INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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 2016. 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 2016.

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 2016.

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 2016 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 30 May 2017.

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 2015	1,801,000				5,137,175
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
Dec 2016	5,000	4.73	4.73	4.73	23,823
June 2017	10,000	5.00	5.00	5.00	50,365
Total	2,123,500				6,827,428

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 30 June 2017.

A7. Dividend paid

There was no dividend paid during the quarter under review.

A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 30 June 2017 and its comparative:-

6 months period ended 30/06/2017	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	417,780	115,032	55,931	-	4,847	-	-	593,590
Inter-segment sales	46,654	-	727	15,752	-	-	(63,133)	-
Total revenue	464,434	115,032	56,658	15,752	4,847	-	(63,133)	593,590
RESULTS								
Operating results	(37,854)	(4,114)	14,960	7,484	7,986	-	562	(10,976)
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	(7,257)	(19)	(7,276)
Finance costs	(324)	(56)	(6)	-	(1,947)	(368)	2,333	(368)
Interest income	-	-	-	-	-	10,411	(2,314)	8,097
Profit/(Loss) before tax	(38,178)	(4,170)	14,954	7,484	6,039	2,786	562	(10,523)
Income tax expense								989
Profit/(loss) for the period								(9,534)

6 months period ended 30/06/2016	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	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)
Profit/(loss) for the period								(1,344)

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 2017 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 2017 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(1,001)	(2,798)
Foreign tax	(198)	(2,166)
	(1,199)	(4,964)
Over/(under) provision in respect of prior years		
Malaysian income tax	(16)	(16)
Foreign tax	0	0
	(16)	(16)
Deferred tax		
Transfer from/(to) deferred taxation	1,186	5,969
Total income tax expense	(29)	989

B2. Status of Corporate Proposals

There were no corporate proposals.

B3. Group Borrowings

Details of Group borrowings are as follows:-

	US Dollar '000	RM Equivalent '000
Short term borrowings:-		
Bank overdraft - unsecured	-	13,411
Term loan payable within a year - secured	59,057	253,650

B4. Derivative Financial Instruments

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

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 2017, 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	21,742	270

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 2017	1st Quarter 2017	<---- Increase/(Decrease)---->	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	286,601	306,989	(20,388)	(7)
Loss before taxation	(3,750)	(6,773)	3,023	45

Revenue

The decrease in revenue was mainly due to lower selling price of refined oil sold in 2nd Q 2017.

Loss before taxation

2nd Q2017 recorded a lower loss as compared to 1st Q2017. The following segments had recorded results materially different from 1st Q2017:-

Manufacturing

2nd Q 2017 recorded a much lower realised forex loss resulting in lower segment loss as compared to 1st Q2017.

Forex as Unallocated Item

The weakening of USD and SGD against MYR in 2nd Q2017 had resulted in forex losses on the foreign currencies on hand as compared to a gain in 1st Q2017.

B7. Review of Performance

	To 2nd Quarter 2017 RM '000	To 2nd Quarter 2016 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	593,590	466,169	127,421	27
(Loss)/Profit before taxation	(10,523)	2,350	(12,873)	(548)

Revenue

The Group's revenue in 1H 2017 was higher than 1H 2016. The higher revenue was contributed by the manufacturing segment which recorded a higher selling price and higher quantity of refined oil sold.

(Loss)/Profit before taxation

1H 2017 recorded a loss as compared to a profit in 1H 2016. The following segments had recorded results in 1H 2017 materially different from 1H 2016:-

Manufacturing

The segment recorded a higher loss in 1H 2017. Gain from USD forward sales was materially lower in 1H 2017 as compared to 1H 2016 but the forex loss was much lower due to weakening of USD against MYR.

Hotels

The segment recorded a loss in 1H 2017 due to lower occupancy rate and higher loss from currency swap. However, in 1H 2016, it recorded a profit.

Share Investments

Profit was lower in 1H 2017 as compared to 1H 2016 due mainly to higher gain on disposal of quoted investments in 1H 2016.

Forex as Unallocated Item

1H 2017 recorded a lower forex loss as compared to 1H 2016. For SGD, it was a gain in 1H 2017 as compared to a loss in 1H 2016. For USD, the loss in 1H 2017 was lower than 1H 2016.

B8. Prospects for 2017

Plantation and Manufacturing

FFB production for 2017 is expected to be more or less the same as in 2016. El Nino weather which began from 2015 had resulted in further decline in FFB yield, OER and KER in 1H 2017. Coupled with higher operating cost, these factors will continue to have negative effect on the performance of the segments. The performance of manufacturing segment will also be affected by the volatility of exchange rate.

Property Development

The property division has launched Phase 3E Bandar Baru Kangkar Pulai ("BBKP") comprising 154 single-storey terrace houses on 5th August 2017. All non-bumi units have been fully sold. Phase 4A BBKP which has a mixture of single-storey and double-storey terrace houses will be launched in 4th Q 2017. In Tanjong Puteri Resort ("TPR"), we will launch some commercial and industrial units in the second half year of 2017.

In Taman Daya, we have sold 182 out of 246 units of the Johor affordable (RMMJ) houses and are continuing to market our three storey shop offices for sales and rental. Most of the Phase 4 single-storey terrace houses in TPR and units of Fortune Hills in BBKP have been sold and we will work to sell the remaining units.

Property Investment

Occupancy at Menara Keck Seng in Kuala Lumpur has trended downwards due to the soft office rental market. Moving forward, occupancy will be lower but we expect to maintain rates.

There is an oversupply of new residential apartments in the City Centre all competing for a limited pool of expatriate tenants. The downsizing of the oil and gas industry has also adversely affected Regency Tower our residential building at Kuala Lumpur. The operating environment will be very challenging in 2H 2017. Nevertheless, Regency Tower is expected to contribute positively to the Group.

B8. Prospects for 2017 (cont'd)

Hotels & Resort

The International Plaza Hotel in Toronto, Canada was successfully re-branded as the "Delta Hotels by Marriott Toronto Airport" in June 2017. In joining the Marriott system, the Hotel will be able to capitalize on the additional contribution from Marriott's central reservation system, its loyalty program and its various sale initiatives. In conjunction with the re-branding, the hotel lobby, restaurant and guestrooms were renovated. The feedbacks from our business partners are positive, and we are seeing a gradual pick up in forward bookings.

Year to date, the Hawaii's hospitality industry is experiencing a soft patch. For the next few months, we expect rates and occupancies to be healthy, albeit slightly lower than last year.

The New York market for the limited-service hotel segment remains competitive in 2H 2017. Despite new rulings to regulate the advertising of short term rentals of multiple-room residential apartments such as AirBnb, competition from this segment continues to pressure existing room rates for SpringHill Suites Hotel. That said, New York's overall occupancy remains very healthy, and management continues to optimise Marriott's brand program to improve market share.

The first half result of Tanjong Puteri Golf Resort for 2017 was challenging due to increased competition from golf clubs slashing rates, higher operating costs particularly in the area of labour and minimum wages, land assessments and increases in toll charges and Vehicle Entry Permit for Singaporean cars. The results will also be affected by the extreme weather condition such as heavy rain and the declining interest in golf 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 and F&B selections. We are also upgrading the villas to stay competitive and the renovated Greens at Plantation Course will be opened for play in September 2017 thus providing better playing condition. The management team remains diligently committed to achieving these objectives.

Conclusion

2H 2017 is expected to be a challenging year given the increasing business costs, the continuing effect of global climate change, the uncertainty of global economy, geo-political events and volatility of currency exchange.

B9. Explanatory Notes for Variance of Actual Profit from Forecast Profit / Profit Guarantee

Not applicable.

B10. Dividends

(i) A single tier interim dividend in respect of the financial year ending 31 December 2017 had been declared.
(ii) The amount per share is 4 sen per share under single tier system.
(iii) The previous corresponding period was 4% single tier.
(iv) The date of payment is 22 November 2017; and
(v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 23 October 2017.

B11. Earnings/(Loss) Per Share

a) Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per share for the current quarter and year-to-date had been calculated as follows:-

	Current Quarter	Year To-Date
Loss attributable to owners of the parent	(3,297)	(9,409)
Weighted average number of ordinary shares in issue	359,360	359,362
Basic loss per share (sen)	(0.92)	(2.62)

b) Diluted Earnings/(Loss) Per Share

There were no potential dilutive ordinary shares outstanding as at the end of the reporting period. Hence, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

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

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 3 months ended 30-June		Cumulative Quarter 6 months ended 30-June	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	4,441	3,498	8,097	6,951
b)	Dividend income	4,164	2,858	4,847	3,596
c)	Other income	1,989	254	3,801	2,031
d)	Interest expenses	(1,875)	(1,585)	(3,649)	(3,181)
e)	Depreciation and amortisation	(8,210)	(7,940)	(16,522)	(16,165)
f)	(Allowance for) /(write-off)/write back of receivables	32	(19)	(2,599)	116
g)	(Allowance for)/(write-off)/write-back of inventories	85	84	140	56
h)	Gain /(Loss) on disposal of properties, plant & equipment	28	(1)	28	(2)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	1,599	2,808	1,608	13,545
j)	Impairment on quoted investments	0	0	0	0
k)	Impairment of assets	0	0	0	0
l)	Realised exchange gain/(loss)	(4,737)	(12,269)	(22,792)	(33,181)
m)	Unrealised exchange gain/(loss)	(17,805)	14,685	(17,737)	(43,853)
n)	Assets (written off)/write-back	(199)	(3)	(202)	(6)
o)	Gain/(Loss) on derivatives	(2,457)	8,354	(3,693)	24,279
p)	Additional compensation on disposal of land	0	0	0	0
		(22,945)	10,724	(48,673)	(45,814)

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the Group's retained earnings as at 30 June 2017 and 31 December 2016 into realised and unrealised profits is as follows: -

	As at End of 30/06/17 RM'000	As at End of 31/12/16 RM'000
Total retained earnings of the Company and the subsidiaries:-		
- Realised	1,651,238	1,650,740
- Unrealised	(39,912)	(2,105)
	1,611,326	1,648,635
Total share of retained earnings from associated company:		
- Realised	-	661
- Unrealised	-	-
	1,611,326	1,649,296
Less: Consolidation adjustments	(47,879)	(54,879)
Total group retained earnings as per consolidated accounts	1,563.447	1,594,417