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

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 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.

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

The effect arising from the adoption of MFRS 16 is disclosed as below:

	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 2019.

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 30 June 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 30 June 2019 and its comparative:-

6 months period ended 30/06/2019	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	256,422	125,021	93,888	-	6,282	-	-	481,613
Inter-segment sales	28,776	-	594	9,093	-	-	(38,463)	-
Total revenue	285,198	125,021	94,482	9,093	6,282	-	(38,463)	481,613
RESULTS								
Operating results	9,588	2,887	33,324	245	6,817	1,928	(107)	54,682
Foreign exchange gain/(loss)	-	-	-	-	-	1,696	14	1,710
Finance costs	(184)	(348)	-	-	(4,437)	(367)	4,969	(367)
Interest income	-	-	-	-	-	15,695	(4,965)	10,730
Profit before tax	9,404	2,539	33,324	245	2,380	18,952	(89)	66,755
Income tax expense								(14,071)
Profit for the period								52,684

6 months period ended 30/06/2018	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
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

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 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.

	6 months ended 30-June 2019 RM'000	2018 RM'000
(i) Transactions with subsidiaries		
Purchases	16,991	21,893
Sales	20,160	26,084
Rental income	595	728
Interest income	4,966	3,433
Dividend income	-	-
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(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	2,380	2,754
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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 2019 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(4,027)	(10,914)
Foreign tax	(1,783)	(3,307)
	(5,810)	(14,221)
Over/(under) provision in respect of prior years		
Malaysian income tax	(1)	(1)
Foreign tax	-	-
	(1)	(1)
Deferred tax		
Transfer from/(to) deferred taxation	(2,135)	151
Total income tax expense	(7,946)	(14,071)

The Group's effective tax rate of 21% was lower than the statutory tax rate of 24% due to certain income not subject to tax and utilisation of unabsorbed capital allowances and tax losses.

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	-	10,727
Term loan payable within 1 year - secured	2,962	12,271
Long term borrowings:-		
Term loan payable after 1 year - secured	47,423	196,496

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 2019, there were no outstanding currency forward contracts and the fair value loss recognised during the period amounts to RM 45,000.

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 2019	1st Quarter 2019	<---- Increase/(Decrease)---->	
	RM '000	RM '000	RM '000	%
Revenue	250,202	231,411	18,791	8
Profit before taxation	49,542	17,213	32,329	188

Revenue

The Group's revenue in 2nd Q 2019 was higher than 1st Q 2019. The following segments had recorded revenue in 2nd Q 2019 materially different from 1st Q 2019:-

Property Development

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

Hotels

Revenue had increased in 2nd Q 2019 as compared to preceding quarter due to higher average room rate and occupancy rate for our hotels in New York and Canada.

Profit before taxation

The Group recorded a higher profit in 2nd Q 2019 as compared to 1st Q 2019. The following segments had recorded results materially different from 1st Q 2019:-

Property Development

The higher profit was due to higher revenue recognised based on percentage of completion recognised and increase in residential properties sold in 2nd Q 2019.

Hotels

The segment recorded a profit in 2nd Q 2019 as compared to a loss in 1st Q 2019 due mainly to higher occupancy rate and average room rate for our hotels in New York and Canada.

Share Investments

The increase in profit was due to higher dividend received from quoted investments in 2nd Q 2019 as compared to 1st Q 2019. The increase also includes a forex gain as compared to a loss in the preceding quarter on conversion of unquoted foreign investment held.

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

Profit before taxation (cont'd)

Forex as Unallocated Item

The strengthening of USD and SGD against MYR in 2nd Q 2019 had resulted in a forex gain on the foreign currencies on hand as compared to a forex loss in 1st Q 2019.

B7. Review of Performance

	To 2nd Quarter 2019 RM '000	To 2nd Quarter 2018 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	481,613	472,269	9,344	2
Profit before taxation	66,755	19,616	47,139	240

Revenue

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

Manufacturing

The segment recorded a lower revenue in 1H 2019 as compared to preceding year corresponding period. The decrease in revenue was mainly due to lower selling price of refined oil sold in 1H 2019.

Property Development

A higher revenue was recorded by the segment in 1H 2019 as compared to 1H 2018. The increase was due to higher number of units sold for residential properties in Bandar Baru Kangkar Pulai, Tanjong Puteri Resort and Taman Daya.

Profit before taxation

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

Manufacturing

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

B7. Review of Performance (cont'd)

Profit before taxation (cont'd)

Property Development

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

Forex as Unallocated Item

The appreciation of USD against MYR in 1H 2019 had resulted in forex gains on the foreign currencies on hand in 1H 2019 as compared to a loss in 1H 2018.

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 FFB production is expected to be similar to 2018. 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 a new phase in Bandar Baru Kangkar Pulai ("BBKP"), Phase 4C comprising 151 units of double storey terrace houses in Q4'19. We will continue to sell the remaining 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. We will also be actively promoting the sales of the recently launched Phase 5B2 comprising 232 units of double storey cluster houses.

In Tanjong Puteri Resort ("TPR"), we have sold approximately 81% of Phase 4E launched in Sept 2018, comprising 129 units of single storey terrace houses which are currently under progress construction. We will continue to market Phase 5B, double storey terrace houses launched in January 2019 which are currently under progress construction. For the completed double storey shop offices, we are marketing the balance units for sales and rental.

In Taman Daya, we will continue to pursue with "Cawangan Perumahan" on sales of the remaining unsold units of the Johor affordable (RMMJ) houses, mostly under bumi quota eligibility. For the completed three storey shop offices, we are continuing to market them for sales and rental. With the completion of TD Point in January 2019 comprising 40 units double storey and single storey shops, more than 95% of the units have been rented.

B8. Prospects for 2019 (cont'd)

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.

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. These are resulting in an overall decline in room rates. That said, New York's overall occupancy remains stable, and Management will actively engage Marriott Sales teams to optimise room rates and improve market share.

For Tanjong Puteri Golf Resort, 2019 remains challenging from price competition from new and existing resorts, and higher operating costs particularly labour wages. The resort remains subject to adverse weather conditions, fallout from the recent nearby industrial pollution events, unpredictable traffic conditions and a declining interest in golf by the younger generation. The renovated Villas, refurbed signature Plantation Course & new Golf buggies will continue to support the Resort's business in the MICE and Golfing segments. 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

(i) A single tier interim dividend in respect of the financial year ending 31 December 2019 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 14 November 2019; and
(v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 25 October 2019.

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)	39,073	49,232
Weighted average number of ordinary shares in issue ('000)	359,314	359,314
Basic earnings per share (sen)	10.87	13.70

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 30-Jun		Cumulative Quarter 6 months ended 30-Jun	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	5,403	5,017	10,730	9,544
b)	Dividend income	5,240	4,752	6,282	5,471
c)	Other income	694	1,324	1,289	2,804
d)	Interest expenses	(2,153)	(2,020)	(4,370)	(3,828)
e)	Depreciation and amortisation	(9,945)	(8,885)	(19,369)	(17,673)
f)	(Allowance for)/(write-off)/write back of receivables	(24)	16	(28)	34
g)	(Allowance for)/(write-off)/write-back of inventories	111	114	255	196
h)	Gain /(Loss) on disposal of properties, plant & equipment	17	40	17	40
i)	Gain /(Loss) on disposal of quoted or unquoted of investment or properties	0	(1)	0	(1)
j)	Impairment of assets	0	0	0	0
k)	Realised exchange gain/(loss)	265	(2,221)	(305)	(8,350)
l)	Unrealised exchange gain/(loss)	10,983	22,885	1,565	(5,596)
m)	Assets (written off)/write-back	(44)	(274)	(48)	(278)
n)	Gain/(Loss) on derivatives	(50)	(1,397)	(45)	(670)
o)	Fair value gain/(loss) on biological assets	(64)	(422)	(359)	(305)
p)	Provision for land held for development	0	0	0	0
q)	Fair value gain/(loss) on short term funds	(7)	0	1,928	0
r)	Gain/(Loss) on redemption of short term fund	1,231	0	1,231	0