



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 6 months ended 30/06/2018

	Note	Individual quarter ended		Cumulative period 6 months ended	
		30/06/2018 RM'000	30/6/2017 RM'000	30/06/2018 RM'000	30/6/2017 RM'000
Revenue	A7	23,701	27,124	48,875	51,880
Cost of sales		(18,794)	(23,063)	(39,416)	(42,322)
Gross profit		4,907	4,061	9,459	9,558
Other income		79	45	157	85
Selling and distribution expenses		(760)	(743)	(1,415)	(1,548)
Administration expenses		(2,561)	(2,291)	(5,156)	(4,304)
Other expenses		(533)	(539)	(1,122)	(1,144)
Profit from operations		1,132	533	1,923	2,647
Finance costs		(512)	(329)	(877)	(711)
Share of results of associate		48	116	106	167
Profit before taxation	B8	668	320	1,152	2,103
Income tax expense	B5	(192)	(78)	(304)	(166)
Profit after taxation		476	242	848	1,937
Total Comprehensive income for the period		476	242	848	1,937
Profit Attributable To:					
Owners of The Parent		454	177	742	1,827
Non-Controlling Interests		22	65	106	110
Total Comprehensive income attributable to :		476	242	848	1,937
Total Comprehensive income attributable to :					
Owners of The Parent		454	177	742	1,827
Non-Controlling Interests		22	65	106	110
Total Comprehensive income attributable to :		476	242	848	1,937
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	0.47	0.18	0.77	1.90
Diluted (Sen)	B11	0.47	0.18	0.77	1.90

(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 30/06/2018

	Note	Unaudited As at 30/06/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		12,070	11,297
Investment in an associate		4,415	4,308
Deferred Tax Assets		1,049	761
		<u>17,534</u>	<u>16,366</u>
Current assets:			
Inventories		49,821	44,241
Trade and other receivables		38,376	48,041
Tax recoverable		1,194	999
Deposits, Cash and bank balances		11,503	13,495
		<u>100,894</u>	<u>106,776</u>
TOTAL ASSETS		<u>118,428</u>	<u>123,142</u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and Other payables		7,587	10,781
Provision for taxation		76	117
Hire purchase payable	B7	900	778
Loans and borrowings	B7	26,937	28,081
		<u>35,500</u>	<u>39,757</u>
Non-current liabilities			
Hire purchase payables	B7	2,191	1,481
Deferred tax liabilities		40	135
		<u>2,231</u>	<u>1,616</u>
TOTAL LIABILITIES		<u>37,731</u>	<u>41,373</u>
Equity:			
Share capital		48,515	48,515
Retained profits		30,880	32,058
Equity attributable to owners of the parent		<u>79,395</u>	<u>80,573</u>
Non-controlling Interests		1,302	1,196
TOTAL EQUITY		<u>80,697</u>	<u>81,769</u>
TOTAL EQUITY AND LIABILITIES		<u>118,428</u>	<u>123,142</u>
Net assets per share attributable to owners of the parent (RM)		0.83	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 6 months ended 30/06/2018

<----- 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	-	-	1,827	1,827	110	1,937
Balance at 30/06/2017	48,515	-	29,578	78,093	1,842	79,935
Balance at 01/01/2018	48,515	-	32,058	80,573	1,196	81,769
Total comprehensive income for the period	-	-	742	742	106	848
Dividends paid	-	-	(1,920)	(1,920)	-	(1,920)
Balance at 30/06/2018	48,515	-	30,880	79,395	1,302	80,697

** 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 6 months ended 30/06/2018

	6 months ended	
	30/06/2018	30/6/2017
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	1,152	2,103
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	839	868
Gain on disposal property, plant and equipment	(56)	(81)
Interest expense	867	697
Interest income	(373)	(85)
Share of profits of Associate	(106)	(167)
Operating profit before changes in working capital	<u>2,323</u>	<u>3,335</u>
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	8,803	4,847
(Increase)/Decrease in inventories	(5,581)	(2,018)
(Decrease)/Increase in trade and other payables	(2,334)	(7,350)
Increase/(Decrease) in Short term Trade Banker Acceptance	(1,144)	2,597
	<u>(256)</u>	<u>(1,924)</u>
Cash generated from operations	2,067	1,411
Interest received	373	85
Interest paid	(867)	(697)
Income tax refunded	157	-
Income tax paid	(1,079)	(780)
	<u>(1,416)</u>	<u>(1,392)</u>
Net Cash generated from operating activities	<u>651</u>	<u>19</u>
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	56	81
Purchase of property, plant and equipment	65	(227)
Acquisition of non-controlling interest	-	(125)
Net cash used in Investing Activities	<u>121</u>	<u>(271)</u>
Cash Flows From Financing Activities:		
Dividends paid on shares	(1,920)	(1,440)
Proceeds from bank borrowings	170	-
Payment for hire purchase obligations	(1,014)	(398)
Net cash flow used in Financing Activities	<u>(2,764)</u>	<u>(1,838)</u>
Net changes in Cash and Cash Equivalents	(1,992)	(2,090)
Cash and Cash Equivalents at Beginning of The Period	<u>13,495</u>	<u>12,430</u>
Cash and Cash Equivalents at End of The Period	<u><u>11,503</u></u>	<u><u>10,340</u></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 6 months ended 30/06/2018

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 6 months ended 30/06/2018 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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Notes of the Interim Financial Report for the 6 months ended 30/06/2018

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 6 months period ended 30/06/2018.

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

The total dividend paid out of retained profits for the ordinary shares during the financial year to date was as follows:

	Current Quarter RM'000	Year-to-Date RM'000
Dividend paid on ordinary shares: Financial year ended 31/12/2017		
First and final dividend of 2 sen per share single tier paid on 11/06/2018	<u>1,440</u>	<u>1,440</u>



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Notes of the Interim Financial Report for the 6 months ended 30/06/2018

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 30/06/2018</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	8,345	7,496	5,770	2,090	23,701
Reportable segment gross profit	606	2,186	1,500	615	4,907
<i>3 months ended 30/06/2017</i>					
Revenues from external customers	11,183	6,895	7,211	1,835	27,124
Reportable segment gross profit	862	1,726	1,546	(73)	4,061

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>6 months ended 30/06/2018</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	15,364	14,909	14,836	3,766	48,875
Reportable segment gross profit	1,161	4,354	3,319	625	9,459
<i>6 months ended 30/06/2017</i>					
Revenues from external customers	18,704	15,184	13,467	4,525	51,880
Reportable segment gross profit	1,788	4,080	3,256	434	9,558

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

There were no material events subsequent to the current financial quarter ended 30/06/2018 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 30/06/2018 and financial year to date.



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Notes of the Interim Financial Report for the 6 months ended 30/06/2018

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 30/06/2018.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 30/06/2018 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	-	-	6	6
Total for type of transaction	-	-	6	6
<i>Cumulative 6 months Period:</i>				
Associate	2,141	1	6	2,148
Total for type of transaction	2,141	1	6	2,148

Notes of the Interim Financial Report for the 6 months ended 30/06/2018

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

B1. Review of performance

	2nd quarter ended			Cumulative period 6 months ended		
	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %
Revenue	23,701	27,124	(12.62)	48,875	51,880	(5.79)
Operating Profit	1,053	488	115.78	1,766	2,562	(31.07)
Profit Before Interest and Tax	1,180	649	81.82	2,029	2,814	(27.90)
Profit Before Tax	668	320	108.75	1,152	2,103	(45.22)
Profit After Tax	476	242	96.69	848	1,937	(56.22)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	454	177	156.50	742	1,827	(59.39)

The Group revenue for the 6 months cumulative period had decreased by 5.79% from RM51.88 million as reported in the corresponding preceding period in the prior financial year to RM48.88 million.

Sales of Stainless Steel Products segment and Marine Hardware & Consumable segment accounted for approximately 66.84% of total revenue. Revenue from Other Industrial Hardware segment and Engineering Works segment constituted approximately 24.34% and 8.82% respectively of total revenue.

During the quarter under review, the Company generated revenue of RM8.35 million or decreased by 25.4% for Stainless Steel Products segment as compared to RM11.18 million as reported in corresponding preceding period in prior financial year. The decline in revenue was principally due to slowdown in the demand of Stainless Steel products. The company generated revenue of RM2.1 million or increased by 13.9% for Engineering Works segment as compared to RM1.84 million as reported in corresponding preceding period in prior financial year. This segment contributed gross profit margin of RM615,000 increased from loss of RM73,000 or 942.5% as compared corresponding preceding period in the prior financial year.

Revenue from Other Industrial Hardware segment decreased as previous corresponding preceding period from RM7.21 million to RM5.77 million. However this segment contributed gross profit margin of RM1.5million.

Despite the declined revenue from Stainless Steel Segment and Other Industrial Hardware Segment, the revenue from Marine Hardware & Consumable segment increased as previous corresponding preceding period from 6.89 million to 7.5 million. However this segment contributed gross profit margin of RM2.19 million.

The Group profit before tax for the 6 months cumulative period had decreased from RM2.1 million in the corresponding preceding period in prior financial year to RM1.15 million, representing an decrease of 45.22% in profit before tax. This was mainly attributable to the lower profit margin due to higher cost of sales because of weakening ringgit.

B2. Comparison with immediate preceding quarter's results

	Individual quarter ended		
	30/6/2018 RM'000	31/3/2018 RM'000	Changes %
Revenue	23,701	25,174	(5.85)
Operating Profit	1,053	657	60.27
Profit Before Interest and Tax	1,180	793	48.80
Profit Before Tax	668	428	56.07
Profit After Tax	476	317	50.16
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	454	233	94.85



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The Group profit before tax of RM0.67 million for the current quarter under review was 56.07% lower compared with the profit before tax amounting to RM0.43 million of the immediate preceding quarter. This was mainly attributable to the higher profit margin due to lower cost of sales in the current period.

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	284	687
Deferred tax expense	(92)	(383)
Net tax charge	192	304
Reconciliation of Effective Tax Rate:		
	Current Year-to-Date RM'000	%
Accounting Profit before tax	1,152	-
Statutory tax amount / rate	276	24.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	8	0.7%
Other Expenses not deductible for tax purposes	18	1.6%
Other professional fee	40	3.5%
Share of results of an associate	(25)	-2.2%
Under provision of deferred tax in prior years	(13)	-1.0%
Effective tax amount / rate	304	26.4%

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 30/06/2018 are as follows:

	Total RM'000	Secured RM'000
Long-term:		
Hire purchase liabilities	2,191	2,191
	2,191	2,191
Short-term:		
Bills and other trade financing liabilities	26,937	26,937
Hire purchase liabilities	900	900
	27,837	27,837



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Notes of the Interim Financial Report for the 6 months ended 30/06/2018

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 6 months ended	
	30/06/2018	30/6/2017	30/06/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
1) <i>Other operating income:</i>				
Interest income	(296)	(45)	(373)	(85)
Loss/(Gain) on disposal of property, plant and equipment	(56)	-	(56)	(81)
2) <i>Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	436	457	839	868
Employee benefit expenses	3,364	3,188	6,723	5,960
3) <i>Other expenses:</i>				
Realised Forex (gains)/losses	(1)	(21)	60	142
4) <i>Finance costs:</i>				
Bank overdrafts	6	5	11	10
Bankers acceptance	438	282	757	618
Hire Purchase	63	36	100	68

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 30/06/2018.

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 30/06/2018 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>454</u>	<u>742</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 30/06/2018 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 21/08/2018.