KECK SENG (MALAYSIA) BERHAD
Company no. 196801000565 (8157-D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023

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 2022. 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 2022.

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 2022 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 2023:

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts
Amendments to MFRS 101: Presentation of Financial Statements
− Classification of Liabilities as Current or Non-current
− Disclosure of Accounting Policies
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112: Income Taxes - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 16: Leases - Lease Liability in a Sale and Leaseback
Amendments to MFRS 101: Presentation of Financial Statements
− Non-current Liabilities with Covenants
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of these Standards does not have any material impact on the financial statements.

A2. Status of Audit Qualification

Not applicable as the audited financial statements for the year ended 31 December 2022 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

<u>Share Buy-Back / Treasury Shares</u>

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 27 May 2022.

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 2022	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 2023.

A7. Dividend paid

A single-tier final dividend of 9 sen per share in respect of the financial year ended 31 December 2022 was paid on 18 May 2023.

A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 31 March 2023 and its comparative:-

3 months period ended 31/03/2023	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	228,720	64,602	39,574	-	1,599	-	-	334,495
Inter-segment sales	23,004	-	342	10,316	-	-	(33,662)	-
Total revenue	251,724	64,602	39,916	10,316	1,599	-	(33,662)	334,495
RESULTS								
Operating results	5,026	1,137	14,346	3,380	2,651	796	1,300	28,636
Foreign exchange gain/(loss)	-	-	-	-	-	4,764	2	4,766
Finance costs	(1)	(305)	-	-	(2,085)	(50)	2,391	(50)
Interest income	-	-	-	-	-	11,218	(2,383)	8,835
Profit/(Loss) before tax	5,025	832	14,346	3,380	566	16,728	1,310	42,187
Income tax expense								(4,709)
Profit for the period								37,478

3 months period ended 31/03/2022	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	325,013	39,856	41,544	-	1,014	-	-	407,427
Inter-segment sales	41,892	-	239	14,156	-	-	(56,287)	-
Total revenue	366,905	39,856	41,783	14,156	1,014	-	(56,287)	407,427
RESULTS								
Operating results	17,412	(472)	20,700	8,814	1,134	285	(2,433)	45,440
Foreign exchange gain/(loss)	-	-	-	-	-	2,576	-	2,576
Finance costs	(12)	(158)	-	-	(1,279)	(460)	1,449	(460)
Interest income	-	-	-	-	-	2,881	(1,450)	1,431
Profit/(Loss) before tax	17,400	(630)	20,700	8,814	(145)	5,282	(2,434)	48,987
Income tax expense								(13,549)
Profit for the period								35,438

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 2023 up to the date of this report.

A11. Changes in the Composition of the Group

In Q4 2022, the Group's subsidiary Lusaka Holdings Sdn Bhd carried out a selective capital reduction exercise in accordance with Section 117 of the Companies Act 2016 to reduce its share capital by 1,500,000 ordinary shares held by non-controlling interest through a capital repayment of RM1,500,000. The exercise was completed in Q2 2023, resulting in Lusaka Holdings Sdn Bhd becoming a wholly-owned subsidiary of the Group with a share capital of RM3,500,000 comprising 3,500,000 ordinary shares.

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	
		2023	2022
		RM’000	RM’000
(i)	Transactions with subsidiaries		
	Purchases	15,688	26,378
	Sales	16,621	28,918
	Rental income	342	240
	Dividend income	-	-
	Interest income	2,382	1,448
	Management fees	287	287
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A13. Significant Related Party Transactions (cont'd)

	3 months ended 31-Mar 2023 RM'000	2022 RM'000
(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	2,074	3,366

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 2023 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(3,744)	(3,744)
Foreign tax	395	395
	(3,349)	(3,349)
Over/(under) provision in respect of prior years		
Malaysian income tax	-	-
Foreign tax	-	-
	-	-
Deferred tax		
Transfer from/(to) deferred taxation	(1,360)	(1,360)
Total income tax expense	(4,709)	(4,709)

The Group's effective tax rate of 11% was lower than the statutory tax rate of 24% due mainly 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	-	5,524
Note payable within a year - secured	35,488	156,646

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 2023, 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 assets/(liabilities) RM'000
Currency forward contracts - less than 1 year	835	34

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 2023	4th Quarter 2022	<---- Increase/(Decrease)---->	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	334,495	374,364	(39,869)	(11)
Profit before taxation	42,187	58,259	(16,072)	(28)

Revenue

The Group's revenue in 1st Q 2023 was lower than 4th Q 2022. The following segments had recorded revenue in 1st Q 2023 materially different from 4th Q 2022:-

Manufacturing

The segment recorded a lower revenue in 1st Q 2023 as compared to preceding quarter. The decrease in revenue was mainly due to lower selling price and quantity of refined oil sold in 1Q 2023.

Property Development

The segment recorded a higher revenue in 1st Q 2023 as compared to 4th Q 2022. The increase in revenue was mainly contributed from the higher number of units sold for residential and commercial properties.

Profit before taxation

The Group recorded a lower profit in 1st Q 2023 as compared to 4th Q 2022. The following segments had recorded results in 1st Q 2023 materially different from 4th Q 2022:-

Property Development

The segment recorded a higher profit in 1st Q 2023 as compared to 4th Q 2022. The higher profit was mainly due to higher profit margin and higher number of units sold for residential and commercial properties.

Hotels

The segment recorded a lower profit in 1st Q 2023 as compared to 4th Q 2022. The lower profit was due to a reversal of impairment loss in 4th Q 2022 and lower occupancy and average room rates of an overseas hotel in 1st Q 2023.

B7. Review of Performance

	To 1st Quarter 2023 RM '000	To 1st Quarter 2022 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	334,495	407,427	(72,932)	(18)
Profit before taxation	42,187	48,987	(6,800)	(14)

Revenue

The Group's revenue in 1Q 2023 was lower than 1Q 2022. The following segments had recorded revenue in 1Q 2023 materially different from 1Q 2022:-

Manufacturing

The segment recorded a lower revenue in 1Q 2023 as compared to preceding year corresponding period. The decrease in revenue was mainly due to lower selling price of refined oil sold in 1Q 2023.

Hotels

A higher revenue was recorded by the segment in 1Q 2023 as compared to 1Q 2022. The increase in revenue was mainly due to higher average room rate and occupancy rate for our overseas hotels as a result of rebound in demand after the easing of travel restriction and pandemic lockdown measures.

Profit before taxation

The Group recorded a lower profit in 1Q 2023 as compared to 1Q 2022. The results of the following segments in 1Q 2023 were materially different from 1Q 2022:-

Manufacturing

The segment recorded a lower profit in 1Q 2023 as compared to 1Q 2022. The lower profit was due mainly to lower refining margin achieved in 1Q 2023 as compared to 1Q 2022. The segment also recorded a forex loss in 1Q 2023 as compared to a forex gain in 1Q 2022.

B7. Review of Performance (cont'd)

Profit before taxation (cont'd)

Property Development

The segment recorded lower profit in 1Q 2023 as compared to 1Q 2022 due mainly to lower profit recognised from industrial land sold.

Interest Income as Unallocated Item

The Group recorded a higher interest income earned from Cash and Bank Balances and Short Term Funds due to higher interest rates in 1Q 2023 as compared to 1Q 2022.

B8. Prospects for 2023

Plantation and Manufacturing

As a result of government initiatives aimed at addressing labour shortages, there is an expectation of improved plantation crop yields and productivity. However, the escalating costs of fertilizers, chemicals and labour have caused production costs to spike. In view of these persistent issues, the outlook for the palm oil plantation division is expected to remain challenging.

With the uncertainty in FFB production and declining FFB yield in the palm plantation industry, the Mill's FFB intake is not expected to be higher than that in 2022. Stiff competition on the purchase of FFB, inflationary pressures and compliance costs on environmental protection and sustainability continue to adversely affect the financial performance of the Mill.

For Refinery, it is anticipated to operate in a negative refining margin for the remaining 3 quarters of 2023 due to low palm oil stock.

Property Development

In Bandar Baru Kangkar Pulai ("BBKP"), the first phase of the Ruby Hills development consisting of 132 units of Phase 8A gated and guarded double-storey cluster houses launched in June 2022 received good take-up rates with more than 81% of the units sold. A new phase, Citrine Hills, consisting of 139 units of double-storey terrace houses launched in Dec 2022 also received good response with more than 50% of the units sold. We are also actively promoting the sales of the remaining Avelia single-storey terrace houses and Amber Hills single-storey cluster houses. Moving forward, the Division is planning to launch another phase, Phase 8B double-storey cluster houses in Ruby Hills in 2Q 2023.

B8. Prospects for 2023 (cont'd)

Property Development (cont'd)

In Tanjong Puteri Resort ("TPR"), we are planning to launch a new phase of single-storey terrace houses in 2Q 2023 and another phase of double-storey terrace houses in 4Q 2023.

TD Point and our other rental properties have seen steady recovery as spending by domestic and international visitors recover to pre-COVID levels, while at the same time the number of visitors to TD Point has been further boosted by the recently opened Eco-Shop. Our newest "Build-to-Lease" standalone commercial district, TD Central, which opened progressively from March 2022 to good public reception, features more brands and tenants such as A&W restaurant, Watsons pharmacy, Chicago Chicken City restaurant, Kuroma Japanese buffet restaurant, Cawan Mas Coffee kopitiam drive-thru restaurant and Salad Atelier restaurant. As more units are completed, we anticipate further standalone commercial outlets opening in TD Central from 3Q 2023 onwards.

In view of the heightened macroeconomic pressures both globally and nationally, the increase in construction, material and labour costs and the impact of higher inflation and rising interest rates affecting cost of living and affordability, we remain cautious and vigilant of the timing of new launches and the challenges associated with rising construction cost and interest rate.

Property Investment

Occupancy rates at Menara Keck Seng are expected to remain stable. For Regency Tower, despite an increasing pool of expatriates, the prospects for the remaining quarters are expected to be challenging and highly competitive due to surplus unoccupied residential accommodation and the emergence of new luxury service residences.

Hotels & Resort

The accommodations sector in New York State has shown significant recovery in Q4 2022 and into 2023. While Q1 occupancy rates in Springhill Suites Midtown Manhattan have typically been lower compared to other quarters, higher room rates in Q1 have compensated for the lower occupancy levels, as room rates recover to pre-pandemic levels. Q2 has seen strong occupancy levels, with Average Rates currently at or exceeding 2019 pre-pandemic levels. The forecast for 2023 expects occupancy rates in New York City to remain flat at 2022 levels or slightly lower than 2019 levels. However, Average Daily Rates will continue to rise and surpass both 2022 and 2019 levels.

B8. Prospects for 2023 (cont'd)

Hotels & Resort (cont'd)

The projected occupancy forecast for DoubleTree by Hilton Alana - Waikiki Beach ("DAH") in 2023 is expected to be higher than that of 2022, leading to an increase in projected room revenue and total revenue compared to 2022. DAH will continue its recovery strategy for 2023, aiming to maximize the Average Daily Rate ("ADR") by offering competitive group packages and incentives in the transient accommodations and group market. The forecasted ADR for 2023 is expected to be higher than that of 2022, and DAH will continue soliciting contracts with airlines to accommodate distressed passengers for short-term occupancy. We are in the process of preparing for a renovation and upgrading for this hotel.

The Delta Hotels by Marriott Toronto Airport in Canada had a successful first quarter in 2023, surpassing both revenue and profitability metrics compared to budget and the same period last year. The second quarter is expected to be similarly successful, and the Hotel is optimistic that this positive trend will continue throughout 2023, barring any major industry disruption. The results are mainly driven by rebounding group business, resulting in good profit margins primarily due to premium room rates and ancillary revenue streams such as F&B, room rental, and Audio-Visual commissions.

Tanjong Puteri Golf Resort ("TPGR") continues to face steep inflationary increases in food costs, operating supplies, and manpower costs. The current high operational costs and stubborn inflation limit the prospects of achieving significant profit margins in the short to medium term. In response to these challenges, TPGR will appoint a specialist golfing and travel operator to manage the Resort, employing the majority of its existing staff. Management is actively reviewing medium-term options to improve the Resort's financial performance and sustainability.

Conclusion

The war in Ukraine, ongoing geopolitical tensions, potential COVID-19 resurgence, surging inflation, global climate change, rising interest rates, and volatility in international currency markets are expected to impact the Group's performance in 2023. Energy and food crises, among other consequences, have resulted from the war in Ukraine.

B9. Explanatory Notes for Variance of Actual Profit from Forecast Profit / Profit Guarantee

Not applicable.

B10. Dividends

a) A single-tier final dividend of 9 sen per share in respect of the financial year ended 31 December 2022 was paid on 18 May 2023.

b) No interim dividend has been declared in respect of the first financial quarter ended 31 March 2023.

c) The total dividends for the financial year ended 31 December 2022:

Type of dividend	sen per share
Interim, single-tier	5.00
Final, single-tier	9.00
	14.00

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
Earnings attributable to owners of the parent (RM'000)	35,097	35,097
Weighted average number of ordinary shares in issue ('000)	359,303	359,303
Basic earnings per share (sen)	9.77	9.77

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/(loss) before tax:-

		Individual Quarter 3 months ended 31-Mar		Cumulative Quarter 3 months ended 31-Mar	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	8,835	1,431	8,835	1,431
b)	Dividend income	1,599	1,014	1,599	1,014
c)	Other income	505	1,219	505	1,219
d)	Interest expenses	(2,437)	(1,099)	(2,437)	(1,099)
e)	Depreciation and amortisation	(7,329)	(7,764)	(7,329)	(7,764)
f)	(Allowance for)/(write-off)/write back of receivables	(41)	(68)	(41)	(68)
g)	(Allowance for)/(write-off)/write-back of inventories	0	85	0	85
h)	Gain /(Loss) on disposal of properties, plant & equipment	198	10	198	10
i)	Gain /(Loss) on disposal of investment properties	0	0	0	0
j)	Reversal/(Provision) of impairment of assets	0	0	0	0
k)	Realised exchange gain/(loss)	(6,915)	852	(6,915)	852
l)	Unrealised exchange gain/(loss)	12,000	3,722	12,000	3,722
m)	Assets (written off)/write-back	(9)	(2)	(9)	(2)
n)	Gain/(Loss) on derivatives	524	(268)	524	(268)
o)	Provision for land held for development	0	0	0	0
p)	Fair value gain/(loss) on biological assets	(198)	307	(198)	307
q)	Fair value gain/(loss) on short term funds	796	285	796	285
r)	Gain/(Loss) on redemption of short term fund	0	0	0	0
s)	Fair value gain/(loss) on unquoted investment	0	0	0	0
t)	Waiver of loan received from Paycheck Protection Program	0	0	0	0