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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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 26 June 2014.

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 30 June 2014.

A7. Dividend paid

There was no dividend paid during the quarter under review.

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A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 30 June 2014 and its comparative:-

6 months period ended 30/06/2014	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	377,959	69,614	85,010	-	3,034	-		535,617
Inter-segment sales	34,693	-	696	18,966	-	-	(54,355)	-
Total revenue	412,652	69,614	85,706	18,966	3,034	-	(54,355)	535,617
RESULTS								
Operating results	(1,265)	2,812	34,001	9,603	2,924	-	(196)	47,879
Foreign exchange gain/(loss)						(4,006)	(8)	(4,014)
Finance costs	(360)		(77)		(947)	(326)	1,384	(326)
Interest income						6,479	(1,376)	5,103
Share of profit of associate						66		66
Profit before tax	(1,625)	2,812	33,924	9,603	1,977	2,213	(196)	48,708
Income tax expense								(13,572)
Profit for the period								35,136

6 months period ended 30/06/2013	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	311,644	73,534	68,569	-	3,991			457,738
Inter-segment sales	16,297	-	680	14,342	-		(31,319)	-
Total revenue	327,941	73,534	69,249	14,342	3,991		(31,319)	457,738
RESULTS								
Operating results	27,036	8,423	21,502	5,445	20,684		406	83,496
Foreign exchange gain/(loss)						137	16	153
Finance costs			(125)		(867)	(367)	992	(367)
Interest income						5,558	(1,008)	4,550
Share of profit of associate						182		182
Profit before tax	27,036	8,423	21,377	5,445	19,817	5,510	406	88,014
Income tax expense								(18,110)
Profit for the period								69,904

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 30 June 2014 up to the date of this report.

A11. Changes in the Composition of the Group

A company, KSNY Enterprises Limited ("KSNY") was incorporated on 24/06/2014 in the State of New York for acquisition of Marriott Springhill Hotel in New York. The authorised capital was 50 million shares comprising 5 million common shares at par value of USD 0.01 each and 45 million preferred shares at par value of USD 0.01 each. Upon the completion of the purchase on 24/07/14, the initial issued and paid up capital was USD 35 million comprising 1 million common shares and 34 million preferred shares at USD 1.00 each. The principal activity of KSNY is operation of hotel. KSNY is a wholly owned subsidiary of KSG Enterprises Limited with the ultimate holding company being Keck Seng (Malaysia) Berhad

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 30 June 2014 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(3,552)	(15,129)
Foreign tax	(1,400)	(2,906)
	(4,952)	(18,035)
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	(221)	4,463
Total income tax expense	(5,173)	(13,572)

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	10

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 30 June 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 - less than 1 year	170,816	168,875	1,941

B5. Changes In Material Litigation

There was no material litigation pending at the date of this announcement.

B6. Comparison with Preceding Quarter's Results

	2nd Quarter 2014	1st Quarter 2014	<- -- Increase/(Decrease)--- >	
	RM '000	RM '000	RM '000	%
Revenue	263,269	272,348	(9,079)	(3)
Profit before taxation	16,389	32,319	(15,930)	(49)

Revenue

The Group's revenue in 2Q 2014 was marginally lower than 1Q 2014. The reduction was attributed to lower revenue from Property Development segment.

Profit before taxation

The Group's profit in 2Q 2014 was lower than 1Q 2014 mainly attributed to lower profit from Property Development segment.

In 1Q 2014, full profit was recognised from sale of some completed commercial properties but there were no such sale in 2Q 2014. The lower profit was also attributed to lower progress profit recognised on low cost shop in Taman Daya and double storey shop office in Bandar Baru Kangkar Pulai based on stage of completion method

B7. Review of Performance

	To 2nd Quarter 2014 RM '000	To 2nd Quarter 2013 RM '000	< --- Increase/(Decrease) -- > RM '000	%
Revenue	535,617	457,738	77,879	17
Profit before taxation	48,708	88,014	(39,306)	(45)

Revenue

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

Profit before taxation

Overall, the Group's profit in 1H 2014 was lower than 1H 2013. The results of the following segments were materially different from 1H 2013:-

In the first half of 2014, there was a strong demand of CPO by biodiesel sector. The Malaysian CPO price was also comparatively lower which thus attracted Indonesian companies to purchase Malaysian CPO to fulfil their export sale commitments. As such, local CPO price was very competitive and negative refining margin prevailed most of the time.

Full profit in 1H 2014 was recorded from sale of completed commercial properties in Taman Daya. Higher progress profit in 1H 2014 as compared to 1H 2013 was also recorded from residential properties in Bandar Baru Kangkar Pulai although the progress profit from residential properties in Taman Daya was lower. Overall, the profit in 1H 2014 was higher than 1H 2013

The share investment segment recorded a gain of RM 16 million in 1H 2013 arising from the disposal of quoted shares but there were no disposal in 1H 2014.

.B8. Prospects and Outlook

Plantation

FFB production for 2014 is expected to be marginally higher than 2013. The FFB price will be in tandem with CPO price .

Manufacturing

The Refinery is expected to operate in a challenging environment due to the volatility of USD and competitive price of CPO.

FFB intake is likely to be higher than 2013 and Palm Oil Mill is expected to maintain the same performance as previous year although there is a marginal increase in operating expenses.

Property Development

The property division will continue to face stiff competition against new players in the industry. Materials and other building costs are trending upwards. There is also a shortage of building materials 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 phases of single storey terrace houses in Taman Daya and Tanjong Puteri Resort. Fortune Hills Phase 3 cluster houses in Bandar Baru Kangkar Pulai will also be launched.

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 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 this 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 maintain its good performance in 2014.

The occupancy of the Marriott Springhill Suites Hotel (173 rooms) in New York, which was acquired in July 2014, is expected to remain strong. The Hotel's contribution to the Group is however not expected to be significant for the remaining months of 2014

In spite of increasing overhead expenses, the Tanjong Puteri Golf Resort has to offer attractive promotions and upgrade certain facilities to attract the crowd. A tougher market competition and recent toll hikes imposed on vehicles travelling between Singapore and Johor Bahru are likely to reduce the business volume of the Resort.

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

(i) An interim ordinary dividend in respect of the financial year ending 31 December 2014 had been declared
(ii) The amount per share is 4% under single tier system
(iii) The previous corresponding period was 5% less 25% tax
(iv) The date of payment is 24 November 2014; and
(v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 28 October 2014.

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	11,365	34,922
Weighted average number of ordinary shares in issue	360,192	360,192
Basic earnings per share (sen)	3.16	9.70

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		6 months ended	
		30-June		30-June	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	(2,563)	(2,410)	(5,103)	(4,550)
b)	Dividend income	(2,512)	(3,118)	(3,034)	(3,991)
c)	Other income	(804)	(789)	(1,308)	(1,569)
d)	Interest expenses	208	201	326	367
e)	Depreciation and amortisation	6,084	5,947	12,167	11,835
f)	Provision for /write-off/(write back) of receivables	8	(6)	29	(5)
g)	Provision/write-off/(write-back) of inventories	(730)	(85)	(962)	(225)
h)	(Gain) /Loss on disposal of properties, plant & equipment	150	1	144	(6)
i)	(Gain) /Loss on disposal of quoted or unquoted of investment or properties	0	(16,792)	0	(16,792)
j)	Impairment of assets	0	0	0	0
k)	Foreign exchange (gain)/loss	7,518	(10,254)	12,223	(12,755)
l)	Assets written off/(write-back)	(155)	11	320	13
m)	(Gain)/Loss on derivatives	(3,796)	2,101	(3,956)	3,430
		3,408	(25,193)	10,846	(24,248)

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the Group's retained profits as at 30 June 2014 and 31 December 2013 into realised and unrealised profits is as follows: -

	As at End of 30/06/14 RM'000	As at End of 31/12/13 RM'000
Total retained profits of the Company and the subsidiaries:-		
- Realised	1,373,810	1,332,843
- Unrealised	(19,636)	11,086
	1,354,174	1,343,929
Total share of retained profits from associated companies:		
- Realised	412	346
- Unrealised	-	-
	1,354,586	1,344,275
Less: Consolidation adjustments	(16,603)	(17,802)
Total group retained profits as per consolidated accounts	1,337,983	1,326,473