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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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
July 2014	10,000	6.75	6.75	6.75	67,993
Total	1,295,300				2,636,726

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 30 September 2014.

A7. Dividend paid

a) A final single tier dividend of 6.5% or 6.5 sen per share (2013: 6% or 6 sen per share less 25% tax) in respect of the financial year ended 31 December 2013 was paid on 14 July 2014

b) A single tier interim dividend of 4% or 4 sen per share (2013: 5% or 5 sen per share less 25% tax) in respect of financial year ending 31 December 2014 was paid on 24 November 2014.

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A8. Segmental Information

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

9 months period ended 30/09/2014	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	566,192	116,012	147,421	-	4,468	-		834,093
Inter-segment sales	51,125	-	1,042	27,681	-	-	(79,848)	-
Total revenue	617,317	116,012	148,463	27,681	4,468	-	(79,848)	834,093
RESULTS								
Operating results	7,318	3,570	60,651	12,909	4,299	-	17	88,764
Other income						16,335		16,335
Foreign exchange gain/(loss)						(3,709)	3	(3,706)
Finance costs	(536)		(111)		(1,439)	(1,313)	2,086	(1,313)
Interest income						9,725	(2,089)	7,636
Share of profit of associate						66		66
Profit before tax	6,782	3,570	60,540	12,909	2,860	21,104	17	107,782
Income tax expense								(25,799)
Profit for the period								81,983

9 months period ended 30/09/2013	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	474,752	106,643	96,893	-	6,068	-	-	684,356
Inter-segment sales	28,876		1,023	24,053	-	-	(53,952)	-
Total revenue	503,628	106,643	97,916	24,053	6,068	-	(53,952)	684,356
RESULTS								
Operating results	37,892	7,166	29,761	10,515	32,052	-	342	117,728
Foreign exchange gain/(loss)						12,024	19	12,043
Finance costs	(530)		(179)		(1,337)	(526)	2,046	(526)
Interest income						9,423	(2,065)	7,358
Share of profit of associate						182		182
Profit before tax	37,362	7,166	29,582	10,515	30,715	21,103	342	136,785
Income tax expense								(26,046)
Profit for the period								110,739

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 September 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 September 2014 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(8,606)	(23,735)
Foreign tax	(2,096)	(5,002)
	(10,702)	(28,737)
Over/(under) provision in respect of prior years		
Malaysian income tax	(30)	(30)
Foreign tax	0	0
	(30)	(30)
Deferred tax		
Transfer from/(to) deferred taxation	(1,495)	2,968
Total income tax expense	(12,227)	(25,799)

B2. Status of Corporate Proposals

There were no corporate proposals.

B3. Group Borrowings

Details of Group borrowings are as follows:-

	US Dollar "000	Ringgit Equivalent "000
Bank overdraft - unsecured	-	15,640
Term loan payable within a year - secured	3,332	10,916
Term loan payable after 1 year - secured	69,908	228,988

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 September 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	211,855	212,161	(306)

B5. Changes In Material Litigation

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

B6. Comparison with Preceding Quarter's Results

	3rd Quarter 2014	2nd Quarter 2014	<- -- Increase/(Decrease)--- >	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	298,476	263,269	35,207	13
Profit before taxation	59,074	16,389	42,685	260

Revenue

The Group's revenue in 3Q 2014 was higher than 2Q 2014. The increase was from the following segments:-

Property Development
The sale of single storey terrace launched by Taman Daya in July 2014 had contributed to a higher revenue in 3Q 2014

Hotels
The revenue increase in 3Q 2014 was attributed to the newly acquired hotel Marriott Springhill Hotel in New York in July 2014

Profit before taxation

The higher Group's profit in 3Q 2014 as compared to 2Q 2014 was attributed mainly from the following segments:-

Manufacturing
The current quarter recorded a profit as compared to a loss in the preceding quarter. The turnaround was due to forex gain resulting from the strengthening of USD currency against MYR.

Property Development
Profit was higher in 3Q 2014 due to the sale of single storey terrace residential units in Taman Daya launched in July 2014.

Others
In 3Q 2014, there was a gain of RM 16.3 million from the compulsory acquisition of oil palm land. There was no acquisition in the preceding quarters

B7. Review of Performance

	To 3rd Quarter 2014 RM '000	To 3rd Quarter 2013 RM '000	< --- Increase/(Decrease) -- > RM '000	%
Revenue	834,093	684,356	149,737	22
Profit before taxation	107,782	136,785	(29,003)	(21)

Revenue

The Manufacturing segment recorded a higher revenue to 3Q 2014 due to higher selling price of refined oil sold.

Property development segment also recorded a higher revenue contributed from the sale of commercial properties and single storey terrace in Taman Daya, cluster and semi-detached properties in Bandar Baru Kangkar Pulai

Profit before taxation

Overall, the Group's profit to 3Q 2014 was lower than 3Q 2013. The results to 3Q 2014 of the following segments were materially different from the previous corresponding period:-

Manufacturing
Unlike the market condition in 2013 which was favourable to the Refinery, the Refinery was operating in a negative refining margin environment most of the time in 2014. Even with a forex gain , the Refinery recorded a marginal loss as compared to a profit in 2013.

Property Development
More units and better pricing of residential properties and commercial properties sold in Taman Daya and Bandar Baru Kangkar Pulai had contributed to a higher profit in 2014 for property development segment.

Share Investment
To 3Q 2014, there was no disposal of quoted shares but there was a gain of RM 26 million from the disposal of quoted shares in the previous corresponding period.

Others
To 3Q 2014, there was a gain of RM 16.3 million from the compulsory acquisition of oil palm land but the forex on cash in SGD was a loss as compared to a gain in 2013.

.B8. Prospects and Outlook

Plantation
FFB production for 2014 is expected to be marginally lower 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 and operating expense of Palm Oil Mill will be higher than 2013. As a result of higher FFB intake, the performance of Palm Oil Mill in 2014 will be better than 2013 .

Property Development
In October, double storey cluster homes Phase 3 at Fortune Hills Bandar Baru Kangkar Pulai (BBKP) were launched . In the same month, single storey terrace were also launched in Phase 4B at Tanjong Puteri Resort (TPR). The sales at both BBKP and TPR have been slow.

There have been many new entrants into the property market. Material and building costs continues to trend upwards. Bank's lending conditions are more stringent making it difficult for purchasers to get loans. Owing to the above factors, market conditions will remain challenging.

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 173 rooms Marriott Springhill Suites Hotel 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 costs, the Tanjong Puteri Golf Resort will continue to offer attractive promotions to remain competitive. Increasing hotel supply to the Johor market, coupled with recent toll hikes imposed on vehicles travelling between Singapore and Johor Bahru are likely to reduce the business volume of the Resort.

Conclusion

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

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	46,916	81,838
Weighted average number of ordinary shares in issue	360,182	360,188
Basic earnings per share (sen)	13.03	22.72

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.

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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 30-Sept		9 months ended 30-Sept	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	2,533	2,808	7,636	7,358
b)	Dividend income	1,434	2,077	4,468	6,068
c)	Other income	98	603	1,406	2,172
d)	Interest expenses	(987)	(159)	(1,313)	(526)
e)	Depreciation and amortisation	(7,648)	(6,134)	(19,815)	(17,969)
f)	(Provision for) /(write-off)/write back of receivables	(16)	(15)	(45)	(10)
g)	(Provision)/(write-off)/write-back of inventories	160	309	1,122	534
h)	Gain /(Loss) on disposal of properties, plant & equipment	21	(37)	(123)	(31)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	0	9,342	0	26,134
j)	Impairment of assets	0	0	0	0
k)	Foreign exchange gain/(loss)	11,362	16,078	(861)	28,833
l)	Assets (written off)/write-back	(9)	(8)	(329)	(21)
m)	Gain/(Loss) on derivatives	(2,247)	(671)	1,709	(4,101)
n)	Gain on compulsory acquisition of land	16,335	0	16,335	0
		21,036	24,193	10,190	48,441

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As at End of 30/09/14 RM'000	As at End of 31/12/13 RM'000
Total retained profits of the Company and the subsidiaries:-		
- Realised	1,400,983	1,332,843
- Unrealised	(12,991)	11,086
	1,387,992	1,343,929
Total share of retained profits from associated companies:		
- Realised	412	346
- Unrealised	-	-
	1,388,404	1,344,275
Less: Consolidation adjustments	(17,913)	(17,802)
Total group retained profits as per consolidated accounts	1,370,491	1,326,473