



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 3 months ended 31/03/2016

	Note	Individual quarter ended		Cumulative period 3 months ended	
		31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Revenue	A7	22,915	30,936	22,915	30,936
Cost of sales		(19,304)	(26,146)	(19,304)	(26,146)
Gross profit		3,611	4,790	3,611	4,790
Other income		115	51	115	51
Selling and distribution expenses		(628)	(689)	(628)	(689)
Administration expenses		(2,027)	(1,861)	(2,027)	(1,861)
Other expenses		(518)	(497)	(518)	(497)
Profit from operations		553	1,794	553	1,794
Finance costs		(320)	(281)	(320)	(281)
Share of results of associate		90	67	90	67
Profit before taxation	B8	323	1,580	323	1,580
Income tax expense	B5	(72)	(391)	(72)	(391)
Profit after taxation		251	1,189	251	1,189
Total Comprehensive income for the period		251	1,189	251	1,189
Profit Attributable To:					
Owners of The Parent		166	961	166	961
Non-Controlling Interests		85	228	85	228
Total Comprehensive income attributable to :		251	1,189	251	1,189
Total Comprehensive income attributable to :					
Owners of The Parent		166	961	166	961
Non-Controlling Interests		85	228	85	228
Total Comprehensive income attributable to :		251	1,189	251	1,189
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	0.17	1.00	0.17	1.00
Diluted (Sen)	B11	0.17	1.00	0.17	1.00

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Consolidated Statement of Financial Position as at 31/03/2016

	Note	Unaudited As at 31/03/2016 RM'000	Audited As at 31/12/2015 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		12,137	12,199
Investment in an associate		3,696	3,606
Goodwill on consolidation		-	-
Deferred Tax Assets		776	722
		16,609	16,527
Current assets:			
Inventories		42,881	43,207
Trade and other receivables		39,363	41,525
Tax recoverable		1,094	933
Deposits, Cash and bank balances		8,721	5,046
		92,059	90,711
TOTAL ASSETS		108,668	107,238
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and Other payables		9,351	12,187
Provision for taxation		7	-
Hire purchase payable	B7	576	922
Loans and borrowings	B7	21,888	17,819
		31,822	30,928
Non-current liabilities			
Hire purchase payables	B7	1,741	1,394
Deferred tax liabilities		127	189
		1,868	1,583
TOTAL LIABILITIES		33,690	32,511
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		24,878	24,712
Equity attributable to owners of the parent		73,393	73,227
Non-controlling Interests		1,585	1,500
TOTAL EQUITY		74,978	74,727
TOTAL EQUITY AND LIABILITIES		108,668	107,238
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 2015 and the accompanying explanatory notes attached to this interim financial report.)



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Unaudited Condensed Statement of Changes in Equity for the 3 months ended 31/03/2016

<----- 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 01/01/2015	48,000	515	24,745	73,260	1,212	74,472
Total comprehensive income for the period	-	-	961	961	228	1,189
Dividends paid	-	-	-	-	-	-
Balance at 31/03/2015	48,000	515	25,706	74,221	1,440	75,661
Balance at 01/01/2016	48,000	515	24,712	73,227	1,500	74,727
Total comprehensive income for the period	-	-	166	166	85	251
Balance at 31/03/2016	48,000	515	24,878	73,393	1,585	74,978

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.)



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Unaudited Condensed Statement of Cash Flows for the 3 months ended 31/03/2016

	3 months ended	
	31/03/2016	31/03/2015
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	323	1,580
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	419	423
Interest expense	316	275
Interest income	(8)	(51)
Share of profits of Associate	(90)	(67)
Operating profit before changes in working capital	960	2,160
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	920	(4,121)
Decrease in inventories	325	4,400
(Decrease)/Increase in trade and other payables	(1,593)	1,904
Increase/(Decrease) in Short term Trade Banker Acceptance	4,069	(3,614)
	3,721	(1,431)
Cash generated from operations	4,681	729
Interest received	8	51
Interest paid	(316)	(275)
Income tax refunded	53	-
Income tax paid	(395)	(435)
	(650)	(659)
Net Cash generated from operating activities	4,031	70
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	15	-
Purchase of property, plant and equipment	(102)	(62)
Net cash used in Investing Activities	(87)	(62)
Cash Flows From Financing Activities:		
Payment for hire purchase obligations	(269)	(282)
Net cash flow used in Financing Activities	(269)	(282)
Net changes in Cash and Cash Equivalents	3,675	(274)
Cash and Cash Equivalents at Beginning of The Period	5,046	10,805
Cash and Cash Equivalents at End of The Period	8,721	10,531

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.)



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Notes of the Interim Financial Report for the 3 months ended 31/03/2016

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 31/03/2016 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 31/12/2015, 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 31/12/2015.

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 31/12/2015 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:

Notes of the Interim Financial Report for the 3 months ended 31/03/2016

MFRS 9 Financial Instruments ***
 MFRS 15 Revenue from Contracts with Customers ***
 MFRS 16 Leases ****
 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 Disclosure of Interest in Other Entities *
 MFRS 101 Presentation of Financial Statements *
 MFRS 107 Statement of Cash Flows **
 MFRS 112 Income Taxes **
 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 2016
 ** Effective for financial periods beginning on or after – 1 January 2017
 *** Effective for financial periods beginning on or after – 1 January 2018
 **** Effective for financial periods beginning on or after – 1 January 2019

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 3 months period ended 31/03/2016.

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.



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Notes of the Interim Financial Report for the 3 months ended 31/03/2016

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 31/03/2016.

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 31/03/2016</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	7,964	6,365	4,929	3,657	22,915
Reportable segment gross profit	370	1,377	1,202	662	3,611
<i>3 months ended 31/03/2015</i>					
Revenues from external customers	9,097	5,629	5,185	11,025	30,936
Reportable segment gross profit	427	1,314	1,088	1,961	4,790

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

There were no material events subsequent to the current financial quarter ended 31/03/2016 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 31/03/2016 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 31/03/2016

A11. Capital commitment

There were no capital commitments either contracted upon or otherwise that had affected the Group as at the current quarter ended 31/03/2016.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/03/2016 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	646	14	1	661
Total for type of transaction	646	14	1	661
<i>Cumulative 3 months Period:</i>				
Associate	646	14	1	661
Total for type of transaction	646	14	1	661

Notes of the Interim Financial Report for the 3 months ended 31/03/2016

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 reduced by 25.93% from RM30.94 million as reported in the corresponding preceding period in the prior financial year to RM22.92 million.

The Engineering Works segment, which contributed 15.96% to our total revenue, decreased by 66.83% or RM7.36 million to RM3.66 million from RM11.02 million as reported in corresponding preceding period in prior financial year. In the immediate preceding quarter of prior financial year two new Double Former Glove Dipping Lines was completed as compared to current quarter with no new fabrication & installation of Double Former Glove Dipping Lines secured.

The Group profit before tax for the 3 months cumulative period had decreased from RM1.58 million achieved in the corresponding preceding period in prior financial year to RM0.32 million, represents a decrease of 79.56% in profit before tax. This was attributed primarily to the Engineering Works segment as mentioned above.

B2. Comparison with immediate preceding quarter's results

The Group profit before tax of RM0.32 million for the current quarter under review was 63.09% lower compared with the profit before tax amounting to RM0.88 million of the immediate preceding quarter. This was mainly due to slowdown in the demand for our products as disclosed in Note A2 particularly Stainless Steel segment and also weakening 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	189	189
Deferred tax expense	(117)	(117)
Net tax charge	<u><u>72</u></u>	<u><u>72</u></u>



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Notes of the Interim Financial Report for the 3 months ended 31/03/2016

Reconciliation of Effective Tax Rate:

	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	323	-
Statutory tax amount / rate	81	25.1%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(6)	-1.9%
Other Expenses not deductible for tax purposes	8	2.5%
Other professional fee	18	5.6%
Share of results of an associate	(23)	-7.1%
Deferred tax assets not recognised on:		
Under provision of deferred tax in prior years	(6)	-2.0%
Effective tax amount / rate	72	22.3%

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 19/01/2017
(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 31/03/2016 are as follows:

	Total	Secured
	RM'000	RM'000
Long-term:		
Hire purchase liabilities	1,741	1,741
	1,741	1,741
Short-term:		
Bills and other trade financing liabilities	21,888	21,888
Hire purchase liabilities	576	576
	22,464	22,464



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Notes of the Interim Financial Report for the 3 months ended 31/03/2016

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 3 months ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(8)	(46)	(8)	(46)
Other income	(107)	(5)	(107)	(5)
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	419	423	419	423
Employee benefit expenses	2,759	2,572	2,759	2,572
<i>3) Other expenses:</i>				
Realised Forex (gains)/losses	18	(6)	18	(6)
<i>4) Finance costs:</i>				
Bank overdrafts	7	6	7	6
Bankers acceptance	270	224	270	224
Hire Purchase	39	45	39	45

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

There is no proposed dividend for current quarter.

The directors proposed a first and final single tier dividend of 0.8 Sen per share amounting to RM768,000.00 in respect of the financial year ended 2015, payable on 30/06/2016 to member registered as at 15/06/2016.

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 31/03/2016 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>166</u>	<u>166</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 31/03/2016 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>

Notes of the Interim Financial Report for the 3 months ended 31/03/2016

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

	31/03/2016 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	21,129
- Unrealised	649
	<hr/> 21,778
Total share of retained profits from associate:	
- Realised	2,499
- Unrealised	377
	<hr/> 24,654
Consolidation adjustments	224
Total Group retained profits as per consolidated financial statements	<hr/> 24,878 <hr/>

B13. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the year ended 31/12/2015 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 31/05/2016.