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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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 2015. 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 2015.

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 2015.

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework)

Transition Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards (FRS) Framework. The adoption of the MFRS Framework by Transition Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. 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 2015 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 27 May 2016.

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 2014	1,305,300				2,694,697
June 2015	10,000	5.37	5.37	5.37	54,092
Sept 2015	297,800	4.63	4.55	4.60	1,427,620
Oct 2015	97,900	5.00	5.10	5.10	499,439
Nov 2015	85,000	5.05	5.10	5.12	434,834
Dec 2015	5,000	5.26	5.26	5.26	26,493
Jan 2016	297,500	5.25	5.25	5.25	1,566,203
June 2016	10,000	4.95	4.95	4.95	49,862
Total	2,108,500				6,753,240

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 30 June 2016.

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 2016 and its comparative:-

6 months period ended 30/6/2016	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	287,449	115,430	59,695	-	3,595	-	-	466,169
Inter-segment sales	34,500	-	708	14,321	-	-	(49,529)	-
Total revenue	321,949	115,430	60,403	14,321	3,595	-	(49,529)	466,169
RESULTS								
Operating results	(28,703)	5,110	19,786	4,965	18,560	-	309	20,027
Other income								-
Foreign exchange gain/(loss)						(24,193)	(54)	(24,247)
Finance costs	(337)	-	(25)	-	(1,857)	(381)	2,219	(381)
Interest income						9,117	(2,166)	6,951
Share of profit of associate						-	-	-
Profit/(Loss) before tax	(29,040)	5,110	19,761	4,965	16,703	(15,457)	308	2,350
Income tax expense								(3,694)
Loss for the period								(1,344)

6 months period ended 30/6/2015	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/(Loss) 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

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 2016 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 2016 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	1,304	(5,992)
Foreign tax	(2,431)	(4,533)
	(1,127)	(10,455)
Over/(under) provision in respect of prior years		
Malaysian income tax	1	1
Foreign tax	0	0
	1	1
Deferred tax		
Transfer from/(to) deferred taxation	(3,260)	6,760
Total income tax expense	(4,386)	(3,694)

The effective tax rate of 157%, which is higher than the statutory tax rate of 24% is due mainly to certain expenses not deductible for tax purpose.

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	-	11,464
Term loan payable within a year - secured	3,332	13,400
Long term borrowings:-		
Term loan payable after 1 year - secured	62,837	252,667

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 June 2016, 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	61,617	(7,741)

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 June 2016, 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 - more than 1 year	80,420	863

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 2016	1st Quarter 2016	<- ------ Increase ------ >	
	RM '000	RM '000	RM '000	%
Revenue	246,941	219,228	27,713	13
Profit/(Loss) before taxation	35,041	(32,691)	67,732	207

Revenue

The increase in revenue was mainly due to higher selling price of refined oil sold in 2Q 2016

Profit /(Loss) before taxation

The following segments had recorded a performance materially different from previous quarter :-

Manufacturing

The strengthening of USD against Ringgit in 2Q 2016 had resulted in lower losses as compared to previous quarter.

Forex as Unallocated Item

The strengthening of USD and SGD against Ringgit in 2Q 2016 had resulted in a gain on the excess fund as compared to a loss in previous quarter.

B7. Review of Performance

	To 2nd Quarter 2016 RM '000	To 2nd Quarter 2015 RM '000	< --- Increase/(Decrease) -- > RM '000	%
Revenue	466,169	442,521	23,648	5
Profit before taxation	2,350	82,720	(80,370)	(97)

Revenue

Revenue was slightly higher as compared to previous corresponding period and the followings are the segments considered having significant variance:-

Manufacturing

The segment recorded a higher revenue due to higher selling price of refined oil sold in 1H 2016

Property Development

The lower revenue in 1H 2016 was due to lower units of commercial properties sold as compared to previous corresponding period.

Hotel

The revenue for the hotels in overseas had increased in 1H 2016 as compared to 1H 2015 due to higher occupancy rate and average room rate. The appreciation of USD and CAD further increased the Group's revenue when the foreign currency revenue was translated into ringgit equivalent .

Profit /(Loss) before taxation

The following segments had recorded results materially different from previous corresponding period:-

Manufacturing

The segment recorded a higher loss in 1H 2016 due primarily to forex losses.

Forex as Unallocated Item

The weakening of USD and SGD against Ringgit in 1H 2016 had resulted in losses on the excess fund as compared to a gain in preceding year corresponding quarter.

B8. Prospects and Outlook

Plantation and Manufacturing

As compared to the previous corresponding quarter, the FFB production was lower by 30% . The El-Nino will continue to have an impact on FFB production in the months to come. The volatility of exchange rate, the increase in minimum wage to RM 1,000 to be effective from July 2016 and other operating cost will have negative effect on the performance of the segments.

Property Development

The property division is planning to launch new phases of Johor affordable houses ("RMMJ")in Taman Daya. At the same time, the division is progressively selling Phase 10 cluster homes at Fortune Hills , Phase 2E Semi-Detached Houses in Bandar Baru Kangkar Pulai, Phase 4B & 4C single storey houses in Tanjong Puteri Resort and shop offices in Taman Daya.

Presently, there is an oversupply of high-rise residential properties in Johor Bahru. The slide of the Ringgit against other major currencies and the GST impact have resulted in higher material price and building costs. The increase in foreign worker levies will further aggravate the construction cost. Bank's more stringent lending conditions and government policies make it difficult for the purchasers to obtain loans. Owing to these negative factors, the property market conditions will remain challenging.

Property Investment

Occupancy at Menara Keck Seng, our office building in Kuala Lumpur, will trend down slightly in 2016 as an anchor tenant had moved out to their own building. We are cautiously optimistic that we will be able to find replacement tenants fairly quickly. Cost will be higher due to 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, operating in a challenging environment 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

We are cautiously optimistic that the performance of International Plaza Hotel in Toronto will continue to improve as the depreciation of the Canadian dollar encourages Canadians to travel domestically within the country while also making it attractive for inbound tourist from USA to visit Canada. To position for the long term, the Hotel has signed an agreement with Marriott to rebrand as Delta Hotels by Marriott Toronto Airport & Conference Center.

The US economy is expected to be healthy in 2016. The strengthening job market and the rise in consumer spending will benefit the hospitality industry. As such, the Doubletree Alana Waikiki Hotel in Hawaii is expected to continue its good performance in the 2H of 2016.

The New York market for the limited-service hotel segment will remain very challenging in 2016 with average room rates under continued pressure as competitors vie for increased market share. In addition, competition from AirBnb is also expected to have direct impact on room rates for SpringHill Suites Hotel. The appreciation of the US dollar will also continue to have a detrimental effect on international travel to the USA especially from Europe and Canada. That said, New York's Occupancy remains very resilient.

Tanjong Puteri Golf Resort's results will continue to be weak due to on-going competition from new hotels and higher operating costs, particularly from increased labour levies and minimum wages, land assessments. The results will also be affected by the extreme environmental factors such as heavy rain, heatwaves, haze and lack of interest in golfing by the present younger generation. Nevertheless, the Resort will continue efforts to improve its business such as seeking new golfing markets, offering attractive and value added promotions for accommodation as well as both local and overseas golfing and F&B selections. The management team remains diligently committed to achieving these objectives.

Conclusion

The remaining months of 2016 is expected to be challenging given the volatility of currency exchange, the increasing business costs, the uncertainty of global economy, the change in global weather and the continuing negative impact of GST.

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 2016 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 23 November 2016; 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 2016.

B11. Earnings Per Share

a) *Basic Earnings/(Loss) 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/(Loss) attributable to owners of the parent	29,330	(3,890)
Weighted average number of ordinary shares in issue	359,375	359,421
Basic earnings/(loss) per share (sen)	8.16	(1.08)

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/(loss) before tax:-

		Individual Quarter		Cumulative Quarter	
		3 months ended		6 months ended	
		30-June		30-June	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	3,498	3,222	6,951	6,483
b)	Dividend income	2,857	3,200	3,595	3,772
c)	Other income	254	1,162	2,031	1,399
d)	Interest expenses	(1,585)	(1,339)	(3,181)	(2,622)
e)	Depreciation and amortisation	(7,940)	(8,144)	(16,165)	(16,061)
f)	(Allowance for) /(write-off)/write back of receivables	(19)	36	116	(93)
g)	(Allowance)/(write-off)/write-back of inventories	84	127	56	2,786
h)	Gain /(Loss) on disposal of properties, plant & equipment	(1)	(12)	(2)	(13)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	2,808	14,308	13,545	15,927
j)	Impairment on quoted investments	0	0	0	0
k)	Impairment of assets	0	0	0	0
l)	Realised exchange gain/(loss)	(12,269)	(8,537)	(33,181)	(15,246)
m)	Unrealised exchange gain/(loss)	14,685	18,916	(43,853)	36,606
n)	Assets (written off)/write-back	(3)	(5)	(6)	(7)
o)	Gain/(Loss) on derivatives	8,354	(5,221)	24,279	(7,603)
p)	Provision for foreseeable losses for affordable houses	0	0	0	0
		10,723	17,713	(45,815)	25,328

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the Group's retained profits as at 30 June 2016 and 31 December 2015 into realised and unrealised profits is as follows: -

	As at End of 30/06/16 RM'000	As at End of 31/12/15 RM'000
Total retained profits of the Company and the subsidiaries:-		
- Realised	1,567,566	1,504,583
- Unrealised	(36,831)	56,914
	1,530,735	1,561,497
Total share of retained profits from associated companies:		
- Realised	823	823
- Unrealised	-	-
	1,531,558	1,562,320
Less: Consolidation adjustments	(39,549)	(44,859)
Total group retained profits as per consolidated accounts	1,492,009	1,517,461