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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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

<u>Share Buy-Back / Treasury Shares</u>

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 September 2016.

A7. Dividend paid

a) A final single tier dividend of 6% or 6 sen per share (2015: single tier 6% or 6 sen per share) in respect of the financial year ended 31 December 2015 was paid on 01 July 2016.

b) A single tier interim dividend of 4% or 4 sen per share (2015: single tier 4% or 4 sen per share) in respect of financial year ending 31 December 2016 was paid on 23 November 2016.

A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 30 September 2016 and its comparative:-

9 months period ended 30/9/2016	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	458,239	175,912	88,374	-	5,666	-	-	728,191
Inter-segment sales	59,610	-	1,063	23,200	-	-	(83,873)	-
Total revenue	517,849	175,912	89,437	23,200	5,666	-	(83,873)	728,191
RESULTS								
Operating results	(23,607)	9,628	27,085	8,678	28,683	-	112	50,579
Other income	-	-	-	-	-	2,678	-	2,678
Foreign exchange gain/(loss)	-	-	-	-	-	(11,681)	(22)	(11,703)
Finance costs	(493)	-	(34)	-	(2,750)	(542)	3,277	(542)
Interest income	-	-	-	-	-	13,846	(3,254)	10,592
Share of profit of associate	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	(24,100)	9,628	27,051	8,678	25,933	4,301	113	51,604
Income tax expense								(10,703)
Profit/(loss) for the period								40,901

9 months period ended 30/9/2015	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/(Loss) before tax	4,232	4,764	31,939	8,823	51,458	112,714	(6,462)	207,468
Income tax expense								(16,732)
Profit/(loss) for the period								190,736

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 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 September 2016 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(778)	(6,700)
Foreign tax	(2,857)	(7,390)
	(3,635)	(14,090)
Over/(under) provision in respect of prior years		
Malaysian income tax	(126)	(125)
Foreign tax	0	0
	(126)	(125)
Deferred tax		
Transfer from/(to) deferred taxation	(3,248)	3,512
Total income tax expense	(7,009)	(10,703)

The effective tax rate of 21%, which is lower than the statutory tax rate of 24% is 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	-	15,265
Term loan payable within a year - secured	3,332	13,808
Long term borrowings:-		
Term loan payable after 1 year - secured	62,061	257,147

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 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	4,153	84

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 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	82,870	484

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 2016 RM '000	2nd Quarter 2016 RM '000	<- ------ Increase ------ > RM '000	%
Revenue	262,022	246,941	15,081	6
Profit before taxation	49,254	35,041	14,213	41

Revenue

The increase in revenue was mainly due to higher quantity of refined oil sold in 3Q 2016.

Profit /(Loss) before taxation

Forex gain, additional compensation for disposal of land and gain on disposal of quoted investments had contributed to a better performance to the Group's profit in current quarter as compared to previous quarter. The turnaround from a loss to profit for Manufacturing segment was due to the strengthening of USD against Ringgit. However, the Hotel segment recorded a lower profit. Overall, the Group profit had increased by 41%.

B7. Review of Performance

	To 3rd Quarter 2016 RM '000	To 3rd Quarter 2015 RM '000	< --- Increase/(Decrease) -- > RM '000	%
Revenue	728,191	685,047	43,144	6
Profit before taxation	51,604	207,468	(155,864)	(75)

Revenue

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

Manufacturing

The segment recorded a higher revenue due to higher selling price of refined oil sold.

Property Development

The lower revenue was due to lower units of properties sold as compared to previous corresponding period.

Hotel

The revenue for the hotels in overseas had increased in 3Q 2016 as compared to previous corresponding period 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 loss in 3Q 2016 as compared to a profit in preceding year corresponding period due primarily to forex losses.

Share Investments

Profit was lower in 3Q 2016 due to a higher gain recorded from the disposal of quoted investments in preceding year corresponding period.

Forex as Unallocated Item

The weakening of USD and SGD against Ringgit in 3Q 2016 had resulted in losses on the foreign currencies on hand as compared to a gain in preceding year corresponding period.

B8. Prospects and Outlook

Plantation and Manufacturing

As compared to the previous corresponding 9 months, the FFB production was lower by 23%. The El-Nino will continue to have an impact on FFB production in the last quarter. The volatility of exchange rate, the increase in minimum wage to RM 1,000 effective from July 2016 and other operating cost will have negative effect on the performance of the segments.

Property Development

The property division is progressively selling Johor affordable houses ("RMMJ") and three storey shop office in Taman Daya; Phase 10 cluster homes at Fortune Hills and Phase 2E Semi-Detached Houses in Bandar Baru Kangkar Pulai; Phase 4B and 4C single storey houses in Tanjong Puteri Resort.

The oversupply, in particular, of Strata Properties in Johor Baru is expected to persist and progressive completions shall further aggravate oversupply. In respond, the Johor State Government has recently announced total freeze on applications for Serviced Apartments on commercial land. Bank's stringent loan lending conditions will continue to affect overall sales and with the continuous spike in overall cost due to the weakening Ringgit, Johor Bahru property market is expected to remain challenging in the near term.

Property Investment

Occupancy at Menara Keck Seng, our office building in Kuala Lumpur, has trended down slightly as an anchor tenant had moved to their own building. Although we had some successes in finding replacement tenants for part of the vacated premises, it should be noted that the office rental market remain soft. 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 is operating in a challenging environment. 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, Canada 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 remaining months 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. Despite new rulings to regulate the advertising of short term rentals of multiple-room apartments, competition from AirBnb continues to pressure existing 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 overall 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 and the recent hike in toll charges and Vehicle Entry Permit for Singaporean cars. The results will also be affected by the extreme environmental factors such as heavy rain, haze and lack of interest in golfing by the present younger generation. Nevertheless, the Resort will continue its 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 increasing business costs, the uncertainty of global economy, the change in global weather, the continuing negative impact of GST and the volatility of currency exchange. It was reported in the media that to prevent further weakening of MYR, our Central Bank had demanded foreign banks for written commitment to stop off-shore trading in the Ringgit.

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/(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	41,292	37,402
Weighted average number of ordinary shares in issue	359,369	359,403
Basic earnings/(loss) per share (sen)	11.49	10.41

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		9 months ended	
		30-Sept		30-Sept	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	3,641	3,732	10,592	10,215
b)	Dividend income	2,071	2,141	5,666	5,913
c)	Other income	1,944	1,494	3,975	2,893
d)	Interest expenses	(1,576)	(1,551)	(4,757)	(4,173)
e)	Depreciation and amortisation	(7,821)	(8,716)	(23,986)	(24,777)
f)	(Allowance for) /(write-off)/write back of receivables	(2,502)	3	(2,386)	(90)
g)	(Allowance)/(write-off)/write-back of inventories	26	(2)	82	2,784
h)	Gain /(Loss) on disposal of properties, plant & equipment	1	0	(1)	(13)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	8,291	24,964	21,836	40,891
j)	Impairment on quoted investments	0	223	0	223
k)	Impairment of assets	0	0	0	0
l)	Realised exchange gain/(loss)	(12,825)	(6,734)	(46,006)	(21,980)
m)	Unrealised exchange gain/(loss)	22,138	108,730	(21,715)	145,336
n)	Assets (written off)/write-back	(16)	(1)	(22)	(8)
o)	Gain/(Loss) on derivatives	7,428	(36,126)	31,707	(43,729)
p)	Additional compensation on disposal of land	2,678	0	2,678	0
		23,478	88,157	(22,337)	113,485

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As at End of 30/09/16 RM'000	**As at End of 31/12/15 RM'000**
Total retained profits of the Company and the subsidiaries:-		
- Realised	1,573,014	1,504,583
- Unrealised	(11,054)	56,914
	1,561,960	1,561,497
Total share of retained profits from associated companies:		
- Realised	823	823
- Unrealised	-	-
	1,562,783	1,562,320
Less: Consolidation adjustments	(43,857)	(44,859)
Total group retained profits as per consolidated accounts	1,518,926	1,517,461