**KECK SENG (MALAYSIA) BERHAD**
**(Company no. 8157-D)**
(Incorporated in Malaysia)

# INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

**EXPLANATORY NOTES PURSUANT TO FRS 134**

## A1. Accounting Policies and Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2013.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new Malaysian Financial Reporting Standards ("MFRS") Framework. Accordingly, the Group will present its first set of MFRS financial statements when the MFRS Framework is mandated by the MASB.

## A2. Status of Audit Qualification

Not applicable as the audited financial statements for the year ended 31 December 2013 were not qualified.

## A3. Seasonality or Cyclicality of Interim Operations

The operations of the Group were not significantly affected by seasonality and cyclicality factors.

## A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the financial quarter under review.

## A5. Material Changes in Estimates

There were no major changes in accounting estimates used in the preparation of the financial statements for the current financial quarter as compared with the previous financial quarters or previous financial year.

## A6. Debts and Equity Securities

Share Buy-Back / Treasury Shares

The Company's shareholders had on 29 June 1999 approved the share buy-back exercise during the Extraordinary General Meeting ("EGM"). Subsequently, mandates were renewed at the last AGM which was on 27 June 2013.

Summary of the share buy-back / disposal as at the current financial year-to-date are as follows:-

| Month | Number Of Shares repurchased/(sold) | Highest Price RM | Lowest Price RM | Average Price RM | Total Amount RM |
|---|---|---|---|---|---|
| B/F from 2011 | 1,245,300 | | | | 2,364,384 |
| June 2012 | 10,000 | 3.91 | 3.91 | 3.91 | 39,386 |
| Dec 2012 | 10,000 | 3.90 | 3.90 | 3.90 | 39,285 |
| July 2013 | 10,000 | 5.01 | 5.01 | 5.01 | 50,533 |
| Dec 2013 | 10,000 | 7.46 | 7.46 | 7.46 | 75,145 |
| Total | 1,285,300 | | | | 2,568,733 |

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 31 March 2014.

## A7. Dividend paid

There was no dividend paid during the quarter under review.

## A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 31 March 2014 and its comparative:-

| 3 months period ended 31/03/2014 | Manufacturing RM'000 | Hotel and Resort RM'000 | Property development & Investment RM'000 | Plantations RM'000 | Share investment RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|
| REVENUE | | | | | | | | |
| External sales | 186,929 | 35,910 | 48,987 | - | 522 | - | | 272,348 |
| Inter-segment sales | 16,351 | - | 351 | 8,786 | - | - | (25,488) | - |
| Total revenue | 203,280 | 35,910 | 49,338 | 8,876 | 522 | - | (25,488) | 272,348 |
| | | | | | | | | |
| RESULTS | | | | | | | | |
| Operating results | 914 | 1,925 | 22,622 | 5,025 | 465 | - | (209) | 30,742 |
| Foreign exchange gain/(loss) | | | | | | (840) | (5) | (845) |
| Finance costs | (181) | | (42) | | (471) | (118) | 694 | (118) |
| Interest income | | | | | | 3,229 | (689) | 2,540 |
| Share of profit of associate | | | | | | - | | - |
| Profit before tax | 733 | 1,925 | 22,580 | 5,025 | (6) | 2,271 | (209) | 32,319 |
| Income tax expense | | | | | | | | (8,399) |
| **Profit for the period** | | | | | | | | 23,920 |

| 3 months period ended 31/03/2013 | Manufacturing RM'000 | Hotel and Resort RM'000 | Property development & Investment RM'000 | Plantations RM'000 | Share investment RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|
| REVENUE | | | | | | | | |
| External sales | 154,105 | 38,374 | 36,374 | - | 873 | | | 229,726 |
| Inter-segment sales | 7,674 | - | 336 | 6,373 | - | | (14,383) | - |
| Total revenue | 161,779 | 38,374 | 36,710 | 6,373 | 873 | | (14,383) | 229,726 |
| | | | | | | | | |
| RESULTS | | | | | | | | |
| Operating results | 16,784 | 5,162 | 11,964 | 2,828 | 811 | | 714 | 38,263 |
| Foreign exchange gain/(loss) | | | | | | (1,716) | 1 | (1,715) |
| Finance costs | | | (64) | | (433) | (166) | 497 | (166) |
| Interest income | | | | | | 2,638 | (498) | 2,140 |
| Share of profit of associate | | | | | | | | - |
| Profit before tax | 16,784 | 5,162 | 11,900 | 2,828 | 378 | 756 | 714 | 38,522 |
| Income tax expense | | | | | | | | (10,151) |
| **Profit for the period** | | | | | | | | 28,371 |

### A9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

### A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current quarter ended 31 March 2014 up to the date of this report.

### A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter.

### A12. Changes in Contingent Liabilities

At the date of this announcement, there were no material changes in contingent liabilities since the last balance sheet date.

## ADDITIONAL INFORMATION REQUIRED BY THE BMSB'S LISTING REQUIREMENTS

### B1. Taxation

The taxation charge for the current quarter and year to-date ended 31 March 2014 is made up as follows:-

| | Current Quarter RM'000 | Year To-Date RM'000 |
|---|---|---|
| Current tax: | | |
| Malaysian income tax | (11,577) | (11,577) |
| Foreign tax | (1,506) | (1,506) |
| | (13,083) | (13,083) |
| Over/(under) provision in respect of prior years | | |
| Malaysian income tax | 0 | 0 |
| Foreign tax | 0 | 0 |
| | 0 | 0 |
| Deferred tax | | |
| Transfer from/(to) deferred taxation | 4,684 | 4,684 |
| Total income tax expense | (8,399) | (8,399) |

## B2. Status of Corporate Proposals
There were no corporate proposals.

## B3. Group Borrowings
Details of Group borrowings are as follows:-

| | Ringgit 'million |
|---|---|
| Bank overdraft - unsecured | 9 |

## B4. Financial Instruments

The Group has entered into some forward foreign exchange currencies contracts to hedge its exposure to fluctuations in foreign currency arising from sales.

As at 31 March 2014, the Group has the following outstanding derivative financial instruments:

| Type of derivatives | Contract amount RM'000 | Fair value RM'000 | Fair Value gain/(loss) RM'000 |
|---|---|---|---|
| Currency forward contracts<br>- less than 1 year | 115,835 | 117,690 | (1,855) |

## B5. Changes In Material Litigation
There was no material litigation pending at the date of this announcement.

## B6. Comparison with Preceding Quarter's Results

| | 1st Quarter 2014 | 4th Quarter 2013 | <- -- Increase/(Decrease)--- > | |
|---|---|---|---|---|
| | RM '000 | RM '000 | RM '000 | % |
| Revenue | 272,348 | 245,989 | 26,359 | 11 |
| Profit before taxation | 32,319 | 44,232 | (11,913) | (27) |

## Revenue

As a result of higher selling price of refined oil, the Refinery recorded a higher revenue in 1Q 2014 as compared to the preceding quarter.

Higher revenue for Property Development in 1Q 2014 was from the sale of completed commercial properties in Taman Daya and higher revenue recognised on cluster and semi-detached residential properties in Bandar Baru Kangar Pulai based on stage of completion.

**Profit before taxation**

In 1Q 2014, the supply of CPO in the market was less than 4th Q 2013 due to lower FFB production. The CPO price was competitive and the Refinery had to operate in a negative refining margin environment resulting in a loss in 1Q 2014.

Sale of completed commercial properties in Taman Daya and higher percentage of completion for cluster and semi-detached residential properties in Bandar Baru Kangar Pulai had contributed to an increase in profit in 1Q 2014 as compared to 4th Q 2013.

In 4th Q 2013, there was a gain of RM 10.3 million from the compulsory acquisition of about 38 acres of oil palm land. There were no acquisition in 1Q 2014

## B7. Review of Performance

| | To 1st Quarter 2014 RM '000 | To 1st Quarter 2013 RM '000 | < --- Increase/(Decrease) -- > RM '000 | % |
|---|---|---|---|---|
| Revenue | 272,348 | 229,726 | 42,622 | 19 |
| Profit before taxation | 32,319 | 38,522 | (6,203) | (16) |

**Revenue**

The Manufacturing segment recorded a higher revenue due to higher selling price of refined oil sold in 1Q 2014.

The revenue in 1Q 2014 for the Property Development was also higher due to sale of completed commercial properties in Taman Daya and higher percentage of completion on cluster and semi-detached residential properties in Bandar Baru Kangar Pulai .

**Profit before taxation**

In 1Q 2014, the Refinery incurred a loss as a result of unfavourable market conditions. However, in 1Q 2013, it recorded a good profit due to fulfilment of some contracts with good profit margins.

Sale of completed commercial properties in Taman Daya and higher percentage of completion for cluster and semi-detached residential properties in Bandar Baru Kangar Pulai had resulted in higher profit in 1Q 2014 as compared to 1Q 2013.

Overall, the Group's profit in 1Q 2014 was lower than the same period last year as the reduction in Manufacturing's profit was more than the increase in profit from Property Development.

## B8. Prospects and Outlook

Plantation

FFB production for 2014 is expected to be lower than 2013 but the FFB price which is in tandem with CPO price is expected to be higher due to better demand of CPO by biodiesel sector and increase in export of Malaysian CPO.

Manufacturing

As a result of the 2 factors favouring the Plantation segment, CPO price to the Refinery will be more competitive. The volatility of USD will also cause the Refinery to operate in a challenging environment .

Although fixed overhead will be marginally increased, the Palm Oil Mill is expected to maintain it's performance.

Property Development

The property division will continue to face stiff competition against new players in the industry. Material and other building costs are expected to trend upward and the shortage of labour supply will be more acute due to tighter control of foreign workers implemented by the authorities.

The property division plans to launch new residential units in Taman Daya, Tanjong Puteri Resort and Bandar Baru Kangar Pulai.

Property Investment

We are cautiously optimistic that Menara Keck Seng, our office building in Kuala Lumpur, would be able to maintain its fairly high occupancy in 2014. However, operation cost will be higher due to the increase in property assessment and electricity tariff implemented recently by Dewan Bandaraya Kuala Lumpur and Tenaga Nasional Berhad.

There is an oversupply of new residential apartments in the City all competing for a limited pool of expatriate tenants. In such an environment, it is an uphill task to negotiate for higher rent or to push up occupancy. Nevertheless, Regency Tower is expected to contribute positively to the Group's results in 2014.

Hotels & Resort

The performance of the International Plaza Hotel in Toronto will continue to be negatively affected by the "de-flagging" from DoubleTree by Hilton. To mitigate the impact of "de-flagging", the Hotel plans to undertake significant renovations to redefine the image and to regain the market share of the Hotel. 2014 will be a difficult year for the Hotel.

The US economy is expected to do well in 2014. The recovery of the job market will result in a return of consumer confidence and the hospitality industry will be a beneficiary. If the American economy continues to improve, the Doubletree Alana Waikiki Hotel in Hawaii is expected to perform better in 2014.

In spite of the increasing overhead expenses, the Tanjong Puteri Golf Resort has to remain competitive and offer attractive promotions and upgrade certain facilities to draw the crowd. Although golfing rounds are expected to increase marginally, the Resort continues to operate in a challenging environment.

Conclusion

The Group will continue to operate in a challenging business environment in 2014 due to the uncertainties of global economy, climate changes, volatility of currency exchange and increasing business costs.

**B9. Explanatory Notes for Variance of Actual Profit from Forecast Profit/ Profit Guarantee**
Not applicable.

**B10. Dividends**
The Board does not recommend any dividend for the current quarter under review.

**B11. Earnings Per Share**

a) *Basic Earnings Per Share*
The basic earnings per share for the current quarter and year-to-date had been calculated as follows:-

| | Current Quarter | Year To-Date |
|---|---|---|
| Profit attributable owners of the parent | 23,557 | 23,557 |
| Weighted average number of ordinary shares in issue | 360,192 | 360,192 |
| Basic earnings per share (sen) | 6.54 | 6.54 |

b) *Diluted Earnings Per Share*
There were no potential dilutive ordinary shares outstanding as at the end of the reporting period. Hence, the diluted earnings per share is the same as the basic earnings per share.

## B12. Notes to the Condensed Consolidated Statement of Comprehensive Income

The following amounts have been (credited) / charged in arriving at profit before tax:-

| | | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|---|
| | | 3 months ended | | 3 months ended | |
| | | 31-Mac | | 31-March | |
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| a) | Interest income | (2,540) | (2,140) | (2,540) | (2,140) |
| b) | Dividend income | (522) | (873) | (522) | (873) |
| c) | Other income | (504) | (780) | (504) | (780) |
| d) | Interest expenses | 118 | 166 | 118 | 166 |
| e) | Depreciation and amortisation | 6,083 | 5,888 | 6,083 | 5,888 |
| f) | Provision for /write-off/(write back) of receivables | 21 | 1 | 21 | 1 |
| g) | Provision/write-off/(write-back) of inventories | (232) | (140) | (232) | (140) |
| h) | (Gain) /Loss on disposal of properties, plant & equipment | (6) | (7) | (6) | (7) |
| i) | (Gain) /Loss on disposal of quoted or unquoted of investment or properties | 0 | 0 | 0 | 0 |
| j) | Impairment of assets | 0 | 0 | 0 | 0 |
| k) | Foreign exchange (gain)/loss | 4,705 | (2,501) | 4,705 | (2,501) |
| l) | Assets written off/(write-back) | 475 | 2 | 475 | 2 |
| m) | (Gain)/Loss on derivatives | (160) | 1,329 | (160) | 1,329 |
| | | 7,438 | 945 | 7,438 | 945 |

## PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the Group's retained profits as at 31 March 2014 and 31 December 2013 into realised and unrealised profits is as follows:

| | As at End of 31/03/14 RM'000 | As at End of 31/12/13 RM'000 |
|---|---|---|
| Total retained profits of the Company and the subsidiaries:- | | |
| - Realised | 1,382,459 | 1,332,843 |
| - Unrealised | (15,022) | 11,086 |
| | 1,367,437 | 1,343,929 |
| Total share of retained profits from associated companies: | | |
| - Realised | 346 | 346 |
| - Unrealised | - | - |
| | 1,367,783 | 1,344,275 |
| Less: Consolidation adjustments | (17,753) | (17,802) |
| Total group retained profits as per consolidated accounts | 1,350,030 | 1,326,473 |