



誠成集團

K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 9 months ended 30/09/2015

	Note	Individual quarter ended		Cumulative period 9 months ended	
		30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Revenue	A7	21,802	26,378	72,755	78,172
Cost of sales		(18,044)	(20,090)	(60,998)	(63,461)
Gross profit		3,758	6,288	11,757	14,711
Other income		42	49	141	301
Selling and distribution expenses		(563)	(726)	(1,980)	(1,954)
Administration expenses		(1,838)	(1,712)	(5,553)	(5,022)
Other expenses		(532)	(520)	(1,501)	(1,345)
Profit from operations		867	3,379	2,864	6,691
Finance costs		(405)	(395)	(1,021)	(1,215)
		462	2,984	1,843	5,476
Share of results of associate		28	45	156	240
Profit before taxation	B8	490	3,029	1,999	5,716
Income tax expense	B5	(121)	(696)	(504)	(1,320)
Profit after taxation		369	2,333	1,495	4,396
Total Comprehensive income for the period		369	2,333	1,495	4,396
Profit Attributable To:					
Owners of The Parent		391	1,950	1,238	3,882
Non-Controlling Interests		(22)	383	257	514
		369	2,333	1,495	4,396
Total Comprehensive income attributable to :					
Owners of The Parent		391	1,950	1,238	3,882
Non-Controlling Interests		(22)	383	257	514
		369	2,333	1,495	4,396
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	0.41	2.03	1.29	4.04
Diluted (Sen)	B11	0.41	2.03	1.29	4.04

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Consolidated Statement of Financial Position as at 30/09/2015

	Note	Unaudited As at 30/09/2015 RM'000	Audited As at 31/12/2014 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		12,454	13,121
Investment in an associate		3,486	3,330
Goodwill on consolidation		140	140
Deferred Tax Assets		809	529
		16,889	17,120
Current assets:			
Inventories		46,293	44,687
Trade and other receivables		39,430	36,706
Tax recoverable		778	352
Deposits, Cash and bank balances		9,099	10,805
		95,600	92,550
TOTAL ASSETS		112,489	109,670
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and Other payables		8,348	11,993
Provision for taxation		81	377
Hire purchase payable	B7	912	1,044
Loans and borrowings	B7	27,401	19,678
		36,742	33,092
Non-current liabilities			
Hire purchase payables	B7	1,497	1,910
Deferred tax liabilities		203	196
		1,700	2,106
TOTAL LIABILITIES		38,442	35,198
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		24,063	24,745
Equity attributable to owners of the parent		72,578	73,260
Non-controlling Interests		1,469	1,212
TOTAL EQUITY		74,047	74,472
TOTAL EQUITY AND LIABILITIES		112,489	109,670
Net assets per share attributable to owners of the parent (RM)		0.76	0.76

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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Unaudited Condensed Statement of Changes in Equity for the 9 months ended 30/09/2015

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

Note	Share Capital	Share Premium	Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 01/01/2014	48,000	515	24,138	72,653	715	73,368
Total comprehensive income for the period	-	-	3,882	3,882	514	4,396
Dividends paid	-	-	(3,792)	(3,792)	-	(3,792)
Balance at 30/09/2014	48,000	515	24,228	72,743	1,229	73,972
Balance at 01/01/2015	48,000	515	24,745	73,260	1,212	74,472
Total comprehensive income for the period	-	-	1,238	1,238	257	1,495
Dividends paid	-	-	(1,920)	(1,920)	-	(1,920)
Balance at 30/09/2015	48,000	515	24,063	72,578	1,469	74,047

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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K. SENG SENG CORPORATION BERHAD

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Unaudited Condensed Statement of Cash Flows for the 9 months ended 30/09/2015

	9 months ended	
	30/09/2015	30/09/2014
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	1,999	5,716
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	1,315	1,424
Gain on disposal property, plant and equipment	(1)	(112)
Interest expense	1,006	1,203
Interest income	(141)	(301)
Share of profits of Associate	(156)	(240)
Operating profit before changes in working capital	4,022	7,690
Working Capital Changes		
(Increase)/Decrease in trade and other receivables	(2,679)	7,324
Increase in inventories	(4,417)	(9,241)
Decrease in trade and other payables	(880)	(3,212)
Increase/(Decrease) in Short term Trade Banker Acceptance	7,723	(1,401)
	(253)	(6,530)
Cash generated from operations	3,769	1,160
Interest received	141	301
Interest paid	(1,006)	(1,203)
Income tax paid	(1,499)	(759)
	(2,364)	(1,661)
Net Cash generated from operating activities	1,405	(501)
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	2	235
Purchase of property, plant and equipment	(343)	(207)
Net cash generated from/(used in) Investing Activities	(341)	28
Cash Flows From Financing Activities:		
Dividends paid on shares	(1,920)	(3,792)
Payment for hire purchase obligations	(850)	(815)
Net cash flow used in Financing Activities	(2,770)	(4,607)
Net changes in Cash and Cash Equivalents	(1,706)	(5,080)
Cash and Cash Equivalents at Beginning of The Period	10,805	22,790
Cash and Cash Equivalents at End of The Period	9,099	17,710

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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Notes of the Interim Financial Report for the 9 months ended 30/09/2015

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 9 months ended 30/09/2015 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 31/12/2014, 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 31/12/2014.

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 31/12/2014 except for the adoption of the following Amendments/Improvement to MFRSs which are applicable to its financial statements and are relevant to its operations:-

Amendments/Improvement to MFRSs:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above Amendments/Improvements to MFRSs did not have any material effect on the financial statements of the Group.

The following new MFRSs and Amendments/Improvements to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRS 9	Financial Instruments *
MFRS 15	Revenue from Contracts with Customers *
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations ***
MFRS 7	Financial Instruments: Disclosures **
MFRS 10	Consolidated Financial Statements **
MFRS 11	Joint Arrangements **
MFRS 12	Disclosures of Interests in Other Entities **
MFRS 101	Presentation of Financial Statements **
MFRS 116	Property, Plant and Equipment **
MFRS 119	Employee Benefits **
MFRS 127	Separate financial statements **
MFRS 128	Investments in Associates and Joint Ventures **
MFRS 138	Intangible Assets **
MFRS 141	Agriculture **

*Effective for financial periods beginning on or after - 1 January 2018

** Effective for financial periods beginning on or after - 1 January 2016

Notes of the Interim Financial Report for the 9 months ended 30/09/2015

The Group will adopt the above new MFRSs and Amendments/Improvements to MFRSs when it becomes effective in the respective financial periods. The adoption of the above mentioned amendments to MFRSs are not expected to have any material effect to the financial statements of the Group upon initial recognition, except for MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers described below, for which the financial effects are still being assessed by the Group.

(i) MFRS 9 Financial Instruments

This final version of MFRS 9 replacing MFRS 139. MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held with two measurement at amortised cost or fair value. For impairment, MFRS 9 introduces expected-loss impairment model that will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity.

(ii) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 Revenue from Contracts with Customers established a new five-step model which will apply to recognition of revenue arising from contracts with customers.

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.

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 9 months period ended 30/09/2015.

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 30/09/2015 and financial year to date other than as follows:

	Current Quarter RM'000	Year-to-Date RM'000
Dividend paid on ordinary shares: Financial year ended 31/12/2014		
First and final dividend of 0.02 sen per share single tier paid on 19/06/2015	-	1,920



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Notes of the Interim Financial Report for the 9 months ended 30/09/2015

A7. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

a) The stainless steel products segment is in the business of manufacture and sales of stainless steel tubes and pipes, and processing of stainless steel sheets products;

b) The marine hardware & consumable segment is in the business of trading of marine hardware includes, amongst others, PP and PE ropes, stainless steel bars, stainless steel fasteners, GI wire, wire ropes and wire netting, nylon trammel and PE nets, copper tubes, chain, brass stern gland and propellers, square boat and shank spikes, packing and asbestos sheets, stainless steel electrode and rigging hardware such as zincked block, pulley, pin shaft, hooks and chain block;

c) The other industrial hardware segment is in the business of trading of industrial hardware including, amongst others, bronze shaft, brass tubes, other steel industrial fasteners such as HT, MS and GI bolts and nuts, screws, washers and shackles, ductile iron pipe and fittings such as flange, valves, tapers, hose clips and clamps, industrial hoses such as spring hose, PVC hose, black rubber suction and water hose and PVC reinforced air hose, alloy chain, stainless steel wire mesh, colour cotton rag, rubber conveyor belt, industrial wipes, safety absorbent and fibre ceramic blanket.

d) The engineering works segment is in the business of manufacturing and installation of Double or Single former on-line chlorination nitrile glove dipping lines and Double or Single former rubber glove dipping lines, trading of dipping lines parts and consumable including, amongst others, conveyor chain and conveyor chain parts, former holder set, worm gear and motor, and engineering services including machining, cutting, dismantle and cleaning of conveyor chain.

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>3 months ended 30/09/2015</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	7,414	6,507	5,007	2,874	21,802
Reportable segment gross profit	621	1,425	1,220	492	3,758
<i>3 months ended 30/09/2014</i>					
Revenues from external customers	6,811	6,229	2,716	10,622	26,378
Reportable segment gross profit	1,147	1,515	576	3,050	6,288

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>9 months ended 30/09/2015</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	23,572	16,761	14,049	18,373	72,755
Reportable segment gross profit	1,386	3,803	3,190	3,378	11,757
<i>9 months ended 30/09/2014</i>					
Revenues from external customers	23,526	21,138	6,938	26,570	78,172
Reportable segment gross profit	2,769	4,888	1,525	5,529	14,711

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

There were no material events subsequent to the current financial quarter ended 30/09/2015 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 30/09/2015 and financial year to date.



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Notes of the Interim Financial Report for the 9 months ended 30/09/2015

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.

A11. Capital commitment

There were no capital commitments either contracted upon or otherwise that had affected the Group as at the current quarter ended 30/09/2015.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 30/09/2015 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	343	36	2	381
Total for type of transaction	343	36	2	381
<i>Cumulative 9 months Period:</i>				
Associate	600	142	9	751
Total for type of transaction	600	142	9	751

Notes of the Interim Financial Report for the 9 months ended 30/09/2015

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 9 months cumulative period had reduced by 6.93% from RM78.17 million as reported in the corresponding preceding period in the prior financial year to RM72.76 million.

Previous quarter recorded higher demand particularly Engineering Works segment compared to current quarter, due to termination of contract for fabrication & installation of Double Former Glove Dipping Lines following the non-conformity in the contract payment terms.

The Group profit before tax for the 9 months cumulative period had decreased from RM5.72 million achieved in the corresponding preceding period in prior financial year to RM2 million, represents a decrease of 65.03% in profit before tax. This was attributed primarily to termination of contract as mentioned above and an increase in cost of products exacerbated by the weakening Ringgit against the US Dollar which is the predominant currency of the Group's used for imports of raw materials and higher discounts given to boost sales.

B2. Comparison with immediate preceding quarter's results

The Group profit before tax of RM0.49 million for the current quarter under review was 790.14% increase compared with the loss before tax amounting to (RM0.07) million of the immediate preceding quarter. This was due to revise up selling price in commensurate with the weakening value of Ringgit.

B3. Commentary on prospects

The Board will continue to enhance the Group marketing strategy through expansion of the Engineering Works Segment and increase the Group products offering to increase revenue. Barring the economic uncertainty, the Board strives for the betterment.

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	162	786
Adjustment for over provision	(9)	(9)
Deferred tax expense	(32)	(273)
Net tax charge	<u>121</u>	<u>504</u>



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Notes of the Interim Financial Report for the 9 months ended 30/09/2015

Reconciliation of Effective Tax Rate:

	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	1,999	-
Statutory tax amount / rate	500	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(1)	-0.1%
Other Expenses not deductible for tax purposes	22	1.1%
Other professional fee	33	1.7%
Share of results of an associate	(39)	-2.0%
Deferred tax assets not recognised on:		
Under provision of deferred tax in prior years	(2)	0.0%
Over provision of tax expense in prior years	(9)	0.0%
Effective tax amount / rate	504	25.2%

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	Actual utilisation	Non-utilisation	Intended timeframe for utilisation (Listed on 19/01/2011)
	RM'000	RM'000	RM'000	
(i) Business Expansion and capital expenditures	3,310	251	3,059	Extended to 19/01/2016
(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 securities denominated in Malaysian Ringgit as at 30/09/2015 are as follows:

	Total	Secured
	RM'000	RM'000
Long-term:		
Hire purchase liabilities	1,497	1,497
	<u>1,497</u>	<u>1,497</u>
Short-term:		
Bills and other trade financing liabilities	27,401	27,401
Hire purchase liabilities	912	912
Bank overdrafts	-	-
	<u>28,313</u>	<u>28,313</u>



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Notes of the Interim Financial Report for the 9 months ended 30/09/2015

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 9 months ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(40)	(39)	(131)	(249)
Other income	(2)	(10)	(9)	(52)
Loss/(Gain) on disposal of property, plant and equipment	-	-	(1)	112
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	454	499	1,315	1,424
Employee benefit expenses	2,615	2,435	7,758	6,888
<i>3) Other expenses:</i>				
Realised Forex (gains)/losses	29	6	(15)	(16)
<i>4) Finance costs:</i>				
Bank overdrafts	7	9	17	19
Bankers acceptance	351	337	867	1,036
Hire Purchase	36	44	122	148

Save as disclosed above, the other items as required under Appendix 9B Part A(16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

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. Proposed Dividends

The Directors do not recommend any dividend for the current quarter ended 30/09/2015.

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 30/09/2015 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>391</u>	<u>1,238</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 30/09/2015 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.

Notes of the Interim Financial Report for the 9 months ended 30/09/2015

B12. Realised and unrealised profits

	30/09/2015 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	20,411
- Unrealised	606
	<u>21,017</u>
Total share of retained profits from associate:	
- Realised	2,289
- Unrealised	377
	<u>23,683</u>
Consolidation adjustments	380
Total Group retained profits as per consolidated financial statements	<u><u>24,063</u></u>

B13. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the year ended 31/12/2014 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 17/11/2015.