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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Accounting Policies and Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with MFRS 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 2017. 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 2017.

The financial statements of the Group for the financial period ended 31 March 2018 are the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") Framework. The date of transition to MFRS Framework was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these financial statements have been restated to give effect to these changes and the financial impact on transition from Financial Reporting Standards in Malaysia to MFRS are disclosed as follows:-

i) Bearer plants
Prior to the adoption of MFRS 141 "Agriculture" and the revised standard, Agriculture: Bearer Plants (Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 141 "Agriculture"), bearer plants were charged as replanting expenditure and recognised in profit or loss in the year the expenditures are incurred. Under MFRS 116, replanting expenditures are capitalised. On maturity, these expenditures are amortised over the useful life of the bearer plants.

ii) Biological assets
Prior to the adoption of the MFRS 141 Agriculture: Bearer Plants, biological assets were not recognised. With the adoption of the MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets are recognised in profit or loss.

A1. Accounting Policies and Basis of Preparation (cont'd)

iii) Financial instruments

Under the MFRS 1, the Group has elected the exemption option which allows the Group not to restate comparative information in the year of initial application. The Group continues to apply FRS 139 "Financial Instruments: Recognition and Measurement" and FRS 7 "Financial Instruments: Disclosures" for the comparative information. To align the carrying amount of financial assets and financial liabilities under the previous FRS 139 with MFRS 9, RM 58.6 million was written-back for the impairment of quoted investment made earlier to retained earnings and fair value reserve as at 1 January 2018.

iv) Revenue from contracts with customers

With the adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group's performance; or at a point in time, when control of the goods or services is transferred to the customers.

Property development costs and land held for property development are measured at the lower of costs and net realisable value in accordance with MFRS 102 "Inventories". The provision for foreseeable losses on the development of affordable housing previously recognised under FRSIC 17 "Development of Affordable Housing" have been reversed and the comparatives are restated accordingly.

The impact of the changes in accounting policy on the financial statements as a result of the transition to the MFRS Framework are as follows:

Condensed Consolidated Statement of Financial Position

As at 1 January 2017	Previously Stated RM'000	Increase / (Decrease) RM'000	Restated RM'000
Bearer plants	-	7,970	7,970
Biological assets	-	1,240	1,240
Land held for property development	256,474	(11,809)	244,665
Inventories	186,532	(177)	186,355
Provisions	12,589	(12,589)	-
Deferred tax assets	3,483	(200)	3,283
Deferred tax liabilities	26,016	2,010	28,026
Retained earnings	1,572,705	7,592	1,580,297
Non-controlling interests	143,825	11	143,836

A1. Accounting Policies and Basis of Preparation (cont'd)

Condensed Consolidated Statement of Financial Position (cont'd)

As at 31 December 2017	Previously Stated RM'000	Increase / (Decrease) RM'000	Restated RM'000
Bearer plants	-	8,191	8,191
Biological assets	-	544	544
Land held for property development	259,362	(11,545)	247,817
Property development costs	14,898	(233)	14,665
Inventories	131,282	(34)	131,248
Provisions	12,589	(12,589)	-
Deferred tax assets	5,003	(156)	4,847
Deferred tax liabilities	16,996	1,940	18,936
Retained earnings	1,559,628	7,430	1,567,058
Non-controlling interests	141,444	(14)	141,430

Condensed Consolidated Statement of comprehensive income

For the period ended 31 March 2017	Previously Stated RM'000	Increase / (Decrease) RM'000	Restated RM'000
Cost of sales	(262,983)	(76)	(263,059)
Other income*	9,825	22,455	32,280
Other expenses	(28,177)	(148)	(28,325)
(Loss)/Profit before tax	(6,773)	22,231	15,458
Income tax credit/(expense)	1,018	(5,324)	(4,306)
(Loss)/Profit net of tax	(5,755)	16,907	11,152

* Other than the effects from adoption of MFRS mentioned above, the increase of RM 22.4 million restated as other income is the result of measuring currency options at fair value.

A2. Status of Audit Qualification

Not applicable as the audited financial statements for the year ended 31 December 2017 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 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

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.

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 2016	2,113,500				6,777,062
Jun 2017	10,000	5.00	5.00	5.00	50,365
Dec 2017	40,000	4.60	4.59	4.59	185,042
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 March 2018.

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 31 March 2018 and its comparative:-

3 months period ended 31/3/2018	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	163,699	56,499	19,187	-	719	-	-	240,104
Inter-segment sales	22,533	-	364	5,913	-	-	(28,810)	-
Total revenue	186,232	56,499	19,551	5,913	719	-	(28,810)	240,104
RESULTS								
Operating results	(13,202)	167	5,242	1,425	1,394	-	169	(4,805)
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	(19,487)	(392)	(19,879)
Finance costs	(140)	(72)	-	-	(915)	(287)	1,127	(287)
Interest income	-	-	-	-	-	5,647	(1,120)	4,527
Loss before tax	(13,342)	95	5,242	1,425	479	(14,127)	(216)	(20,444)
Income tax expense								286
Loss for the period								(20,158)

3 months period ended 31/03/2017 (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	222,560	55,292	28,454	-	683	-	-	306,989
Inter-segment sales	28,334	-	364	9,921	-	-	(38,619)	-
Total revenue	250,894	55,292	28,818	9,921	683	-	(38,619)	306,989
RESULTS								
Operating results	(2,575)	(2,491)	6,938	4,937	1,459	-	(310)	7,958
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	4,038	16	4,054
Finance costs	(165)	-	(3)	-	(979)	(210)	1,147	(210)
Interest income	-	-	-	-	-	4,819	(1,163)	3,656
Profit before tax	(2,740)	(2,491)	6,935	4,937	480	8,647	(310)	15,458
Income tax expense								(4,306)
Profit for the period								11,152

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

On 15 May 2018, the Company had announced to Bursa Malaysia that Brosna Ltd, a wholly owned subsidiary of the Company, will be making a EUR 23 million investment in Accorinvest. Accorinvest holds a portfolio of hotels mainly located in Europe.

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 March 2018 is made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(1,451)	(1,451)
Foreign tax	(1,664)	(1,664)
	(3,115)	(3,115)
Over/(under) provision in respect of prior years		
Malaysian income tax	-	-
Foreign tax	-	-
	-	-
Deferred tax		
Transfer from/(to) deferred taxation	3,401	3,401
Total income tax credit	286	286

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	-	18,335
Term loan payable within a year - secured	2,962	11,448
Long term borrowings:-		
Term loan payable after 1 year - secured	53,425	206,512

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 March 2018, 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	23,364	727

B5. Changes In Material Litigation

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

B6. Comparison with Preceding Quarter's Results

	1st Quarter 2018	4th Quarter 2017	<---- Increase/(Decrease)---->	
	RM '000	RM '000	RM '000	%
Revenue	240,104	314,872	(74,768)	(24)
Loss before taxation	(20,444)	(2,015)	(18,429)	(915)

Revenue

The decrease in revenue was mainly due to lower selling price and quantity of refined oil sold in 1st Q 2018.

Loss before taxation

1st Q 2018 recorded a higher loss as compared to 4th Q 2017. The following segments had recorded results materially different from 4th Q 2017:-

Property Development

The segment recorded a lower profit due to lesser units sold and lower gross margin in 1st Q 2018 as compared to 4th Q 2017.

Hotels

The lower profit in 1st Q 2018 was due to lower occupancy rate and average room rate for our hotel in New York.

Share Investments

Lower profit recorded in 1st Q 2018 compared to 4th Q 2017 was mainly due to lower dividend income received.

Forex as Unallocated Item

The further weakening of USD and SGD against MYR in 1st Q 2018 had resulted in higher forex losses on the foreign currencies on hand as compared to a lower forex loss in 4th Q 2017.

B7. Review of Performance

	To 1st Quarter 2018 RM '000	To 1st Quarter 2017 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	240,104	306,989	(66,885)	(22)
(Loss)/Profit before taxation	(20,444)	15,458	(35,902)	(232)

Revenue

The Group's revenue in 1Q 2018 was lower than 1Q 2017. The lower revenue was mainly due to lower selling price and quantity of refined oil sold in 1st Q 2018.

(Loss)/Profit before taxation

1Q 2018 recorded a loss as compared to a profit in 1Q 2017. The following segments had recorded results in 1Q 2018 materially different from 1Q 2017:-

Manufacturing

The segment recorded a higher loss in 1Q 2018 as a result of higher forex losses as compared to the same period in 2017.

Forex as unallocated item

The depreciation of USD and SGD against MYR in 1Q 2018 had resulted in forex losses on the foreign currencies on hand as compared to a gain in 1Q 2017.

B8. Prospects for 2018

Plantation and Manufacturing

Replanting programs for 2 estates will be carried out in second half of 2018 instead of in 2019. As a result of the accelerated replanting program, FFB production in 2018 will be lower than 2017. However, the FFB intake 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.

B8. Prospects for 2018 (cont'd)

Property Development

The property division is planning to launch new phases in Bandar Baru Kangkar Pulai ("BBKP") comprising 58 units of double storey shop offices and 167 units single storey terrace houses in Q3 2018. In addition, 168 units of single storey cluster houses will be launched in Q4 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 successfully launched Phase 4A of Sapphire Hills comprising 142 units of double storey terraces houses in April 2018 and more than 60% of the units had been sold. 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 206 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 TPR, most of the Phase 4C 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

Our Hotel in Toronto 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. Since the rebranding, the Hotel has gradually achieved higher room rates, experienced a pickup in forward bookings, and increased F&B sales. We expect this trend to continue for the rest of 2018.

The "Doubletree by Hilton Hotel Alana - Waikiki Beach" is negatively impacted by the increase in room supply. Business has trended down over the past year as a result, and in the short term, we do not expect any rebound. Nonetheless, Hawaii's hospitality industry is expected to be resilient, Waikiki remains a popular vacation destination, and the hotel should achieve satisfactory occupancy and room rates.

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, which will help offset the losses of air crew business in the first quarter. Management are taking all effort to market the new 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.

For Tanjong Puteri Golf Resort, the rest of the year will see a decline in income 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 unique experiences for accommodation and MICE events to set ourselves apart from the competition. The upgrading projects for the golf course, villas and function rooms scheduled from March should raise the Resort's competitiveness upon completion. 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 does not recommend any dividend for the current quarter under review.

B11. Loss Per Share

a) *Basic Loss Per Share*

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

	Current Quarter RM'000	Year To-Date RM'000
Loss attributable to owners of the parent	(21,400)	(21,400)
Weighted average number of ordinary shares in issue	359,324	359,324
Basic loss per share (sen)	(5.96)	(5.96)

b) *Diluted Loss Per Share*

There were no potential dilutive ordinary shares outstanding as at the end of the reporting period. Hence, the diluted loss per share is the same as the basic loss 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		3 months ended	
		31-Mar		31-Mar	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
a)	Interest income	4,527	3,656	4,527	3,656
b)	Dividend income	719	683	719	683
c)	Other income	1,480	1,812	1,480	1,812
d)	Interest expenses	(1,808)	(1,774)	(1,808)	(1,774)
e)	Depreciation and amortisation	(8,788)	(8,435)	(8,788)	(8,435)
f)	(Allowance for) /(write-off)/write back of receivables	18	(2,631)	18	(2,631)
g)	(Allowance for)/(write-off)/write-back of inventories	82	55	82	55
h)	Gain /(Loss) on disposal of properties, plant & equipment	0	0	0	0
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	0	9	0	9
j)	Impairment of assets	0	0	0	0
k)	Realised exchange gain/(loss)	(6,129)	(18,055)	(6,129)	(18,055)
l)	Unrealised exchange gain/(loss)	(28,480)	68	(28,480)	68
m)	Assets (written off)/write-back	(4)	(8)	(4)	(8)
n)	Gain/(Loss) on derivatives	727	21,219	727	21,219
o)	Fair value gain/(loss) on biological assets	118	(368)	118	(368)
p)	Additional compensation on disposal of land	0	0	0	0