**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31DECEMBER 2010**

**PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS 134 (FRS134): INTERIM FINANCIAL REPORTING**

**A1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirement of Bursa Securities Malaysia Berhad, and should be read in conjunction with the Proforma Consolidated Financial Information and Accountants’ Report for the eight (8) months period ended 31 August 2010 as disclosed in the Prospectus dated 30 December 2010 and the accompanying explanatory notes attached to this unaudited interim financial report.

**A2. Summary of significant accounting policies**

The accounting policies adopted are consistent with those adopted in the Proforma Consolidated Financial Information and Accountants’ Report for the eight (8) months period ended 31 August 2010 as disclosed in the Prospectus dated 30 December 2010.

The Group has not adopted the following standards, amendments and interpretations that have been issued but not yet effective:

**(i) Effective for financial periods beginning on or after 1 March 2010**

Amendments to FRS 132: Classification of Rights Issues

**(ii) Effective for financial periods beginning on or after 1 July 2010**

FRS 1: First-time Adoption of Financial Reporting Standards

FRS 3: Business Combinations (revised)

Amendments to FRS 2: Share-based Payment

Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 127: Consolidated and Separate Financial Statements

Amendments to FRS 138: Intangible Assets

Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 12: Service Concession Agreements

IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17: Distributions of Non-cash Assets to Owners

**(iii) Effective for financial periods beginning on or after 1 January 2011**

Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosure forFirst-time Adopters

Amendments to FRS 1: Additional Exemptions for First-time Adopters

Amendments to FRS 7: Improving Disclosures about Financial Instruments

IC interpretation 4: Determining whether an Arrangement contains a Lease

IC interpretation 18: Transfers of Assets from Customers

TR 3: Guidance on Disclosures of transitions to IFRSs

TRi-4: Shariah Complaint Sale Contracts

**(iv) Effective for financial periods beginning on or after 1 January 2012**

IC interpretation 15: Agreements for construction of Real Estate

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

**A3. Auditors’ report on preceding annual financial statements**

The auditor report on the preceding audited financial statement of the Company and its subsidiaries for the financial yearended 31 December 2009 was not subject to any qualification.

**A4. Seasonal or cyclical factors**

The Group did not subject to any material seasonal or cyclical factors.

**A5. Items of unusual nature**

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow during the current financial quarter.

**A6. Changes in estimates**

There were no changes in estimates that had a material effect in the current financial quarter and period to date results.

**A7. Valuation of property, plant and equipment**

Property, plant and equipment except for freehold land are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

**A8. Debts and equity securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current financial quarter other than as disclosed in Note A13.

**A9. Dividend Paid**

There were no dividends paid by the Company in the current financial quarter.

**A10. Segment reporting**

The Group’s operation is divided into local and export market. The local market relates to sales to customers within Malaysia, whereas the export market to sales to overseas customers include United Kingdom, Singapore, Indonesia, Papua New Guinea and Brunei being the Principal market segment. Sales revenue by geographical market are as follows:

 **Individual Quarter** **Cumulative Quarter**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Current YearQuarter Ended** | **Preceding Year****Quarter Ended** | **Current Year to Date** | **Preceding Year****toDate** |
|  | **31-Dec-2010** | **31-Dec-2009** | **31-Dec-2010** | **31-Dec-2009** |
|  | **RM’000** | **RM’000** | **RM’000** | **RM’000** |
| **Revenue** |  |  |  |  |
| Local | 17,453 | N/A | 63,243 | N/A |
| Singapore | 4,849 | N/A | 11,503 | N/A |
| Indonesia | 478 | N/A | 1,478 | N/A |
| United Kingdom  | 192 | N/A | 931 | N/A |
| Papua New Guinea | 3,356 | N/A | 5,703 | N/A |
| Other countries | 21 | N/A | 86 | N/A |
|  | **26,349** | **N/A** | **82,944** | **N/A** |

No comparative figures are available as this is the first interim financial report being announced.

**A11. Material event subsequent to the balance sheet date**

There were no material events subsequent to the end of the current interim period that have not been reflected in this interim financial report.

**A12. Significant event during the period**

There was no significant event that had a material effect in the current financial quarter.

**A13. Changes in Group’s composition**

In conjunction with and in preparation for the proposed listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia, the Company acquired additional 588,000 ordinary shares of RM1.00 each (" Sale Shares"), representing 24% equity interest in PTM for a purchase consideration of RM438,000 which was fully satisfied by the issuance of 876,000 Ordinary Shares to the respective vendors of PTM at an issue price of RM0.50 per Ordinary Share.

The Acquisition was completed on 1 October 2010.

**A14. Contingencies**

There were no material contingent liabilities or contingent assets of the Group for the current financial quarter.

**A15. Capital commitments**

|  |  |  |
| --- | --- | --- |
| Capital expenditure as at the reporting date is asfollows:- | **Current Quarter** | **Cumulative** **Period to date** |
|  | **31-Dec-2010** | **31-Dec-2010** |
|  | **RM’000** | **RM’000** |
| Approved and contracted for: Property, plant and equipment | NIL | 383 |
|  |  |  |

|  |  |  |
| --- | --- | --- |
| **A16. Related party transactions** | **Current Quarter** | **Cumulative** **Period to date** |
|  | **31-Dec-2010** | **31-Dec-2010** |
|  | **RM’000** | **RM’000** |
| Transaction with an associate: |  |  |
| Sales of goods | 1,488 | 2,630 |
| Interest received  |  - | 15 |
|  |  |  |
| Transaction with related parties: |  |  |
| Sales of goods | - | 7 |
| Purchase of machine parts | - | 15 |
| Rental received | - | 2 |
|  |  |  |

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIASECURITIES BERHAD**

**B1. Review of performance**

The Group reported a revenue of approximately RM82.94 million and profit before tax of approximately RM8.82 million for the current financial quarter.

**B2. Variation of results against preceding quarter**

The Group achieved a profit before tax of RM2.73 million in the current quarter as compared to a profit before tax of RM2.41 million recorded in the immediate preceding quarter, mainly contributed by the higher revenue of RM26.35 million generated during the current quarter as compared to RM23.25 million recorded in the immediate preceding quarter. There are no exceptional operational or economic factors which have contributed to any changes in the results of the current quarter.

**B3. Current year prospects**

As disclosed in the prospectus of the Company dated 30 December 2010, the Group intend to expand its business further by introducing new range of secondary stainless steel products i.e. surface treated stainless steel products targeting for building and construction application, new range of tubes and pipes catering the automotive industry, and industrial schedule stainless steel tubes and pipes primarily to be used in the transportation of palm oil, gas and water. Leveraging on its market reputation of being a one-stop supply centre for secondary stainless steel products, the Board of Directors of the Company believes that these product expansion efforts will contribute positively to the earnings of the Group.

In addition, the Group also intends to expand its market coverage to Thailand, Vietnam and Philippines by utilising the indirect distribution strategy of using the local industrial hardware and retailers in the respective countries. These industrial hardware wholesalers and retailers will provide the Group with easy access to the local markets without incurring any substantial distribution, selling and marketing costs.

Premised on the above strategies and capitalizing on the core competencies of the Group, the Board of Directors envisages that the Group will be able to enjoy positive growth and favourable prospects in the long term.

**B4. Profit guarantee or profit forecast**

The Group has not issued any profit guarantee or profit forecast for the financial period.

**B5. Income tax expense**

Income tax as at the reporting date is as follows:-

|  |  |  |
| --- | --- | --- |
|  | **Current Quarter** | **Cumulative** **Period to date** |
|  | **31-Dec-2010** | **31-Dec-2010** |
|  | **RM’000** | **RM’000** |
|  |  |  |
| Current tax expenses | 624 | 2,312 |
| Deferred tax expenses | - |  40 |
|  | **624** | **2,352** |

The Group effective tax rate of 26.66% for 31 December 2010 was higher than the statutory corporate tax rate of 25%,This was mainly due to certain expenses being non-deductible for tax purposes and deferred tax not recognized on capital allowance.

**B6. Sales of unquoted investment and/or properties**

There were no sales of unquoted investments or properties by the Group for the current financial quarter.

**B7. Purchase or disposal of quoted securities**

The Group did not purchase or dispose of any quoted securities during the financial period.

**B8. Status of corporate proposals and utilisation of proceeds**

In conjunction with and in preparation for the proposed listing, we undertook the following:-

1. **Public Issue**

The public issue of 20,124,000 new Ordinary shares representing 20.96% of the enlarged issued and paid-up share capital of the Company at an issue price of RM0.57 per share, payable in full upon application.

1. **Offer for sale**

The offer for sale of 22,200,000 Ordinary Share representing 23.13% of the enlarged issued and paid-up share capital of Company will be offered to identify investors at an offer price of RM0.57 per share, payable in full upon application.

1. **Listing**

Upon completion of the Public Issue and Offer for Sale, the Company will seek the listing of and quotation for its entire enlarged issued and paid-up share capital, comprising 96,000,000 KSSC Shares on the Main Market of the Bursa Malaysia Securities Berhad.

1. **Utilisation of proceeds**

The Group expects the total gross proceeds from the public issue to amount to approximately RM11.47 million based on the issue price of RM0.57. The Group expects the proceeds to be utilised in the following manner:-

|  |  |  |
| --- | --- | --- |
|  | **Proposed** **Utilisation** | **Intended timeframe for Utilisation** |
|  | **RM’000** |  |
| Business expansion and capital expenditure  | 3,310 | Within one (1) year after listing |
| Working capital  | 6,260 | Within one (1) year after listing |
| Estimated listing expenses  | 1,900 | Within one (1) month after listing |
| **Total** |  **11,470** |  |
|  |

**B9. Borrowings and debts securities**

 The Group’s borrowings as at 31 December 2010 are as follows:

|  |  |
| --- | --- |
|  | **Period to date** |
|  | **31-Dec-2010** |
| **Short term borrowings:** | **RM’000** |
| Secured: |  |
| Hire purchases  | 185 |
| Bankers acceptances | 25,461 |
| Term Loans | 302 |
|  |  |
| **Long term borrowings:** |  |
| Secured: |  |
| Hire purchases | 595 |
| Term Loans |  3,157 |
| **Total Borrowings** | **29,700** |

**B10. Off balance sheets financial instruments**

There were no off balance sheet financial instruments entered (or held) by the Group as at the date of this report.

**B11. Material litigation**

There were no material litigation as at the date of this report.

**B12. Dividends**

The directors proposed a first and final single tier dividend of 6% amounting to RM2,880,000 in respect of the financial year ended 31 December 2010, payable upon shareholders' approval at the forthcoming Annual General Meeting.

**B13. Earnings Per share**

1. **Basic earnings per share**

Basic earnings per share are computed based on the profit after tax attributable to the equity holders of Company divided by the enlarged share capital of 75,219,000 shares but prior to the Public Issue.

1. **Diluted earnings per share**

Diluted earnings per share were not computed as the Company does not have any dilutivepotential ordinary shares in issue as at the end of the financial quarter under review.

**B14. Authorisation for issue**

The interim financial report was duly reviewed by Audit committees and approved by the Board of Directors on 23 February 2011.