



誠成集團

K. SENG SENG CORPORATION BERHAD

(Registration No. 198501000983 (133427 W))

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 6 months ended 30/06/2020

	Note	Individual quarter ended		Cumulative period 6 months ended	
		30/06/2020 RM'000	30/6/2019 RM'000	30/06/2020 RM'000	30/6/2019 RM'000
Revenue	A7	18,570	27,759	40,963	49,473
Cost of sales		(15,517)	(23,108)	(34,367)	(41,400)
Gross profit		3,053	4,651	6,596	8,073
Other income		44	39	53	91
Selling and distribution expenses		(564)	(889)	(1,153)	(1,549)
Administration expenses		(2,104)	(2,385)	(4,667)	(4,919)
Other expenses		(448)	(596)	(1,005)	(1,168)
(Loss)/Profit from operations		(19)	820	(176)	528
Finance costs		(323)	(391)	(664)	(845)
		(342)	429	(840)	(317)
Share of results of associate		14	45	71	29
(Loss)/Profit before taxation	B8	(328)	474	(769)	(288)
Income tax expense	B5	(180)	(146)	(252)	(95)
(Loss)/Profit after taxation		(508)	328	(1,021)	(383)
Total Comprehensive (loss) / income for the period		(508)	328	(1,021)	(383)
(Loss)/Profit Attributable To:					
Owners of The Parent		(569)	335	(1,114)	(406)
Non-Controlling Interests		61	(7)	93	23
		(508)	328	(1,021)	(383)
Total Comprehensive (Loss)/ income attributable to :					
Owners of The Parent		(569)	335	(1,114)	(406)
Non-Controlling Interests		61	(7)	93	23
		(508)	328	(1,021)	(383)
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	(0.59)	0.35	(1.16)	(0.42)
Diluted (Sen)	B11	(0.59)	0.35	(1.16)	(0.42)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.)

Condensed Consolidated Statement of Financial Position as at 30/06/2020

	Note	Unaudited As at 30/06/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		11,058	11,570
Investment in an associate		4,818	4,747
Right-of-use assets		883	1,172
Deferred Tax Assets		683	686
		<u>17,442</u>	<u>18,175</u>
Current assets:			
Inventories		56,661	58,137
Trade and other receivables		35,044	38,082
Tax recoverable		1,030	783
Deposits, Cash and bank balances		10,413	8,609
		<u>103,148</u>	<u>105,611</u>
TOTAL ASSETS		<u><u>120,590</u></u>	<u><u>123,786</u></u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and Other payables		9,111	18,324
Provision for taxation		-	36
Lease liabilities	B7	1,286	1,514
Loans and borrowings	B7	31,354	22,588
		<u>41,751</u>	<u>42,462</u>
Non-current liabilities			
Lease liabilities	B7	1,055	2,533
Deferred tax liabilities		152	138
		<u>1,207</u>	<u>2,671</u>
TOTAL LIABILITIES		<u>42,958</u>	<u>45,133</u>
Equity:			
Share capital		48,515	48,515
Retained profits		27,729	28,843
Equity attributable to owners of the parent		<u>76,244</u>	<u>77,358</u>
Non-controlling Interests		1,388	1,295
TOTAL EQUITY		<u>77,632</u>	<u>78,653</u>
TOTAL EQUITY AND LIABILITIES		<u><u>120,590</u></u>	<u><u>123,786</u></u>
Net assets per share attributable to owners of the parent (RM)		0.79	0.81

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.)

Unaudited Condensed Statement of Changes in Equity for the 6 months ended 30/06/2020

----- Attributable to Owners of Parent -----

Note	Share Capital	Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 01/01/2019	48,515	31,155	79,670	1,214	80,884
Total comprehensive income/(loss) for the period	-	(406)	(406)	23	(383)
Dividends paid	-	(480)	(480)	-	(480)
Balance at 30/06/2019	48,515	30,269	78,784	1,237	80,021
Balance at 01/01/2020	48,515	28,843	77,358	1,295	78,653
Total comprehensive income/(loss) for the period	-	(1,114)	(1,114)	93	(1,021)
Balance at 30/06/2020	48,515	27,729	76,244	1,388	77,632

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.)

Unaudited Condensed Statement of Cash Flows for the 6 months ended 30/06/2020

	6 months ended	
	30/06/2020	30/6/2019
	RM'000	RM'000
Cash Flows From Operating Activities:		
Loss before tax	(769)	(288)
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	764	881
Depreciation of right-of-use assets	289	-
Gain on disposal property, plant and equipment	(25)	(17)
Interest expense	663	831
Interest on lease liabilities	19	-
Interest income	(28)	121
Share of profits of Associate	22	(29)
Operating profit before changes in working capital	935	1,499
Working Capital Changes		
Decrease in trade and other receivables	3,038	2,514
Decrease/(Increase) in inventories	1,476	(7,601)
(Decrease)/Increase in trade and other payables	(9,214)	(949)
Increase/(Decrease) in Short term Trade Banker Acceptance	7,560	(319)
	2,860	(6,355)
Cash generated from operations	3,795	(4,856)
Interest received	28	(121)
Interest paid	(682)	(831)
Income tax refunded	-	91
Income tax paid	(531)	(836)
	(1,185)	(1,697)
Net Cash generated from operating activities	2,610	(6,553)
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	25	17
Purchase of property, plant and equipment	(327)	(364)
Net cash used in Investing Activities	(302)	(347)
Cash Flows From Financing Activities:		
Dividends paid on shares	-	(480)
Proceeds from bank borrowings	63	-
Payment for hire purchase obligations	(567)	(518)
Net cash flow used in Financing Activities	(504)	(998)
Net changes in Cash and Cash Equivalents	1,804	(7,898)
Cash and Cash Equivalents at Beginning of The Period	8,609	10,166
Cash and Cash Equivalents at End of The Period	10,413	2,268
Cash and Cash Equivalents Comprise:		
Cash and bank balances	10,413	3,845
Bank overdrafts	-	(1,577)
	10,413	2,268

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.)

Notes of the Interim Financial Report for the 6 months ended 30/06/2020

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 30/06/2020 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 31/12/2019, 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 31/12/2019.

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 31/12/2019 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/Improvements to MFRSs

MFRS 3 Business Combinations
 MFRS 7 Financial Instrument Disclosures
 MFRS 101 Presentation of Financial Statements
 MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
 MFRS 139 Financial Instruments: Recognition and Measurement

The following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued by MASB but not yet effective and have not been applied by the Group.

New MFRS

MFRS 17 Insurance Contracts ***

Amendments/Improvements to MFRSs

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards**/**
 MFRS 3 Business Combinations **/**
 MFRS 5 Non-current Assets Held for Sale and Discontinued Operations***
 MFRS 7 Financial Instruments: Disclosures ***
 MFRS 9 Financial Instruments **/**
 MFRS 10 Consolidated Financial Statements (1)
 MFRS 15 Revenue from Contracts with Customers***
 MFRS 16 Leases **
 MFRS 101 Presentation of Financial Statements ***
 MFRS 107 Statements of Cash Flows***



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Notes of the Interim Financial Report for the 6 months ended 30/06/2020

Amendments/Improvements to MFRSs (Continued)

MFRS 116 Property, Plant and Equipment**/**

MFRS 119 Employee Benefits ***

MFRS 128 Investments in Associates and Joint Ventures ***/(1)

MFRS 132 Financial Instruments: Presentation***

MFRS 136 Impairment of Assets***

MFRS 137 Provisions, Contingent Liabilities and Contingent Assets **/**

MFRS 138 Intangible Assets ***

MFRS 140 Investment Property***

MFRS 141 Agriculture **

* Effective for the period beginning on or after 1 June 2020

** Effective for the period beginning on or after 1 January 2022

*** Effective for the period beginning on or after 1 January 2023

(1) Deferred

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.

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 30/06/2020.

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 30/06/2020.



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Notes of the Interim Financial Report for the 6 months ended 30/06/2020

A7. Operating Segment Information

For management purposes, the Group is categories its 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 30/06/2020</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	6,052	5,197	5,146	2,175	18,570
Reportable segment gross profit/(loss)	841	1,202	1,136	(126)	3,053
<i>3 months ended 30/06/2019</i>					
Revenues from external customers	8,588	7,679	8,937	2,555	27,759
Reportable segment gross profit	1,100	1,710	1,701	140	4,651

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>6 months ended 30/06/2020</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	13,940	12,053	11,032	3,938	40,963
Reportable segment gross profit/(loss)	1,552	2,774	2,430	(160)	6,596
<i>6 months ended 30/06/2019</i>					
Revenues from external customers	16,676	13,468	15,852	3,477	49,473
Reportable segment gross profit	1,603	3,123	3,125	222	8,073

Notes of the Interim Financial Report for the 6 months ended 30/06/2020

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

There were no material events subsequent to the current financial quarter ended 30/06/2020 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 30/06/2020.

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 30/06/2020.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 30/06/2020 are as follows:

Nature of Relationship	Sales of goods	Purchases of goods	Overdue Charges	Total for nature of relationship
	RM'000	RM'000	RM'000	RM'000
<i>Current quarter:</i>				
Associate	-	1	1	2
Total for type of transaction	-	1	1	2
<i>Cumulative 6 months Period:</i>				
Parents & fellow subsidiaries	-	-	-	-
Associate	-	1	1	2
Total for type of transaction	-	1	1	2

Notes of the Interim Financial Report for the 6 months ended 30/06/2020

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		
	30/6/2020 RM'000	30/6/2019 RM'000	Changes %	30/6/2020 RM'000	30/6/2019 RM'000	Changes %
Revenue	18,570	27,759	(33.1)	40,963	49,473	(17.2)
Operating (Loss)/Profit	(63)	781	(108.1)	(229)	437	(152.4)
(Loss)/Profit Before Interest and Tax	(5)	865	(100.6)	(105)	557	(118.9)
(Loss)/Profit Before Tax	(328)	474	(169.2)	(769)	(288)	167.0
(Loss)/Profit After Tax	(508)	328	(254.9)	(1,021)	(383)	166.6
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	(569)	335	(269.9)	(1,114)	(406)	174.4

The Group revenue for the 6 months cumulative period had decreased by 17.2% from RM49.47 million as reported in the corresponding preceding period in the prior financial year to RM40.96 million.

Sales of Stainless Steel Products segment and Marine Hardware & Consumable segment accounted for approximately 63.5% of its total revenue. Revenue from Other Industrial Hardware segment and Engineering Works segment constituted approximately 26.9% and 9.6% respectively.

Overall, revenue and profit before tax from all business segments have declined.

During the quarter under review, we recorded a revenue and loss before tax of RM18.57million and RM0.33million respectively. Revenue declined 33.1% over the same quarter last year and profit before tax declined from RM0.47m to loss of RM0.33m over the same quarter last year, mainly attributable to the impact of COVID-19 and the government enforced Movement Control Order.

The Group loss before tax for the 6 months cumulative period had increased from RM0.29 million in the same quarter last year to RM0.77 million representing a increase of 167% . The overall decrease in revenue and profit were similarly impacted by the halt in business activities during the MCO period.

B2. Comparison with immediate preceding quarter's results

	Individual quarter ended		
	30/6/2020 RM'000	31/3/2020 RM'000	Changes %
Revenue	18,570	22,393	(17.1)
Operating (Loss)/Profit	(63)	(167)	(62.2)
(Loss)/Profit Before Interest and Tax	(5)	(101)	(95.0)
(Loss)/Profit Before Tax	(328)	(442)	(25.7)
(Loss)/Profit After Tax	(508)	(514)	(1.1)
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	(569)	(546)	4.3

Loss before tax of RM328,000 for the current quarter under review was lower by 25.7% compared with the loss before tax amounting to RM442,000 in the previous quarter.

B3. Commentary on prospects

The remaining year will continue to be challenging due to the COVID-19 pandemic that has adversely affected the global economic climate. The Movement Control Order has resulted in a halt of business for the Group during the period. The Malaysian economy contracted by 17.1% in the second quarter of 2020(1Q 2020: 0.7%). The decline reflected the unprecedented impact of the stringent containment measures to control the COVID-19 pandemic globally and domestically.

Notes of the Interim Financial Report for the 6 months ended 30/06/2020

The Group will continue to be focused on its core business activities, continuing to its efforts to improve operational efficiencies and implementing cost cutting measures in order to fulfil our customer orders and drive value for our shareholders.

Management will continue to put in efforts to sustain customer interest in our products through increased engagement interactions with our customers, delivering quality sales and after-sales service.

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	180	234
Deferred tax expense	-	18
Net tax charge	180	252
Reconciliation of Effective Tax Rate:		Current Year-to-Date RM'000 %
Accounting Profit before tax		(769) -
Statutory tax amount / rate		(185) 24.1%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment		(14) 1.8%
Other Expenses not deductible for tax purposes		34 -4.4%
Other professional fee		- 0.0%
Share of results of an associate		(17) 2.2%
Deferred tax assets not recognised		430 -55.9%
Over/(Under) provision of deferred tax in prior years		4 -1.0%
Effective tax amount / rate		252 -32.8%

B6. Status of corporate proposals

(a) 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 30/06/2020 are as follows:

	Total RM'000	Secured RM'000
Long-term:		
Lease liabilities	1,055	1,055
	1,055	1,055
Short-term:		
Bills and other trade financing liabilities	31,354	31,354
Lease liabilities	1,286	1,286
	32,640	32,640

Notes of the Interim Financial Report for the 6 months ended 30/06/2020

B8. (Loss)/Profit before taxation

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

	Individual quarter ended		Cumulative period 6 months ended	
	30/06/2020	30/6/2019	30/06/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(20)	(70)	(28)	(121)
Gain on disposal of property, plant and equipment	(24)	1	(25)	(17)
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	387	449	764	881
Depreciation of right-of-use assets	145	-	289	-
Employee benefit expenses	2,717	3,046	6,026	6,434
<i>3) Other expenses/(Reversal):</i>				
Realised Forex (gains)/losses	16	(8)	45	72
<i>4) Finance costs:</i>				
Bank overdrafts	13	9	18	15
Bankers acceptance	285	329	559	719
Hire Purchase	41	45	86	97
Interest on lease liabilities	9	-	19	-

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 for the current quarter ended 30/06/20.

B10. Proposed Dividends

The Directors do not recommend any dividend for the current quarter ended 30/06/2020.

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 30/06/2020 are as follows:

	Current Quarter RM'000	Current Year-to-Date RM'000
Loss for the financial period attributable to owners of the Parent (used as numerator for the Basic EPS)	<u>(569)</u>	<u>(1,114)</u>

Notes of the Interim Financial Report for the 6 months ended 30/06/2020

(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 30/06/2020 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 31/12/2019 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 24/08/2020.