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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2014. 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 2014.

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 2014.

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 2014 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 23 June 2015.

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
Dec 2014	10,000	5.75	5.75	5.75	57,970
June 2015	10,000	5.37	5.37	5.37	54,113
Total	1,315,300				2,748,809

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 30 June 2015.

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 2015 and its comparative:-

06 months period ended 30/06/2015	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	269,252	101,217	68,280	-	3,772	-		442,521
Inter-segment sales	30,455	-	693	16,022	5,880	-	(53,050)	-
Total revenue	299,707	101,217	68,973	16,022	9,652	-	(53,050)	442,521
RESULTS								
Operating results	(3,144)	873	22,461	6,625	26,810	-	(6,092)	47,533
Other income						-		-
Foreign exchange gain/(loss)						23,071	49	23,120
Finance costs	(359)		(47)		(1,593)	(328)	1,999	(328)
Interest income						8,531	(2,048)	6,483
Share of profit of associate						5,912		5,912
Profit before tax	(3,503)	873	22,414	6,625	25,217	37,186	(6,092)	82,720
Income tax expense								(10,219)
Profit for the period								72,501

06 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

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 2015 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 30 June 2015 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(950)	(8,012)
Foreign tax	(1,759)	(3,380)
	(2,709)	(11,392)
Over/(under) provision in respect of prior years		
Malaysian income tax	2	2
Foreign tax	0	0
	2	2
Deferred tax		
Transfer from/(to) deferred taxation	(602)	1,171
Total income tax expense	(3,309)	(10,219)

The effective tax rate which is 13% is lower than the statutory tax rate of 25% due mainly to certain income not subject to tax.

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	-	12,984
Term loan payable within a year - secured	2,296	8,672
Long term borrowings:-		
Term loan payable after 1 year - secured	68,006	256,822

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 2015, 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	117,499	129,840	(12,341)

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 2015	1st Quarter 2015	<- -- Increase/(Decrease)--- >	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	224,317	218,204	6,113	3
Profit before taxation	50,400	32,320	18,080	56

Revenue

Although the increase of revenue in 2Q 2015 over 1Q 2015 is only 3%, the followings were the segments with major variances:-

Manufacturing

Revenue had increased due to higher quantity of refined oil sold in 2Q 2015

Property Development

The revenue had reduced due to lesser units of properties sold and lower percentage of completion resulting in lower revenue recognised

Hotel

The increase in revenue was mainly from the Springhill Suites Marriott New York hotel which had recorded a higher occupancy and room rates

Profit before taxation

The Group's profit in 2Q 2015 was higher than 1Q 2015 and the followings were the segments which had recorded a performance materially different from previous quarter :-

Manufacturing

The segment recorded a loss in 2Q 2015 mainly due to forex losses resulting from forward sale of USD which had strengthened against the Ringgit during the quarter.

Share Investment

The profit in 2Q 2015 from this segment was higher due to gains from disposal of quoted investments .

B7. Review of Performance

	To 2nd Quarter 2015 RM '000	To 2nd Quarter 2014 RM '000	< --- Increase/(Decrease) -- > RM '000	%
Revenue	442,521	535,617	(93,096)	(17)
Profit before taxation	82,720	48,708	34,012	70

Revenue

The Group's revenue in 1H 2015 was lower than 1H 2014. The lower revenue was attributed to manufacturing segment which recorded a lower quantity and price of refined oil sold

Profit before taxation

The Group's profit in 1H 2015 was higher than 1H 2014. The followings were the results of segments materially different from previous year:-

Property Development
Poor market sentiments in Johor Bahru had resulted in lower sales of residential and commercial properties for which the latter is subject to GST.

Share Investment
The profit from this segment was higher due to gains from disposal of quoted investments in 1H 2015.

Forex as Unallocated Item
A higher gain on forex was recorded in 1H 2015 as compared to 1H 2014

.B8. Prospects and Outlook

Plantation
FFB production for 2015 is expected to be more or less the same. CPO price will continue to be volatile, influenced by the strength of Ringgit and 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 coupled with the El-Nino effect, 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 Johor Affordable Homes (RMMJ) houses, Guarded & Gated Landed (Sector 8) Houses in Taman Daya and Semi-detached houses in Bandar Baru Kangkar Pulai in 2015. At the same time, the division is progressively selling Shop Offices at Taman Daya, 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

A few large tenants will be moving out at Menara Keck Seng, our office building in Kuala Lumpur. 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. We expect occupancy at Regency Tower, our residential building in Kuala Lumpur, to trend lower

Hotels & Resort

The International Plaza Hotel in Toronto ("IPH") is currently operating as an independent hotel without any brand affiliation. We are in discussions with a few large hotel chains about a possible "branding" so that IPH may benefit from their reservation system and loyalty program. This will better position IPH against competition in the Toronto Airport market, which remain intense. 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 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 due to competition. The appreciation of the US Dollar and weakness in the Eurozone countries are expected to have a detrimental effect on international travel to the USA. However, the general recovery of the US economy coupled with the resilience of the New York tourism market should provide some stability.

2014 was a difficult year for TPGR due to unmaterialised projects in the nearby port, increased Causeway toll charges, increased competitors and weaker golfing interest from both local market and Singapore. While the overhead expenses are expected to increase, the Resort will continue to offer competitive promotions, and upkeep its facilities to improve its market share. The Resort's outlook remains challenging for 2015. Management will continue their best efforts to operate cost effectively, and try to improve on the performance of the Resort.

Conclusion

The Group's performance will hinge on the strength of Ringgit and price of commodity which is not likely to recover in the near term. Given the volatility of currency exchange, the increasing business costs, the uncertainty of global economy and the negative impact of GST, the Group is expected to face a challenging time**.**

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 2015 had been declared
(ii) The amount per share is 4% under single tier system
(iii) The previous corresponding period was 4% single tier
(iv) The date of payment is 25 November 2015; 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 2015.

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	46,359	71,791
Weighted average number of ordinary shares in issue	360,171	360,172
Basic earnings per share (sen)	12.87	19.93

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-June		6 months ended 30-June	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	3,222	2,563	6,483	5,103
b)	Dividend income	3,200	2,512	3,772	3,034
c)	Other income	1,162	804	1,399	1,308
d)	Interest expenses	(1,339)	(208)	(2,622)	(326)
e)	Depreciation and amortisation	(8,144)	(6,084)	(16,061)	(12,167)
f)	(Provision for) /(write-off)/write back of receivables	36	(8)	(93)	(29)
g)	(Provision)/(write-off)/write-back of inventories	127	730	2,786	962
h)	Gain /(Loss) on disposal of properties, plant & equipment	(12)	(150)	(13)	(144)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	14,307	0	15,926	0
j)	Impairment of assets	0	0	0	0
k)	Foreign exchange gain/(loss)	10,379	(7,518)	21,360	(12,223)
l)	Assets (written off)/write-back	(5)	155	(7)	(320)
m)	Gain/(Loss) on derivatives	(5,221)	3,796	(7,603)	3,956
		17,712	(3,408)	25,327	(10,846)

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the Group's retained profits as at 30 June 2015 and 31 December 2014 into realised and unrealised profits is as follows: -

	As at End of 30/06/15 RM'000	As at End of 31/12/14 RM'000
Total retained profits of the Company and the subsidiaries:-		
- Realised	1,487,511	1,435,012
- Unrealised	10,632	4,763
	1,498,143	1,439,775
Total share of retained profits from associated companies:		
- Realised	443	412
- Unrealised	-	-
	1,498,586	1,440,187
Less: Consolidation adjustments	(30,033)	(21,815)
Total group retained profits as per consolidated accounts	1,468,553	1,418,372