



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 12 months ended 31/12/2011

	Note	Individual quarter ended		Cumulative period 12 months ended	
		31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Revenue	A7	19,782	26,349	70,516	82,950
Cost of sales	B8	(17,190)	(21,796)	(59,635)	(68,067)
Gross profit		2,592	4,553	10,881	14,883
Other income	B8	113	37	315	90
Selling and distribution expenses		(399)	(281)	(1,550)	(1,226)
Administration expenses	B8	(1,113)	(1,090)	(4,280)	(2,892)
Other expenses	B8	(512)	(390)	(1,044)	(1,203)
Profit from operations		681	2,829	4,322	9,652
Finance costs	B8	(325)	(193)	(1,232)	(1,114)
		356	2,636	3,090	8,538
Share of results of associate		(11)	14	296	288
Profit before taxation		345	2,650	3,386	8,826
Income tax expense	B5	(139)	(624)	(557)	(2,176)
Profit after taxation		206	2,026	2,829	6,650
Profit Attributable To:					
Owners of The Parent		149	2,026	2,716	6,650
Non-Controlling Interests		57	-	113	-
		206	2,026	2,829	6,650
Total Comprehensive income attributable to :					
Owners of The Parent		149	2,026	2,716	6,650
Non-Controlling Interests		57	-	113	-
		206	2,026	2,829	6,650
Weighted average number of ordinary shares in issue ('000)					
	B11	96,000	75,000	96,000	75,000
Earnings per share attributable to owners of the parent :					
Basic (Sen)	B11	0.16	2.70	2.83	8.87
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.)

Condensed Consolidated Statements of Financial Position as at 31/12/2011

	Note	Unaudited As at 31/12/2011 RM'000	Audited As at 31/12/2010 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		17,110	17,100
Investment in an associate		2,571	2,275
Goodwill on consolidation		140	140
Deferred Tax Assets		665	126
		20,486	19,641
Current assets:			
Inventories		26,243	20,913
Trade & other receivables		29,212	36,384
Tax recoverable		943	308
Cash and bank balances		12,454	7,129
		68,852	64,734
TOTAL ASSETS		89,338	84,375
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade & Other payables		6,157	4,418
Provision for taxation		41	549
Hire purchase payable	B7	256	163
Loans and borrowings	B7	21,462	25,541
		27,916	30,671
Non-current liabilities			
Hire purchase payables	B7	712	617
Loans and borrowings	B7	240	3,184
Deferred tax liabilities		97	81
		1,049	3,882
TOTAL LIABILITIES		28,965	34,553
Equity:			
Share capital		48,000	37,938
Share premium		515	-
Retained profits		11,720	11,884
Equity attributable to owners of the parent		60,235	49,822
Non-controlling Interests		138	-
TOTAL EQUITY		60,373	49,822
TOTAL EQUITY AND LIABILITIES		89,338	84,375
Net assets per share attributable to owners of the parent (RM)		0.63	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 12 months ended 31/12/2011

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

	Note	Share Capital	Share Premium	Retained Profits	Total	Non- Controlling Interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 01/01/2010		15,000	-	30,734	45,734	438	46,172
Acquisition of subsidiary		438	-	-	438	(438)	-
Bonus issue		22,500	-	(22,500)	-	-	-
Total comprehensive income for the period		-	-	6,650	6,650	-	6,650
Dividends paid		-	-	(3,000)	(3,000)	-	(3,000)
Balance at 31/12/2010		37,938	-	11,884	49,822	-	49,822
Balance at 01/01/2011		37,938	-	11,884	49,822	-	49,822
Acquisition of subsidiary	A9	-	-	-	-	25	25
Issue of shares		10,062	1,409	-	11,471	-	11,471
Total comprehensive income for the period		-	-	2,716	2,716	113	2,829
Listing Expenses Written off		-	(894)	-	(894)	-	(894)
Dividends paid	A6	-	-	(2,880)	(2,880)	-	(2,880)
Balance at 31/12/2011		48,000	515	11,720	60,235	138	60,373

(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 12 months ended 31/12/2011

	12 months ended	
	31/12/2011	31/12/2010
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	3,386	8,827
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	1,482	1,318
Bad debts Recovered	(217)	(25)
Impairment loss in trade receivables	111	-
Gain on disposal property, plant and equipment	-	(25)
Interest expenses	1,216	1,095
Unrealised loss on foreign exchange	-	76
Interest income	(295)	(74)
Share of profits of Associate	(296)	(288)
Operating profit before changes in working capital	5,387	10,904
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	5,498	(9,293)
Increase in inventories	(5,330)	(3,240)
Increase in trade and other payables	1,739	818
(Decrease)/Increase in Short term Trade Banker Acceptance	(5,994)	4,924
	(4,087)	(6,791)
Cash Generated From Operations	1,300	4,113
Interest income	295	74
Interest paid	(1,216)	(1,095)
Income tax refund	65	-
Income tax paid	(2,286)	(2,280)
	(3,142)	(3,301)
Net Cash Flow (Used In)/generated from Operating Activities	(1,842)	812
Cash Flows From Investing Activities:		
Proceed from disposal of property, plant and equipment	-	48
Purchase of property, plant and equipment	(1,105)	(873)
Acquisition of subsidiary	(75)	-
Decrease/(Increase) in advances to associate	1,880	(630)
Net cash flow generated from/(used in) Investing Activities	700	(1,455)
Cash Flows From Financing Activities:		
Issue of ordinary shares	10,577	-
Dividends paid on shares	(2,880)	(3,000)
Payment for borrowing	(1,031)	(274)
Payment for hire purchase obligations	(199)	(530)
Net cash flow generated from/(used in) Financing Activities	6,467	(3,804)



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Condensed Statements of Cash Flows for the 12 months ended 31/12/2011

	12 months ended	
	31/12/2011	31/12/2010
	RM'000	RM'000
Net changes in Cash and Cash Equivalents	5,325	(4,447)
Cash and Cash Equivalents at Beginning of The Period	7,129	11,576
Cash and Cash Equivalents at End of The Period	<u>12,454</u>	<u>7,129</u>
Cash and Cash Equivalents Comprise:		
Cash and bank balances	12,454	7,129
	<u>12,454</u>	<u>7,129</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 12 months ended 31/12/2011

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 12 months ended 31/12/2011 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.

On 1 January 2011, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations: -

FRS 1 First-time Adoption of Financial Reporting Standards
FRS 3 Business Combinations (Revised)
FRS 127 Consolidated and Separate Financial Statements
Amendments to FRS 2 Share-based Payment
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions
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
IC Interpretation 4 Determining Whether an Arrangement Contains a Lease
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
IC Interpretation 18 Transfers of Assets from Customers
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement
Improvements to FRSs issue in 2010

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have any material impact on the financial performance, position or presentation of financials of the Group.

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 31/12/2011.

A4. Material Changes in estimates

There were no material changes in estimates that had affected the Group during the current quarter ended 31/12/2011.

A5. 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 B7) 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 owners of the parent and non-controlling interests.

Note of the Interim Financial Report for the 12 months ended 31/12/2011

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

	31/12/2011 RM'000	31/12/2010 RM'000
Total long term borrowings	952	3,801
Total equity	60,373	49,822
	61,325	53,623
Gearing ratio	1.6%	7.6%

The decrease in the gearing ratio in the current quarter and cumulative period-to-date 12 months ended 31/12/2011 was primarily due to the increase in issued share capital and repayment of bank borrowings.

The details of the issuance of equity instrument and repayment of debts in the current quarter are as follows:

	31/12/2011 RM'000
(a) Issuance of Ordinary Shares (IPO) of RM0.50 each at an issue price of RM0.57	-
(b) Repayment of bank borrowings	591

A6. Dividends paid

	Current Quarter RM'000	Current Year-to-Date RM'000
Dividend paid on ordinary shares: Financial year ended 31/12/2010		
First and final dividend of 3 sen per share single tier	-	2,880

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 RM'000	Marine hardware & consumable RM'000	Other industrial hardware RM'000	Total RM'000
<i>3 months ended 31/12/2011</i>				
Revenues from external customers	7,581	10,327	1,874	19,782
Reportable segment gross profit	627	1,638	327	2,592
<i>3 months ended 31/12/2010</i>				
Revenues from external customers	11,245	11,980	3,124	26,349
Reportable segment gross profit	1,429	2,634	490	4,553



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Note of the Interim Financial Report for the 12 months ended 31/12/2011

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Total
<i>12 months ended 31/12/2011</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	26,730	32,889	10,897	70,516
Reportable segment gross profit	2,982	6,067	1,832	10,881
<i>12 months ended 31/12/2010</i>				
Revenues from external customers	31,631	43,854	7,465	82,950
Reportable segment gross profit	4,742	8,602	1,539	14,883

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 31/12/2011.

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 31/12/2011 are as follows:

	RM'000
Approved and contracted for	158
Approved but not contracted for	-
	<u>158</u>
Analysed as follows:	
For purchase of plant and equipment	<u>158</u>

Note of the Interim Financial Report for the 12 months ended 31/12/2011

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/12/2011 are as follows:

Nature of Relationship	Sales of goods RM'000	Overdue Charges RM'000	Total for nature of relationship RM'000
<i>Current quarter:</i>			
Associate	1,181	20	1,201
Total for type of transaction	1,181	20	1,201
<i>Cumulative 12 months Period:</i>			
Associate	5,257	20	5,277
Total for type of transaction	5,257	20	5,277

Note of the Interim Financial Report for the 12 months ended 31/12/2011

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 12 months cumulative period had decreased by 14.99% from RM82.95 million reported in the corresponding preceding period in the prior financial year to RM70.52 million due to slowdown of global economic conditions and prudent sales strategy adopted by the Group.

The Group's profit before tax for 12 months cumulative period had decreased from RM8.83 million to RM3.39 million, representing 61.64% 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 14.99%, 19.62% and 20.62% in the corresponding preceding period in the prior financial year to 11.16%, 18.45% and 16.81% 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 as disclosed in Note B8 below.

B2. Comparison with immediate preceding quarter's results

The Group's profit before tax of RM0.35 million for the current quarter under review was 65.91% lower compared with the profit before tax amounting to RM1.01 million of the preceding quarter. This decrease was mainly due to overall adverse demand and selling prices as mentioned in Note B1 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

Tax charges comprise:	Current Quarter RM'000	Current Year-to-Date RM'000
Malaysian taxation based on profit for the period:		
Current tax expense	149	1,055
Deferred tax expense	(10)	(522)
Adjustment for underprovision	-	24
Net tax charge	<u>139</u>	<u>557</u>



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Note of the Interim Financial Report for the 12 months ended 31/12/2011

Reconciliation of Effective Tax Rate:

	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	3,386	-
Statutory tax amount / rate	846	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	60	1.8%
Other Expenses not deductible for tax purposes	77	2.3%
Listing expenses & other professional fee	135	4.0%
Share of results of an associate	(74)	-2.2%
Deferred tax assets not recognised on:		
- Previous year's taxable temporary differences	(138)	-4.1%
- Previous year's unutilised reinvestment allowances	(373)	-11.0%
Under provision of tax expense in prior years	24	1.00%
Effective tax amount / rate	557	16.4%

B6. 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 RM'000	Intended timeframe for utilisation (Listed)
(i) Business Expansion and capital expenditures	3,310	-	3,310	Extended to 19/01/2013
(ii) Working Capital	6,260	4,070	2,190	Extended to 19/01/2013
(iii) Listing Expenses	1,900	1,823	77	Transfer to Working Capital
	11,470	5,893	5,577	

B7. Details of Group borrowings and debts securities

The Group's borrowings and debt securities as at 31/12/2011 are as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term:			
Term loans (in functional currency)	240	240	-
Hire purchase liabilities	712	712	-
	952	952	-
Short-term:			
Bills and other trade financing liabilities	19,273	19,273	-
Term loans (in functional currency)	2,189	2,189	-
Hire purchase liabilities	256	256	-
	21,718	21,718	-



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Note of the Interim Financial Report for the 12 months ended 31/12/2011

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 12 months ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(93)	(37)	(295)	(74)
Other income	(20)	-	(20)	(15)
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	469	403	1,482	1,318
Employee benefit expenses	1,332	1,077	4,782	3,488
<i>3) Other expenses:</i>				
Impairment loss in trade receivable	111	-	111	-
Bad Debts Recovered	(7)	-	(217)	(25)
Realised Forex (gains)/losses	(26)	55	66	371
<i>4) Finance costs:</i>				
Bank overdrafts	4	4	20	17
Bankers acceptance	245	106	909	783
Hire Purchase	15	16	45	63
Term Loan	59	63	242	232

B9. Changes in Material Litigations

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

B10. Dividends

The directors proposed a first and final single tier dividend of 2 sen per share amounting to RM1,920,000 in respect of the financial year ended 31 December 2011, payable upon shareholders' approval at the forthcoming Annual General Meeting.

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 31/12/2011 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>149</u>	<u>2,716</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 31/12/2011 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>

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.

Note of the Interim Financial Report for the 12 months ended 31/12/2011

B12. Realised and unrealised profits

	31/12/2011 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	9,143
- Unrealised	568
	<u>9,711</u>
Total share of retained profits from associate:	
- Realised	1,751
- Unrealised	-
	<u>11,462</u>
Consolidation adjustments	258
Total Group retained profits as per consolidated financial statements	<u><u>11,720</u></u>

B13. 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.

B14. Authorisation for issue

The interim financial report was duly reviewed by Audit Committee and approved by the Board of Directors on 15/02/2012.