



誠成集團

K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Condensed Consolidated Statement of Comprehensive Income for the 3 months ended 31/03/2014

	Note	Individual quarter ended		Cumulative period 3 months ended	
		31/03/2014	31/03/2013	31/03/2014	31/03/2013
		RM'000	RM'000	RM'000	RM'000
Revenue	A7	21,058	20,999	21,058	20,999
Cost of sales		(17,726)	(17,854)	(17,726)	(17,854)
Gross profit		3,332	3,145	3,332	3,145
Other income		145	39	145	39
Selling and distribution expenses		(571)	(518)	(571)	(518)
Administration expenses		(1,634)	(1,439)	(1,634)	(1,439)
Other expenses		(435)	(341)	(435)	(341)
Profit from operations		837	886	837	886
Finance costs		(386)	(331)	(386)	(331)
Share of results of associate		76	54	76	54
Profit before taxation	B8	527	609	527	609
Income tax expense	B5	(80)	(139)	(80)	(139)
Profit after taxation		447	470	447	470
Total Comprehensive income for the period		447	470	447	470
Profit Attributable To:					
Owners of The Parent		482	488	482	488
Non-Controlling Interests		(35)	(18)	(35)	(18)
Total Comprehensive income attributable to :		447	470	447	470
Weighted average number of ordinary shares in issue ('000)					
	B11	96,000	96,000	96,000	96,000
Earnings per share attributable to owners of the parent :					
Basic (Sen)	B11	0.50	0.51	0.50	0.51
Diluted (Sen)		0.50	0.51	0.50	0.51

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Consolidated Statement of Financial Position as at 31/03/2014

	Note	Unaudited As at 31/03/2014 RM'000	Audited As at 31/12/2013 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		13,506	13,484
Investment in an associate		3,058	2,982
Goodwill on consolidation		140	140
Deferred Tax Assets		752	702
		<u>17,456</u>	<u>17,308</u>
Current assets:			
Inventories		47,033	39,545
Trade & other receivables		43,136	39,889
Tax recoverable		415	319
Cash and bank balances		17,918	22,790
		<u>108,502</u>	<u>102,543</u>
TOTAL ASSETS		<u>125,958</u>	<u>119,851</u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade & Other payables		19,262	16,568
Provision for taxation		65	38
Hire purchase payable	B7	900	858
Loans and borrowings	B7	29,908	27,210
		<u>50,135</u>	<u>44,674</u>
Non-current liabilities			
Hire purchase payables	B7	1,885	1,699
Deferred tax liabilities		123	110
		<u>2,008</u>	<u>1,809</u>
TOTAL LIABILITIES		<u>52,143</u>	<u>46,483</u>
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		24,620	24,138
Equity attributable to owners of the parent		<u>73,135</u>	<u>72,653</u>
Non-controlling Interests		680	715
TOTAL EQUITY		<u>73,815</u>	<u>73,368</u>
TOTAL EQUITY AND LIABILITIES		<u>125,958</u>	<u>119,851</u>
Net assets per share attributable to owners of the parent (RM)		0.76	0.76

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Statement of Changes in Equity for the 3 months ended 31/03/2014

<----- Attributable to Owners of Parent ----->

Note	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance at 01/01/2013	48,000	515	11,930	60,445	616	61,061
Total comprehensive income for the period	-	-	488	488	(18)	470
Balance at 31/03/2013	48,000	515	12,418	60,933	598	61,531
Balance at 01/01/2014	48,000	515	24,138	72,653	715	73,368
Total comprehensive income for the period	-	-	482	482	(35)	447
Balance at 31/03/2014	48,000	515	24,620	73,135	680	73,815

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.)

Condensed Statement of Cash Flows for the 3 months ended 31/03/2014

	3 months ended	
	31/03/2014	31/03/2013
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	527	609
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	445	350
Gain on disposal property, plant and equipment	-	(14)
Interest expense	383	327
Interest income	(145)	(39)
Share of profits of Associate	(76)	(54)
Operating profit before changes in working capital	1,134	1,179
Working Capital Changes		
(Increase)/decrease in trade and other receivables	(3,507)	19
Increase in inventories	(3,164)	(621)
Increase in trade and other payables	(1,161)	(1,707)
Increase in Short term Trade Banker Acceptance	2,489	(1,115)
	(5,343)	(3,424)
Cash Used In Operations	(4,209)	(2,245)
Interest income	145	39
Interest expense	(383)	(327)
Income tax refunded	-	866
Income tax paid	(185)	(249)
	(423)	329
Net Cash used in Operating Activities	(4,632)	(1,916)
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	-	19
Purchases of property, plant and equipment	55	(11)
Net cash generated from/(used in) Investing Activities	55	8
Cash Flows From Financing Activities:		
Repayment of bank borrowings	-	(19)
Payment for hire purchase obligations	(295)	(329)
Net cash flow generated from/(used in) Financing Activities	(295)	(348)

Condensed Statement of Cash Flows for the 3 months ended 31/03/2014

	3 months ended	
	31/03/2014	31/03/2013
	RM'000	RM'000
Net changes in Cash and Cash Equivalents	(4,872)	(2,256)
Cash and Cash Equivalents at Beginning of The Period	22,790	8,910
Cash and Cash Equivalents at End of The Period	17,918	6,654
Cash and Cash Equivalents Comprise:		
Cash and bank balances	17,921	6,654
Bank overdrafts	(3)	-
	17,918	6,654

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.)

Notes of the Interim Financial Report for the 3 months ended 31/03/2014

A. Compliance with Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting and Bursa Listing Requirements

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB), International Accounting Standard (IAS) 34: Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) and Chapter 9 Part K of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities). The figures for the cumulative period 3 months ended 31/03/2014 have not been audited.

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31/12/2013, which were prepared in accordance with Malaysian Financial Reporting Standards (MFRSs) and International Financial Reporting Standards (IFRSs). The 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 financial year ended 31/12/2013.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31/12/2013 except for the adoption of the following MFRSs and Amendments to MFRSs, which are applicable to its financial statements and are relevant to its operations:-

Effective for annual periods beginning on or after 1 January 2014

- MFRS 10, Consolidated Financial Statements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (as amended in June 2011)
- MFRS 127, Separate Financial Statements (as amended by IASB in May 2011)
- Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, Consolidated Financial Statements
- Amendments to MFRS 12, Disclosure of Interest in Other Entities: Transition Guidance
- Amendments to MFRSs and IC Interpretations contained in the documents entitled "Annual Improvements 2009-2011 Cycle"

The adoption of the above MFRSs and amendments to MFRSs did not have any financial impacts on the Group's financial results.

The following MFRSs, IC Interpretations and Amendments to MFRSs have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group:

Effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Recoverable Amount Disclosures from Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

Effective for annual periods beginning on or after 1 January 2015

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Date of MFRS9 and Transition Disclosure

A2. Seasonality or cyclicity of interim operations

Other than lower demand for our products during the festive period particularly in the first quarter of the year, our Group does not experience any material seasonality or cyclicity in our business operations.

Notes of the Interim Financial Report for the 3 months ended 31/03/2014

A3. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and cumulative 3 months period ended 31/03/2014.

A4. Material Changes in estimates

There were no changes in estimates that had materially affected the Group during the current quarter under review and financial year to date.

A5. Issuances, repurchases and repayments of debts and equity instruments

There were no issuance and repayment of debts and equity securities, shares buy-back, shares cancellation, shares held as treasury shares or resale of treasury shares during the current quarter under review and financial year to date.

A6. Dividends paid

There were no dividends paid by the Group during the current quarter ended 31/03/2014.

A7. Operating Segment Information

The segment information for the current quarter is as follows:

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>3 months ended 31/03/2014</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	7,387	6,895	2,168	4,608	21,058
Reportable segment gross profit	661	1,514	463	694	3,332
<i>3 months ended 31/03/2013</i>					
Revenues from external customers	9,105	6,737	2,467	2,690	20,999
Reportable segment gross profit	898	1,491	368	388	3,145

A8. Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 31/03/2014 up to the date of this interim financial report which may substantially affect the results of the operations of the Group.

A9. Effects of changes in the composition of the Group and financial year-to-date

There were no changes in composition of the Group during the current quarter ended 31/03/2014 and financial year to date.

A10. Changes in contingent liabilities & assets since the last annual financial statements date

There were no changes in the contingent liabilities and assets of the Group since the last audited date of the financial statements.



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Notes of the Interim Financial Report for the 3 months ended 31/03/2014

A11. Capital commitment

Authorised capital commitments not recognised in the interim financial statements as at 31/03/2014 are as follows:

	RM'000
Approved and contracted for	371
Approved but not contracted for	-
	371
Analysed as follows:	
For purchase of plant and equipment	371

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/03/2014 are as follows:

Nature of Relationship	Sales of goods RM'000	Purchases of goods RM'000	Overdue Charges RM'000	Total for nature of relationship RM'000
<i>Current quarter:</i>				
Associate	-	141	28	169
Total for type of transaction	-	141	28	169
<i>Cumulative 3 months Period:</i>				
Associate	-	141	28	169
Total for type of transaction	-	141	28	169

Notes of the Interim Financial Report for the 3 months ended 31/03/2014

B. Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Bhd

B1. Review of performance

The Group revenue for the 3 months cumulative period had marginally increased by 0.28% from RM21.00 million as reported in the corresponding preceding period in the prior financial year, which is comparable to the current quarter of RM21.06 million.

The Group profit before tax for the 3 months cumulative period had decreased from RM0.61 million achieved in the previous financial year to RM0.53 million, represents a decline of 13.46% in profit before tax, this was attributed primarily to an increase in our overall selling and distribution expenses, administration expenses and other expenses due to increased business activities.

B2. Comparison with immediate preceding quarter's results

The Group profit before tax of RM0.53 million for the current quarter under review was 63.02% lower compared with the profit before tax amounting to RM1.43 million of the immediate preceding quarter. This was mainly due to lower demand for our products in festival seasons as disclosed in Note A2 particularly Stainless Steel Products segment and Engineering Works segment which was recorded 20.54% and 59.35% respectively lower compared with immediate preceding quarter.

B3. Commentary on prospects

The Board will continue to enhance the Group marketing strategy through expansion into Engineering Segment and increase the Group products offering to increase revenue. Barring the economic uncertainty, we expect the Group performance to remain satisfactory.

B4. Profit forecast or profit guarantee

Not applicable as the Group has not issued any profit forecast or profit guarantee in a public document.

B5. Breakdown of tax changes

Tax charges comprise:	Current Quarter RM'000	Current Year-to-Date RM'000
Malaysian taxation based on profit for the period:		
Current tax expense	116	116
Deferred tax expense	(36)	(36)
Net tax charge	<u>80</u>	<u>80</u>
Reconciliation of Effective Tax Rate:		Current Year-to-Date RM'000 %
Accounting Profit before tax		<u>527</u> -
Statutory tax amount / rate		132 25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment		(38) -7.2%
Other Expenses not deductible for tax purposes		7 1.3%
Other professional fee		11 2.1%
Share of results of an associate		(19) -3.6%
Deferred tax assets not recognised on:		
Over provision of deferred tax in prior years		(13) -2.0%
Effective tax amount / rate		<u>80</u> <u>15.1%</u>

Notes of the Interim Financial Report for the 3 months ended 31/03/2014

B6. Status of corporate proposals and utilisation of proceeds

(a) Corporate proposals

There were no corporate proposals not completed as at the date of this report.

(b) Utilisation of proceeds

The total gross proceeds raised from the public issue of RM11.47 million based on the issue price of RM0.57 will be utilised in the following manner:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Non-utilisation RM'000	Intended timeframe for utilisation (Listed on 19/01/2011)
(i) Business Expansion and capital expenditures	3,310	251	3,059	Extended to 19/01/2015
(ii) Working Capital	6,260	6,260	-	
(iii) Listing Expenses	1,900	1,900	-	
	11,470	8,411	3,059	

B7. Details of Group borrowings and debts securities

The Group's borrowings and debt securities denominated in Malaysian Ringgit as at 31/03/2014 are as follows:

	Total RM'000	Secured RM'000
Long-term:		
Hire purchase liabilities	1,885	1,885
	<u>1,885</u>	<u>1,885</u>
Short-term:		
Bills and other trade financing liabilities	29,908	29,908
Hire purchase liabilities	900	900
Bank overdrafts	3	3
	<u>30,811</u>	<u>30,811</u>

B8. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Individual quarter ended		Cumulative period 3 months ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(116)	(24)	(116)	(24)
Other income	(28)	(15)	(28)	(15)
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	445	350	445	350
Employee benefit expenses	2,202	1,815	2,202	1,815
<i>3) Other expenses:</i>				
Realised Forex (gains)/losses	(15)	(7)	(15)	(7)
<i>4) Finance costs:</i>				
Bank overdrafts	4	4	4	4
Bankers acceptance	324	288	324	288
Hire Purchase	54	36	54	36
Term Loan	-	(1)	-	(1)



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Notes of the Interim Financial Report for the 3 months ended 31/03/2014

B9. Changes in Material Litigations

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending which might materially and adversely affect the financial position or business of the Group.

B10. Dividends

The Directors do not recommend any dividend for the current quarter ended 31/03/2014.

A first and final single tier dividend of 2.0% amounting to RM960,000 and a special single tier dividend of 5.9% amounting to RM2,832,000 in respect of the financial year ended 31/12/2013, was approved by shareholders at the Annual General Meeting and will be paid on 24/06/2014.

B11. Earnings per share

(a) The earnings used as the numerator in calculating Basic and Diluted earnings per share (EPS) for the current quarter ended 31/03/2014 are as follows:

	Current Quarter RM'000	Current Year-to-Date RM'000
Profit for the financial period attributable to owners of the Parent (used as numerator for the Basic EPS)	<u>482</u>	<u>482</u>

(b) The weighted average number of ordinary shares used in the denominator in calculating Basic and Diluted earnings per share for the current quarter and cumulative period ended 31/03/2014 are as follows:

	Current Quarter '000	Current Year-to-Date '000
Weighted average number of ordinary shares in issue (used as denominator for the Basic EPS)	<u>96,000</u>	<u>96,000</u>
Weighted average number of ordinary shares in issue (used as denominator for the Diluted EPS)	<u>96,000</u>	<u>96,000</u>

Diluted earnings per share is equivalent to Basic EPS as the Group does not have any dilutive potential ordinary shares in issue during the financial quarter under review and financial year to date.

B12. Realised and unrealised profits

	31/03/2014 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	21,382
- Unrealised	<u>629</u>
	22,011
Total share of retained profits from associate:	
- Realised	1,861
- Unrealised	<u>377</u>
	24,249
Consolidation adjustments	<u>371</u>
Total Group retained profits as per consolidated financial statements	<u><u>24,620</u></u>

Notes of the Interim Financial Report for the 3 months ended 31/03/2014

B13. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the year ended 31/12/2013 did not contain any qualification.

B14. Authorisation for issue

The interim financial report was duly reviewed by Audit Committee and approved by the Board of Directors on 20/05/2014.