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

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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. On 2 September 2014, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017 pursuant to the issuance of MFRS 15 “Revenue from Contracts with Customers” and “Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)”. Even though MFRS 15 is effective for annual periods beginning on or after 1 January 2017 while the Bearer Plants amendment is effective for annual periods beginning on or after 1 January 2016, MASB has prescribed that a single date i.e. 1 January 2017 be the mandatory date to changeover to the MFRS Framework for Transitioning Entities that are involved in both property development and plantations industries.

Accordingly, the Group will present its first set of MFRS financial statements for the financial year ending 31 December 2017. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. Adjustments required on transition, if any, will be made retrospectively against opening retained earnings.

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	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
Dec 2014	10,000	5.75	5.75	5.75	57,970
Total	1,305,300				2,694,696

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 31 December 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 31 December 2014 and its comparative:-

12 months period ended 31/12/2014	Manufacturing	Hotel and Resort	Property development & Investment	Plantations	Share investment	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
External sales	730,751	166,043	182,671	-	7,021	-		1,086,486
Inter-segment sales	63,894	-	1,387	34,955	19,044	-	(119,280)	-
Total revenue	794,645	166,043	184,058	34,955	26,065	-	(119,280)	1,086,486
RESULTS								
Operating results	27,895	6,883	75,292	15,201	26,063	-	(18,963)	132,371
Other income						16,335		16,335
Foreign exchange gain/(loss)						7,944	42	7,986
Finance costs	(714)		(139)		(2,210)	(911)	3,063	(911)
Interest income						13,704	(3,105)	10,599
Share of profit of associate						66		66
Profit before tax	27,181	6,883	75,153	15,201	23,853	37,138	(18,963)	166,446
Income tax expense								(38,091)
Profit for the period								128,355

12 months period ended 31/12/2013	Manufacturing	Hotel and Resort	Property development & Investment	Plantations	Share investment	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
External sales	643,102	138,524	137,677	-	11,041	-	-	930,344
Inter-segment sales	44,930		1,367	34,536	6,511	-	(87,344)	-
Total revenue	688,032	138,524	139,044	34,536	17,552	-	(87,344)	930,344
RESULTS								
Operating results	45,287	4,731	45,219	16,095	43,483	-	(6,637)	148,178
Foreign exchange gain/(loss)						12,987	31	13,018
Finance costs	(713)		(226)		(1,805)	(636)	2,744	(636)
Other income						10,329		10,329
Interest income						12,721	(2,775)	9,946
Share of profit of associate						182		182
Profit before tax	44,574	4,731	44,993	16,095	41,678	35,583	(6,637)	181,017
Income tax expense								(33,771)
Profit for the period								147,246

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 December 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 31 December 2014 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(7,496)	(31,231)
Foreign tax	(1,274)	(6,276)
	(8,770)	(37,507)
Over/(under) provision in respect of prior years		
Malaysian income tax	0	(30)
Foreign tax	0	0
	0	(30)
Deferred tax		
Transfer from/(to) deferred taxation	(3,522)	(554)
Total income tax expense	(12,292)	(38,091)

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
Short term borrowings:-		
Bank overdraft - unsecured	-	12,030
Term loan payable within a year - secured	2,814	9,835
Long term borrowings:-		
Term loan payable after 1 year - secured	69,593	243,191

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 December 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	88,286	93,024	(4,738)

B5. Changes In Material Litigation

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

B6. Comparison with Preceding Quarter's Results

	4th Quarter 2014	3rd Quarter 2014	<- -- Increase/(Decrease)--- >	
	RM '000	RM '000	RM '000	%
Revenue	252,393	298,476	(46,083)	(15)
Profit before taxation	58,664	59,074	(410)	(1)

Revenue

The Group's revenue in 4Q 2014 was lower than 3Q 2014. The decrease was from the following segments:-

Property Development
The number of single storey terrace houses in Taman Daya and Double Storey Cluster Houses in BBKP sold in 4Q was less than that of 3Q resulting in a lower revenue for 4Q

Manufacturing
The Manufacturing segment recorded a lower revenue to 4Q 2014 due to lower quantity and selling price of refined oil sold

Profit before taxation

Although the Group's profit in 4Q 2014 was more or less the same as the preceding quarter, the results of the following segments were materially different :-

Manufacturing
4Q recorded a higher profit as compared to the preceding quarter mainly due to forex gain resulting from the strengthening of USD currency against MYR.

Property Development
Profit was lower in 4Q 2014 due to lesser units of residential property sold.

Other income as Unallocated Item
In 3Q 2014, there was a gain of RM 16.3 million from the compulsory acquisition of oil palm land but there was no acquisition in 4Q.

Forex as Unallocated Item
A higher appreciation of SGD against MYR resulted in a higher forex gain on cash mainly denominated in SGD in 4Q as compared to 3Q.

B7. Review of Performance

	To 4th Quarter 2014 RM '000	To 4th Quarter 2013 RM '000	< --- Increase/(Decrease) -- > RM '000	%
Revenue	1,086,486	930,344	156,142	17
Profit before taxation	166,446	181,017	(14,571)	(8)

Revenue

The Manufacturing segment recorded a higher revenue in 2014 due to higher quantity and 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 in 2014 was lower than 2013. The results in 2014 of the following segments were materially different from previous year:-

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 much lower profit as compared to previous year.

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
In 2014, there was no disposal of quoted shares but there was a gain of RM 26 million from the disposal of quoted shares in previous year.

.B8. Prospects and Outlook

Plantation
FFB production for 2015 is expected to be more or less the same. While the CPO price may be buoyant due to weak Ringgit, it is at the same time affected by the current high soya bean production.

Manufacturing
With the volatility of USD and competitive price of CPO, the Refinery is expected to continue to operate in a challenging environment

FFB intake is expected to be lower and operating expense of Palm Oil Mill will be higher than 2014. As a result of lower FFB intake, the performance of Palm Oil Mill in 2015 is expected to be lower than 2014 .

Property Development
The property division is planning to launch new phases of shop office and Johor Affordable Homes (RMMJ) houses in Taman Daya and semi-detached houses in Bandar Baru Kangkar Pulai in 2015. At the same time, the division is continuously pushing sales for Phase 3 cluster homes at Fortune Hills Bandar Baru Kangkar Pulai and Phase 4B & 4C single storey houses in Tanjong Puteri Resort.

There have been many more entrants into both the high rise and landed property market. The slide of Ringgit against other major currencies will increase the construction costs. As for the cost of residential properties, it will be further aggravated by the implementation of GST . The more stringent conditions imposed by Bankers on lending make it difficult for house purchasers to get loans. Owing to these factors, the property segment is expected to face a challenging market condition.

Property Investment
Occupancy at Menara Keck Seng, our office building in Kuala Lumpur, will trend down slightly in 2015 as a few large tenants move out. We are cautiously optimistic that we will be able to find replacement tenants fairly quickly. Cost will be higher due to planned renovation and equipment upgrades

There is an oversupply of new residential apartments in the City Centre all competing for a limited pool of expatriate tenants. Regency Tower, our residential building in Kuala Lumpur, will face an uphill task to negotiate for higher rent and improve occupancy rate. Nevertheless, Regency Tower is expected to contribute positively to the Group.

Hotels & Resort
The performance of the International Plaza Hotel in Toronto should stabilize after its transition from a branded hotel to an independent one. However, competition in the Toronto Airport market remains fierce and the hotel operates in a very challenging environment. The silver lining is that occupancy may increase incrementally as the strengthening US dollar encourages US outbound travel to Canada.

The US economy is expected to improve in 2015. The recovery of the job market and steep decline in oil prices will result in increased disposable income for US consumers and reduced transportation cost. Both these factors will benefit the hospitality industry. We are cautiously optimistic that the Doubletree Alana Waikiki Hotel in Hawaii will be able to maintain its good performance in 2015

The New York Market is expected to be challenging in the early part of 2015 due to competition. The appreciation of the US Dollar will also have a detrimental effect on international travel to the USA. However, the strength of the US economy, the improving employment landscape and the resilience of the New York tourism market should provide some stability.

Tanjong Puteri Golf Resort Bhd (TPGR) did not meet the expectations for year 2014 in spite of the efforts to bring in the business. The weaker results were mainly due to unmaterialised projects in the nearby port and industries, coupled with more new Hotel competitors. While the overhead expenses is expected to increase, the Resort will continue to offer competitive promotions, and upkeep its facilities to improve its market share. The Resort maintains a cautious outlook for 2015. Management will continue their best efforts to operate cost effectively, and try to improve on the results of the Resort, despite the aforesaid challenges.

Conclusion

The strength of Ringgit to a certain extent will depend on the price of crude oil which is not expected to recover in the short term and may affect commodity prices. The Group is expected to operate in a challenging environment given the volatility of currency exchange, increasing business and operating costs, the uncertainty of global economy and the possible negative impact of GST.

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

B10. Dividends
The Board will announce their recommendation on the dividend at a later date.

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	47,655	129,493
Weighted average number of ordinary shares in issue	360,179	360,186
Basic earnings per share (sen)	13.23	35.95

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		12 months ended	
		31-Dec		31-Dec	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	2,963	2,588	10,599	9,946
b)	Dividend income	2,553	4,972	7,021	11,040
c)	Other income	165	833	1,571	3,005
d)	Interest expenses	(1,286)	(110)	(2,599)	(636)
e)	Depreciation and amortisation	(7,941)	(6,380)	(27,756)	(24,349)
f)	(Provision for) /(write-off)/write back of receivables	4	0	(41)	(10)
g)	(Provision)/(write-off)/write-back of inventories	(43)	(298)	1,079	236
h)	Gain /(Loss) on disposal of properties, plant & equipment	14	(202)	(109)	(233)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	0	0	0	26,134
j)	Impairment of assets	0	0	0	0
k)	Foreign exchange gain/(loss)	29,976	5,078	29,115	33,911
l)	Assets (written off)/write-back	(15)	(264)	(344)	(285)
m)	Gain/(Loss) on derivatives	(4,432)	(1,569)	(2,723)	(5,670)
n)	Gain on compulsory acquisition of land	0	10,329	16,335	10,329
		21,958	14,977	32,148	63,418

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As at End of 31/12/14 RM'000	**As at End of 31/12/13 RM'000**
Total retained profits of the Company and the subsidiaries:-		
- Realised	1,433,631	1,332,843
- Unrealised	5,918	11,086
	1,439,549	1,343,929
Total share of retained profits from associated companies:		
- Realised	412	346
- Unrealised	-	-
	1,439,961	1,344,275
Less: Consolidation adjustments	(21,815)	(17,802)
Total group retained profits as per consolidated accounts	1,418,146	1,326,473