



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 9 months ended 30/09/2011

	Individual quarter ended		Cumulative period 9 months ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
Revenue	17,197	23,248	50,734	56,594
Cost of sales	(14,624)	(19,283)	(42,445)	(46,037)
<b>Gross profit</b>	<b>2,573</b>	<b>3,965</b>	<b>8,289</b>	<b>10,557</b>
Other operating income	94	11	202	53
Selling and distribution expenses	(366)	(303)	(1,151)	(945)
Administration expenses	(901)	(811)	(3,169)	(2,033)
Other expenses	(235)	(293)	(532)	(936)
Finance costs	(289)	(253)	(906)	(921)
Share of results of associate	136	97	416	273
<b>Profit before taxation</b>	<b>1,012</b>	<b>2,413</b>	<b>3,149</b>	<b>6,048</b>
Income tax expense	(346)	(635)	(525)	(1,728)
<b>Profit after taxation</b>	<b>666</b>	<b>1,778</b>	<b>2,624</b>	<b>4,320</b>
<b>Profit Attributable To:</b>				
Owners of The Parent	611	1,749	2,569	4,419
Non-Controlling Interest	55	29	55	(99)
	<b>666</b>	<b>1,778</b>	<b>2,624</b>	<b>4,320</b>
<b>Comprehensive income attributable to :</b>				
Owners of The Parent	611	1,749	2,569	4,419
Non-Controlling Interest	55	29	55	(99)
	<b>666</b>	<b>1,778</b>	<b>2,624</b>	<b>4,320</b>
<b>Weighted average number of ordinary shares in issue ('000)</b>				
	90,969	75,000	90,969	75,000
<b>Earnings per share attributable to owner of the parent :</b>				
Basic (Sen)	0.67	2.33	2.82	5.89
Diluted (Sen)	N/A	N/A	N/A	N/A

**Notes:**

N/A denotes not applicable

(The Condensed Consolidated Statements 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 30/09/2011

	Unaudited As at 30/09/2011 RM'000	Audited As at 31/12/2010 RM'000
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	16,857	17,100
Investment in an associate	2,582	2,275
Goodwill on combination	140	140
Deferred Tax Assets	663	126
	<b>20,242</b>	<b>19,641</b>
<b>Current assets:</b>		
Inventories	25,619	20,913
Trade & Other receivables	27,820	36,384
Tax recoverable	643	308
Cash and bank balances	13,109	7,129
	<b>67,191</b>	<b>64,734</b>
<b>TOTAL ASSETS</b>	<b>87,433</b>	<b>84,375</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade & Other payables	5,424	4,418
Provision for taxation	-	549
Hire purchase payable	198	163
Loans and borrowings	18,057	25,541
	<b>23,679</b>	<b>30,671</b>
<b>Non-current liabilities</b>		
Hire purchase payables	527	617
Loans and borrowings	2,954	3,184
Deferred tax liabilities	105	81
	<b>3,586</b>	<b>3,882</b>
<b>TOTAL LIABILITIES</b>	<b>27,265</b>	<b>34,553</b>
<b>Equity:</b>		
Share capital	48,000	37,938
Share premium	515	-
Retained profits	11,573	11,884
<b>Equity attributable to owners of the parent</b>	<b>60,088</b>	<b>49,822</b>
Non-controlling Interest	80	-
<b>TOTAL EQUITY</b>	<b>60,168</b>	<b>49,822</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>87,433</b>	<b>84,375</b>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	0.66	0.66

(The Condensed Consolidated Statements 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 9 months ended 30/09/2011

----- 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>
Bonus issue	22,500	-	(22,500)	-	-	-
Total comprehensive income for the period	-	-	4,419	<b>4,419</b>	(99)	<b>4,320</b>
Dividends paid	-	-	(3,000)	<b>(3,000)</b>	-	<b>(3,000)</b>
<b>Balance at 30/09/2010</b>	<b>37,500</b>	-	<b>9,653</b>	<b>47,153</b>	<b>339</b>	<b>47,492</b>
<b>Balance at 01/01/2011</b>	37,938	-	11,884	<b>49,822</b>	-	<b>49,822</b>
Acquisition of subsidiaries	-	-	-	-	25	<b>25</b>
Issue of shares	10,062	1,409	-	<b>11,471</b>	-	<b>11,471</b>
Total comprehensive income for the period	-	-	2,569	<b>2,569</b>	55	<b>2,624</b>
Listing Expenses Written off	-	(894)	-	<b>(894)</b>	-	<b>(894)</b>
Dividends paid	-	-	(2,880)	<b>(2,880)</b>	-	<b>(2,880)</b>
<b>Balance at 30/09/2011</b>	<b>48,000</b>	<b>515</b>	<b>11,573</b>	<b>60,088</b>	<b>80</b>	<b>60,168</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.)

**Condensed Statements of Cash Flows for the 9 months ended 30/09/2011**

	9 months ended	
	30/09/2011	30/09/2010
	RM'000	RM'000
<b>Cash Flows From Operating Activities:</b>		
<b>Profit before tax</b>	<b>3,149</b>	<b>6,048</b>
Adjustments for :		
Depreciation of property, plant and equipment	1,013	914
Doubtful Debts Recovered	(210)	(25)
Gain on disposal property, plant and equipment	-	(14)
Interest expenses	894	906
Share of profits in Associates	(416)	(273)
<b>Operating profit before changes in working capital</b>	<b>4,430</b>	<b>7,556</b>
<b>Working Capital Changes</b>		
Decrease/(Increase) in trade and other receivables	7,627	(3,480)
Increase in inventories	(4,706)	(1,209)
Increase/(Decrease) in trade and other payables	1,006	(947)
Decrease in Short term Trade Banker Acceptance	(7,517)	(1,015)
	<b>(3,590)</b>	<b>(6,651)</b>
<b>Cash Generated From Operations</b>	<b>840</b>	<b>905</b>
Interest paid	(894)	(906)
Income tax refund	65	-
Income tax paid	(1,877)	(1,954)
	<b>(2,706)</b>	<b>(2,860)</b>
<b>Net Cash Flow Used In Operating Activities</b>	<b>(1,866)</b>	<b>(1,955)</b>
<b>Cash Flows From Investing Activities:</b>		
Proceed from disposal of property, plant and equipment	-	25
Purchase of property, plant and equipment	(686)	(808)
(Acquisition)/Disposed of Subsidiaries	(75)	-
Decrease/(Increase) in Advances to Associates	1,247	(630)
<b>Net cash flow generated from/(used in) Investing Activities</b>	<b>486</b>	<b>(1,413)</b>
<b>Cash Flows From Financing Activities:</b>		
Issue of ordinary shares	10,577	-
Dividends paid on shares	(2,880)	(3,000)
Payment for borrowing	(198)	(210)
Payment for hire purchase obligations	(139)	(394)
<b>Net cash flow generated from/(used in) Financing Activities</b>	<b>7,360</b>	<b>(3,604)</b>
<b>Net changes in Cash and Cash Equivalents</b>	<b>5,980</b>	<b>(6,972)</b>
<b>Cash and Cash Equivalents at Beginning of The Period</b>	<b>7,129</b>	<b>11,576</b>
<b>Cash and Cash Equivalents at End of The Period</b>	<b>13,109</b>	<b>4,604</b>



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**Condensed Statements of Cash Flows for the 9 months ended 30/09/2011**

	9 months ended	
	30/09/2011	30/09/2010
	RM'000	RM'000
<b>Cash and Cash Equivalents Comprise:</b>		
Cash and bank balances	13,159	4,604
Bank overdrafts	(50)	-
	<u>13,109</u>	<u>4,604</u>

*(The Condensed Statements 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.)*

**Note of the Interim Financial Report for the 9 months ended 30/09/2011**

**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 9 months ended 30/09/2011 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 cyclicity 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 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 ended 30/09/2011.

**A4. Material Changes in estimates**

There were no material changes in estimates that had affected the Group during the current quarter ended 30/09/2011.

**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 borrowings (as disclosed in Note B9) to be the key components in the Group's capital structure. The Group monitors capital on the basis of the gearing ratio, which is calculated as the total long term borrowings to total equity. Total equity is the sum of total equity attributable to shareholders and non-controlling interests.

The gearing ratios as at 30/09/2011 and 31/12/2010 are as follows:

	30/09/2011 RM'000	31/12/2010 RM'000
Total long term borrowings	3,987	4,239
Total equity	<u>60,168</u>	<u>49,822</u>
	<u><b>64,155</b></u>	<u><b>54,061</b></u>
Gearing ratio	7%	9%

The decrease in the gearing ratio in the current quarter ended 30/09/2011 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:

	30/09/2011 RM'000
(a) Issuance of Ordinary Shares (IPO) of RM0.50 each at an issue price of RM0.57	11,471
(b) Repayment of bank borrowings	(252)

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

	Current Quarter Ended 30/09/2011 RM'000	Cumulative Period 9 months ended 30/09/2011 RM'000
Dividend paid on ordinary shares: Financial year ended 31/12/2010		
First and final dividend of 3 sen per share single tier	<u>2,880</u>	<u>2,880</u>

**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 previous 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>9 months ended 30/09/2011</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	19,149	22,562	9,023	50,734
Reportable segment gross profit/(loss)	2,355	4,429	1,505	8,289
<i>9 months ended 30/09/2010</i>				
Revenues from external customers	20,409	31,648	4,537	56,594
Reportable segment gross profit/(loss)	3,102	6,429	1,026	10,557

**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 30/09/2011.

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

The Group on 28/09/2011 subscribed 75%-owned subsidiary known as KSG Engineering Sdn Bhd (Company No. 922460-A) ("KSG"). KSG was incorporated as a private limited company under the Companies Act, 1965 with an initial issued and paid-up share capital of RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The remaining 25% interest in KSG is owned by Mr Ng Kuan Kiat.

The intended principal activity of KSG is in the business of operating in engineering works and trading of all kinds of bearings, motor, speed reducer, sprocket gear, belting, pulley, coupling and etc. with an outlet located at No. 23 & 23-1, Jalan Budiman 2/3, Taman Putra Budiman, 43300 Seri Kembangan, Selangor Darul Ehsan.

The subscription of KSG does not have any effect on the issued and paid-up share capital of the Group and substantial shareholders' shareholdings. It also does not have any material effect on the net assets, gearing and earnings of the Group for the financial year ending 31/12/2011.

None of the Directors, major shareholdings of the Group and/or persons connected with them, have any direct or indirect interest in the subscription of KSG.

**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 30/09/2011 are as follows:

	RM'000
Approved and contracted for	1,055
Approved but not contracted for	-
	<u><b>1,055</b></u>
Analysed as follows:	
For purchase of plant and equipment	<u><b>1,055</b></u>

**A12. Related party transactions**

The Group's related party transactions in the current quarter and the cumulative period to date ended 30/09/2011 are as follows:

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	1,567	-	1,567
Total for type of transaction	<u><b>1,567</b></u>	<u>-</u>	<u><b>1,567</b></u>
<i>Cumulative 9 months Period:</i>			
Parents & fellow subsidiaries	-	-	-
Associates	4,075	-	4,075
Total for type of transaction	<u><b>4,075</b></u>	<u>-</u>	<u><b>4,075</b></u>

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 30/09/2011 RM'000	Terms of settlement
i) Loan made to Associates	-	633	Unsecured, cash term & payable at the end of 2011



**Note of the Interim Financial Report for the 9 months ended 30/09/2011**

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

**B1. Review of performance**

The Group's revenue for 9 months cumulative period had decreased by 10.4% from RM56.59 million reported in the corresponding preceding period in the prior financial year to RM50.73 million due to slowdown of global economic conditions and prudent sales strategy adopted by the Group.

The Group's profit before tax for 9 months cumulative period had decreased from RM6.05 million to RM3.15 million, representing 47.9% lower profit before tax than the corresponding preceding period in the prior financial year. The decrease was mainly due to the following:-

(a) Our gross profit margin for our Stainless steel products segment, Marine hardware & consumable segment and other industrial hardware segments dropped from 15.20%, 20.31% and 22.61% in the corresponding preceding period in the prior financial year to 13.20%, 19.63% and 16.68% respectively. The general decline in gross profit margins for our segments were attributed primarily to the impact on overall adverse demand and selling prices; and

(b) Increases in administration expenses particularly 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 RM1.01 million for the current quarter under review was 13.3% lower compared with the profit before tax amounting to RM1.17 million of the preceding quarter. This decrease was mainly due to overall adverse demand and selling prices as mentioned in Note B1.(a) above.

**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 intend to expand our business to Thailand, Vietnam and the 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. Profit forecast or profit guarantee**

Not applicable as the Group has not issued profit forecast or profit guarantee in a public document.

**B5. Breakdown of tax changes**

	Current Quarter Ended 30/09/2011 RM'000	Cumulative period 9 months ended 30/09/2011 RM'000
Tax charges comprise:		
Malaysian taxation based on profit for the period:		
Current tax expense	332	1,013
Deferred tax expense	(10)	(512)
Adjustment for underprovision	24	24
Net tax charge	<u>346</u>	<u>525</u>



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Reconciliation of Effective Tax Rate:	Cumulative period 9 months ended 30/09/2011	
	RM'000	%
<b>Accounting Profit before tax</b>	<b>3,149</b>	<b>-</b>
Statutory tax amount / rate	787	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	30	1.0%
Listing expenses & other professional fee	126	4.0%
Other Expenses not deductible for tax purposes	65	2.1%
Deferred tax assets not recognised on:		
- Previous year's taxable temporary differences	(138)	-4.4%
- Previous year's unutilised reinvestment allowances	(373)	-11.9%
Under provision of tax expense in prior years	28	1.00%
<b>Effective tax amount / rate</b>	<b>525</b>	<b>16.8%</b>

**B6. 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 period to date.

**B7. Quoted Securities**

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

**B8. 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 RM'000	Actual utilisation RM'000	Non- utilisation %	Intended timeframe for utilisation (Listed)
(i) Business Expansion and capital expenditures	3,310	-	-	Within 1 year after listing
(ii) Working Capital	6,260	4,070	35.0	Within 1 year after listing
(iii) Listing Expenses	1,900	1,823	4.1	Transfer to Working Capital
	<b>11,470</b>	<b>5,893</b>	<b>48.6</b>	

**B9. Details of Group borrowings and debts securities**

The Group's borrowings and debt securities as at 30/09/2011 are as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term:			
Term loans (in functional currency)	3,262	3,262	-
Hire purchase liabilities	725	725	-
	<b>3,987</b>	<b>3,987</b>	<b>-</b>
Short-term:			
Bills and other trade financing liabilities	17,749	-	17,749
Bank overdrafts	50	50	-
	<b>17,799</b>	<b>50</b>	<b>17,749</b>

**B10. Off balance sheets financial instruments**

There were no off balance sheet financial instruments entered (or held) by the Group during the current quarter ended 30/09/2011.

**B11. Changes in Material Litigations**

There were no material litigations since the last financial year ended 31/12/2010 and up to current quarter ended 30/09/2011.

**B12. Dividends**

The Directors have not proposed any dividend for the current financial period under review.

**B13. Earnings per share**

(a) The earnings used as the numerator in calculating Basic and Diluted earnings per share (EPS) for the current quarter ended 30/09/2011 are as follows:

	Current Quarter RM'000	Current Year-to-Date RM'000
Profit for the financial period attributable to owner of the Parent (used as numerator for the Basic EPS)	<u>611</u>	<u>2,569</u>

(b) The weighted average number of ordinary shares used in the denominator in calculating Basic and Diluted earnings per

	Current Quarter '000	Current Year-to-Date '000
Weighted average number of ordinary shares in issue (used as denominator for the Basic EPS)	<u>90,969</u>	<u>90,969</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.

**B14. Realised and unrealised profits**

	30/09/2011 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	8,898
- Unrealised	<u>558</u>
	9,456
Total share of retained profits from Associates:	
- Realised	<u>1,762</u>
	11,218
Less: Consolidation adjustments	<u>355</u>
Total Group retained profits as per consolidated financial statements	<u><u>11,573</u></u>

**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 Committee and approved by the Board of Directors on 17/11/2011.