INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 which allow comparatives not to be 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 earnings 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 September 2019.

A7. Dividend paid

a) A final single tier dividend of 6 sen per share (2018: single tier 6 sen per share) in respect of the financial year ended 31 December 2018 was paid on 18 July 2019.

b) A single tier interim dividend of 4 sen per share (2018: single tier 4 sen per share) in respect of financial year ending 31 December 2019 was paid on 14 November 2019.

A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 30 September 2019 and its comparative:-

9 months period ended 30/09/2019	Manufacturing RM'000	Hotel and Resort RM'000	Property development & Investment RM'000	Plantations RM'000	Share investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE								
External sales	388,013	189,998	139,204	-	8,724	-	-	725,939
Inter-segment sales	43,540	-	909	12,826	-	-	(57,275)	-
Total revenue	431,553	189,998	140,113	12,826	8,724	-	(57,275)	725,939
RESULTS								
Operating results	19,918	4,302	49,842	452	5,018	2,061	20	81,613
Foreign exchange gain/(loss)	-	-	-	-	-	1,031	19	1,050
Finance costs	(263)	(529)	-	-	(6,615)	(523)	7,407	(523)
Interest income	-	-	-	-	-	23,761	(7,407)	16,354
Profit before tax	19,655	3,773	49,842	452	(1,597)	26,330	39	98,494
Income tax expense								(30,394)
Profit for the period								68,100

9 months period ended 30/09/2018	Manufacturing RM'000	Hotel and Resort RM'000	Property development & Investment RM'000	Plantations RM'000	Share investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE								
External sales	425,583	182,887	80,610	-	7,775	-	-	696,855
Inter-segment sales	62,531	-	1,092	16,438	-	-	(80,061)	-
Total revenue	488,114	182,887	81,702	16,438	7,775	-	(80,061)	696,855
RESULTS								
Operating results	5,276	5,407	20,522	1,040	8,915	-	460	41,620
Foreign exchange gain/(loss)	-	-	-	-	-	(4,721)	(358)	(5,079)
Finance costs	(396)	(318)	-	-	(5,193)	(927)	5,907	(927)
Interest income	-	-	-	-	-	20,420	(5,932)	14,488
Profit before tax	4,880	5,089	20,522	1,040	3,722	14,772	77	50,102
Income tax expense								(30,554)
Profit for the period								19,548

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 September 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.

		9 months ended 30-Sept	
		2019 RM'000	2018 RM'000
(i)	Transactions with subsidiaries		
	Purchases	25,104	33,720
	Sales	30,310	41,066
	Rental income	909	1,092
	Interest income	7,408	5,932
	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	3,617	4,029

ADDITIONAL INFORMATION REQUIRED BY THE BMSB'S LISTING REQUIREMENTS

B1. Taxation

The taxation charge for the current quarter and year to-date ended 30 September 2019 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(14,183)	(25,097)
Foreign tax	(2,497)	(5,804)
	(16,680)	(30,901)
Over/(under) provision in respect of prior years		
Malaysian income tax	878	877
Foreign tax	-	-
	878	877
Deferred tax		
Transfer from/(to) deferred taxation	(521)	(370)
Total income tax expense	(16,323)	(30,394)

The Group's effective tax rate of 31% was higher than the statutory tax rate of 24% due mainly to tax provided on withdrawal of development lands to investment properties.

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	-	7,223
Term loan payable within 1 year - secured	2,962	12,411
Long term borrowings:-		
Term loan payable after 1 year - secured	46,257	193,841

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 September 2019, 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	10,493	(32)

B5. Changes In Material Litigation

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

B6. Comparison with Preceding Quarter's Results

	3rd Quarter 2019	2nd Quarter 2019	<---- Increase/(Decrease)---->	
	RM '000	RM '000	RM '000	%
Revenue	244,326	250,202	(5,876)	(2)
Profit before taxation	31,739	49,542	(17,803)	(36)

Revenue

The Group's revenue in 3rd Q 2019 was lower than 2nd Q 2019. The following segments had recorded revenue in 3rd Q 2019 materially different from 2nd Q 2019:-

Manufacturing

The segment recorded a higher revenue in 3rd Q 2019 as compared to 2nd Q 2019. The increase in revenue was mainly due to higher quantity of refined oil sold in 3rd Q 2019.

Property Development

The segment revenue in 3rd Q 2019 was lower than 2nd Q 2019. The lower revenue was mainly due to decrease in number of units sold for residential properties in Bandar Baru Kangkar Pulai and Tanjong Puteri Resort.

Profit before taxation

The Group recorded a lower profit in 3rd Q 2019 as compared to 2nd Q 2019. The following segments had recorded results materially different from 2nd Q 2019:-

Share Investments

The decrease in profit was due to lower dividend received from quoted investments in 3rd Q 2019 as compared to 2nd Q 2019. The decrease also includes a forex loss as compared to a gain in the preceding quarter on conversion of an unquoted foreign investment held.

Forex as Unallocated Item

The weakening of SGD against MYR in 3rd Q 2019 had resulted in a forex loss on the foreign currencies on hand as compared to a forex gain in 2nd Q 2019.

B7. Review of Performance

	To 3rd Quarter 2019 RM '000	To 3rd Quarter 2018 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	725,939	696,855	29,084	4
Profit before taxation	98,494	50,102	48,392	97

Revenue

The Group's revenue in 3Q 2019 was higher than 3Q 2018. The following segments had recorded revenue in 3Q 2019 materially different from 3Q 2018:-

Manufacturing

The segment recorded a lower revenue in 3Q 2019 as compared to preceding year corresponding period. The decrease in revenue was mainly due to lower selling price of refined oil sold in 3Q 2019.

Property Development

A higher revenue was recorded by the segment in 3Q 2019 as compared to 3Q 2018. The increase was due to higher percentage of completion recognized from both residential and commercial properties in Bandar Baru Kangkar Pulai. The segment also recorded a higher number of units sold for residential properties at Tanjong Puteri Resort and Taman Daya as compared to preceding year corresponding period.

Profit before taxation

The Group recorded a higher profit in 3Q 2019 as compared to 3Q 2018. The results of the following segments in 3Q 2019 were materially different from 3Q 2018:-

Manufacturing

The selling pressure for CPO spot delivery due to high stock enabled the segment to achieve a positive refining margin in 3Q 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 3Q 2019 as compared to 3Q 2018.

B8. Prospects for 2019

Plantation and Manufacturing

The unexpected occurrence of 2 distinct drought period during 1st quarter 2019 and 3rd quarter 2019 had adversely affected FFB production and FFB production for 2019 is expected to be lower than 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, keen competition from neighbouring mills and early start of low crop season. Higher operating cost and volatility of exchange rates will affect the performance of the segments.

Property Development

The property division launched a new phase in Bandar Baru Kangkar Pulai ("BBKP"), Phase 4C comprising 151 units of double storey terrace houses - Adenia in early Q4'19 and currently actively promoting the sales. We will continue to sell the remaining completed units in Phase 4A (double storey terrace houses - Sapphire Hills). Sales activities are carried out to sell the remaining units in Phase 4A1 (single storey terrace houses - Arelia), Phase 5B1 & Phase 5B2 (single storey cluster houses) and Phase 5A (double storey shop offices) currently under construction.

In Tanjong Puteri Resort ("TPR"), we have sold approximately 85% 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. 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, 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.

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.

B8. Prospects for 2019 (cont'd)

Hotels & Resort

After a few years of good growth, the hospitality market in Toronto has stabilized. Our hotel, the "Delta Hotels by Marriott – Toronto Airport" benefited from this trend as well as our recent renovations and affiliation with Marriott. Looking ahead, we expect the hotel to generate stable cash flow to the Group.

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 due to 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. To prepare the resort in hosting future long-term senior Korean golfer business, 15 bungalows were recently upgraded to facilitate the needs of these guests which are expected to contribute to the resort's future year-round base business including golfing. 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)	15,265	64,497
Weighted average number of ordinary shares in issue ('000)	359,314	359,314
Basic earnings per share (sen)	4.25	17.95

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-Sept		Cumulative Quarter 9 months ended 30-Sept	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	5,624	4,944	16,354	14,488
b)	Dividend income	2,442	2,304	8,724	7,775
c)	Other income	475	2,643	1,764	5,447
d)	Interest expenses	(2,016)	(2,225)	(6,386)	(6,053)
e)	Depreciation and amortisation	(9,884)	(9,393)	(29,253)	(27,066)
f)	(Allowance for)/(write-off)/write back of receivables	(7)	18	(35)	52
g)	(Allowance for)/(write-off)/write-back of inventories	29	53	284	249
h)	Gain /(Loss) on disposal of properties, plant & equipment	(37)	89	(20)	129
i)	Gain /(Loss) on disposal of investment properties	(18)	(2)	(18)	(3)
j)	Impairment of assets	0	0	0	0
k)	Realised exchange gain/(loss)	197	2,252	(108)	(6,098)
l)	Unrealised exchange gain/(loss)	(2,350)	10,640	(785)	5,044
m)	Assets (written off)/write-back	(7)	(10)	(55)	(288)
n)	Gain/(Loss) on derivatives	13	465	(32)	(205)
o)	Gain/(Loss) on disposal of Land from compulsory acquisition	854	0	854	0
p)	Fair value gain/(loss) on biological assets	172	387	(187)	82
q)	Provision for land held for development	0	0	0	0
r)	Fair value gain/(loss) on short term funds	133	0	2,061	0
s)	Gain/(Loss) on redemption of short term fund	0	0	1,231	0