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

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2019

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 2018. 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 2018.

The accounting policies and methods of computation adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2018 except for the adoption of the following new MFRS, Amendments to MFRSs, Improvements to MFRS and IC Interpretation ("Standards") which is effective for financial period beginning on or after 1 January 2019:

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 Leases
- Amendments to MFRS 9 Financial Instruments
- Amendments to MFRS 119 Employee Benefits
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- IC Interpretation 23 Uncertainty over Income Tax Treatments

The initial application of these Standards does not have a material impact on the Group's financial statements except for the following:-

MFRS 16 Leases

MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 and the lease liability is accreted over time with interest expense recognised in profit or loss. The effect arising from the adoption of MFRS 16 is disclosed as below:

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

	As previously reported 31 December 2018 RM'000	Adjustments RM'000	As reported under MFRS 16 Leases 1 January 2019 RM'000
Non-current assets			
Right-of-use assets	-	1,324	1,324
Current liabilities			
Lease liabilities	-	639	639
Non-current liabilities			
Lease liabilities	-	685	685

The Group has adopted MFRS 16 Leases on 1 January 2019 in accordance with the transition requirements under the Appendix C, paragraph C5(b) of MFRS 16 and therefore, comparatives are not restated. The initial application of MFRS 16 has no impact on the financial results for the current period and did not result in any adjustment to the opening retained profits as at the date of initial application.

A2. Status of Audit Qualification

Not applicable as the audited financial statements for the year ended 31 December 2018 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

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 2018	2,173,500	-	-	-	7,054,205
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 31 March 2019.

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 2019 and its comparative:-

3 months period ended 31/03/2019	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	130,710	58,009	41,650	-	1,042	-	-	231,411
Inter-segment sales	16,074	-	291	5,818	-	-	(22,183)	-
Total revenue	146,784	58,009	41,941	5,818	1,042	-	(22,183)	231,411
RESULTS								
Operating results	3,383	(2,795)	14,214	542	(34)	1,935	(367)	16,878
Foreign exchange gain/(loss)	-	-	-	-	-	(4,838)	9	(4,829)
Finance costs	(101)	(173)	-	-	(2,222)	(163)	2,496	(163)
Interest income	-	-	-	-	-	7,815	(2,488)	5,327
Profit before tax	3,282	(2,968)	14,214	542	(2,256)	4,749	(350)	17,213
Income tax expense								(6,125)
Profit for the period								11,088

3 months period ended 31/03/2018	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)
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)

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 March 2019 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.

		3 months ended 31-Mar	
		2019 RM'000	2018 RM'000
(i)	Transactions with subsidiaries		
	Purchases	10,510	12,170
	Sales	10,908	14,570
	Rental income	291	364
	Interest income	2,488	1,120
	Dividend income	-	-
(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	1,229	1,550

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 2019 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(6,887)	(6,887)
Foreign tax	(1,524)	(1,524)
	(8,411)	(8,411)
Over/(under) provision in respect of prior years		
Malaysian income tax	-	-
Foreign tax	-	-
	-	-
Deferred tax		
Transfer from/(to) deferred taxation	2,286	2,286
Total income tax expense	(6,125)	(6,125)

The Group's effective tax rate of 36% 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	-	7,308
Term loan payable within a year - secured	2,962	12,082
Long term borrowings:-		
Term loan payable after 1 year - secured	50,626	206,528

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 2019, 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	4,135	5

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 2019	4th Quarter 2018	<---- Increase/(Decrease)---->	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	231,411	270,422	(39,011)	(14)
Profit before taxation	17,213	19,419	(2,206)	(11)

Revenue

The decrease in revenue was mainly due to lower quantity and lower selling price of refined oil sold in 1st Q 2019.

Profit before taxation

The Group recorded a lower profit in 1st Q 2019 as compared to 4th Q 2018. The following segments had recorded results materially different from 4th Q 2018:-

Property Development

The segment recorded a higher profit due to higher revenue recognised based on percentage of completion in 1st Q 2019. The gross margin on revenue recognised is also higher as compared to 4th Q 2018.

Hotels

The segment recorded a loss in 1st Q 2019 as compared to a profit in 4th Q 2018 due mainly to lower occupancy rate and average room rate for our hotel in New York.

Forex as Unallocated Item

The depreciation of USD and SGD against MYR in 1st Q 2019 had resulted in forex loss on the foreign currencies on hand as compared to a forex gain recorded in 4th Q 2018.

Other Income as Unallocated Item

Deposits placed as short term funds recorded a fair value gain in 1st Q 2019 as compared to a loss in the 4th Q 2018.

B7. Review of Performance

	To 1st Quarter 2019 RM '000	To 1st Quarter 2018 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	231,411	240,104	(8,693)	(4)
Profit/(Loss) before taxation	17,213	(20,444)	37,657	184

Revenue

The Group's revenue in 1Q 2019 was lower than 1Q 2018. The following segments had recorded revenue in 1Q 2019 materially different from 1Q 2018:-

Manufacturing

The decrease in revenue was mainly due to lower selling price of refined oil sold in 1Q 2019.

Property Development

Revenue had increased due to higher number of units for residential properties sold in Bandar Baru Kangkar Pulai, Tanjong Puteri Resort and Taman Daya.

Profit before taxation

The Group recorded a profit in 1Q 2019 compared to a loss in 1Q 2018. The results of the following segments in 1Q 2019 were materially different from 1Q 2018:-

Manufacturing

The selling pressure for CPO spot delivery due to high stock enabled the segment to achieve a positive refining margin in 1Q 2019. As a result, the segment turnaround from a loss to a profit.

Property Development

The segment recorded a higher profit due to increase in number of units sold for residential properties and higher gross margin in 1Q 2019 as compared to 1Q 2018.

Forex as Unallocated Item

Forex losses in 1Q 2019 was lower than 1Q 2018 attributed mainly due to lower depreciation of USD in 1Q 2019.

B8. Prospects for 2019

Plantation and Manufacturing

The distinct drought throughout 1st quarter had dampened the earlier expectation of higher FFB production for 2019.The intake by Palm Oil Mill from third party is also expected to be lower due to an on-going replanting program of a major FFB supplier and keen competition from neighbouring mills. Minimum wage of RM 1,100 effective from January 2019, other higher operating cost and volatility of exchange rates will affect the performance of the segments.

Property Development

The property division is planning to launch new phases in Bandar Baru Kangkar Pulai ("BBKP"), Phase 5B2 comprising 232 units of single storey cluster houses in Q2'19 and Phase 4C comprising 151 of double storey terrace houses in Q3'19. We will continue to sell the remaining, mainly bumi units in Phase 4A (double storey terrace houses - Sapphire Hills), Phase 4A1 (single storey terrace houses - Arelia), Phase 5B1 (single storey cluster houses) and Phase 5A (double storey shop offices) currently under progress construction and the remaining units of completed double storey semi-detached houses in Phase 2E.

In Tanjong Puteri Resort ("TPR"), we have sold approximately 72% of Phase 4E launched in Sept 2018, comprising 129 units of single storey terrace houses and currently under progress construction. We will continue to market Phase 5B, double storey terrace houses launched in January 2019 and currently under progress construction. As for the 44 units of double storey shop offices launched in Oct 2017, 20% of the units have been sold. The said double storey shop offices were completed in April 2019 and we have finalized proposal to rent to spur commercial activities in the hope of enhancing sales in tandem.

In Taman Daya, we had sold 238 out of 246 units of the Johor affordable (RMMJ) houses. We have and will continue to pursue with "Cawangan Perumahan" on sales of the remaining unsold units, mostly under bumi quota eligibility. For the completed three storey shop offices, we are continuing to market them for sales and rental. More than 80% of the unsold units have been rented. With the completion of TD Point in January 2019 comprising 40 units double storey and single storey shops and with 90% of the units rented and commenced in April 2019.

Property Investment

At Menara Keck Seng, our office building in Kuala Lumpur, occupancies are expected to increase slightly as we sign up new tenants and as existing tenants take up more office space.

There is an oversupply of residential apartments in the City Centre all competing for a limited pool of expatriate tenants. Nonetheless, Regency Tower, our residential building at Kuala Lumpur, is expected to maintain its current level of business.

Hotels & Resort

The hospitality market in Toronto is experiencing good growth. As a newly renovated and re-branded hotel, the "Delta Hotels by Marriott – Toronto Airport" would be able to capitalize on this to achieve higher room rates and increased F&B sales.

B8. Prospects for 2019 (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 Springhill Suites Hotel's (SHS) Midtown Manhattan market outlook is increasingly competitive for 2019, with several new hotels within the vicinity due to open in 2019. Further, a new hotel behind SHS which had commenced construction in the 1st quarter of 2019 will cause some potential business disruptions to SHS. That said, SHS is anticipated to see continued increase in Group and Food & Beverage business from its Meeting Rooms. Management will focus on growing the hotel's base of Group and Corporate businesses. New York's overall occupancy remains stable, and management will continue to optimise Marriotts brand program and outreach to improve market share.

For Tanjong Puteri Golf Resort, 2019 will see a decline in income due to on-going price competition from new and existing resorts. We also anticipate higher operating costs in labour and minimum wages. The resort remains subject to adverse weather conditions, unpredictable traffic conditions and a declining interest in golf by the younger generation. The renovation of Villa & Meeting room 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 4th quarter of 2018, the golf division should help in stabilising 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

The on-going US-China trade war, geopolitical events, global climate change and volatility of currency exchange will continue to have impacts on the performance of the Group in 2019.

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
Profit attributable to owners of the parent (RM'000)	10,159	10,159
Weighted average number of ordinary shares in issue ('000)	359,314	359,314
Basic earnings per share (sen)	2.83	2.83

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 3 months ended 31-Mar		Cumulative Quarter 3 months ended 31-Mar	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	5,327	4,527	5,327	4,527
b)	Dividend income	1,042	719	1,042	719
c)	Other income	596	1,480	596	1,480
d)	Interest expenses	(2,217)	(1,808)	(2,217)	(1,808)
e)	Depreciation and amortisation	(9,424)	(8,788)	(9,424)	(8,788)
f)	(Allowance for)/(write-off)/write back of receivables	(5)	18	(5)	18
g)	(Allowance for)/(write-off)/write-back of inventories	144	82	144	82
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	0	0	0
j)	Impairment of assets	0	0	0	0
k)	Realised exchange gain/(loss)	(570)	(6,129)	(570)	(6,129)
l)	Unrealised exchange gain/(loss)	(9,418)	(28,480)	(9,418)	(28,480)
m)	Assets (written off)/write-back	(4)	(4)	(4)	(4)
n)	Gain/(Loss) on derivatives	5	727	5	727
o)	Fair value gain/(loss) on biological assets	(295)	118	(295)	118
p)	Provision for land held for development	0	0	0	0
q)	Fair value gain/(loss) on short term funds	1,935	0	1,935	0