INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 2018 is 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 30 June 2017	Previously Stated RM'000	Increase / (Decrease) RM'000	Restated RM'000
Cost of sales	(501,835)	(159)	(501,994)
Other income*	14,046	27,919	41,965
Other expenses	(54,346)	(126)	(54,472)
(Loss)/Profit before tax	(3,649)	20,760	17,111
Income tax credit/(expense)	989	(6,612)	(5,623)
(Loss)/Profit net of tax	(9,534)	21,022	11,488

* Other than the effects from adoption of MFRS mentioned above, the increase of RM 27.9 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 2018.

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
Jun 2018	10,000	4.15	4.15	4.15	41,736
Total	2,173,500				7,054,205

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 30 June 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 30 June 2018 and its comparative:-

6 months period ended 30/6/2018	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	295,086	120,365	51,347	-	5,471	-	-	472,269
Inter-segment sales	39,762	-	728	11,241	-	-	(51,731)	-
Total revenue	334,848	120,365	52,075	11,241	5,471	-	(51,731)	472,269
RESULTS								
Operating results	(1,788)	4,034	12,583	795	6,835	-	440	22,899
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	(11,852)	(381)	(12,233)
Finance costs	(277)	(177)	-	-	(2,976)	(594)	3,430	(594)
Interest income	-	-	-	-	-	12,977	(3,433)	9,544
Profit before tax	(2,065)	3,857	12,583	795	3,859	531	56	19,616
Income tax expense								(6,832)
Profit for the period								12,784

6 months period ended 30/06/2017 (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	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	(9,935)	(4,114)	15,046	7,113	7,986	-	562	16,658
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 before tax	(10,259)	(4,170)	15,040	7,113	6,039	2,786	562	17,111
Income tax expense								(5,623)
Profit for the period								11,488

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 2018 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.

A13. Significant Related Party Transactions

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

		6 months ended 30-June	
		2018	2017
		RM'000	RM'000
(i)	Transactions with subsidiaries		
	Purchases	21,893	25,952
	Sales	26,084	31,240
	Rental income	728	728
	Interest income	3,433	2,314
(ii)	Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest.		
	- Commission on sales and purchases - Keck Seng (Singapore) Private Limited	2,754	3,872

During the period under review, a foreign subsidiary of the Company had also entered into an agreement with A2I Holdings S.Å R.L. to subscribe 34,527,560 shares and 1,957,157,504 Tracking Preferred Equity Certificates for investment in AccorInvest Group S.A. at cost of RM111,078,000 (EUR 23,025,278) .

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 2018 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(914)	(2,365)
Foreign tax	(1,954)	(3,618)
	(2,868)	(5,983)
Over/(under) provision in respect of prior years		
Malaysian income tax	405	405
Foreign tax	-	-
	405	405
Deferred tax		
Transfer from/(to) deferred taxation	(4,655)	(1,254)
Total income tax expense	(7,118)	(6,832)

The Group's effective tax rate of 35% was 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 were as follows:-

	US Dollar '000	Ringgit Equivalent '000
Short term borrowings:-		
Bank overdraft – unsecured	-	3,426
Term loan payable within a year - secured	2,961	11,972
Long term borrowings:-		
Term loan payable after 1 year - secured	52,726	213,141

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 June 2018, the notional amount, fair value and maturity period of the forward foreign exchange contracts were as follows:-

Type of derivatives	Contract/Notional amount RM'000	Fair value gain/(loss) RM'000
Currency forward contracts - less than 1 year	33,081	(670)

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 2018 RM '000	1st Quarter 2018 RM '000	<---- Increase/(Decrease)----> RM '000	 %
Revenue	232,165	240,104	(7,939)	(3)
Profit / (Loss) before taxation	40,060	(20,444)	60,504	296

Revenue

The Group's revenue in 2nd Q 2018 was lower than 1st Q 2018. The following segments had recorded revenue in 2nd Q 2018 materially different from 1st Q 2018:-

Manufacturing

The decrease in revenue was mainly due to lower selling price and quantity of refined oil sold in 2nd Q 2018.

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

Revenue (cont'd)

Property Development

Revenue had increased due to higher number of units of double storey residential properties sold in Bandar Baru Kangkar Pulai.

Hotels

The revenue for the hotels in overseas had increased in 2nd Q 2018 as compared to preceding quarter due to higher average room rate and occupancy rate.

Share Investments

The increase in revenue was mainly due to higher dividend received from quoted investments in 2nd Q 2018 as compared to 1st Q 2018.

Profit/(Loss) before taxation

2nd Q 2018 recorded a profit as compared to a loss in 1st Q 2018. The following segments had recorded results materially different from 1st Q 2018:-

Manufacturing

The segment recorded a profit in 2nd Q 2018 compared to a loss in 1st Q 2018. The strengthening of USD against Ringgit in the 2nd Q 2018 had resulted in forex gain as compared to a loss in 1st Q 2018.

Forex as Unallocated Item

The strengthening of USD and SGD against MYR in 2nd Q 2018 had resulted in a forex gain on the foreign currencies on hand as compared to a forex loss in 1st Q 2018.

B7. Review of Performance

	To 2nd Quarter 2018 RM '000	To 2nd Quarter 2017 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	472,269	593,590	(121,321)	(20)
Profit before taxation	19,616	17,111	2,505	15

Revenue

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

Profit before taxation

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

Manufacturing

The segment recorded a lower loss in 1H 2018 as a result of lower forex losses and lower negative margin in 1H 2018 as compared to the previous corresponding period.

Plantations

The segment recorded a much lower profit in 1H 2018 due mainly to lower FFB production, lower selling price and higher operating cost as compared to the previous corresponding period.

Hotels

The segment recorded a profit in 1H 2018 as compared to a loss in 1H 2017 due to higher average room rate, higher occupancy rate and the absence of loss from currency swap in 1H 2018.

Forex as unallocated item

The depreciation of SGD against MYR in 1H 2018 had resulted in a higher forex losses on the foreign currencies on hand as compared to 1H 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 partially contributed by 2 estates which had ceased agricultural operation since December 2017. However, the FFB intake by Palm Oil Mill is expected to be higher. Higher operating cost, acute labour shortage, volatility of exchange rate and current low CPO price which may be prolonged will continue to have negative effect on the performance of the segments.

Property Development

The property division is planning to launch new phases in Tanjong Puteri Resort ("TPR"), comprising 129 units of single storey terrace houses and 88 units double storey terrace houses in late Q3 2018. In addition, Phase 4A1 (Sapphire Hills) comprising 167 units of single storey terrace houses in Bandar Baru Kangkar Pulai ("BBKP") will be launched in Q4 2018.

In BBKP, we successfully launched Phase 4A of Sapphire Hills comprising 142 units of double storey terraces houses in April 2018 and Phase 5A of District 5 comprising 58 units of double storey shop offices in July 2018. Todate 60% of above units have been sold.

We will continue to sell the remaining bumi units in Phase 3E (Areca), 4A (Sapphire Hills) and 5A (Shops) at BBKP currently under progress construction and the remaining units of completed double storey semi-detached houses in Phase 2E.

In Taman Daya, we had sold 212 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 Phase 4D double storey shop offices currently under 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.

B8. Prospects for 2018 (cont'd)

Hotels & Resort (cont'd)

Business at the "Doubletree by Hilton Hotel Alana - Waikiki Beach" is stable despite strong competition from newly renovated hotels. Waikiki remains a popular vacation destination, and the hotel should achieve satisfactory occupancy and room rates.

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. 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. The Villa & Meeting room renovation has been completed and new Banquet and MICE offers have been launched to support the on-going repositioning of the resort to the corporate and leisure market. With the reopening of the Plantation Course in Q4 the golf division should help in improving overall revenue. The Resort will continue its efforts to improve its business in seeking new golfing markets, offering unique experiences to set ourselves apart from the competition. 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

(i) A single tier interim dividend in respect of the financial year ending 31 December 2018 had been declared.
(ii) The amount per share is 4 sen per share under single tier system.
(iii) The previous corresponding period was 4 sen per share under single tier.
(iv) The date of payment is 22 November 2018; and
(v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 29 October 2018.

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
Profit attributable to owners of the parent (RM'000)	31,762	10,348
Weighted average number of ordinary shares in issue ('000)	359,321	359,322
Basic earnings per share (sen)	8.84	2.88

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.

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		Cumulative Quarter	
		3 months ended		6 months ended	
		30-Jun		30-Jun	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
			(Restated)		**(Restated)**
a)	Interest income	5,017	4,441	9,544	8,097
b)	Dividend income	4,752	4,164	5,471	4,847
c)	Other income	1,324	1,989	2,804	3,801
d)	Interest expenses	(2,020)	(1,875)	(3,828)	(3,649)
e)	Depreciation and amortisation	(8,885)	(8,333)	(17,673)	(16,768)
f)	(Allowance for) /(write-off)/write back of receivables	16	32	34	(2,599)
g)	(Allowance for)/(write-off)/write-back of inventories	114	85	196	140
h)	Gain /(Loss) on disposal of properties, plant & equipment	40	28	40	28
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	(1)	1,599	(1)	1,608
j)	Impairment of assets	0	0	0	0
k)	Realised exchange gain/(loss)	(2,221)	(4,737)	(8,350)	(22,792)
l)	Unrealised exchange gain/(loss)	22,885	(17,805)	(5,596)	(17,737)
m)	Assets (written off)/write-back	(274)	(199)	(278)	(202)
n)	Gain/(Loss) on derivatives	(1,397)	3,007	(670)	24,226
o)	Fair value gain/(loss) on biological assets	(422)	(50)	(305)	(418)
p)	Additional compensation on disposal of land	0	0	0	0