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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount RM
B/F from 2012	1,265,300				2,443,055
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	54,093
Sept 2015	297,800	4.63	4.55	4.60	1,427,620
Total	1,613,100				4,176,409

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

A7. Dividend paid

a) A final single tier dividend of 6% or 6 sen per share (2014: single tier 6.5% or 6.5 sen per share) in respect of the financial year ended 31 December 2014 was paid on 23 July 2015

b) A single tier interim dividend of 4% or 4 sen per share (2014: single tier 4% or 4 sen per share) in respect of financial year ending 31 December 2015 was paid on 25 November 2015.

A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 30 September 2015 and its comparative:-

09 months period ended 30/09/2015	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	422,818	160,600	95,716	-	5,913	-	-	685,047
Inter-segment sales	48,664	-	1,042	24,033	5,880	-	(79,619)	-
Total revenue	471,482	160,600	96,758	24,033	11,793	-	(79,619)	685,047
RESULTS								
Operating results	4,755	4,764	32,006	8,823	53,965	-	(6,461)	97,852
Other income								
Foreign exchange gain/(loss)						91,564	139	91,703
Finance costs	(523)	-	(67)	-	(2,507)	(598)	3,097	(598)
Interest income						13,452	(3,237)	10,215
Share of profit of associate						8,296	-	8,296
Profit before tax	4,232	4,764	31,939	8,823	51,458	112,714	(6,462)	207,468
Income tax expense								(16,732)
Profit for the period								190,736

09 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	2,938	60,651	12,909	4,299	-	17	88,132
Other income						16,335		16,335
Foreign exchange gain/(loss)						(3,709)	3	(3,706)
Finance costs	(536)		(111)		(1,439)	(681)	2,086	(681)
Interest income						9,725	(2,089)	7,636
Share of profit of associate						66		66
Profit before tax	6,782	2,938	60,540	12,909	2,860	21,736	17	107,782
Income tax expense								(25,799)
Profit for the period								81,983

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 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 September 2015 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(4,558)	(12,570)
Foreign tax	(2,246)	(5,626)
	(6,804)	(18,196)
Over/(under) provision in respect of prior years		
Malaysian income tax	248	250
Foreign tax	0	0
	248	250
Deferred tax		
Transfer from/(to) deferred taxation	43	1,214
Total income tax expense	(6,513)	(16,732)

The effective tax rate which is 8% 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	-	25,029
Term loan payable within a year - secured	4,332	19,247
Long term borrowings:-		
Term loan payable after 1 year - secured	65,189	289,604

B4. Derivative Financial Instruments

The Group uses forward foreign exchange contracts and currency swap contracts to manage its exposure to various financial risks.

a. Forward foreign exchange contracts

Forward foreign exchange currencies contracts were entered to hedge its exposure to fluctuations in foreign currency arising from sales.

As at 30 September 2015, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:-

Type of derivatives	Contract/ Notional amount RM'000	Fair Value gain/(loss) RM'000
Currency forward contracts - less than 1 year	164,635	(48,260)

b. Cross currency swap contract

A cross currency swap contract was entered to exchange the principal payments of a foreign currency denominated loan into another currency to reduce the Group's exposure from adverse fluctuations in foreign currency and interest rate.

As at 30 September 2015, the notional amount, fair value and maturity period of the cross currency swap contract are as follows:

Type of derivatives	Contract/ Notional amount RM'000	Fair Value gain/(loss) RM'000
Cross currency swap contract - less than 1 year	88,850	(207)

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 2015	2nd Quarter 2015	<- ------ Increase ------ >	
	RM '000	RM '000	RM '000	%
Revenue	242,526	224,317	18,209	8
Profit before taxation	124,748	50,400	74,348	148

Revenue

The increase in revenue was mainly due to higher quantity of refined oil sold in 3Q 2015

Profit before taxation

The followings were the segments which had recorded a performance materially different from previous quarter :-

Manufacturing

The segment recorded a better performance for 3Q 2015 due to appreciation of USD against the Ringgit.

Forex as Unallocated Item

A higher gain on forex was recorded for 3Q 2015 as compared to 2Q 2015

B7. Review of Performance

	To 3rd Quarter 2015 RM '000	To 3rd Quarter 2014 RM '000	< --- Increase/(Decrease) -- > RM '000	%
Revenue	685,047	834,093	(149,096)	(18)
Profit before taxation	207,468	107,782	99,686	92

Revenue

The lower revenue was attributed to manufacturing segment which recorded a lower quantity and price of refined oil sold

Profit before taxation

The followings were the results of segments materially different from the preceding corresponding period:-

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. As a result of lower sales, profit to 3Q 2015 was lower.

Share Investment

The profit from this segment was higher due to gains from disposal of quoted investments in 3Q 2015.

Forex as Unallocated Item

A higher gain on forex was recorded in 3Q 2015 as compared to 3Q 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 Semi-detached houses in Bandar Baru Kangkar Pulai and Phase 4C of single storey houses in Tanjong Puteri Resort during the later part of 2015. At the same time, the division is progressively selling Shop Offices and single storey houses at Taman Daya, Phase 3 cluster homes at Fortune Hills Bandar Baru Kangkar Pulai and Phase 4B 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 an international hotel operator 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. The Hotel’s revenue per available room has increased in the last few months as the strengthening US dollar encourages US outbound travel to Canada. We are hopeful that this trend can continue.

The US economy is expected to improve. 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.

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. The growing presence of alternative lodging services through AirBnB a room letting website will continue to adversely impact our SpringHill Suites Hotel. However, the general recovery of the US economy coupled with the resilience of the New York tourism market should provide some stability.

2015 is a difficult year for Tanjong Puteri Golf Resort due to various negative factors such as immaterialised projects in the nearby port, increased Causeway toll charges, land assessments, competition and weaker golfing interest from both local market and Singapore. During the prolonged haze period, there were drastic cancellations and reduction of traffic across our golfing, banquet and rooms divisions. Despite the Resort putting in their best efforts to operate cost effectively, offering unique and competitive promotions and upkeeping its facilities, the Resort is expected to incur higher financial losses as compared to previous year.

Conclusion

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

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 to owners of the parent	116,737	188,528
Weighted average number of ordinary shares in issue	360,104	360,149
Basic earnings per share (sen)	32.42	52.35

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		9 months ended	
		30-Sept		30-Sept	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	3,732	2,533	10,215	7,636
b)	Dividend income	2,141	1,434	5,913	4,468
c)	Other income	1,494	98	2,893	1,406
d)	Interest expenses	(1,551)	(987)	(4,173)	(1,313)
e)	Depreciation and amortisation	(8,716)	(7,648)	(24,777)	(19,815)
f)	(Provision for) /(write-off)/write back of receivables	3	(16)	(90)	(45)
g)	(Provision)/(write-off)/write-back of inventories	(2)	160	2,784	1,122
h)	Gain /(Loss) on disposal of properties, plant & equipment	0	21	(13)	(123)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	24,965	0	40,891	0
j)	Write-back on quoted investments	223	0	223	0
k)	Impairment of assets	0	0	0	0
l)	Foreign exchange gain/(loss)	101,996	11,362	123,356	(861)
m)	Assets (written off)/write-back	(1)	(9)	(8)	(329)
n)	Gain/(Loss) on derivatives	(36,126)	(2,247)	(43,729)	1,709
o)	Gain on disposal of land	0	16,335	0	16,335
		88,158	21,036	113,485	10,190

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As at End of 30/09/15 RM'000	As at End of 31/12/14 RM'000
Total retained profits of the Company and the subsidiaries:-		
- Realised	1,533,171	1,435,012
- Unrealised	82,135	4,763
	1,615,306	1,439,775
Total share of retained profits from associated companies:		
- Realised	2,828	412
- Unrealised	-	-
	1,618,134	1,440,187
Less: Consolidation adjustments	(47,238)	(21,815)
Total group retained profits as per consolidated accounts	1,570,896	1,418,372