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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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

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 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 September 2017.

A7. Dividend paid

a) A final single tier dividend of 6 sen per share (2016: single tier 6% or 6 sen per share) in respect of the financial year ended 31 December 2016 was paid on 17 July 2017.

b) A single tier interim dividend of 4 sen per share (2016: single tier 4% or 4 sen per share) in respect of financial year ending 31 December 2017 was paid on 22 November 2017.

A8. Segmental Information

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

9 months period ended 30/09/2017	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	610,786	176,162	80,916	-	6,918	-	-	874,782
Inter-segment sales	70,441	-	1,092	23,904	-	-	(95,437)	-
Total revenue	681,227	176,162	82,008	23,904	6,918	-	(95,437)	874,782
RESULTS								
Operating results	(40,006)	(3,472)	23,015	10,397	13,085	-	(15)	3,004
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	(10,356)	(19)	(10,375)
Finance costs	(476)	(96)	(8)	-	(2,912)	(528)	3,492	(528)
Interest income	-	-	-	-	-	16,216	(3,472)	12,744
Profit before tax	(40,482)	(3,568)	23,007	10,397	10,173	5,332	(14)	4,845
Income tax expense								(3,430)
Profit for the period								1,415

9 months period ended 30/09/2016	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	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 before tax	(24,100)	9,628	27,051	8,678	25,933	4,301	113	51,604
Income tax expense								(10,703)
Profit for the period								40,901

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 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 September 2017 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(1,644)	(4,442)
Foreign tax	(2,035)	(4,201)
	(3,679)	(8,643)
Over/(under) provision in respect of prior years		
Malaysian income tax	(28)	(44)
Foreign tax	0	0
	(28)	(44)
Deferred tax		
Transfer from/(to) deferred taxation	(712)	5,257
Total income tax expense	(4,419)	(3,430)

The Group's effective tax rate of 71% is higher than the statutory tax rate of 24% due 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	RM Equivalent '000
Short term borrowings:-		
Bank overdraft - unsecured	-	16,388
Term loan payable within a year - secured	2,518	10,642
Long term borrowings:-		
Term loan payable after 1 year - secured	55,271	233,602

B4. Derivative Financial Instruments

The Group uses forward foreign exchange 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 September 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	12,824	123

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 2017	2nd Quarter 2017	<---- Increase/(Decrease)---->	
	RM '000	RM '000	RM '000	%
Revenue	281,192	286,601	(5,409)	(2)
Profit/(Loss) before taxation	15,368	(3,750)	19,118	510

Revenue

Revenue in 3rd Q 2017 was lower than 2nd Q 2017 and the followings were the segments with major variances:-

Manufacturing

Revenue had decreased in 3rd Q2017 as compared to 2nd Q 2017 due mainly to lower selling price of refined oil sold even though there was an increase in quantity sold.

Property Development

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

Share Investments

The revenue was lower due to lower dividend received from quoted investments in 3rd Q2017 as compared to preceding quarter.

Hotels

The revenue for the hotels in overseas had increased in 3rd Q 2017 as compared to preceding quarter due to higher average room rate and occupancy rate.

Profit/(Loss) before taxation

3rd Q 2017 recorded a higher profit as compared to 2nd Q 2017. The following segments had recorded results materially different from 2nd Q 2017:-

Manufacturing

The segment recorded a lower loss in 3rd Q2017 due to forex losses which was much lower than 2nd Q 2017.

B6. Comparison with Preceding Quarter's Results (cont'd)

Profit/(Loss) before taxation (cont'd)

Hotels

The profit was higher in 3rd Q2017 because there was a loss from currency swap in 2nd Q 2017. During the 3rd Q2017, the currency swap was cancelled.

Forex as Unallocated Item

3rd Q 2017 recorded a much lower forex loss as compared to 2nd Q 2017.

B7. Review of Performance

	To 3rd Quarter 2017 RM '000	To 3rd Quarter 2016 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	874,782	728,191	146,591	20
Profit before taxation	4,845	51,604	(46,759)	(90)

Revenue

The Group's revenue in 3Q 2017 was higher than 3Q 2016. The higher revenue was contributed by the manufacturing segment which recorded a higher selling price and higher quantity of refined oil sold.

Profit before taxation

3Q 2017 recorded a lower profit as compared to 3Q 2016. The following segments had recorded results in 3Q 2017 materially different from 3Q 2016:-

Manufacturing

The segment recorded a higher loss in 3Q 2017. Gain from USD forward sales was materially lower in 3Q 2017 as compared to 3Q 2016 but the forex loss was much lower due to weakening of USD against MYR.

Hotels

The segment recorded a lower profit in 3Q 2017 due to lower occupancy rate and higher loss from currency swap.

Share Investments

Profit was lower in 3Q 2017 as compared to 3Q 2016 due mainly to higher gain on disposal of quoted investments in 3Q 2016.

B8. Prospects for 2017

Plantation and Manufacturing

FFB production in 2017 for Plantation is expected to be more or less the same as in 2016 but the intake of FFB by Palm Oil Mill is expected to be higher. The El Nino impact on oil and kernel extraction rate coupled with higher operating cost will continue to have negative effect on the performance of the segments. The manufacturing segment will also be affected by the volatility of exchange rate.

Property Development

On 5th August 2017, the property division had launched Phase 3E Bandar Baru Kangkar Pulai ("BBKP") comprising 154 single-storey terrace houses. All the non-bumi units had been fully sold and we will continue to sell the bumi units.

In Taman Daya, we had sold 192 out of 246 units of the Johor affordable (RMMJ) houses. We are also continuing to market our three storey shop offices for sales and rental. In Tanjong Puteri Resort, most of the Phase 4 single-storey terrace houses had been sold and we will work to sell the remaining units. In Fortune Hills BBKP, all the units had been sold.

Property Investment

Occupancy and rental rates at Menara Keck Seng, our office building in Kuala Lumpur, are expected to be stable.

There is an oversupply of residential apartments in the City Centre all competing for a limited pool of expatriate tenants. Regency Tower, our residential building at Kuala Lumpur is adversely affected. However, it will continue to contribute positively to the Group.

Hotels & Resort

The Hotel was successfully re-branded as the "Delta Hotels by Marriott - Toronto Airport" in June 2017. In joining the Marriott system, the Hotel is able to leverage on Marriott's central reservation system, its loyalty program and its various sale initiatives. We are encouraged to see a gradual pick up in forward bookings, in particular, corporate bookings.

In the short term, the "Doubletree by Hilton Hotel Alana - Waikiki Beach" continues to be negatively impacted by the increase in hotel room supply in Waikiki. This is further exacerbated by the fact that some of these new hotels share the same Hilton reservation system. Longer term, Hawaii's hospitality industry is expected to be resilient and we expect the situation to stabilize and recover.

B8. Prospects for 2017 (cont'd)

Hotels & Resort (cont'd)

The New York market for the limited-service hotel segment remains competitive in 2H 2017, although SpringHill Suites managed to improve on its overall Occupancy and Rates. 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 stable, and management continues to optimise Marriott's brand program to improve market share.

The result of Tanjong Puteri Golf Resort for the first nine months of 2017 was challenging due to increased competition from nearby hotels, 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 Singapore 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 and function rooms to stay competitive. The management team remains diligently committed to achieving these objectives.

Conclusion

The remaining quarter is expected to be challenging given the increasing business costs, the continuing effect of global climate change, the uncertainty of global economy, geopolitical events and volatility of currency exchange.

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
Earnings attributable to owners of the parent	11,646	2,237
Weighted average number of ordinary shares in issue	359,354	359,359
Basic earnings per share (sen)	3.24	0.62

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 before tax:-

		Individual Quarter		Cumulative Quarter	
		3 months ended		9 months ended	
		30-Sept		30-Sept	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	4,647	3,641	12,744	10,592
b)	Dividend income	2,071	2,070	6,918	5,666
c)	Other income	2,708	1,944	6,509	3,975
d)	Interest expenses	(1,754)	(1,576)	(5,403)	(4,757)
e)	Depreciation and amortisation	(8,227)	(7,821)	(24,749)	(23,986)
f)	(Allowance for) /(write-off)/write back of receivables	(14)	(2,502)	(2,613)	(2,386)
g)	(Allowance for)/(write-off)/write-back of inventories	0	26	140	82
h)	Gain /(Loss) on disposal of properties, plant & equipment	7	1	35	(1)
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	3,297	8,291	4,905	21,836
j)	Impairment on quoted investments	0	0	0	0
k)	Impairment of assets	0	0	0	0
l)	Realised exchange gain/(loss)	(589)	(12,825)	(23,381)	(46,006)
m)	Unrealised exchange gain/(loss)	(6,623)	22,138	(24,360)	(21,715)
n)	Assets (written off)/write-back	(4)	(16)	(206)	(22)
o)	Gain/(Loss) on derivatives	(103)	7,428	(3,796)	31,707
p)	Additional compensation on disposal of land	0	2,678	0	2,678
		(4,584)	23,477	(53,257)	(22,337)

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As at End of 30/09/17 RM'000	As at End of 31/12/16 RM'000
Total retained earnings of the Company and the subsidiaries:-		
- Realised	1,653,669	1,650,740
- Unrealised	(47,041)	(2,105)
	1,606,628	1,648,635
Total share of retained earnings from associated company:		
- Realised	-	661
- Unrealised	-	-
	1,606,628	1,649,296
Less: Consolidation adjustments	(45,909)	(54,879)
Total group retained earnings as per consolidated accounts	1,560,719	1,594,417