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

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 26 May 2023.

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 as at 31 Dec 2023	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 December 2023.

A7. Dividend paid

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) A single-tier interim dividend of 5 sen per share in respect of the financial year ended 31 December 2023 was paid on 26 October 2023.

A8. Segmental Information

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

12 months period ended 31/12/2023	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	850,104	305,557	206,580	-	8,630	-	-	1,370,871
Inter-segment sales	101,575	-	1,137	42,902	13,558	-	(159,172)	-
Total revenue	951,679	305,557	207,717	42,902	22,188	-	(159,172)	1,370,871
RESULTS								
Operating results	26,714	89,928	77,235	12,561	32,743	2,942	(9,664)	232,459
Foreign exchange gain/(loss)	-	-	-	-	-	(10,762)	35,968	25,206
Finance costs	(7)	(1,027)	-	-	(11,258)	(444)	12,292	(444)
Interest income	-	-	-	-	-	51,546	(12,350)	39,196
Profit/(Loss) before tax	26,707	88,901	77,235	12,561	21,485	43,282	26,246	296,417
Income tax expense								(37,440)
Profit for the period								258,977

12 months period ended 31/12/2022	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	1,438,939	256,015	124,969	-	7,649	-	-	1,827,572
Inter-segment sales	147,274	-	1,266	46,033	23,281	-	(217,854)	-
Total revenue	1,586,213	256,015	126,235	46,033	30,930	-	(217,854)	1,827,572
RESULTS								
Operating results	90,499	54,588	45,874	17,943	27,140	1,433	(16,197)	221,280
Foreign exchange gain/(loss)	-	-	-	-	-	16,721	6,238	22,959
Finance costs	(29)	(857)	-	-	(6,594)	(1,258)	7,480	(1,258)
Interest income	-	-	-	-	-	21,728	(7,530)	14,198
Profit/(Loss) before tax	90,470	53,731	45,874	17,943	20,546	38,624	(10,009)	257,179
Income tax expense								(47,804)
Profit for the period								209,375

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 December 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 in the Group with a share capital of RM3,500,000 comprising 3,500,000 ordinary shares.

The Board of Tanjong Puteri Golf Resort Berhad (“TPGR”) a 99.97% owned subsidiary of Keck Seng (Malaysia) Berhad (“KSM”), had on 2 October 2023 made a Statutory Declaration pursuant to Section 440(1) of the Companies Act 2016 that TPGR cannot by reason of its liabilities continue its business, and appointed an Interim Liquidator to commence the creditors’ voluntary winding up (“CVWU”). On 31 October 2023, an Extraordinary General Meeting of Members was held where a special resolution for a CVWU and an ordinary resolution for the nomination of a liquidator were approved. Following that, a Creditors’ Meeting was held to approve the appointment of the nominated liquidator to oversee the winding-up of TPGR until its final dissolution. The winding up of TPGR has no material effect on the earnings of KSM Group for the financial year ended 31 December 2023.

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.

	12 months ended 31-Dec 2023 RM'000	12 months ended 31-Dec 2022 RM'000
(i) Transactions with subsidiaries		
Purchases	68,986	92,582
Sales	69,356	97,750
Rental income	1,219	1,266
Dividend income	13,558	23,281
Interest income	11,265	7,530
Management fees	1,159	1,146
(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	7,963	13,626

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Taxation

The taxation charge for the current quarter and year to-date ended 31 December 2023 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(9,610)	(26,598)
Foreign tax	(4,004)	(6,735)
	(13,614)	(33,333)
Over/(under) provision in respect of prior years		
Malaysian income tax	-	(978)
Foreign tax	(2)	(2)
	(2)	(980)
Deferred tax		
Transfer from/(to) deferred taxation	(2,366)	(3,127)
Total income tax expense	(15,982)	(37,440)

The Group's effective tax rate of 13% was lower than the statutory tax rate of 24% due mainly to certain incomes are 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	-	14,342
Note payable within a year - secured	-	-
Long term borrowings:-		
Note payable after 1 year - secured	14,443	66,382

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 December 2023, there were no outstanding currency forward contracts and the fair value gain recognised during the period amounts to RM 490,000.

B5. Changes In Material Litigation

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

B6. Comparison with Preceding Quarter's Results

	4th Quarter 2023	3rd Quarter 2023	<---- Increase/(Decrease)---->	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	344,811	334,398	10,413	3
Profit before taxation	119,262	47,165	72,097	153

Revenue

The Group's revenue in 4th Q 2023 was higher than 3rd Q 2023. The following segments had recorded revenue in 4th Q 2023 materially different from 3rd Q 2023:-

Property Development

The segment recorded higher revenue in 4th Q 2023 compared to 3rd Q 2023. The increase in revenue was primarily attributed to revenue generated from the sales of industrial land.

Hotels

A higher revenue was recorded by the segment in 4th Q 2023 compared to 3rd Q 2023. The increase in revenue was mainly due to a higher average room rate and occupancy rate for our New York hotel, as well as the weakening of the MYR against USD in 4th Q 2023 compared to 3rd Q 2023.

Profit before taxation

The Group recorded a higher profit in 4th Q 2023 as compared to 3rd Q 2023. The following segments had recorded results in 4th Q 2023 materially different from 3rd Q 2023:-

Hotels

The segment recorded a higher profit in 4th Q 2023 as compared to 3rd Q 2023 due mainly to a reversal of impairment loss recognised on an overseas hotel and better occupancy and average room rates for the overseas hotel in 4th Q 2023.

B7. Review of Performance

	To 4th Quarter 2023 RM '000	To 4th Quarter 2022 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	1,370,871	1,827,572	(456,701)	(25)
Profit before taxation	296,417	257,179	39,238	15

Revenue

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

Manufacturing

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

Property Development

The segment recorded higher revenue in 2023 compared to the corresponding period in the preceding year. The increase in revenue was primarily attributed to a higher average selling price per unit sold and increase in the number of residential units sold in 2023.

Hotels

A higher revenue was recorded by the segment in 2023 as compared to 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.

B7. Review of Performance (cont'd)

Profit before taxation

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

Manufacturing

The segment recorded a lower profit in 2023 as compared to 2022. The lower profit was due to lower refining margin and lower forex gain in 2023 as compared to 2022.

Hotels

The segment recorded a higher profit in 2023 as compared to 2022 due mainly to higher reversal of impairment loss recognised on an overseas hotel and better occupancy and average room rates for the 3 overseas hotels in 2023.

Property Development

The segment recorded a higher profit due to increase in number of units sold for residential properties and higher average selling price per unit sold in 2023.

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 2023 as compared to 2022.

B8. Prospects for 2024

Plantation and Manufacturing

In 2024, although there is an expected increase in production from young mature palms, the impact of the extreme dry weather in 2023 is likely to affect the output from mature areas. Overall, the Fresh Fruit Bunch (FFB) production in 2024 is anticipated to remain similar to that of 2023. While the costs of labour, fertilisers, and chemicals may show signs of reduced volatility, the uncertain direction of the price of FFB could still pose challenges to the financial performance of the plantation division in the coming year.

The extreme dry weather in 2023 is expected to result in a decrease in FFB production nationwide in 2024. This will lead to increased competition for available FFB in the open market and could potentially result in lower intake volumes by the Mill as compared to 2023. With the projected reduction of FFB intake, the yearly increase in production cost, overhead and compliance costs associated with environmental protection and sustainability caused by the continuation of international turmoil, the performance of the Mill is expected to be challenging in 2024.

B8. Prospects for 2024 (cont'd)

Plantation and Manufacturing (cont'd)

For Refinery, tight refining margins are expected to continue into 2024 due to anticipated stagnation in global palm oil production and growing demand for biodiesel usage, leading to supply constraints.

Property Development

In Bandar Baru Kangkar Pulai ("BBKP"), the second phase (Phase 8B) of the Ruby Hills development consisting of 172 units of gated and guarded double-storey cluster houses launched in May 2023 has seen more than 40% of the units now sold, while Phase 8A consisting of 132 units is more than 95% sold. For Citrine Hills, the first phase (Phase 7A1) consisting of 139 units of gated and guarded double-storey terrace houses launched in December 2022 has about 75% of the units now sold, while Phase 7A2 consisting of 112 units has more than 20% of the units sold since November 2023. The Division is launching new phases, Phase 8C of Ruby Hills, and Phase 7A3 of Citrine Hills in 3Q, 2024. We are also launching the Centralis 72 development consisting of 72 units of double-storey shop offices in February 2024.

In Tanjong Puteri Resort ("TPR"), Phase 7B single-storey terrace houses was launched in May 2023 with more than 50% of the units now sold. Phase 4F1 double-storey terrace houses has about 20% of the units now sold since November 2023.

In Taman Daya ("TD"), the Division is launching the first phase of the Greenwoods Residence development consisting of 106 units of gated and guarded double-storey cluster, semi-detached, and link bungalow houses in March 2024.

2024 will see us commence a new township in Masai called Taman Bukit Cahaya ("TBC"), where 95 units of double-storey terrace houses in Phase 1 will be launched in 4Q, 2024.

Retailers at TD Point and TD Central rental properties have benefited from an influx of international visitors, especially from Singapore. Our "Build-to-Lease" standalone commercial district, TD Central, will be welcoming new brands and drive-thrus such as Sushi Niki, Tealive, Mr. D.I.Y., and China supermarket, Scarlett in Q1, 2024.

In view of the global geopolitical conflicts in the Middle East and Ukraine and the macroeconomic inflationary impacts on construction, material, and labour costs; we remain vigilant of the timing of new launches and the challenges associated with sales.

B8. Prospects for 2024 (cont'd)

Property Investment

Occupancy rates at Menara Keck Seng are expected to remain stable. For Regency Tower, the prospect for 2024 is expected to remain challenging, and highly competitive due to an increase in supply of competing accommodation at competitive rental rates, on top of the stock of unoccupied residential accommodation and luxury service residences.

Hotels & Resort

The accommodation sector in New York State continues to see economic improvements as inflationary pressures experienced in early 2023 ease off. Demand for hotel rooms in New York City ("NYC") is up, and occupancy growth is also on the increase. Springhill Suites Midtown Manhattan aims to sustain the momentum generated in 2023 by achieving higher Occupancy and Average Daily Rates, resulting in higher Room and Total Revenues compared to 2023. The hotel will strategically leverage premium and suites rooms while pursuing emerging segments in the Entertainment and Biotech fields, both growing industries in NYC. We will continue supporting revenue management efforts with strategic investments in e-commerce and Digital marketing. Our partnership with Amazon, a significant new corporate client, and leveraging on Government segments during slower periods will enhance revenue.

The projected occupancy for Doubletree by Hilton Alana – Waikiki Beach ("DAH") for 2024 is anticipated to surpass the figures achieved in 2023, resulting in projected increases in projected room and total revenue. DAH remains committed to maintaining a high Average Daily Rate (ADR), with a focus on top-tier corporate clients engaged in projects and extended stays within the construction, energy, and IT sectors. Additionally, the hotel will intensify efforts to boost weekend occupancy and actively pursue Group, Corporate and Military Requests for Proposals (RFP) in 2024 to address the continued softness in the Japan/Asia market. DAH will continue its current strategy of securing contracts with airlines to accommodate crews, as well as catering for distressed passengers for short-term, quick occupancy fillers.

The Delta Hotels by Marriott-Toronto Airport located in Canada experienced a successful fourth quarter in 2023, with overall revenues surpassing both the budgeted amount and revenues from the corresponding quarter in 2022. Thanks to this continued positive performance, the Hotel exceeded its full-year 2023 revenue and profit budgets, outperforming the full-year results from 2022 as well. Revenues for the first-quarter of 2024 are currently forecasted to exceed the previous year's first-quarter results and come close to meeting budgeted figures. The strength of US-dollar has helped with business from the United States too. The Hotel maintains a cautious optimism about sustaining this positive trend throughout the year, barring any major economic or travel disruptions.

B8. Prospects for 2024 (cont'd)

Hotels & Resort (cont'd)

Following Tanjong Puteri Golf Resort Berhad's winding-up, Keck Seng (Malaysia) Berhad ("KSM"), the holding company, entered into a fixed term licence agreement with a third-party operator to manage and provide services at the resort with effect from 1 November 2023 in consideration of payment of license fees to KSM.

Conclusion

The ongoing Russian-Ukraine war, the Middle East conflict, geopolitical tensions, global warming, volatility in international currencies, high-interest rates, and rising costs are expected to impact the Group's performance in 2024.

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) A single-tier interim dividend of 5 sen per share in respect of the financial year ending 31 December 2023 was paid on 26 October 2023.

c) The Board will announce their recommendation on the dividend at a later date.

d) The total dividends for the current financial year ending 31 December 2023:

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

e) 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)	94,532	240,692
Weighted average number of ordinary shares in issue ('000)	359,303	359,303
Basic earnings per share (sen)	26.31	66.99

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-Dec		Cumulative Quarter 12 months ended 31-Dec	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	10,405	6,976	39,196	14,198
b)	Dividend income	629	614	8,630	7,649
c)	Other income	307	(5,720)	3,194	8,431
d)	Interest expenses	(1,488)	(2,219)	(7,382)	(6,730)
e)	Depreciation and amortisation	(7,500)	(8,449)	(29,288)	(32,653)
f)	(Allowance for)/(write-off)/write back of receivables	(139)	(25)	(91)	(34)
g)	(Allowance for)/(write-off)/write-back of inventories	1,464	(22)	1,387	127
h)	Gain /(Loss) on disposal of properties, plant & equipment	(3,136)	3	1,267	18
i)	Gain /(Loss) on disposal of investment properties	0	0	0	0
j)	Reversal/(Provision) of impairment of assets	56,400	19,636	56,400	19,636
k)	Realised exchange gain/(loss)	34,694	3,042	31,308	9,293
l)	Unrealised exchange gain/(loss)	(34,234)	(14,602)	7,830	26,419
m)	Assets (written off)/write-back	(100)	(283)	(237)	(300)
n)	Gain/(Loss) on derivatives	89	1,849	490	(758)
o)	Provision for land held for development	557	0	557	0
p)	Fair value gain/(loss) on biological assets	(702)	295	(192)	29
q)	Fair value gain/(loss) on short term funds	495	495	2,761	1,433
r)	Gain/(Loss) on redemption of short term fund	181	0	181	0
s)	Fair value gain/(loss) on unquoted investment	1,601	573	8,052	5,631
t)	Waiver of loan received from Paycheck Protection Program	0	79	0	11,527
u)	Gain on lease termination	80	0	80	0