 RM'000
At 1 January		
Land	27,655	27,655
Development costs	128,194	87,029
Accumulated costs charged to profit or loss	(116,409)	(67,408)
	39,440	47,276
Development costs incurred during the year	43,535	42,424
Transfer from/(to) land held for property development	7,047	(1,259)
	90,022	88,441
Costs charged to profit or loss	(21,171)	(49,001)
Costs transferred to inventories	(32,018)	–
	36,833	39,440
At 31 December		
Land	18,441	27,655
Development costs	76,387	128,194
Accumulated costs charged to profit or loss	(57,995)	(116,409)
	36,833	39,440

12.1 Estimation uncertainty and critical judgements

The Group estimates revenue and budgeted costs for property development projects based on the following key assumptions:

- Revenue on development projects have been projected based on the estimated market selling price of the units;
- The property development costs have been projected based on prevailing cost of construction and such costs are reviewed on an on-going basis.

Any revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

13. Cash and cash equivalents

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances	6,008	11,583	90	6
Deposits placed with licensed banks	2,672	50,566	–	8,913
	8,680	62,149	90	8,919

Included in the Group's cash and bank balances is RM812,149 (2011: RM8,625,000) maintained pursuant to the Housing Development (Housing Development Account) Regulations 1991.

14. Capital and reserves

Share capital

	Group and Company			
	Amount 2012 RM'000	Number of shares 2012 '000	Amount 2011 RM'000	Number of shares 2011 '000
Ordinary shares of RM1.00 each:				
Authorised	300,000	300,000	300,000	300,000
Issued and fully paid-up	95,860	95,860	95,860	95,860

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's property, plant and equipment and certain inventories developed on a revalued land.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 17 April 2012, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

For the financial year ended 31 December 2012, the Company repurchased 57,000 of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.19 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares. None of the treasury shares (including those repurchased in previous years) were resold as at year end.

At 31 December 2012, the Group held 6,083,700 (2011: 6,026,700) of the Company's shares.

Details of the repurchase of treasury shares were as follows:

	Average repurchase price RM	Highest repurchase price RM	Lowest repurchase price RM	Number of treasury share repurchase	Total consideration paid RM
2012	1.19	1.31	1.03	57,000	68,089
2011	1.05	1.30	0.94	1,602,400	1,679,304

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank and distribute all of its retained earnings at 31 December 2012 if paid out as dividends.

14. Capital and reserves *(cont'd)*

Section 108 tax credit *(cont'd)*

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2012 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. Trade and other payables

		Group		Company	
		2012	**2011**	**2012**	**2011**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade					
Trade payables	15.1	12,859	15,935	–	–
Progress billings		46,673	6,948	–	–
		59,532	22,883	–	–
Non-trade					
Other payables and accruals	15.2 & 15.3	15,540	13,455	961	370
Amount due to Directors	15.4	446	390	337	300
Amount due to subsidiaries	15.5	–	–	11,146	–
		15,986	13,845	12,444	670
		75,518	36,728	12,444	670

15.1 Included in trade payables of the Group are retention sums payable amounting to RM3,408,310 (2011: RM3,188,000).

15.2 Included in other payables and accruals of the Group are accrual for project costs amounting to RM4,783,000 (2011: RM4,452,000).

There are estimation uncertainty and key assumptions made by management in arriving at the accrual for project costs. The Group estimates the accrual for project costs based on the best estimate of the expenditure required to settle the present obligation, of which the Directors normally would have made references against actual costs incurred previously or quotations from suppliers.

15.3 Included in other payables and accruals of the Group are consultation fees payable to consultants involved in the legal case of a subsidiary amounting to RM1,133,000 (2011: RM1,635,000).

15.4 Amount due to Directors represents accrual of Directors fee payable which is unsecured and interest free.

15.5 The amount due to subsidiaries are unsecured, interest free and repayable on demand.

16. Loans and borrowings

	Group and Company	
	2012	**2011**
	RM'000	**RM'000**
Current		
Secured		
Revolving credit	3,500	–
Bank overdraft	994	–
	4,494	–

16. Loans and borrowings *(cont'd)*

Security

During the year, a financial institution has lodged a private caveat on the land owned by a subsidiary with carrying amounts of RM15.8 million (Note 5) to secure the above banking facilities granted to the Company.

17. Profit for the year

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the year is arrived at after charging:					
Auditors' remuneration					
- Audit fees					
KPMG Malaysia		95	92	26	24
Other auditors		10	6	–	–
- Non-audit fees					
KPMG Malaysia		45	10	35	–
Depreciation of investment properties	5	155	155	–	–
Depreciation of property, plant and equipment	3	656	447	–	–
Personnel expenses (including key management personnel):					
- Contributions to state plans		794	593	–	–
- Wages, salaries and others		6,693	5,504	–	–
Rental expense on premises		48	45	–	–
Finance costs		23	–	23	–
Unrealised loss on foreign exchange		104	–	–	–
and after crediting:					
Dividend income from subsidiaries (unquoted)		–	–	8,511	24,828
Gain on disposal of property, plant and equipment		17	61	–	–
Inter-company management fees		–	–	660	780
Interest income from:					
- Fixed deposits		1,142	1,134	219	174
- Housing Development Account		105	176	–	–
- Purchasers (late payment)		104	117	–	–
Rental income from properties		1,192	941	–	–
Reversal of impairment loss on trade receivables		40	105	–	–
Reversal of provision for road work contributions		–	3,000	–	–
Unrealised gain on foreign exchange		–	78	–	–

18. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Company's Directors:				
- Fees	160	140	160	140
- Remuneration	2,402	1,782	46	35
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	58	59	–	–
	2,620	1,981	206	175
Other Directors:				
- Remuneration	440	378	–	–
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	29	16	–	–
	469	394	–	–
	3,089	2,375	206	175

19. Income tax expense

Recognised in profit or loss

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current tax expense				
Malaysian - current year	9,434	10,785	931	2,847
- prior year	102	(12)	–	–
Total current tax recognised in profit or loss	9,536	10,773	931	2,847
Deferred tax expense				
Reversal and origination of temporary differences	(3,266)	(2,758)	(61)	10
Under provision in prior year	66	101	–	–
Total deferred tax recognised in profit or loss	(3,200)	(2,657)	(61)	10
Total income tax expense	6,336	8,116	870	2,857
Reconciliation of tax expense				
Profit for the year	16,449	23,234	6,907	22,361
Total income tax expense	6,336	8,116	870	2,857
Profit excluding tax	22,785	31,350	7,777	25,218
Income tax calculated using Malaysian tax rate of 25%	5,696	7,837	1,944	6,305
Effect of tax rates in foreign jurisdiction*	7	12	–	–
Non-deductible expenses	488	237	304	59
Tax exempt income	(39)	–	(1,378)	(3,507)
Recognition of previously unrecognised tax losses	–	(59)	–	–
Current year losses for which no deferred tax asset was recognised	16	–	–	–
Under provision in prior year	168	89	–	–
	6,336	8,116	870	2,857

* A subsidiary in Hong Kong (see Note 6) operates in a tax jurisdiction with a lower tax rate of 16.5%.

20. Other comprehensive income

Group	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000
2012			
Foreign currency translation differences for foreign operations			
- Losses arising during the year	(74)	–	(74)
2011			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	79	–	79

21. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2012 RM'000	2011 RM'000
Profit for the year attributable to ordinary shareholders	16,449	23,234

Weighted average number of ordinary shares

	2012 '000	2011 '000
Issued ordinary shares at 1 January	95,860	95,860
Effect of treasury shares held	(6,074)	(4,866)
Weighted average number of ordinary shares at 31 December	89,788	90,994

	Group	
	2012 Sen	2011 Sen
Basic earnings per ordinary share	18	26

22. Dividends

Dividends recognised by the Company:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2012			
First and final 2011 ordinary	4.5	4,040	22 June 2012
2011			
Final 2010 ordinary (Tax exempt)	0.55	503	23 June 2011
Final 2010 ordinary	3.375	3,085	23 June 2011
Total amount		3,588	

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (net of tax)	Total amount RM'000
First and final ordinary	4.5	4,040

23. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies and industry expertise. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Construction	Specialist engineering services, turnkey contracts, building and civil and engineering works, land reclamation, dredging, marine and civil engineering.
Property development	Development of residential and commercial properties.

Other non-reportable segments comprise operations related to the rental of investment property and the provision of property management services.

There are varying levels of integration between reportable segments. This integration includes construction of building. Inter-segment pricing is determined on negotiated basis. The accounting policies of the reportable segments are the same as described in Note 2(t).

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence, no disclosure is made on segment liability.

	Construction		Property development		Total	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Segment profit	5,800	7,655	28,919	31,861	34,719	39,516
Included in the measure of segment profit are:						
Revenue from external customers	–	–	53,993	87,188	53,993	87,188
Inter-segment revenue	38,916	56,362	–	–	38,916	56,362
Not included in the measure of segment profit but provided to Managing Director:						
Depreciation	(713)	(520)	(96)	(82)	(809)	(602)
Finance income	491	500	641	753	1,132	1,253
Segment assets	68,016	79,215	211,726	175,383	279,742	254,598
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	991	1,449	71,518	5,710	72,509	7,159

23. Operating segments *(cont'd)*

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

	2012 RM'000	2011 RM'000
Profit or loss		
Total profit for reportable segments	34,719	39,516
Other non-reportable segments	13,258	39,374
Elimination of inter-segment profits	(25,192)	(47,540)
Consolidated profit before tax	22,785	31,350

	External revenue RM'000	Depreciation RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000
2012					
Total reportable segments	53,993	(809)	1,132	279,742	72,509
Other non-reportable segments	119	(2)	219	204,570	8,434
Elimination of inter-segment transactions or balances	–	–	–	(216,013)	–
Consolidated total	54,112	(811)	1,351	268,299	80,943
2011					
Total reportable segments	87,188	(602)	1,253	254,598	7,159
Other non-reportable segments	–	–	174	175,458	6,301
Elimination of inter-segment transactions or balances	–	–	–	(231,814)	–
Consolidated total	87,188	(602)	1,427	198,242	13,460

Geographical segments

Both the construction and property development segments are now operating solely in Malaysia. However, the Group is still maintaining its subsidiary in Hong Kong which was previously involved in the construction segment. The subsidiary is currently dormant.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical information	Revenue RM'000	Assets RM'000
2012		
Malaysia	54,112	266,426
Hong Kong	–	1,873
	54,112	268,299
2011		
Malaysia	87,188	193,583
Hong Kong	–	4,659
	87,188	198,242

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Available-for-sale financial assets (AFS); and
(c) Other financial liabilities measured at amortised cost (OL).

	Carrying amount RM'000	L&R / (OL) RM'000	AFS RM'000
2012			
Financial assets			
Group			
Other investments	26	–	26
Trade and other receivables	30,661	30,661	–
Cash and cash equivalents	8,680	8,680	–
	39,367	39,341	26
Company			
Trade and other receivables	82,650	82,650	–
Cash and cash equivalents	90	90	–
	82,740	82,740	–
Financial liabilities			
Group			
Trade and other payables	(75,518)	(75,518)	–
Loans and borrowings	(4,494)	(4,494)	–
	(80,012)	(80,012)	–
Company			
Trade and other payables	(12,444)	(12,444)	–
Loans and borrowings	(4,494)	(4,494)	–
	(16,938)	(16,938)	–
2011			
Financial assets			
Group			
Other investments	26	–	26
Trade and other receivables	8,111	8,111	–
Cash and cash equivalents	62,149	62,149	–
	70,286	70,260	26
Company			
Trade and other receivables	1,319	1,319	–
Cash and cash equivalents	8,919	8,919	–
	10,238	10,238	–
Financial liabilities			
Group			
Trade and other payables	(36,728)	(36,728)	–
Company			
Trade and other payables	(670)	(670)	–

24. Financial instruments *(cont'd)*

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) on:				
Loans and receivables	1,287	1,610	219	174
Other financial liabilities measured at amortised cost	(23)	–	(23)	–

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are from individual purchasers of the Group's properties and are financed through bank loans. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for receivables as at the end of the reporting period by geographic region was:

	Group	
	2012 RM'000	2011 RM'000
Domestic	28,910	3,651
Hong Kong	1,751	4,460
	30,661	8,111

24. Financial instruments *(cont'd)*

24.4 Credit risk *(cont'd)*

Receivables *(cont'd)*

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2012			
Not past due	17,106	–	17,106
Past due more than 120 days	5,481	(2,676)	2,805
	22,587	(2,676)	19,911
2011			
Not past due	1,628	–	1,628
Past due more than 120 days	6,601	(2,783)	3,818
	8,229	(2,783)	5,446

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	2,783	3,814
Impairment loss reversed	(40)	(105)
Impairment loss written off	–	(954)
Effect of foreign exchange differences	(67)	28
At 31 December	2,676	2,783

The remaining past due balances not impaired mainly relates to a customer which entered into a repayment plan with the Group. The customer has been servicing all installments to date. Hence, the management is confident that no impairment is required.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

24. Financial instruments *(cont'd)*

24.4 Credit risk *(cont'd)*

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks and third parties in respect of credit facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM1.58 million (2011: RM1.44 million) representing the outstanding credit facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

24. Financial instruments *(cont'd)*

24.5 Liquidity risk *(cont'd)*

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
2012				
Group				
Non-derivative financial liabilities				
Trade and other payables	75,518	–	75,518	75,518
Revolving credit	3,500	4.9%	3,500	3,500
Bank overdraft	994	7.6%	994	994
	80,012		80,012	80,012
Company				
Non-derivative financial liabilities				
Trade and other payables	12,444	–	12,444	12,444
Revolving credit	3,500	4.9%	3,500	3,500
Bank overdraft	994	7.6%	994	994
	16,938		16,938	16,938
2011				
Group				
Non-derivative financial liabilities				
Trade and other payables	36,728	–	36,728	36,728
Company				
Non-derivative financial liabilities				
Trade and other payables	670	–	670	670

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, foreign bank balances and short term deposits with a licensed bank that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is Hong Kong Dollar (HKD).

24. Financial instruments *(cont'd)*

24.6 Market risk *(cont'd)*

24.6.1 Currency risk *(cont'd)*

Risk management objectives, policies and processes for managing the risk

Exposures to foreign currency risk are monitored on an ongoing basis. The Group does not hedge its foreign currency risk.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period were:

	Denominated in HKD	
	2012	**2011**
Group	**RM'000**	**RM'000**
Trade receivables	1,751	3,642
Cash and cash equivalents	4,739	2,864
	6,490	6,506

Currency risk sensitivity analysis

A 10 percent strengthening of HKD against RM at the end of the reporting period would have increased equity by RM175,100 and post-tax profit or loss by RM355,000. This analysis assumes that all other variables, in particular interest rates, remained constant.

A 10 percent weakening of HKD against RM at the end of the reporting period would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

24.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group places short term deposits with licensed banks which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance and/or refinance its working capital requirement.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	2,672	50,566	–	8,913
Floating rate instruments				
Financial liabilities	(4,494)	–	(4,494)	–

24. Financial instruments *(cont'd)*

24.6 Market risk *(cont'd)*

24.6.2 Interest rate risk *(cont'd)*

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

The exposure to interest rate risk of the Group on variable rate instruments is not material and hence, sensitivity analysis is not presented.

24.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities. The exposure to other price risk of the Group is not material and hence, sensitivity analysis is not presented.

24.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings are approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

25. Capital management

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. During the year, the Group has undertaken loans and borrowings from a licensed bank to finance its working capital.

The debt-to-equity ratio at 31 December 2012 was as follows:

	Group 2012 RM'000
Total borrowings (Note 16)	4,494
Total equity	166,790
Debt-to-equity ratio	0.03

Under the requirements of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

26. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

	Company	
	2012	**2011**
	RM'000	**RM'000**
Contingent liabilities not considered remote		
Corporate guarantees (unsecured)		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,134	482
Guarantees given to third parties for credit facilities granted to subsidiaries for purchase of materials/services	448	956
	1,582	1,438

27. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 18) are shown below. Significant related parties balances related to the below transactions are disclosed in Note 10 and 15.

27. Related parties *(cont'd)*

Significant related party transactions *(cont'd)*

Group and Company	**2012 RM'000**	**2011 RM'000**
Key management personnel		
Dato' Tan Boon Kang		
Rental expense on premises payable by a subsidiary, Ken Grouting Sdn. Bhd., to a company in which the Director has interests	12	12
Tang Kam Chee		
Sale of property by a subsidiary, Ken Property Sdn. Bhd., to the Director	–	1,326
Discount received via normal employee incentives	–	(126)
	–	1,200
Tan Moon Hwa		
Sale of property by a subsidiary, Ken Rimba Sdn. Bhd., to the Director	–	504
Discount received via normal employee incentives	–	(39)
	–	465
Tan Chek Siong		
Sale of property by a subsidiary, Khidmat Tulin Sdn. Bhd., to the Director	60	–

Company	**2012 RM'000**	**2011 RM'000**
Subsidiaries		
Management fees receivable		
- Ken Grouting Sdn. Bhd.	(120)	(120)
- Ken Projects Sdn. Bhd.	(120)	(540)
- Ken Property Sdn. Bhd.	(420)	(120)
	(660)	(780)
Dividend income receivable		
- Ken Grouting Sdn. Bhd.	(3,000)	(3,000)
- Ken Projects Sdn. Bhd.	(5,511)	(14,028)
- Ken Property Sdn. Bhd.	–	(7,800)
	(8,511)	(24,828)

28. Acquisition of a subsidiary

Acquisition of a subsidiary – Ken JBCC Sdn. Bhd. (formerly known as Gadini Sdn. Bhd.)

On 14 November 2012, the Group acquired all the shares in Ken JBCC Sdn. Bhd. ("Ken JBCC") for a total cash consideration of RM40.56 million and assumed liabilities of RM15.61 million. Ken JBCC is involved in property development activity. The acquisition of Ken JBCC will enable the Group to undertake property development at the southern corridor of Peninsula Malaysia.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	Group and Copany RM'000
Fair value of consideration transferred		
Cash and cash equivalents:		
Acquisition consideration		40,558
Assumption settlement of liabilities		15,613
		56,171
Settlement of pre-existing relationship		(15,613)
		40,558
Identifiable assets acquired and liabilities assumed		
Land held for property development	4	70,000
Other payables and accruals		(15,613)
Deferred tax liabilities	9	(13,829)
Total identifiable net assets		40,558

Acquisition-related costs

The Group incurred acquisition-related costs of RM537,000 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

29. Significant events during the year

(i) Acquisition of subsidiaries

On 5 January 2012, the Company acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Kenergy Sdn. Bhd. ("Kenergy") for a total cash consideration of RM2.

On 18 July 2012, the Company acquired 3,970,635 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Sdn. Bhd. (formerly known as Gadini Sdn. Bhd.) ("Ken JBCC") for a total cash consideration of RM40.56 million and assumed liabilities of RM15.61 million.

On 14 August 2012, the Group via its wholly-owned subsidiary, Ken Property Sdn. Bhd. acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken Capital Sdn. Bhd. (formerly known as JB Capital Sdn. Bhd.) ("Ken Capital") for a total cash consideration of RM2.

The above transactions were completed during the year. Consequently, Kenergy, Ken JBCC and Ken Capital became wholly-owned subsidiaries of Ken Holdings Berhad.

29. Significant events during the year *(cont'd)*

(ii) Acquisition of shares in a jointly-controlled entity

On 2 October 2012, the Group via its wholly-owned subsidiary, Sphere Supreme Sdn. Bhd. acquired 2 ordinary shares of RM1 each in Wealthy Discovery Sdn. Bhd. for a total cash consideration of RM2. Subsequently it subscribed for additional 39,998 ordinary shares of RM1 each and in total, it holds 40,000 ordinary shares of RM1 each in Wealthy Discovery Sdn. Bhd. representing 40% of the equity interest.

(iii) Repurchase of Company's shares

During the financial year, the Company repurchased 57,000 of its issued ordinary shares for a total cash consideration of RM68,089 from the open market at an average price of RM1.19 per share. As at 31 December 2012, total treasury shares held by the Company was 6,083,700.

30. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company stet at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total retained earnings of the Company and its subsidiaries				
- realised	102,196	83,012	29,014	26,208
- unrealised	(2,283)	(687)	143	82
Less: Consolidation adjustments	(29,232)	(24,053)	–	–
Total retained earnings	70,681	58,272	29,157	26,290

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors Pursuant to Section 169(15) of The Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 58 to 103 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 104 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………..

Dato' Tan Boon Kang

…………………………………………………………..

Tang Kam Chee

Kuala Lumpur, Malaysia

Date: 15 March 2013

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Tang Kam Chee**, the Director primarily responsible for the financial management of Ken Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 58 to 103 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 15 March 2013.

…………………………………………………………..

Tang Kam Chee

Before me:

No. W493
Lee Chin Hin
Commissioner of Oath
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of KEN HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of Ken Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 58 to 103.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

Report on the Financial Statements *(cont'd)*

Report on Other Legal and Regulatory Requirements *(cont'd)*

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 on page 104 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Chan Kam Chiew
Approval Number: 2055/06/14(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 15 March 2013

LIST OF PROPERTIES
as at 31 December 2012

The properties of the Group as at 31 December 2012 are as follows:

No.	Location	Description / usage	Tenure / year of expiry	Age of property/ building	Land/ Built-up area	Net book Value (RM'000)	Year of valuation / acquisition
1.	Geran Nos. 63978 and 35098 Lot No. 20 and 419, Section 1 Bandar Batu Ferringgi District of Timur Laut State of Penang	Two parcels of beach front undeveloped land	Freehold	-	2.53 acres	5,611	2005
2.	Geran 6372A, 6373 to 6377 Lot Nos. 8272 to 8277 Mukim of Chenderiang District of Batang Padang State of Perak Darul Ridzuan	Six parcels of agriculture land	Freehold	-	50.98 acres	1,741	2005
3.	HSD : 10305-312, 314, 317-322, 324-334, 485-492 (PT 0011128-135, 137, 140-145, 147-157, 308-315) Mukim of Bentong State of Pahang Darul Makmur	34 lots of vacant bungalow lots	Freehold	-	14.44 acres	1,930	2003
4.	PM 269, Lot No. 13555 Kampung Sungai Kayu Ara Mukim of Sungai Buloh District of Petaling State of Selangor Darul Ehsan	A parcel of land occupied as store	Leasehold/ 1 February 2079	-	47,006 sq ft	3,884	2010**
5.	PM 270, Lot No. 13559 Kampung Sungai Kayu Ara Mukim of Sungai Buloh District of Petaling State of Selangor Darul Ehsan	A parcel of land occupied as store	Leasehold/ 1 February 2079	-	36,909 sq ft	2,913	2010**
6.	Lot 29504, H.S. (O) 4926 Mukim and District of Kuala Lumpur State of Federal Territory Postal address: 6, Jalan Datuk Sulaiman Taman Tun Dr, Ismail 60000 Kuala Lumpur Federal Territory	One unit of three-storey terrace shophouse/ occupied as corporate office	Freehold	32 years	1,875 sq ft	3,160	2010**
7.	Lot A1-G-01 to A1-G-10 and A8-G-01 to A8-G-04 Rumah Pangsa Kampung Aman Satu Jalan SK6/1 Taman Bukit Serdang Seksyen 4&5, 43300 Selangor State of Selangor Darul Ehsan	14 units of groundfloor shoplots	Leasehold/ 1 May 2098	12 Years	9,100 sq ft	1,424	2005*

LIST OF PROPERTIES

as at 31 December 2012

No.	Location	Description / usage	Tenure / year of expiry	Age of property/ building	Land/ Built-up area	Net book Value (RM'000)	Year of valuation / acquisition
8.	A-3A-1, A-3A-2, A-3A-3, A-3A-3A, A-3A-7, B-3A-5, C-3A-2, C-3A-3, C-3A-6 Ken Damansara Condominium No. 217 Jalan SS2/72 47400 Petaling Jaya State of Selangor Darul Ehsan	9 units of retail commercial lots	Freehold	10 Years	6,247 sq ft	670	2005*
9.	GM 43019 Lot No 37448 and GM 1849 Lot No 17494 Mukim of Kapar District of Klang State of Selangor Darul Ehsan	Two parcels of land for residential development	Freehold	-	Approximately 37.42 acres	15,441	2003
10.	Geran 44855 (formerly H.S.(D) 7212) Lot 31210 and Geran 44856 (formerly H.S.(D) 7213) Lot 31211 Mukim dan District of Kuala Lumpur	Two parcels of land for investment	Freehold	-	Approximately 1.21 acres	30,989	2007
11.	11255, Lot 38126 Tempat Kampung Melayu Malra, Sungai Buloh Bandar Sungai Buloh, Daerah Gombak Negeri Selangor Darul Ehsan	A parcel of land to be occupied as store	Leasehold/ 18 August 2068	-	110,543 sq ft	1,783	2008
12.	01-01, 01-02, 01-03, 01-04, 01-05, 01-06, 01-07, 01-08, 01-09, 01-10, 01-11, 01-12, 01-13, 01-14, 01-15, 01-16, 01-17 Pangsapuri Rimba 2, No. 5, Jalan Lengkuas 16/19, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan	17 units of ground floor shoplots	Freehold	3 Years	2,600 sq ft	1,858	2010
13.	GM1431-1438 Lot No 2794-2797, 3511-3514 & HS(M) 1723, PT3747 Mukim Cheng District of Melaka Tengah State of Melaka	Nine parcels of land for investment	Freehold	-	437,671 sq ft	5,766	2011
14.	PN 38964, 38965, 38966 and 38967 Lots 22642, 22643, 22644 and 22645 Town and District of Johor Bahru State of Johor	Four parcels of land for development	Leasehold / 8 March 2091	–	992,368 sq ft	15,939	2012

* Valuation done in 2005 ** Valuation done in 2010

ANALYSIS OF SHAREHOLDINGS

as at 11 March 2013

SHARE CAPITAL

Authorised Share Capital	:	RM300,000,000/-
Issued and fully paid-up capital	:	RM95,860,000/-
Class of Shares	:	Ordinary shares of RM1.00 each
Voting rights	:	1 vote per ordinary share
No. of Treasury shares held	:	6,083,700 ordinary shares of RM1.00 each

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100 shares	99	5.15	2,955	0.01
100 – 1,000 shares	181	9.41	146,135	0.16
1,001 – 10,000	1,302	67.71	6,212,800	6.92
10,001 – 100,000	297	15.45	8,970,450	9.99
100,001 to less than 5% of issued shares	42	2.18	31,578,529	35.17
5% and above of issued shares	2	0.10	42,865,431	47.75
Total	1,923	100.00	89,776,300	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares Held	%
1.	Kencana Bahagia Sdn. Bhd.	32,274,819	35.95
2.	SJ Sec Nominees (Tempatan) Sdn. Bhd. *Budaya Dinamik Sdn. Bhd.*	10,590,612	11.80
3.	Tan Chek Siong	3,121,000	3.48
4.	Tan Chek Een	3,000,000	3.34
5.	Tan Chek Ying	3,000,000	3.34
6.	SJ Sec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Seloka Aman Sdn. Bhd.*	2,031,000	2.26
7.	Dato' Tan Boon Kang	1,981,800	2.21
8.	Kencana Bahagia Sdn. Bhd.	1,650,000	1.84
9.	Tan Foo See	1,624,989	1.81
10.	Teo Kwee Hock	1,622,100	1.81
11.	Yeoh Kean Hua	1,530,000	1.70
12.	SJ Sec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Impian Nuri Sdn. Bhd.*	1,300,500	1.45
13.	SJ Sec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Adat Saga Sdn. Bhd.*	1,186,600	1.32
14.	To' Puan Lau Pek Kuan	1,150,000	1.28
15.	To' Puan Lau Pek Kuan	808,500	0.90
16.	Tan Chee Koon	748,400	0.83
17.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Loke See Ooi*	659,900	0.74
18.	Low Siew Choong @ Liew Siew Meng	645,750	0.72
19.	Tan Moon Hwa	601,340	0.67
20.	Cartaban Nominees (Tempatan) Sdn. Bhd. *Axa Affin General Insurance Berhad*	430,000	0.48
21.	Lau Chin Ka	335,660	0.37
22.	Lau Chin Kok	311,500	0.35
23.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Credit Suisse*	246,900	0.28
24.	Lim Hong Liang	246,740	0.27
25.	Tan Bak Fooi @ Tang Kiat	245,050	0.27
26.	Lim Khuan Eng	236,100	0.26
27.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Soon Ah Ba*	230,500	0.26
28.	Sek Kiang Noi	215,000	0.24
29.	Yeo Khee Huat	212,000	0.24
30.	Lim Han Boon @ Han Boon	210,000	0.23
	Total	72,446,760	80.70

ANALYSIS OF SHAREHOLDINGS

as at 11 March 2013

SUBSTANTIAL SHAREHOLDERS (AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of Substantial Shareholders	No. of Ordinary shares of RM1.00 Each			
	Direct	%	Indirect	%
1) Dato' Tan Boon Kang	1,981,800	2.21	45,004,319	50.13
2) To' Puan Lau Pek Kuan	1,958,500	2.18	45,027,619	50.16
3) Anton Syazi bin Ahmad Sebi	–	–	10,590,612	11.80
4) Aryati Sasya binti Ahmad Sebi	–	–	10,590,612	11.80
5) Budaya Dinamik Sdn. Bhd.	10,590,612	11.80	–	–
6) Kencana Bahagia Sdn. Bhd.	33,924,819	37.79	–	–

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' Name	No. of Ordinary Shares of RM1.00 Each			
	Direct	%	Indirect	%
1) Dato' Tan Boon Kang	1,981,800	2.21	45,004,319	50.13
2) YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud	-	-	-	-
3) Tan Chek Siong	3,121,000	3.48	-	-
4) Tan Moon Hwa	601,340	0.67	-	-
5) Tang Kam Chee	100,000	0.11	-	-
6) YB Dato' Seri Raja Haji Ahmad Zainuddin bin Raja Haji Omar	-	-	-	-
7) YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail	-	-	-	-
8) Dato' Ir. Dr. Ashaari bin Mohamad	-	-	-	-
9) Sha Thiam Lu	-	-	-	-

By virtue of his interest in the Company, Dato' Tan Boon Kang is deemed to be interested in the shares in all subsidiaries to the extent that the Company has an interest.

KEN™ HOLDINGS BERHAD
(106173-M)

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