



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 31/03/2018

	Note	Individual quarter ended		Cumulative period 3 months ended	
		31/03/2018 RM'000	31/3/2017 RM'000	31/03/2018 RM'000	31/3/2017 RM'000
Revenue	A7	25,174	24,756	25,174	24,756
Cost of sales		(20,621)	(19,259)	(20,621)	(19,259)
Gross profit		4,553	5,497	4,553	5,497
Other income		77	39	77	39
Selling and distribution expenses		(655)	(805)	(655)	(805)
Administration expenses		(2,596)	(2,013)	(2,596)	(2,013)
Other expenses		(645)	(606)	(645)	(606)
Profit from operations		734	2,112	734	2,112
Finance costs		(365)	(381)	(365)	(381)
Share of results of associate		59	51	59	51
Profit before taxation	B8	428	1,782	428	1,782
Income tax expense	B5	(111)	(88)	(111)	(88)
Profit after taxation		317	1,694	317	1,694
Total Comprehensive income for the period		317	1,694	317	1,694
Profit Attributable To:					
Owners of The Parent		233	1,649	233	1,649
Non-Controlling Interests		84	45	84	45
Total Comprehensive income attributable to :		317	1,694	317	1,694
Total Comprehensive income attributable to :					
Owners of The Parent		233	1,649	233	1,649
Non-Controlling Interests		84	45	84	45
Total Comprehensive income attributable to :		317	1,694	317	1,694
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	0.24	1.72	0.24	1.72
Diluted (Sen)	B11	0.24	1.72	0.24	1.72

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Consolidated Statement of Financial Position as at 31/03/2018

	Note	Unaudited As at 31/03/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		11,149	11,297
Investment in an associate		4,367	4,308
Deferred Tax Assets		951	761
		<u>16,467</u>	<u>16,366</u>
Current assets:			
Inventories		45,795	44,241
Trade and other receivables		42,918	48,041
Tax recoverable		981	999
Deposits, Cash and bank balances		15,838	13,495
		<u>105,532</u>	<u>106,776</u>
TOTAL ASSETS		<u><u>121,999</u></u>	<u><u>123,142</u></u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and Other payables		8,500	10,781
Provision for taxation		46	117
Hire purchase payable	B7	706	778
Loans and borrowings	B7	28,998	28,081
		<u>38,250</u>	<u>39,757</u>
Non-current liabilities			
Hire purchase payables	B7	1,629	1,481
Deferred tax liabilities		34	135
		<u>1,663</u>	<u>1,616</u>
TOTAL LIABILITIES		<u>39,913</u>	<u>41,373</u>
Equity:			
Share capital		48,515	48,515
Retained profits		32,291	32,058
Equity attributable to owners of the parent		<u>80,806</u>	<u>80,573</u>
Non-controlling Interests		1,280	1,196
TOTAL EQUITY		<u>82,086</u>	<u>81,769</u>
TOTAL EQUITY AND LIABILITIES		<u><u>121,999</u></u>	<u><u>123,142</u></u>
Net assets per share attributable to owners of the parent (RM)		0.84	0.84

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 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 31/03/2018

<----- 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 01/01/2017	48,000	515	27,751	76,266	1,732	77,998
Transition to no par value regime **	515	(515)				
Total comprehensive income for the period	-	-	1,649	1,649	45	1,694
Balance at 31/03/2017	48,515	-	29,400	77,915	1,777	79,692
Balance at 01/01/2018	48,515	-	32,058	80,573	1,196	81,769
Total comprehensive income for the period	-	-	233	233	84	317
Balance at 31/03/2018	48,515	-	32,291	80,806	1,280	82,086

** Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium become part of the Company's share capital pursuant to the transitional provision set out in the Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)

Unaudited Condensed Statement of Cash Flows for the 3 months ended 31/03/2018

	3 months ended	
	31/03/2018	31/3/2017
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	428	1,782
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	403	411
Gain on disposal property, plant and equipment	-	(81)
Interest expense	361	374
Interest income	(77)	(39)
Share of profits of Associate	(59)	(51)
Operating profit before changes in working capital	<u>1,056</u>	<u>2,396</u>
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	4,262	3,130
(Increase)/Decrease in inventories	(1,554)	(3,275)
(Decrease)/Increase in trade and other payables	(1,421)	(5,278)
Increase/(Decrease) in Short term Trade Banker Acceptance	916	7,283
	<u>2,203</u>	<u>1,860</u>
Cash generated from operations	3,259	4,256
Interest received	77	39
Interest paid	(361)	(374)
Income tax refunded	157	-
Income tax paid	(612)	(400)
	<u>(739)</u>	<u>(735)</u>
Net Cash generated from operating activities	<u>2,520</u>	<u>3,521</u>
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	-	81
Purchase of property, plant and equipment	373	(34)
Net cash used in Investing Activities	<u>373</u>	<u>47</u>
Cash Flows From Financing Activities:		
Repayment of bank borrowings	170	-
Payment for hire purchase obligations	(720)	(541)
Net cash flow used in Financing Activities	<u>(550)</u>	<u>(541)</u>
Net changes in Cash and Cash Equivalents	2,343	3,027
Cash and Cash Equivalents at Beginning of The Period	13,495	12,430
Cash and Cash Equivalents at End of The Period	<u>15,838</u>	<u>15,457</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 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 31/03/2018

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 31/03/2018 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 31/12/2017, 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 31/12/2017.

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 31/12/2017 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 12	Disclosure of Interest in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

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 Contract Customer *
MFRS 16	Leases **
MFRS 17	Insurance Contracts***

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs *
MFRS 2	Share-based Payment *
MFRS 3	Business Combinations**
MFRS 4	Insurance Contracts *
MFRS 9	Financial Instruments**
MFRS 10	Consolidated Financial Statements (1)
MFRS 11	Joint Arrangement **
MFRS 112	Income Taxes**
MFRS 119	Employee Benefits**
MFRS 123	Borrowing Costs**
MFRS 128	Investments in associates and Joint Ventures * (1) **
MFRS 140	Investment Property *

New IC Interpretation

IC Int 22	Foreign Currency Transactions and Advance Consideration *
IC Int 23	Uncertainty over Income Tax Treatments**

* Effective for the period beginning on or after 1 January 2018

** Effective for the period beginning on or after 1 January 2019

*** Effective for the period beginning on or after 1 January 2021

(1) Deferred*



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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 31/03/2018.

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 31/03/2018.



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Notes of the Interim Financial Report for the 3 months ended 31/03/2018

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 31/03/2018</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	7,019	7,413	9,066	1,676	25,174
Reportable segment gross profit	555	2,168	1,819	11	4,553
<i>3 months ended 31/03/2017</i>					
Revenues from external customers	7,521	8,289	6,256	2,690	24,756
Reportable segment gross profit	926	2,354	1,710	507	5,497

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

There were no material events subsequent to the current financial quarter ended 31/03/2018 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 31/03/2018 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 31/03/2018

A11. Capital commitment

Authorised capital commitments not recognised in the interim financial statements as at 31/03/2018 are as follows:

	RM'000
Approved and contracted for	856
	<u>856</u>
Analysed as follows:	
For purchase of plant and equipment	<u>856</u>

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/03/2018 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	2,141	1	-	2,142
Total for type of transaction	<u>2,141</u>	<u>1</u>	<u>-</u>	<u>2,142</u>
<i>Cumulative 3 months Period:</i>				
Associate	2,141	1	-	2,142
Total for type of transaction	<u>2,141</u>	<u>1</u>	<u>-</u>	<u>2,142</u>

Notes of the Interim Financial Report for the 3 months ended 31/03/2018

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

B1. Review of performance

	1st quarter ended			Cumulative period 3 months ended		
	31/3/2018 RM'000	31/3/2017 RM'000	Changes %	31/3/2018 RM'000	31/3/2017 RM'000	Changes %
Revenue	25,174	24,756	1.69	25,174	24,756	1.69
Operating Profit	657	2,073	(68.31)	657	2,073	(68.31)
Profit Before Interest and Tax	793	2,163	(63.34)	793	2,163	(63.34)
Profit Before Tax	428	1,782	(75.98)	428	1,782	(75.98)
Profit After Tax	317	1,694	(81.29)	317	1,694	(81.29)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	233	1,649	(85.87)	233	1,649	(85.87)

The Group revenue for the 3 months cumulative period had increased by 1.69% from RM24.76 million as reported in the corresponding preceding period in the prior financial year to RM25.17 million.

Sales of Stainless Steel Products segment and Marine Hardware & Consumable segment accounted for approximately 57.33% of total revenue. Revenue from Other Industrial Hardware segment and Engineering Works segment constituted approximately 36.01% and 6.66% respectively of total revenue.

During the quarter under review, we recorded revenue of RM1.68 million or decreased by 37.7% for Engineering Works segment as compared to RM2.69 million as reported in corresponding preceding period in prior financial year. The decreased in revenue was principally due to postpone new fabrication & installation of Double Former Glove Dipping Lines in the current quarter.

Revenue from Other Industrial Hardware segment recorded increased as previous corresponding preceding period from RM6.26 million to RM9.07 million, resulting in gross profit margin of 1.82million as compared to 1.7million.

Revenue from Marine Hardware & Consumable segment recorded decreased as previous corresponding preceding period from 8.23million to 7.41million. However this segment contributed gross profit margin of RM2.17million.

The Group profit before tax for the 3 months cumulative period had decreased from RM1.78 million in the corresponding preceding period in prior financial year to RM0.43 million, representing an decrease of 75.98% in profit before tax. This was mainly attributable to the lower profit margin due to higher cost of sales because of weakening ringgit and anti-dumping for cold rolled coil of Stainless Steel segment.

B2. Comparison with immediate preceding quarter's results

	Individual quarter ended		
	31/3/2018 RM'000	31/12/2017 RM'000	Changes %
Revenue	25,174	39,765	(36.69)
Operating Profit	657	2,045	(67.87)
Profit Before Interest and Tax	793	4,069	(80.51)
Profit Before Tax	428	3,697	(88.42)
Profit After Tax	317	2,586	(87.74)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	233	2,608	(91.07)



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The Group profit before tax of RM0.43 million for the current quarter under review was 88.42% lower compared with the profit before tax amounting to RM3.70 million of the immediate preceding quarter. This was mainly due to the slowdown in the demand for our overall products as disclosed in Note A2.

The lower Profit Before Tax was attributed to the weakening of our Ringgit against USD and higher cost of sales due to the introduction of Anti Dumping Act 1993.

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	(292)	(292)
Deferred tax expense	403	403
Net tax charge	111	111

Reconciliation of Effective Tax Rate:

	Current Year-to-Date RM'000	%
Accounting Profit before tax	428	-
Statutory tax amount / rate	103	24.1%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	4	0.9%
Other Expenses not deductible for tax purposes	7	1.6%
Other professional fee	24	5.6%
Share of results of an associate	(14)	-3.3%
Under provision of deferred tax in prior years	(13)	-3.0%
Effective tax amount / rate	111	25.9%

B6. Status of corporate proposals

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

B7. Details of Group borrowings and debts securities

The Group's borrowings securities denominated in Malaysian Ringgit as at 31/03/2018 are as follows:

	Total RM'000	Secured RM'000
Long-term:		
Hire purchase liabilities	1,629	1,629
	1,629	1,629
Short-term:		
Bills and other trade financing liabilities	28,998	28,998
Hire purchase liabilities	706	706
	29,704	29,704



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B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 3 months ended	
	31/03/2018	31/3/2017	31/03/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
1) <i>Other operating income:</i>				
Interest income	(77)	(39)	(77)	(39)
Loss/(Gain) on disposal of property, plant and equipment		(81)		(81)
2) <i>Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	403	411	403	411
Employee benefit expenses	3,357	2,772	3,357	2,772
3) <i>Other expenses:</i>				
Realised Forex (gains)/losses	61	163	61	163
4) <i>Finance costs:</i>				
Bank overdrafts	5	5	5	5
Bankers acceptance	319	336	319	336
Hire Purchase	37	32	37	32

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 final single tier dividend of 2 Sen per share amounting to RM1,920,000.00 in respect of the financial year ended 2017, payable on 11/06/2018 to members of the company registered as at 28/05/2018.

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 31/03/2018 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>233</u>	<u>233</u>



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(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 31/03/2018 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. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the year ended 31/12/2017 did not contain any qualification.

B13. Authorisation for issue

The interim financial report was duly reviewed by Audit Committee and approved by the Board of Directors on 21/05/2018.