



誠成集團

K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

(Incorporated in Malaysia under the Companies Act, 1965)

**Condensed Consolidated Statements of Comprehensive Income For The 3 months Ended 31/03/2011**

	Individual Quarter 1st quarter ended		Cumulative Period 3 months Ended	
	31/03/2011	31/03/2010 (restated)	31/03/2011	31/03/2010 (restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	16,612	15,542	16,612	15,542
Cost of sales	(13,744)	(12,576)	(13,744)	(12,576)
<b>Gross profit</b>	<b>2,868</b>	<b>2,966</b>	<b>2,868</b>	<b>2,966</b>
Other operating income	21	21	21	21
Selling and distribution expenses	(350)	(296)	(350)	(296)
Administration expenses	(1,311)	(624)	(1,311)	(624)
Other expenses	(60)	(360)	(60)	(360)
Finance costs	(337)	(357)	(337)	(357)
Share of results of associate	95	88	95	88
<b>Profit before taxation</b>	<b>926</b>	<b>1,438</b>	<b>926</b>	<b>1,438</b>
Income tax expense	(275)	(415)	(275)	(415)
<b>Profit after taxation</b>	<b>651</b>	<b>1,023</b>	<b>651</b>	<b>1,023</b>
<b>Profit Attributable To:</b>				
Owners of The Parent	651	1,091	651	1,091
Non-Controlling Interest	-	(68)	-	(68)
	<b>651</b>	<b>1,023</b>	<b>651</b>	<b>1,023</b>
<b>Comprehensive income attributable to :</b>				
Owners of The Parent	651	1,091	651	1,091
Non-Controlling Interest	-	(68)	-	(68)
	<b>651</b>	<b>1,023</b>	<b>651</b>	<b>1,023</b>
<b>Weighted average number of ordinary shares in issue ('000)</b>	96,000	96,000	96,000	96,000
<b>Earnings per share attributable to owner of the parent :</b>				
Basic (Sen)	0.68	1.14	0.68	1.14
Diluted (Sen)	N/A	N/A	N/A	N/A

**Notes:**

N/A denotes not applicable

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this Interim Financial Report.)



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**Condensed Consolidated Statements of Financial Position As At 31/03/2011**

	As at 31/03/2011	As at 31/12/2010 (restated)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	16,841	17,100
Investment in an associate	2,370	2,275
Goodwill on combination	140	140
Deferred Tax Assets	126	126
	<b>19,477</b>	<b>19,641</b>
<b>Current assets:</b>		
Inventories	22,244	20,913
Trade & Other receivables	25,533	36,384
Tax recoverable	358	308
Cash and bank balances	22,523	7,129
	<b>70,658</b>	<b>64,734</b>
<b>TOTAL ASSETS</b>	<b>90,135</b>	<b>84,375</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade & Other payables	3,468	4,418
Provision for taxation	449	549
Hire purchase payable	185	163
Loans and borrowings	21,230	25,541
	<b>25,332</b>	<b>30,671</b>
<b>Non-current liabilities</b>		
Hire purchase payables	560	617
Loans and borrowings	3,112	3,184
Deferred tax liabilities	81	81
	<b>3,753</b>	<b>3,882</b>
<b>TOTAL LIABILITIES</b>	<b>29,085</b>	<b>34,553</b>
<b>Equity:</b>		
Share capital	48,000	37,938
Share premium	515	-
Retained profits	12,535	11,884
<b>Equity attributable to owners of the parent</b>	<b>61,050</b>	<b>49,822</b>
Non-controlling Interest	-	-
<b>TOTAL EQUITY</b>	<b>61,050</b>	<b>49,822</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>90,135</b>	<b>84,375</b>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	0.64	0.52

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this Interim Financial Report.)



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K. SENG SENG CORPORATION BERHAD

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**Condensed Statements of Changes in Equity For The 3 months Ended 31/03/2011**

<----- Attributable to Owners of Parent ----->

	Share Capital	Share Premium	Retained Profits	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance at 01/01/2010</b>	15,000	-	30,734	<b>45,734</b>	438	<b>46,172</b>
Total comprehensive income for the period	-	-	1,091	<b>1,091</b>	(68)	<b>1,023</b>
Dividends paid	-	-	(3,000)	<b>(3,000)</b>	-	<b>(3,000)</b>
Bonus issue	22,500	-	(22,500)	-	-	-
<b>Balance at 31/03/2010</b>	<b>37,500</b>	-	<b>6,325</b>	<b>43,825</b>	<b>370</b>	<b>44,195</b>
<b>Balance at 01/01/2011</b>	37,938	-	11,884	<b>49,822</b>	-	<b>49,822</b>
Total comprehensive income for the period	-	-	651	<b>651</b>	-	<b>651</b>
Listing Expenses Written off	-	(894)	-	<b>(894)</b>	-	<b>(894)</b>
Issue of shares	10,062	1,409	-	<b>11,471</b>	-	<b>11,471</b>
<b>Balance at 31/03/2011</b>	<b>48,000</b>	<b>515</b>	<b>12,535</b>	<b>61,050</b>	-	<b>61,050</b>

*(The Condensed Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this Interim Financial Report.)*



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**K. SENG SENG CORPORATION BERHAD**

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**Condensed Statements of Cash Flows for The 3 months Ended 31/03/2011**

	3 months Ended	
	31/03/2011	31/03/2010
	RM'000	RM'000
<b><i>Net Cash Flow From Operating Activities</i></b>	<b><u>3,708</u></b>	<b><u>(2,749)</u></b>
<b><i>Net cash flow used in Investing Activities</i></b>	<b><u>1,186</u></b>	<b><u>(1,307)</u></b>
<b><i>Net cash flow used in Financing Activities</i></b>	<b><u>10,500</u></b>	<b><u>(3,201)</u></b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>15,394</b>	<b>(7,257)</b>
<b>Cash and Cash Equivalents at Beginning of The Year</b>	<b>7,129</b>	<b>11,576</b>
<b>Effects of Changes in Foreign Exchange Rate, Net</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents at End of The Period</b>	<b><u><u>22,523</u></u></b>	<b><u><u>4,319</u></u></b>
<b>Cash and Cash Equivalents Comprise:</b>		
Cash and bank balances	22,523	4,330
Bank overdrafts	-	(11)
	<b><u><u>22,523</u></u></b>	<b><u><u>4,319</u></u></b>

*(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this Interim Financial Report.)*



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**K. SENG SENG CORPORATION BERHAD**

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## Note of the Interim Financial Report For The 3 months Ended 31/03/2011

### A. Compliance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting and Bursa Listing Requirements

#### A1. Basis of preparation

The interim financial report has been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirement. The figures for the cumulative period 3 months Ended 31/03/2011 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 31/12/2010. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31/12/2010.

#### A2. Seasonality or cyclical nature of interim operations

Other than slowdown in the 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 cyclical nature 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 ended 31/03/2011.

#### A4. Material Changes in estimates

There were no material changes in estimates that had affected the Group during the current quarter ended 31/03/2011.

#### A5. Capital Management, issuances, repurchases and repayments of debts and equity instruments

The Group's objectives of managing capital are to safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For capital management purposes, the Group considers shareholders' equity, non-controlling interests and long term liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as the total liabilities to total equity. Total equity is the sum of total equity attributable to shareholders and non-controlling interests.

The Group's strategy is to maintain a gearing ratio of 30% to 50%. This has remained unchanged from the prior year. The gearing ratios as at 31/03/2011 and 31/12/2010, which are within the Group's objectives for capital management are as follows:

	31/03/2011 RM'000	31/12/2010 RM'000
Total liabilities	25,087	29,505
Total equity	61,050	49,822
<b>Total capital</b>	<b>86,137</b>	<b>79,327</b>
Gearing ratio	29%	37%

The decrease in the gearing ratio in the current quarter ended 31/03/2011 was primarily due to the increase in issued share capital and comprehensive income. The details of the issuance of equity instrument and repayment of debts in the current quarter are as follows:

	31/03/2011 RM'000
(a) Issuance of Ordinary Shares of RM0.50 each at an issue price of RM0.57	11,471
(b) Repayment of bank borrowings	(4,418)

#### A6. Dividends paid (aggregate or per share) separating for ordinary shares and other shares

There were no dividends paid by the Group during the current quarter ended 31/03/2011.



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#### **A7. Operating Segment Information**

In the prior year's audited consolidated financial statements, the basis of segmentation was on a format of geographical segment. In the current quarter ended 31/03/2011 and for the current financial year ending 31/12/2011, the basis of segmentation has been changed to operating segments based on information reported internally to the Chief Operating Decision Maker and the Board of Directors.

In the prior financial year, the Group's operation is divided into local and export markets. 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 others countries being the Principal market segment.

The basis of measurement for segment profit or loss in the current quarter are consistent with prior financial year, based on standards prescribed in FRSs and other accounting guidance, which are measured at their fair value and any changes in value recognised as gains or losses in segment profit or loss. In the consolidated financial statements such assets are measured at cost less accumulated amortisation, if any. The segment information for the current quarter is as follows:

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Total
<i>3 months Ended 31/03/2011</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	6,800	7,229	2,583	16,612
Reportable segment gross profit/(loss)	977	1,380	511	2,868
<i>3 months Ended 31/03/2010</i>				
Revenues from external customers	6,106	8,389	1,047	15,542
Reportable segment gross profit/(loss)	907	1,743	316	2,966

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

There were no material events subsequent to the end of the interim period that have not been reflected the Group during the current quarter ended 31/03/2011.

#### **A9. Effects of changes in the composition of the Group**

There were no effects of changes in the composition of the Group during the current quarter ended 31/03/2011.

#### **A10. Changes in contingent liabilities & assets since the last annual financial statements date**

The contingent liabilities and contingent assets as at the end of the prior financial year 31/12/2010 have remained unchanged.

#### **A11. Capital commitment**

Authorised capital commitments not recognised in the interim financial statement as at 31/03/2011 are as follows:

	RM'000
Contracted	369
Not contracted	-
	<u>369</u>
Analysed as follows:	
For purchase of property, plant and equipment	<u>369</u>

#### **A12. Related party transactions**

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/03/2011 are as follows:



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Nature of Relationship	Sales of goods RM'000	Interest received RM'000	Total for nature of relationship RM'000
<i>Current quarter:</i>			
Parents & fellow subsidiaries	-	-	-
Associates	803	-	803
Total for type of transaction	<b>803</b>	-	<b>803</b>
<i>Cumulative 3 months Period:</i>			
Parents & fellow subsidiaries	-	-	-
Associates	803	-	803
Total for type of transaction	<b>803</b>	-	<b>803</b>

In addition to the above related party transactions which are presented in the aggregates because of their similar nature, the following related party transactions were recorded during the period under review:

	Amount of transaction RM'000	Balance Outstanding at 31/03/2011 RM'000	Terms of settlement
i) Loan made to Associates	-	633	Unsecured, cash term & payable at the end of 2011



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## Note of the Interim Financial Report For The 3 months Ended 31/03/2011

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

#### B1. Review of performance

The Group's revenue of RM16.61 million for the current quarter and 3 months cumulative period was 6.9% higher than the corresponding preceding period in the prior financial year. The increase is mainly due to new business products in the industrial hardware segment.

The Group's profit before tax of RM0.93 million for the current quarter and 3 months cumulative period was 35.6% lower than the corresponding preceding period in the prior financial year. The decrease were primarily due to increases in administration expenses namely written-off Group's listing expenses, other professional fees and improved employee benefits.

#### B2. Comparison with immediate preceding quarter's results

The Group's profit before tax of RM0.93 million for the current quarter under review was 66.0% lower compared with the profit before tax amounting to RM2.73 million of the preceding quarter. This was mainly due to slowdown in the demand for our products as disclosed in Note A2 particularly Stainless Steel segment, and Marine Hardware & Consumables segment which was recorded 39.5% and 39.7% respectively lower compared with immediate preceding quarter.

#### B3. Commentary on prospects for the remaining period of the current Financial Year

As disclosed in our prospectus dated 30 December 2010, our Group intends to expand our product range particularly our stainless steel tubes and pipes to cater for new market segments. In particular, we plan to introduce surface treated stainless steel tubes and pipes in the second half of the year and industrial schedule tubes and pipes by the end of the year. In addition, we also intend to expand our geographical reach to Thailand, Vietnam and Philippines.

Premised on our above future and strategic plans and leveraging our potential as a one-stop supply centre for stainless steel and industrial hardware products, our Board is of the view that our Group will enjoy positive growth and favourable prospects in the long-term.

#### B4. Statement by Board of Directors

The Group did not disclose or announce any profit forecast or projection in a public document in the quarter or prior financial year. In the Board of Directors' opinion, the internal targets set by management for the remaining period of the current financial year ending 31/12/2011 are likely to be achieved.

#### B5. Variance of actual profit from forecast profit or profit guarantee

The Group did not issue any profit forecast or profit guarantee in the current quarter or in the prior financial year.

#### B6. Breakdown of tax changes

	Current Quarter Ended 31/03/2011 RM'000	Cumulative Period 3 months Ended 31/03/2011 RM'000
Tax charges/credits comprise:		
Malaysian taxation based on profit for the period:		
Current tax expense	275	275
Deferred tax expense	-	-
Adjustment for under/(over) provision	-	-
Net tax charge	<u>275</u>	<u>275</u>
Effective income tax rate	29.70%	29.70%

The effective tax rate for the period is higher than the statutory corporate tax rate of 25.00% mainly due to certain expenses being non-deductible for tax purposes particularly Group's listing expenses.





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**B7. Profits/(losses) on sale of unquoted investments and/or properties**

There were no sale of unquoted investments and/or properties for the current quarter and financial year to date.

**B8. Quoted Securities**

There were no purchase or dispose of any quoted securities for the current quarter and financial year to date.

**B9. Status of corporate proposals and utilisation of proceeds**

**(a) Corporate proposals**

There were no corporate proposals for the current quarter.

**(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	Deviation	Intended timeframe for utilisation (Listed 19/01/2011)
	RM'000	RM'000	%	
(i) Business Expansion and capital expenditures	3,310	-	-	Within 1 year after listing
(ii) Working Capital	6,260	-	-	Within 1 year after listing
(iii) Listing Expenses	1,900	1,823	4.1	Within 1 month after listing
	11,470	1,823	4.1	

**B10. Details of Group borrowings and debts securities**

The Group's borrowings and debt securities as at 31/03/2011 are as follows:

	Total	Secured	Unsecured
	RM'000	RM'000	RM'000
Long-term borrowings:			
Term loans (in functional currency)	3,418	3,418	-
Hire purchase liabilities	745	745	-
	<u>4,163</u>	<u>4,163</u>	<u>-</u>
Short-term borrowings:			
Bills and other trade financing liabilities	20,924	20,924	-
Bank overdraft	-	-	-
	<u>20,924</u>	<u>20,924</u>	<u>-</u>

**B11. Off balance sheets financial instruments** □

There were no off balance sheet financial instruments entered (or held) by the Group during the current quarter ended 31/03/2011.

**B12. Changes in Material Litigations**

There were no material litigations since the last financial year ended 31/12/2010 and up to current quarter ended 31/03/2011.

**B13. 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, subject to shareholders' approval at the forthcoming Annual General Meeting.

**B14. Earnings per share**

(a) The earnings used as the numerator in calculating Basic and Diluted earnings per share (EPS) for the current quarter ended 31/03/2011 are as follows:



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	Current Quarter Ended 31/03/2011 RM'000	Cumulative Period 3 months Ended 31/03/2011 RM'000
Profit for the financial period attributable to owner of the Parent (used as numerator for the Basic EPS)	<u>651</u>	<u>651</u>

(b) The weighted average number of ordinary shares used in the denominator in calculating Basic and Diluted earnings per share for the current financial period ended are as follows:

	Current Quarter Ended 31/03/2011 '000	Cumulative Period 3 months Ended 31/03/2011 '000
Weighted average number of ordinary shares in issue (used as denominator for the Basic EPS)	<u>96,000</u>	<u>96,000</u>

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

**B15. Audit report qualification and status of matters raised**

The audit report of the Group's annual financial statements for the year ended 31/12/2010 did not contain any qualification.

**B16. Authorisation for issue**

The interim financial report was duly reviewed by Audit committees and approved by the Board of Directors on 18/05/2011.