FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2013

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 2013.

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	Company
	RM'000	RM'000
Profit for the year	20,895	143

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 RM4,035,434 (4.5 sen net per ordinary share) in respect of the financial year ended 31 December 2012 on 21 June 2013.

The first and final single tier ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2013 is 4.5 sen per ordinary share totalling RM4,035,344.

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 Dr. Raja Haji Ahmad Zainuddin bin Raja Haji Omar
YAM Tengku Dato' Seri Baderul Zaman Ibni Almarhum Sultan Mahmud (vacated office on 31 December 2013)
YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail
Dato' Ir. Dr. Ashaari bin Mohamad
Sha Thiam Lu

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 spouse 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 1.1.2013 '000**	**Bought '000**	**Sold '000**	**At 31.12.2013 '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	601	-	-	**601**
Tang Kam Chee	100	-	-	**100**
Indirect interests in the Company:				
Dato' Tan Boon Kang	45,004	-	(3,121)	**41,883**

	Number of ordinary shares of HK$1.00 each			
Subsidiary Kenly (HK) Ltd.	**At 1.1.2013 '000**	**Bought '000**	**Sold '000**	**At 31.12.2013 '000**
Indirect interests in the subsidiary:				
Dato' Tan Boon Kang	6,030	-	-	**6,030**

	Number of ordinary shares of RM1.00 each			
Company	**At 1.1.2013 '000**	**Bought '000**	**Sold '000**	**At 31.12.2013 '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	-	(3,121)	**41,907**
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 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT
for the year ended 31 December 2013

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 26 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.

Other statutory information (continued)

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.

In the opinion of the Directors, except for waiver of debts owed by a subsidiary as disclosed in the financial statements of the Company, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 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

(i) Incorporations of subsidiaries

On 29 March 2013, the Group via its wholly-owned subsidiary, Ken Rimba Sdn. Bhd. subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Swift Frontiers Sdn. Bhd. ("SFSB") for a total cash consideration of RM2.

On 20 June 2013, the Company subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken City Sdn. Bhd. ("KCTSB") for a total cash consideration of RM2.

On 21 June 2013, the Group via its wholly-owned subsidiary, KCTSB subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken City JB Sdn. Bhd. ("KCTJB") for a total cash consideration of RM2.

On 26 December 2013, the Company subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Holdings Sdn. Bhd. ("KJH") and Ken Estate Sdn. Bhd. ("KESB") for a total cash consideration of RM2 per company.

On 27 December 2013, the Group via its wholly-owned subsidiary, KJH subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Land Sdn. Bhd. ("Ken JBCC Land") for a total cash consideration of RM2.

On 27 December 2013, the Group via its wholly-owned subsidiary, KESB subscribed the following six companies for a cash consideration of RM2 per company:
(1) Ken Estate Penang Sdn. Bhd. ("Ken Estate Penang")
(2) Ken Estate (Melaka) Sdn. Bhd. ("Ken Estate Melaka")
(3) Ken Pahang Land Sdn. Bhd. ("Ken Pahang Land")
(4) Ken Selangor Land Sdn. Bhd. ("Ken Selangor Land")
(5) Ken Kelantan Land Sdn. Bhd. ("Ken Kelantan Land")
(6) Ken Damansara Land Sdn. Bhd. ("Ken Damansara Land")

The above transactions were completed during the year. Consequently, SFSB, KCTSB, KCTJB, KJH, KESB, Ken JBCC Land, Ken Estate Penang, Ken Estate Melaka, Ken Pahang Land, Ken Selangor Land, Ken Kelantan Land and Ken Damansara Land became wholly-owned subsidiaries of Ken Holdings Berhad.

DIRECTORS' REPORT

for the year ended 31 December 2013

Significant events (continued)

(ii) Repurchase of Company's shares

During the financial year, the Company repurchased 102,000 of its issued ordinary shares for a total cash consideration of RM128,924 from the open market at an average price of RM1.26 per share. As at 31 December 2013, total treasury shares held by the Company was 6,185,700.

Subsequent event

Proposed share split of Company's shares

On 24 February 2014, the Company announced to undertake a proposed share split involving the subdivision of every one (1) existing Company's share into two (2) split shares and the amendments to the Memorandum and Articles of Association of the Company (to facilitate the implementation of the proposed share split).

Upon completion of the proposed share split, the resultant issued and paid-up share capital of the Company will be RM95,860,000 comprising 191,720,000 split shares (including 12,371,400 split shares held as treasury shares).

The proposed share split shall be subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting.

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: 12 March 2014

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000
Assets					
Property, plant and equipment	3	**13,070**	13,312	**-**	-
Land held for property development	4	**103,908**	102,229	**-**	-
Investment properties	5	**53,809**	42,313	**-**	-
Investments in subsidiaries	6	**-**	-	**53,891**	53,891
Other investments	7	**26**	26	**-**	-
Deferred tax assets	8	**10,246**	8,865	**202**	143
Total non-current assets		**181,059**	166,745	**54,093**	54,034
Inventories	9	**52,893**	40,801	**-**	-
Property development costs	10	**21,007**	36,833	**-**	-
Current tax assets		**208**	1,067	**-**	-
Trade and other receivables	11	**15,353**	23,981	**75,112**	82,650
Cash and bank balances	12	**8,956**	8,985	**19**	90
Total current assets		**98,417**	111,667	**75,131**	82,740
Total assets		**279,476**	278,412	**129,224**	136,774
Equity					
Share capital		**95,860**	95,860	**95,860**	95,860
Reserves		**87,703**	70,963	**19,911**	23,932
Equity attributable to owners of the company	13	**183,563**	166,823	**115,771**	119,792
Non-controlling interests		**55**	55	**-**	-
Total equity		**183,618**	166,878	**115,771**	119,792
Liabilities					
Deferred tax liabilities	8	**17,963**	18,503	**-**	-
Total non-current liabilities		**17,963**	18,503	**-**	-
Trade and other payables	14	**73,957**	85,543	**11,938**	12,444
Loans and borrowings	15	**1,500**	4,494	**1,500**	4,494
Current tax liabilities		**2,438**	2,994	**15**	44
Total current liabilities		**77,895**	93,031	**13,453**	16,982
Total liabilities		**95,858**	111,534	**13,453**	16,982
Total equity and liabilities		**279,476**	278,412	**129,224**	136,774

The notes on pages 61 to 108 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000
Revenue					
- property development revenue		**55,492**	53,993	**-**	-
- dividends		**-**	-	**17,814**	8,511
- management fees		**336**	119	**750**	660
		55,828	54,112	**18,564**	9,171
Cost of sales					
- property development costs		**(20,130)**	(23,509)	**-**	-
Gross profit		**35,698**	30,603	**18,564**	9,171
Other income		**3,014**	1,871	**-**	-
Distribution expenses		**(487)**	(517)	**-**	-
Administrative expenses		**(9,824)**	(10,472)	**(17,266)**	(1,590)
Results from operating activities		**28,401**	21,485	**1,298**	7,581
Finance income		**117**	1,351	**-**	219
Finance costs		**(261)**	(23)	**(165)**	(23)
Profit before tax		**28,257**	22,813	**1,133**	7,777
Income tax expense	18	**(7,362)**	(6,336)	**(990)**	(870)
Profit for the year	16	**20,895**	16,477	**143**	6,907
Other comprehensive income/(expense), net of tax					
Foreign currency translation differences for foreign operations		**9**	(74)	**-**	-
Total other comprehensive income/(expense) for the year	19	**9**	(74)	**-**	-
Total comprehensive income for the year		**20,904**	16,403	**143**	6,907
Profit attributable to:					
Owners of the Company		**20,895**	16,482	**143**	6,907
Non-controlling interests		**-**	(5)	**-**	-
Profit for the year		**20,895**	16,477	**143**	6,907
Total comprehensive income attributable to:					
Owners of the Company		**20,904**	16,408	**143**	6,907
Non-controlling interests		**-**	(5)	**-**	-
Total comprehensive income for the year		**20,904**	16,403	**143**	6,907
Basic earnings per ordinary share	20	**23 sen**	18 sen		

The notes on pages 61 to 108 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

		<--------- *Attributable to owners of the Company* --------->							
		<------------- *Non-distributable* ------------->				*Distributable*			
Group	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Revaluation reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At January 2012		95,860	(5,157)	6,212	(664)	58,272	154,523	-	154,523
Profit for the year,									
- As previously stated		-	-	-	-	16,449	16,449	-	16,449
- Prior year adjustment	30	-	-	-	-	33	33	(5)	28
- As restated		-	-	-	-	16,482	16,482	(5)	16,477
Foreign currency translation difference for foreign operations	19	-	-	-	(74)	-	(74)	-	(74)
Total comprehensive (expense)/income for the year, restated		-	-	-	(74)	16,482	16,408	(5)	16,403
Acquistion of a subsidiary		-	-	-	-	-	-	60	60
Own shares acquired	13	-	(68)	-	-	-	(68)	-	(68)
Dividends to owners of the Company	21	-	-	-	-	(4,040)	(4,040)	-	(4,040)
At 31 December 2012/ 1 January 2013, restated		95,860	(5,225)	6,212	(738)	70,714	166,823	55	166,878
Profit for the year		-	-	-	-	20,895	20,895	-	20,895
Foreign currency translation difference for foreign operations	19	-	-	-	9	-	9	-	9
Total comprehensive income for the year		-	-	-	9	20,895	20,904	-	20,904
Own shares acquired	13	-	(129)	-	-	-	(129)	-	(129)
Dividends to owners of the Company	21	-	-	-	-	(4,035)	(4,035)	-	(4,035)
At 31 December 2013		**95,860**	**(5,354)**	**6,212**	**(729)**	**87,574**	**183,563**	**55**	**183,618**
		Note 13	Note 13	Note 13	Note 13				

The notes on pages 61 to 108 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Company	Note	*<-- Non-distributable* Share capital RM'000	*-->* Treasury shares RM'000	*Distributable* Retained earnings RM'000	Total RM'000
At 1 January 2012		95,860	(5,157)	26,290	116,993
Profit and total comprehensive income for the year		-	-	6,907	6,907
Own shares acquired	13	-	(68)	-	(68)
Dividends to owners of the Company	21	-	-	(4,040)	(4,040)
At 31 December 2012/1 January 2013		95,860	(5,225)	29,157	119,792
Profit and total comprehensive income for the year		-	-	143	143
Own shares acquired	13	-	(129)	-	(129)
Dividends to owners of the Company	21	-	-	(4,035)	(4,035)
At 31 December 2013		**95,860**	**(5,354)**	**25,265**	**115,771**
		Note 13	Note 13	Note 13	

The notes on pages 61 to 108 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000
Cash flows from operating activities					
Profit before tax		**28,257**	22,813	**1,133**	7,777
Adjustments for:					
Depreciation of investment properties	5	**155**	155	**-**	-
Depreciation of property, plant and equipment	3	**680**	656	**-**	-
Dividend income		**-**	-	**(17,814)**	(8,511)
Finance income		**(117)**	(1,351)	**-**	(219)
Finance costs		**261**	23	**165**	23
Gain on disposal of property, plant and equipment		**(36)**	(17)	**-**	-
Reversal of accrual for project costs		**(788)**	-	**-**	-
Accrual for project cost		**311**	-	**-**	-
Waiver of debts owed by a subsidiary		**-**	-	**16,678**	-
Unrealised (gain)/loss on foreign exchange		**(350)**	104	**-**	-
Operating profit/(loss) before changes in working capital		**28,373**	22,383	**162**	(930)
Changes in working capital:					
Inventories		**(4,381)**	4,159	**-**	-
Land held for property development		**(1,679)**	(18,895)	**-**	-
Property development costs		**8,115**	(21,238)	**-**	-
Trade and other payables		**(11,236)**	33,427	**(506)**	11,765
Trade and other receivables		**8,755**	(16,022)	**2,884**	12,689
Cash generated from operations		**27,947**	3,814	**2,540**	23,524
Interest received		**62**	209	**-**	-
Income tax paid		**(9,199)**	(8,574)	**(181)**	(147)
Income tax refunded		**219**	229	**-**	-
Net cash from/(used in) operating activities		**19,029**	(4,322)	**2,359**	23,377
Cash flows from investing activities					
Additions to property, plant and equipment	3	**(438)**	(1,095)	**-**	-
Acquisition and subscription of subsidiaries	27	**-**	(40,598)	**-**	(40,558)
Dividends received		**-**	-	**4,893**	7,761
Interest income from fixed deposits		**55**	1,142	**-**	219
Additions to investment properties	5	**(11,651)**	(8,570)	**-**	-
Proceeds from disposal of property, plant and equipment		**36**	18	**-**	-
Net cash (used in)/from investing activities		**(11,998)**	(49,103)	**4,893**	(32,578)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
			Restated		
Cash flows from financing activities					
Dividends paid to owners of the Company	21	**(4,035)**	(4,040)	**(4,035)**	(4,040)
Drawdown of loans and borrowings		**14,500**	3,500	**14,500**	3,500
Repayment of loans and borrowings		**(16,500)**	-	**(16,500)**	-
Repurchase of treasury shares	13	**(129)**	(68)	**(129)**	(68)
Interest paid		**(261)**	(14)	**(165)**	(14)
Net cash used in financing activities		**(6,425)**	(622)	**(6,329)**	(622)
Net increase/(decrease) in cash and cash equivalents		**606**	(54,047)	**923**	(9,823)
Effect of exchange rate fluctuations on cash held		**359**	(111)	**-**	-
Cash and cash equivalents at 1 January		**7,991**	62,149	**(904)**	8,919
Cash and cash equivalents at 31 December		**8,956**	7,991	**19**	(904)

Notes to cash flow statements

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

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
			Restated		
Cash and bank balances	12	**5,790**	6,313	**19**	90
Deposits placed with licensed banks	12	**3,166**	2,672	**-**	-
Bank overdraft	15	**-**	(994)	**-**	(994)
		8,956	7,991	**19**	(904)

The notes on pages 61 to 108 are an integral part of these financial statements.

NOTES TO THE 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 follows:

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 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2013 do not include other entities.

The Company is principally engaged in investment holding activities and provision of management services whilst 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 12 March 2014.

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 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 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*
- Amendments to FRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

NOTES TO THE FINANCIAL STATEMENTS

1. **Basis of preparation** (continued)

(a) **Statement of compliance** (continued)

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

- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

FRSs, Interpretations and amendments effective for a date yet to be confirmed

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- FRS 9, *Financial Instruments, Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for Amendments to FRS 12 and IC Interpretation 21 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to FRS 2 and Amendments to FRS 138 which are not applicable to the Group and the Company.

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

The Group and the Company fall within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate*. Therefore, the Group and the Company are currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRSs") and is referred to as a "Transitioning Entity". Being a Transitioning Entity, the Group and the Company will adopt the MFRSs and present its first set of MFRSs financial statements when adoption of the MFRSs is mandated by the MASB.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(b) Basis of measurement

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

(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 - fair values of investment properties
- Note 10 - calculation of revenue and cost of sales for property development projects
- Notes 14 and 25 - provisions and contingencies

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 structured 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.

The Group adopted FRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group 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.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of FRS 10. The effects from the adoption of FRS 10 are disclosed in Note 30 to the financial statements.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. 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.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- 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) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted FRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Joint arrangements (continued)

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.
- For jointly controlled asset or jointly controlled operation, the Group and the Company accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of FRS 11. The adoption of FRS 11 has no significant impact to the financial statements of the Group.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(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.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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
• site equipment	5 years
• plant and machinery	5 years
• office equipment	5 years
• furniture and fittings	5 years

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.

2. Significant accounting policies (continued)

(f) Investment properties (continued)

(i) Investment properties carried at cost (continued)

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 value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see Note 2(v)).

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(h) Construction work-in-progress (continued)

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.

(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) 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 impairment loss of the financial asset 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.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Financial assets (continued)

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.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in 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.

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 of disposal. 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 (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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(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.

(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. Prepaid contributions are recognised as an asset to the extend that a cash refund or a reduction future payments is available.

(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.

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.

2. Significant accounting policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income tax

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

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.

2. Significant accounting policies (continued)

(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.

(u) Contingencies

(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 not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of 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.

(ii) Contingent assets

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of the 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 assets unless the probability of inflow of economic benefits is remote.

(v) Fair value measurement

From 1 January 2013, the Group and the Company adopted FRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of FRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of FRS 13 has not significantly affected the measurements of the Group and the Company assets or liabilities other than the additional disclosures in Notes 5 and 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 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/ 1 January 2013	500	11,547	3,951	496	7,594	867	227	25,182
Additions	-	-	83	-	-	260	95	438
Disposals	-	-	(609)	-	-	(6)	-	(615)
Write off	-	-	-	(138)	(92)	-	-	(230)
At 31 December 2013	500	11,547	3,425	358	7,502	1,121	322	24,775
Representing items at: Cost	-	1,847	3,425	358	7,502	1,121	322	14,575
Valuation - 2010	500	9,700	-	-	-	-	-	10,200
At 31 December 2013	500	11,547	3,425	358	7,502	1,121	322	24,775
Depreciation								
At 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/ 1 January 2013	40	268	2,693	496	7,550	622	201	11,870
Depreciation for the year	20	134	399	-	15	93	19	680
Disposals	-	-	(609)	-	-	(6)	-	(615)
Write off	-	-	-	(138)	(92)	-	-	(230)
At 31 December 2013	60	402	2,483	358	7,473	709	220	11,705
Carrying amounts								
At 1 January 2012	480	11,413	789	-	59	107	26	12,874
At 31 December 2012/ 1 January 2013	460	11,279	1,258	-	44	245	26	13,312
At 31 December 2013	440	11,145	942	-	29	412	102	13,070

3. Property, plant and equipment (continued)

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	
	2013 RM'000	2012 RM'000
Freehold land	**490**	490
Freehold building	**90**	95
Leasehold land with unexpired lease period of more than 50 years	**1,766**	1,792
	2,346	2,377

3.2 Land

Included in the carrying amounts of land are:

	Group	
	2013 RM'000	2012 RM'000
Freehold land	**2,700**	2,700
Leasehold land with unexpired lease period of more than 50 years	**8,445**	8,579
	11,145	11,279

4. Land held for property development

Group	Freehold land RM'000	Development costs RM'000	Total RM'000
Cost			
At 1 January 2012	20,030	1,477	21,507
Acquisition through business combination	70,000	-	70,000
Additions (restated)	16,491	1,278	17,769
Transfer from property development costs	(5,788)	(1,259)	(7,047)
At 31 December 2012/1 January 2013 (restated)	100,733	1,496	102,229
Additions	349	1,330	1,679
At 31 December 2013	101,082	2,826	103,908

NOTES TO THE FINANCIAL STATEMENTS

5. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Under construction RM'000	Total RM'000
Cost				
At 1 January 2012	7,352	3,933	23,155	34,440
Additions	155	-	8,415	8,570
At 31 December 2012/1 January 2013	7,507	3,933	31,570	43,010
Additions	-	-	11,651	11,651
At 31 December 2013	7,507	3,933	43,221	54,661
Depreciation				
At 1 January 2012	-	542	-	542
Depreciation for the year	-	155	-	155
At 31 December 2012/1 January 2013	-	697	-	697
Depreciation for the year	-	155	-	155
At 31 December 2013	-	852	-	852
Carrying amounts				
At 1 January 2012	7,352	3,391	23,155	33,898
At 31 December 2012/1 January 2013	7,507	3,236	31,570	42,313
At 31 December 2013	7,507	3,081	43,221	53,809
Fair values				
At 1 January 2012	7,497	5,336	-	12,833
At 31 December 2012/1 January 2013	8,451	5,508	-	13,959
At 31 December 2013	8,451	5,599	-	14,050

A commercial office building is currently under construction and the fair value of the property is unable to be determined as there are uncertainties in estimating its fair value. The building has started its construction since 2011. The estimated fair value is likely to be similar to that of the cost incurred to date until its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Fair value information

	2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land	-	-	8,451	8,451
Buildings	-	-	5,599	5,599
	-	-	14,050	14,050

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

5. Investment properties (continued)

Fair value information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation technique used in the determination of fair values within level 3 as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The Group estimates the fair value 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; and - Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.	• Market price of property in vicinity compared.	The estimated fair value would increase/(decrease) if market prices of property were higher/(lower).

Valuation processes applied by the Group for Level 3 fair value

The Group estimates the fair value 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; and

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

Assessment of the fair values of the Group's investment properties is undertaken annually. The changes in Level 3 fair values are analysed by the management based on the assessment undertaken.

Highest and best use

The Group's investment properties represent a number of commercial properties that are partially tenanted and two pieces of vacant land. The highest and best use of these properties and land is for rental generation as they are located in the vicinity of the commercial area.

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Rental income	**377**	296
Direct operating expenses		
- income generating investment properties	**(66)**	(62)

NOTES TO THE FINANCIAL STATEMENTS

5. Investment properties (continued)

Security

A financial institution had lodged a private caveat on the land owned by a subsidiary with carrying amounts of RM15.8 million (2012: RM15.8 million) to secure banking facilities granted to the Company (Note 15).

6. Investments in subsidiaries

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares - at cost	**53,891**	53,891

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
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**	100
Ken JBCC Sdn. Bhd.	Property development	**100**	100
Ken JBCC Holdings Sdn. Bhd. *	Investment holding	**100**	-
Ken Estate Sdn. Bhd. †	Investment holding	**100**	-
Ken City Sdn. Bhd. †	Dormant	**100**	-
The subsidiary of Ken City Sdn. Bhd. is:			
Ken City JB Sdn. Bhd. †	Dormant	**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 subsidiary of Ken JBCC Holdings Sdn. Bhd. is:			
Ken JBCC Land Sdn. Bhd.*	Dormant	**100**	-

6. **Investments in subsidiaries** (continued)

Name of subsidiary	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
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 subsidiaries of Ken Rimba Sdn. Bhd. are:			
Genesis Nature Sdn. Bhd. †	Property management services	**100**	100
Swift Frontiers Sdn. Bhd. †	Property management services	**100**	-
The subsidiaries of Ken Property Sdn. Bhd. are:			
Ken Link Sdn. Bhd.	Property development and investment holding	**100**	100
Ken TTDI Sdn. Bhd.	Investment holding	**100**	100
Ken Capital Sdn. Bhd. †	Dormant	**100**	100
The subsidiaries of Ken Estate Sdn. Bhd. are:			
Ken Estate Penang Sdn. Bhd. *	Dormant	**100**	-
Ken Estate (Melaka) Sdn. Bhd. *	Dormant	**100**	-
Ken Pahang Land Sdn. Bhd. *	Dormant	**100**	-
Ken Selangor Land Sdn. Bhd. *	Dormant	**100**	-
Ken Kelantan Land Sdn. Bhd. *	Dormant	**100**	-
Ken Damansara Land Sdn. Bhd. *	Dormant	**100**	-
The subsidiary of Sphere Supreme Sdn. Bhd. is:			
Wealthy Discovery Sdn. Bhd. †	Dormant	**40**	40
The subsidiary of Ken TTDI Sdn. Bhd. is:			
Jewel Estate Sdn. Bhd. †	Property management services	**100**	100

* Newly acquired during the year and consolidated based on unaudited financial statements.

† 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.

Although the Group owns less than half of the ownership interest in Wealthy Discovery Sdn. Bhd. ("WDSB") and less than half of the voting power of this entity, the Directors have determined that the Group controls this entity by virtue of absolute right to the joint development agreement entered into by a wholly-owned subsidiary of the Company and WDSB.

NOTES TO THE FINANCIAL STATEMENTS

7. Other investments

Group	Total	Shares Unquoted	Shares Quoted in Malaysia
2013	RM'000	RM'000	RM'000
Available-for-sale financial assets	**140**	**20**	**120**
Less: Impairment loss	**(114)**	**-**	**(114)**
	26	**20**	**6**
Market value of quoted investments	**11**	**-**	**11**
2012			
Available-for-sale financial assets	140	20	120
Less: Impairment loss	(114)	-	(114)
	26	20	6
Market value of quoted investments	8	-	8

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**-**	-	**(1,786)**	(1,758)	**(1,786)**	(1,758)
Property development costs	**-**	-	**(2,348)**	(2,916)	**(2,348)**	(2,916)
Land held for property development	**-**	-	**(13,829)**	(13,829)	**(13,829)**	(13,829)
Provisions	**202**	143	**-**	-	**202**	143
Other items	**10,044**	8,722	**-**	-	**10,044**	8,722
Deferred tax assets/(liabilities)	**10,246**	8,865	**(17,963)**	(18,503)	**(7,717)**	(9,638)
Company						
Provisions	**202**	143	**-**	-	**202**	143

Unrecognised deferred tax assets

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax loss carry-forward	**12,365**	11,841	**-**	-

8. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets (continued)

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

Group	At 1.1.2012 RM'000	Recognised in profit or loss (Note 18) RM'000	Acquired in business combination (Note 27) RM'000	At 31.12.2012/ 1.1.2013 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2013 RM'000
Property, plant and equipment	(1,704)	(54)	-	(1,758)	(28)	(1,786)
Property development costs	(3,304)	388	-	(2,916)	568	(2,348)
Land held for property development	-	-	(13,829)	(13,829)	-	(13,829)
Provisions	82	61	-	143	59	202
Other items	5,917	2,805	-	8,722	1,322	10,044
	991	3,200	(13,829)	(9,638)	1,921	(7,717)
Company						
Provisions	82	61	-	143	59	202

9. Inventories

	Group 2013 RM'000	Group 2012 RM'000
Completed properties	**52,893**	40,801
Recognised in profit or loss: Inventories recognised as cost of sales	**246**	2,338

NOTES TO THE FINANCIAL STATEMENTS

10. Property development costs

	Group 2013 RM'000	Group 2012 RM'000
At 1 January		
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
Development costs incurred during the year	**13,750**	43,535
Transfer from land held for property development	**-**	7,047
	50,583	90,022
Costs charged to profit or loss	**(21,865)**	(21,171)
Costs transferred to inventories	**(7,711)**	(32,018)
	21,007	36,833
At 31 December		
Land	**8,883**	18,441
Development costs	**34,072**	76,387
Accumulated costs charged to profit or loss	**(21,948)**	(57,995)
Current portion	**21,007**	36,833

10.1 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.

11. Trade and other receivables

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Current			Restated		
Trade					
Trade receivables		8,218	21,223	-	-
Retention sum	11.1	1,303	1,364	-	-
		9,521	22,587	-	-
Less: Allowance for impairment loss		(1,822)	(2,676)	-	-
		7,699	19,911	-	-
Non-trade					
Amounts due from subsidiaries	11.2	-	-	75,107	82,645
Other receivables and deposits	11.3	7,654	4,345	5	5
Less: Allowance for impairment loss		-	(275)	-	-
		7,654	4,070	75,112	82,650
		15,353	23,981	75,112	82,650

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

11.2 The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

11.3 Included in other receivables and deposits of the Group are:

(i) An advance of RM2,000,000 (2012: RM2,000,000) paid by a subsidiary to a third party for services to be rendered in the normal course of business;

(ii) A deposit of RM500,000 (2012: nil) paid to a third party for a joint development project entered into by a subsidiary during the financial year;

(iii) An amount of RM1,693,000 (2012: nil) held by a solicitor as stakeholder on behalf of a foreign subsidiary pending a resolution on dispute of expenses claimed.

12. Cash and bank balances

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
		Restated		
Cash and bank balances	5,790	6,313	19	90
Deposits placed with licensed banks	3,166	2,672	-	-
	8,956	8,985	19	90

Included in the Group's cash and bank balances is RM1,639,050 (2012: RM812,149) maintained pursuant to the Housing Development (Housing Development Account) Regulations 1991.

NOTES TO THE FINANCIAL STATEMENTS

13. Capital and reserves

Share Capital

	Group and Company			
	Amount 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000	Number of shares 2012 '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

13.1 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.

13.2 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.

13.3 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.

13.4 Treasury shares

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 18 April 2013, 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 2013, the Company repurchased 102,000 of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.26 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 2013, the Group held 6,185,700 (2012: 6,083,700) of the Company's shares.

Details of the repurchase of treasury shares were as follows:

	Average repurchase RM	Highest repurchase price RM	Lowest repurchase price RM	Number of treasury share repurchase	Total consideration paid RM
2013	**1.26**	**1.51**	**1.21**	**102,000**	**128,924**
2012	1.19	1.31	1.03	57,000	68,089

13. Capital and reserves (continued)

13.5 Section 108 tax credit

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. The remaining Section 108 tax credit as at 31 December 2013 has expired on 31 December 2013.

14. Trade and other payables

		Group		Company	
	Note	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Trade					
Trade payables	14.1	**12,264**	12,859	**-**	-
Progress billings		**33,210**	46,673	**-**	-
		45,474	59,532	**-**	-
Non-trade					
Other payables and accruals	14.2& 14.3	**28,006**	25,565	**858**	961
Amounts due to Directors	14.4	**477**	446	**369**	337
Amount due to subsidiaries	14.5	**-**	-	**10,711**	11,146
		28,483	26,011	**11,938**	12,444
		73,957	85,543	**11,938**	12,444

14.1 Included in trade payables of the Group are retention sums payable amounting to RM3,205,619 (2012: RM3,408,310).

14.2 Included in other payables and accruals of the Group are accrual for project costs amounting to RM9,648,000 (2012: RM4,783,000).

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.

14.3 Included in other payables and accruals of the Group are consultation fees pertaining to the legal case of a subsidiary amounting to RM1,215,000 (2012: RM1,133,000).

14.4 Amounts due to Directors represents accrual of Directors fee payable which are unsecured, interest free and repayable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS

15. Loans and borrowings

	Group and Company 2013 RM'000	Group and Company 2012 RM'000
Current		
Secured		
Revolving credit	**1,500**	3,500
Bank overdraft	**-**	994
	1,500	4,494

Security

A financial institution had lodged a private caveat on the land owned by a subsidiary with carrying amounts of RM15.8 million (2012: RM15.8 million) (Note 5) to secure the above banking facilities granted to the Company.

16. Profit for the year

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit for the year is arrived at after charging:					
Auditors' remuneration					
- Audit fees					
KPMG Malaysia		**110**	95	**26**	26
Other auditors		**17**	10	**-**	-
- Non-audit fees					
KPMG Malaysia		**10**	45	**10**	35
Depreciation of investment properties	5	**155**	155	**-**	-
Depreciation of property, plant and equipment	3	**680**	656	**-**	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		**886**	794	**-**	-
- Wages, salaries and others		**6,888**	6,693	**-**	-
Rental expense on premises		**62**	48	**-**	-
Finance costs		**261**	23	**165**	23
Unrealised loss on foreign exchange		**-**	104	**-**	-
Accrual for project cost		**311**	-	**-**	-
Waiver of debts owed by a subsidiary		**-**	-	**16,678**	-

NOTES TO THE FINANCIAL STATEMENTS

16. Profit for the year (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit for the year is arrived at after crediting:					
Dividend income from subsidiaries (unquoted)		**-**	-	**17,814**	8,511
Gain on disposal of property, plant and equipment		**36**	17	**-**	-
Inter-company management fees		**-**	-	**750**	660
Interest income from:					
- Fixed deposits		**55**	1,142	**-**	219
- Housing Development Account		**25**	105	**-**	-
- Purchasers (late payment)		**37**	104	**-**	-
Rental income from properties		**1,702**	1,192	**-**	-
Reversal of impairment loss on trade receivables		**327**	40	**-**	-
Reversal of accrual for project costs		**788**	-	**-**	-
Unrealised gain on foreign exchange		**350**	-	**-**	-

17. Key management personnel compensation

The key management personnel compensations are as follows:

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Company's Directors:					
- Fees		**180**	160	**180**	160
- Remuneration		**2,686**	2,402	**58**	46
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)		**60**	58	**-**	-
		2,926	2,620	**238**	206
Other Directors:					
- Remuneration		**467**	440	**-**	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)		**29**	29	**-**	-
		496	469	**-**	-
		3,422	3,089	**238**	206

NOTES TO THE FINANCIAL STATEMENTS

18. Income tax expense

Recognised in profit or loss

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
		Restated		
Current tax expense				
Malaysian - current year	**8,867**	9,434	**1,049**	931
- prior year	**416**	102	**-**	-
Total current tax recognised in profit or loss	**9,283**	9,536	**1,049**	931
Deferred tax expense				
Reversal of temporary differences	**(1,909)**	(3,266)	**(62)**	(61)
(Over)/under provision in prior year	**(12)**	66	**3**	-
Total deferred tax recognised in profit or loss	**(1,921)**	(3,200)	**(59)**	(61)
Total income tax expense	**7,362**	6,336	**990**	870
Reconciliation of tax expense				
Profit for the year	**20,895**	16,477	**(11,883)**	6,907
Total income tax expense	**7,362**	6,336	**990**	870
Profit excluding tax	**28,257**	22,813	**(10,893)**	7,777
Income tax calculated using Malaysian tax rate of 25%	**7,064**	5,703	**(2,723)**	1,944
Effect of tax rates in foreign jurisdiction *	**5**	7	**-**	-
Non-deductible expenses	**282**	481	**4,261**	304
Tax exempt income	**(428)**	(39)	**(551)**	(1,378)
Current year losses for which no deferred tax asset was recognised	**35**	16	**-**	-
Under provision in prior year	**404**	168	**3**	-
	7,362	6,336	**990**	870

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

19. Other comprehensive income

Group	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000
2013			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	**9**	**-**	**9**
2012			
Foreign currency translation differences for foreign operations			
- Losses arising during the year	(74)	-	(74)

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2013 RM'000	2012 RM'000 Restated
Profit for the year attributable to ordinary shareholders	**20,895**	16,482

Weighted average number of ordinary shares

	2013 '000	2012 '000
Issued ordinary shares at 1 January	**95,860**	95,860
Effect of treasury shares held	**(6,084)**	(6,074)
Weighted average number of ordinary shares at 31 December	**89,776**	89,786

	Group	
	2013 Sen	2012 Sen
Basic earnings per ordinary share	**23**	18

21. Dividends

Dividends recognised by the Company:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2013			
First and final 2012 ordinary	**4.5**	**4,035**	**21 June 2013**
2012			
First and final 2011 ordinary	4.5	4,040	22 June 2012

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 (Single tier)	Total amount RM'000
First and final ordinary	4.5	4,035

22. 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 techniques and 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.

22. Operating segments (continued)

	Construction		Property development		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
		Restated		Restated		Restated
Segment profit	**7,489**	5,800	**42,402**	28,947	**49,891**	34,747
Included in the measure of segment profit are:						
Revenue from external customers	**-**	-	**54,731**	53,993	**54,731**	53,993
Inter-segment revenue	**33,775**	38,916	**-**	-	**33,775**	38,916
Not included in the measure of segment profit but provided to Managing Director:						
Depreciation	**(725)**	(713)	**(108)**	(96)	**(833)**	(809)
Finance income	**1**	491	**116**	641	**117**	1,132
Segment assets	**67,188**	68,016	**223,862**	228,522	**291,050**	296,538
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	**227**	991	**1,892**	88,009	**2,119**	89,000

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

	2013 RM'000	2012 RM'000
Profit or loss		Restated
Total profit or loss for reportable segments	**49,891**	34,747
Other non-reportable segments	**(8,814)**	13,258
Elimination of inter-segment profits	**(12,820)**	(25,192)
Consolidated profit before tax	**28,257**	22,813

NOTES TO THE FINANCIAL STATEMENTS

22. Operating segments (continued)

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

2013	External revenue RM'000	Depreciation RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000
Total reportable segments	**54,731**	**(833)**	**117**	**291,050**	**2,119**
Other non-reportable segments	**336**	**(2)**	**-**	**196,052**	**11,379**
Elimination of inter-segment transactions or balances	**761**	**-**	**-**	**(207,626)**	**270**
Consolidated total	**55,828**	**(835)**	**117**	**279,476**	**13,768**
2012 (restated)					
Total reportable segments	53,993	(809)	1,132	296,538	89,000
Other non-reportable segments	119	(2)	219	204,570	8,434
Elimination of inter-segment transactions or balances	-	-	-	(222,696)	-
Consolidated total	54,112	(811)	1,351	278,412	97,434

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
2013		
Malaysia	**55,828**	**277,662**
Hong Kong	**-**	**1,814**
	55,828	**279,476**
2012 (restated)		
Malaysia	54,112	276,539
Hong Kong	-	1,873
	54,112	278,412

23. Financial instruments

23.1 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 ("FL").

2013	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
Financial assets			
Group			
Other investments	**26**	**-**	**26**
Trade and other receivables	**15,353**	**15,353**	**-**
Cash and bank balances	**8,956**	**8,956**	**-**
	24,335	**24,309**	**26**
Company			
Trade and other receivables	**75,112**	**75,112**	**-**
Cash and bank balances	**19**	**19**	**-**
	75,131	**75,131**	**-**
Financial liabilities			
Group			
Trade and other payables	**(73,957)**	**(73,957)**	**-**
Loans and borrowings	**(1,500)**	**(1,500)**	**-**
	(75,457)	**(75,457)**	**-**
Company			
Trade and other payables	**(11,938)**	**(11,938)**	**-**
Loans and borrowings	**(1,500)**	**(1,500)**	**-**
	(13,438)	**(13,438)**	**-**
2012 (restated)			
Financial assets			
Group			
Other investments	26	-	26
Trade and other receivables	23,981	23,981	-
Cash and bank balances	8,985	8,985	-
	32,992	32,966	26
Company			
Trade and other receivables	82,650	82,650	-
Cash and bank balances	90	90	-
	82,740	82,740	-

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

2012 (restated)	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
Financial liabilities			
Group			
Trade and other payables	(85,543)	(85,543)	-
Loans and borrowings	(4,494)	(4,494)	-
	(90,037)	(90,037)	-
Company			
Trade and other payables	(12,444)	(12,444)	-
Loans and borrowings	(4,494)	(4,494)	-
	(16,938)	(16,938)	-

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gains/(losses) on:				
Loans and receivables	**794**	1,287	**(16,678)**	219
Other financial liabilities measured at amortised cost	**(261)**	(23)	**(165)**	(23)

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.4 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.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

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 stated 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	
	2013 RM'000	2012 RM'000
		Restated
Domestic	13,660	22,230
Hong Kong	1,693	1,751
	15,353	23,981

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
2013			
Not past due	3,992	-	3,992
Past due 0-30 days	7	-	7
Past due 31-120 days	9	-	9
Past due more than 120 days	5,513	(1,822)	3,691
	9,521	(1,822)	7,699
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

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
At 1 January	**2,676**	2,783
Impairment loss reversed	**(327)**	(40)
Impairment loss written off	**(634)**	-
Effect of foreign exchange differences	**107**	(67)
At 31 December	**1,822**	2,676

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.

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 RM1.46 million (2012: RM1.58 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.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Inter company balances (continued)

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.

23.5 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.

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:

2013	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
Group				
Non-derivative financial liabilities				
Trade and other payables	73,957		73,957	73,957
Revolving credit	1,500	4.85%	1,500	1,500
	75,457		75,457	75,457
Company				
Non-derivative financial liabilities				
Trade and other payables	11,938		11,938	11,938
Revolving credit	1,500	4.85%	1,500	1,500
	13,438		13,438	13,438

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

2012	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
	Restated		Restated	Restated
Group				
Non-derivative financial liabilities				
Trade and other payables	85,543	-	85,543	85,543
Revolving credit	3,500	4.90%	3,500	3,500
Bank overdraft	994	7.60%	994	994
	90,037		90,037	90,037
Company				
Non-derivative financial liabilities				
Trade and other payables	12,444	-	12,444	12,444
Revolving credit	3,500	4.90%	3,500	3,500
Bank overdraft	994	7.60%	994	994
	16,938		16,938	16,938

23.6 Market risk

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

23.6.1 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").

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.

23. **Financial instruments** (continued)

23.6 **Market risk** (continued)

23.6.1 **Currency risk** (continued)

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	
	2013	**2012**
Group	**RM'000**	**RM'000**
Trade and other receivables	**1,693**	1,751
Cash and bank balances	**5,170**	4,739
	6,863	6,490

Currency risk sensitivity analysis

A 10 percent strengthening of HKD against RM at the end of the reporting period would have increased equity by RM686,300 and post-tax profit or loss by RM514,725. 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.

23.6.2 **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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	**3,166**	2,672	**-**	-
Floating rate instruments				
Financial liabilities	**(1,500)**	(4,494)	**(1,500)**	(4,494)

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

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.

23.6.3 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.

23.7 Fair value information

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.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of the quoted investments of the Group amounting to RM11,000 not carried at fair value is categorised at Level 1.

24. 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 purposes.

24. Capital management (continued)

The debt-to-equity ratio at 31 December 2013 was as follows:

	Group	
	2013 RM'000	2012 RM'000 Restated
Total borrowings (Note 15)	**1,500**	4,494
Total equity	**183,618**	166,878
Debt-to-equity ratio	**0.01**	0.03

Under the requirement 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.

25. 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	
	2013 RM'000	2012 RM'000
Contingent liabilities not considered remote		
Corporate guarantees (unsecured)		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	**1,126**	1,134
Guarantees given to third parties for credit facilities granted to subsidiaries for purchase of materials/services	**338**	448
	1,464	1,582

26. 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 17) are shown below. Significant related parties balances related to the below transactions are disclosed in Notes 11 and 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

26. Related parties (continued)

Group and Company	2013 RM'000	2012 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
Tan Chek Siong		
Sale of property by a subsidiary, Khidmat Tulin Sdn. Bhd., to a Director	-	60
Company		
Subsidiaries		
Management fees receivable		
- Ken Grouting Sdn. Bhd.	(360)	(120)
- Ken Projects Sdn. Bhd.	(390)	(120)
- Ken Property Sdn. Bhd.	-	(420)
	(750)	(660)
Dividend income receivable		
- Ken Grouting Sdn. Bhd.	(3,000)	(3,000)
- Ken Projects Sdn. Bhd.	(2,204)	(5,511)
- Ken Property Sdn. Bhd.	(585)	-
	(5,789)	(8,511)

27. Acquisition and subscription of subsidiaries

27.1 Acquisition of a subsidiary – Ken JBCC 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 Company RM'000
Fair value of consideration transferred		
Cash and cash equivalents:		
Acquisition consideration		40,558
Assumed liabilities		15,613
		56,171
Settlement of assumed liabilities		(15,613)
Net cash outflow arising from acquisition of subsidiary		40,558

27. Acquisition and subscription of subsidiaries (continued)

27.1 Acquisition of a subsidiary – Ken JBCC Sdn. Bhd. (continued)

	Note	Group and Company RM'000
Identifiable assets acquired and liabilities assumed		
Land held for property development	4	70,000
Other payables and accruals		(15,613)
Deferred tax liabilities	8	(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.

27.2 Subscription of a subsidiary – Wealthy Discovery Sdn. Bhd.

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

28. Significant events

28.1 Incorporations of subsidiaries

On 29 March 2013, the Group via its wholly-owned subsidiary, Ken Rimba Sdn. Bhd. subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Swift Frontiers Sdn. Bhd. ("SFSB") for a total cash consideration of RM2.

On 20 June 2013, the Company subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken City Sdn. Bhd. ("KCTSB") for a total cash consideration of RM2.

On 21 June 2013, the Group via its wholly-owned subsidiary, KCTSB subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken City JB Sdn. Bhd. ("KCTJB") for a total cash consideration of RM2.

On 26 December 2013, the Company subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Holdings Sdn. Bhd. ("KJH") and Ken Estate Sdn. Bhd. ("KESB") for a total cash consideration of RM2 per company.

On 27 December 2013, the Group via its wholly-owned subsidiary, KJH subscribed 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Land Sdn. Bhd. ("Ken JBCC Land") for a total cash consideration of RM2.

On 27 December 2013, the Group via its wholly-owned subsidiary, KESB subscribed the following six companies for a cash consideration of RM2 per company:
(1) Ken Estate Penang Sdn. Bhd. ("Ken Estate Penang")
(2) Ken Estate (Melaka) Sdn. Bhd. ("Ken Estate Melaka")
(3) Ken Pahang Land Sdn. Bhd. ("Ken Pahang Land")
(4) Ken Selangor Land Sdn. Bhd. ("Ken Selangor Land")
(5) Ken Kelantan Land Sdn. Bhd. ("Ken Kelantan Land")
(6) Ken Damansara Land Sdn. Bhd. ("Ken Damansara Land")

NOTES TO THE FINANCIAL STATEMENTS

28. Significant events (continued)

28.1 Incorporations of subsidiaries (continued)

The above transactions were completed during the year. Consequently, SFSB, KCTSB, KCTJB, KJH, KESB, Ken JBCC Land, Ken Estate Penang, Ken Estate Melaka, Ken Pahang Land, Ken Selangor Land, Ken Kelantan Land and Ken Damansara Land became wholly-owned subsidiaries of Ken Holdings Berhad.

28.2 Repurchase of Company's shares

During the financial year, the Company repurchased 102,000 of its issued ordinary shares for a total cash consideration of RM128,924 from the open market at an average price of RM1.26 per share. As at 31 December 2013, total treasury shares held by the Company was 6,185,700.

29. Subsequent event

Proposed share split of Company's shares

On 24 February 2014, the Company announced to undertake a proposed share split involving the subdivision of every one (1) existing Company's share into two (2) split shares and the amendments to the Memorandum and Articles of Association of the Company (to facilitate the implementation of the proposed share split).

Upon completion of the proposed share split, the resultant issued and paid-up share capital of the Company will be RM95,860,000 comprising 191,720,000 split shares (including 12,371,400 split shares held as treasury shares).

The proposed share split shall be subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting.

30. Comparative figures

Following the adoption of FRS 10, a reassessment was undertaken and an entity previously accounted for as an investment in a jointly-controlled entity was restated to be an investment in a subsidiary. The effects of the restatement are disclosed below:

Group	31.12.2012 As restated RM'000	 As previously stated RM'000
Statements of financial position		
Non-current assets		
Land held for property development	102,229	85,738
Investment in jointly-controlled entity	-	3
Current assets		
Trade and other receivables	23,981	30,661
Cash and bank balances	8,985	8,680
Current liabilities		
Trade and other payables	(85,543)	(75,518)
Equity		
Non-controlling interests	(55)	-
Reserves	(70,963)	(70,930)

30. Comparative figures (continued)

Group	31.12.2012 As restated RM'000	31.12.2012 As previously stated RM'000
Statements of profit and loss and other comprehensive income		
Administrative expenses	(10,472)	(10,463)
Share of loss of jointly-controlled entity	-	37
Profit before tax	22,813	22,785
Profit for the year	16,477	16,449
Total comprehensive income	16,403	16,375
Profit attributable to:		
Owners of the Company	16,482	16,449
Non-controlling interests	(5)	-
Total comprehensive income attributable to:		
Owners of the Company	16,408	16,375
Non-controlling interests	(5)	-
Statements of cash flows		
Profit before tax	22,813	22,785
Share of loss of jointly-controlled entity	-	37
Land held for property development	(18,895)	(2,404)
Trade and other payables	33,427	23,302
Trade and other receivables	(16,022)	(22,702)
Acquisition of a subsidiary	(40,598)	(40,558)
Cash and bank balances	6,313	6,008

NOTES TO THE FINANCIAL STATEMENTS

31. 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 as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements, are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	**129,225**	102,187	**25,063**	29,014
- unrealised	**(6,704)**	(2,283)	**202**	143
Less: Consolidation adjustments	**(34,947)**	(29,190)	**-**	-
Total retained earnings	**87,574**	70,714	**25,265**	29,157

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 Disclosures 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 55 to 107 are drawn up in accordance with Financial Reporting Standards and 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 2013 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 31 on page 108 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: 12 March 2014

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 55 to 108 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 12 March 2014.

Tang Kam Chee

Before me:

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 2013 of the Group and of the Company, and the statements of profit loss and other 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 55 to 107.

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 2013 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 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.

(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.

INDEPENDENT AUDITORS' REPORT
to the members of Ken Holdings Berhad

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 31 on page 108 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards in Malaysia. 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: 12 March 2014