INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 in 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.

During the period under review, the Group restates the comparative figures to measure the currency options at fair value retrospectively. The effects of the restatement are as follows:-

Condensed Consolidated Statement of Financial Position

As at 1 January 2016	Previously Stated RM'000	Increase / (Decrease) RM'000	Restated RM'000
Derivatives liabilities	33,319	43,566	76,885
Deferred tax assets	-	7,597	7,597
Deferred tax liabilities	25,228	(2,859)	22,369
Retained earnings	1,517,461	(33,110)	1,484,351
As at 31 December 2016			
Derivatives liabilities	-	28,568	28,568
Deferred tax assets	-	3,483	3,483
Deferred tax liabilities	29,389	(3,373)	26,016
Retained earnings	1,594,417	(21,712)	1,572,705

Condensed Consolidated Statement of comprehensive income

For the year ended 31 December 2016	Previously Stated RM'000	Increase / (Decrease) RM'000	Restated RM'000
Other income	107,039	14,998	122,037
Profit before tax	139,957	14,998	154,955
Income tax expense	(23,254)	(3,600)	(26,854)
Profit net of tax	116,703	11,398	128,101

The increase of approximately RM 15 million in other income represents the fair value change on the derivative liability of currency options from approximately RM 43.6 million as at 01 January 2016 to RM 28.6 million as at 31 December 2016. The fair value change has an effect on deferred tax liabilities and income tax expense. The cash flows of the Group is not affected by the restatement.

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

Other than disclosed in Note A1, there were no other 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
Jun 2016	10,000	4.95	4.95	4.95	49,862
Dec 2016	5,000	4.73	4.73	4.73	23,823
Jun 2017	10,000	5.00	5.00	5.00	50,365
Dec 2017	40,000	4.60	4.59	4.59	185,041
Total	2,163,500				7,012,469

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 31 December 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 31 December 2017 and its comparative:-

12 months period ended 31/12/2017	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	831,579	239,708	108,814	-	9,553	-	-	1,189,654
Inter-segment sales	99,789	-	1,456	30,109	15,856	-	(147,210)	-
Total revenue	931,368	239,708	110,270	30,109	25,409	-	(147,210)	1,189,654
RESULTS								
Operating results	(22,911)	1,295	32,916	11,624	(11,684)	-	29,274	40,514
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	(26,880)	(28)	(26,908)
Finance costs	(613)	(150)	(252)	-	(3,860)	(874)	4,875	(874)
Interest income	-	-	-	-	-	22,956	(4,847)	18,109
Profit before tax	(23,524)	1,145	32,664	11,624	(15,544)	(4,798)	29,274	30,841
Income tax expense								(7,993)
Profit for the period								22,848

12 months period ended 31/12/2016 (Restated)	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	687,862	237,219	116,622	-	7,524	-	-	1,049,227
Inter-segment sales	90,492	-	1,426	33,839	6,863	-	(132,620)	-
Total revenue	778,354	237,219	118,048	33,839	14,387	-	(132,620)	1,049,227
RESULTS								
Operating results	24,662	18,063	34,230	14,330	41,175	-	(7,666)	124,794
Other income	-	-	-	-	-	2,678	-	2,678
Foreign exchange gain/(loss)	-	-	-	-	-	13,677	29	13,706
Finance costs	(656)	-	(40)	-	(3,709)	(815)	4,405	(815)
Interest income	-	-	-	-	-	19,194	(4,433)	14,761
Share of profit of associate	-	-	-	-	-	(169)	-	(169)
Profit before tax	24,006	18,063	34,190	14,330	37,466	34,565	(7,665)	154,955
Income tax expense								(26,854)
Profit for the period								128,101

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 31 December 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 31 December 2017 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(6,233)	(10,675)
Foreign tax	6,856	2,655
	623	(8,020)
Over/(under) provision in respect of prior years		
Malaysian income tax	557	513
Foreign tax	0	0
	557	513
Deferred tax		
Transfer from/(to) deferred taxation	1,113	(486)
Total income tax credit/(expense)	2,293	(7,993)

The Group's effective tax rate of 26% 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	-	19,309
Term loan payable within a year - secured	2,962	12,020
Long term borrowings:-		
Term loan payable after 1 year - secured	54,124	219,663

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 31 December 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	11,781	205

B5. Changes In Material Litigation

There was no material litigation pending at the date of this announcement.

B6. Comparison with Preceding Quarter's Results

	4th Quarter 2017	3rd Quarter 2017	<---- Increase/(Decrease)---->	
	RM '000	RM '000	RM '000	%
Revenue	314,872	281,192	33,680	12
(Loss)/ Profit before taxation	(2,572)	16,024	(18,596)	(116)

Revenue

The increase in revenue was mainly due to higher selling price and quantity of refined oil sold in 4thQ 2017.

(Loss)/ Profit before taxation

4th Q 2017 recorded a loss as compared to a profit in the 3rd Q 2017. The following segments had recorded results materially different from 3rd Q 2017:-

Manufacturing

The segment recorded a higher loss in 4th Q2017 due to forex losses which was higher than 3rd Q 2017.

Forex as Unallocated Item

The further weakening of USD and SGD against MYR in 4th Q2017 had resulted in higher forex losses on the foreign currencies on hand as compared to a lower forex loss in 3rd Q2017.

B7. Review of Performance

	To 4th Quarter 2017 RM '000	To 4th Quarter 2016 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	1,189,654	1,049,227	140,427	13
Profit before taxation	30,841	154,955	(124,114)	(80)

Revenue

The Group's revenue in 2017 was higher than 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

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

Manufacturing

The segment recorded a higher loss in 2017. Gain from USD forward sales in 2017 was materially lower than in 2016 and the forex loss was much higher due to weakening of USD against MYR.

Hotels

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

Share Investments

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

Forex as unallocated item

The depreciation of USD and SGD against MYR in 2017 had resulted in forex losses on the foreign currencies on hand in 2017 as compared to a gain in 2016.

B8. Prospects for 2018

Plantation and Manufacturing

FFB production in 2018 for Plantation is expected to be more or less the same as 2017 but the intake of FFB by Palm Oil Mill is expected to be higher. Higher operating cost, acute labour shortage and volatility of exchange rate will continue to have negative effect on the performance of the segments.

Property Development

The property division is planning to launch new phases in Bandar Baru Kangkar Pulai ("BBKP") comprising 142 units of double storey terrace houses and 58 units of double storey shop offices in Q2 2018. In addition, 168 units of single storey cluster houses and 167 units single storey terrace houses will be launched in Q3 2018. For Tanjong Puteri Resort ("TPR"), 129 units of single storey houses and 88 units of double storey terrace houses will be launched in Q3 2018.

In BBKP, we will continue to sell the remaining bumi units in Phase 3E currently under progress construction and the remaining units of completed double storey semi-detached houses in Phase 2E.

In Taman Daya, we had sold 199 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 and the double storey shop offices currently under progress construction.

Property Investment

Occupancy and rental rates at Menara Keck Seng, our office building in Kuala Lumpur, are expected to be stable. Despite a difficult operating environment, we are hopeful that existing tenants will expand their usage of office space as they grow their business.

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. Over the last 6 months, the Hotel has achieved higher room rates, experienced a pickup in forward bookings, and increased F&B sales. We expect this trend to continue in 2018.

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, the additional room supply will be absorbed, and we expect the situation to stabilize and recover.

B8. Prospects for 2018 (cont'd)

Hotels & Resort (cont'd)

The outlook for New York City in 2018 is relatively cautious particularly for the Midtown Manhattan market in which the Springhill Suites Hotel ("SHS") is located. A new hotel behind SHS is likely to commence construction in 2018 and the construction would cause some potential business disruptions to SHS. That said, SHS is anticipated to see increased Group business from the addition of 2 new Meeting Rooms, and management are taking all effort to market these facilities. Continued focus on growing the hotel's corporate segment will also be a priority. New York's overall occupancy remains stable, and management will continue to optimise Marriott's brand program and outreach to improve market share.

The first quarter's result at Tanjong Puteri Golf Resort is expected to show marginal improvements with the patronage from Korean Winter golfers and long stay contracts. It will however continue to remain weak for the rest of the year due to a 9 month closure of our Plantation Course for renovation, and on-going price competition from new and existing resorts. We also anticipate higher operating costs in labour, minimum wages and land assessments. The resort remains subject to adverse weather conditions and a declining interest in golf by the 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. The upgrading projects for the golf course, villas and function rooms scheduled from March should raise the Resort's competitiveness. The management team remains diligently committed to achieving the objectives for the year.

Conclusion

2018 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 will announce their recommendation on the dividend at a later date.

B11. (Loss)/Earnings Per Share

a) Basic (Loss)/Earnings Per Share

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

	Current Quarter	Year To-Date
(Loss)/Earnings attributable to owners of the parent	(1,266)	22,683
Weighted average number of ordinary shares in issue	359,347	359,356
Basic (loss)/earnings per share (sen)	(0.35)	6.31

b) Diluted (Loss)/Earnings Per Share

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

		Individual Quarter 3 months ended 31-Dec		Cumulative Quarter 12 months ended 31-Dec	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
			(Restated)		**(Restated)**
a)	Interest income	5,365	4,169	18,109	14,761
b)	Dividend income	2,635	1,858	9,553	7,524
c)	Other income	1,859	3,174	8,368	7,149
d)	Interest expenses	(1,823)	(1,799)	(7,226)	(6,556)
e)	Depreciation and amortisation	(11,347)	(9,068)	(36,096)	(33,054)
f)	(Allowance for) /(write-off)/write back of receivables	(142)	(81)	(2,755)	(2,467)
g)	(Allowance for)/(write-off)/write-back of inventories	28	133	168	215
h)	Gain /(Loss) on disposal of properties, plant & equipment	3	1	38	0
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	1,088	2,372	5,993	24,208
j)	Impairment on quoted investments	0	0	0	0
k)	Impairment of assets	0	0	0	0
l)	Realised exchange gain/(loss)	2,243	3,339	(21,138)	(42,667)
m)	Unrealised exchange gain/(loss)	(27,253)	43,245	(51,613)	21,530
n)	Assets (written off)/write-back	(16)	(34)	(222)	(56)
o)	Gain/(Loss) on derivatives	28,696	2,067	24,900	51,427
p)	Additional compensation on disposal of land	0	0	0	2,678

PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As at End of 31/12/17 RM'000	**As at End of 31/12/16 RM'000 (Restated)**
Total retained earnings of the Company and the subsidiaries:-		
- Realised	1,540,301	1,607,173
- Unrealised	(63,403)	19,750
	1,476,898	1,626,923
Total share of retained earnings from associated company:		
- Realised	-	661
- Unrealised	-	-
	1,476,898	1,627,584
Less: Consolidation adjustments	82,555	(54,879)
Total group retained earnings as per consolidated accounts	1,559,453	1,572,705