



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 31/03/2012

	Note	Individual quarter ended		Cumulative period 3 months ended	
		31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
Revenue	A7	15,810	16,612	15,810	16,612
Cost of sales	B8	(13,758)	(13,744)	(13,758)	(13,744)
Gross profit		2,052	2,868	2,052	2,868
Other income	B8	83	21	83	21
Selling and distribution expenses		(419)	(350)	(419)	(350)
Administration expenses	B8	(1,054)	(1,311)	(1,054)	(1,311)
Other expenses	B8	(272)	(60)	(272)	(60)
Profit from operations		390	1,168	390	1,168
Finance costs	B8	(315)	(337)	(315)	(337)
		75	831	75	831
Share of results of associate		25	95	25	95
Profit before taxation		100	926	100	926
Income tax expense	B5	(15)	(275)	(15)	(275)
Profit after taxation		85	651	85	651
Other Comprehensive Income:					
Exchange difference on translation of foreign operations, net of income tax	B10	15	-	15	-
Total Comprehensive income for the period		100	651	100	651
Profit Attributable To:					
Owners of The Parent		95	651	95	651
Non-Controlling Interests		(10)	-	(10)	-
		85	651	85	651
Total Comprehensive income attributable to :					
Owners of The Parent		110	651	110	651
Non-Controlling Interests		(10)	-	(10)	-
		100	651	100	651
Weighted average number of ordinary shares in issue ('000)	B12	96,000	96,000	96,000	96,000
Earnings per share attributable to owners of the parent :					
Basic (Sen)	B12	0.10	0.68	0.10	0.68
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 2011 and the accompanying explanatory notes attached to this interim financial report.)



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K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Condensed Consolidated Statements of Financial Position as at 31/03/2012

	Note	Unaudited As at 31/03/2012 RM'000	Audited As at 31/12/2011 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		16,876	17,110
Investment in an associate		2,620	2,596
Goodwill on consolidation		140	140
Financial assets designated at fair value		15	-
Deferred Tax Assets		716	665
		<u>20,367</u>	<u>20,511</u>
Current assets:			
Inventories		27,058	26,243
Trade & other receivables		28,651	29,212
Tax recoverable		1,250	962
Cash and bank balances		10,592	12,454
		<u>67,551</u>	<u>68,871</u>
TOTAL ASSETS		<u>87,918</u>	<u>89,382</u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade & Other payables		4,473	6,159
Provision for taxation		10	41
Hire purchase payable	B7	424	245
Loans and borrowings	B7	21,018	21,607
		<u>25,925</u>	<u>28,052</u>
Non-current liabilities			
Hire purchase payables	B7	1,277	721
Loans and borrowings	B7	-	95
Deferred tax liabilities		100	98
		<u>1,377</u>	<u>914</u>
TOTAL LIABILITIES		27,302	28,966
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Other reserve		15	-
Retained profits		11,858	11,763
Equity attributable to owners of the parent		<u>60,388</u>	<u>60,278</u>
Non-controlling Interests		228	138
TOTAL EQUITY		<u>60,616</u>	<u>60,416</u>
TOTAL EQUITY AND LIABILITIES		<u>87,918</u>	<u>89,382</u>
Net assets per share attributable to owners of the parent (RM)		0.63	0.80

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.)

Condensed Statements of Changes in Equity for the 3 months ended 31/03/2012

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

Note	Share Capital	Share Premium	Other Reserve	Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 01/01/2011	37,938	-	-	11,884	49,822	-	49,822
Total comprehensive income for the period	-	-	-	651	651	-	651
Listing Expenses Written off	-	(894)	-	-	(894)	-	(894)
Issue of shares	10,062	1,409	-	-	11,471	-	11,471
Balance at 31/03/2011	48,000	515	-	12,535	61,050	-	61,050
Balance at 01/01/2012	48,000	515	-	11,763	60,278	138	60,416
Acquisition of subsidiary	-	-	-	-	-	100	100
Total comprehensive income for the period	-	-	15	95	110	(10)	100
Balance at 31/03/2012	48,000	515	15	11,858	60,388	228	60,616

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.)

Condensed Statements of Cash Flows for the 3 months ended 31/03/2012

	3 months ended	
	31/03/2012	31/03/2011
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	100	926
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	301	320
Bad debts Recovered	-	(210)
Interest expenses	311	331
Share of profits of Associate	(25)	(95)
Operating profit before changes in working capital	687	1,272
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	593	9,866
Increase in inventories	(815)	(1,331)
Increase in trade and other payables	(1,812)	(806)
(Decrease)/Increase in Short term Trade Banker Acceptance	1,678	(4,537)
	(356)	3,192
Cash Generated From Operations	331	4,464
Interest paid	(311)	(331)
Income tax refund	-	65
Income tax paid	(384)	(490)
	(695)	(756)
Net Cash Flow (Used In)/generated from Operating Activities	(364)	3,708
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment	(68)	(61)
Subscription of shares by Non-controlling shareholder	100	-
Decrease/(Increase) in advances to associate	-	1,247
Net cash flow generated from/(used in) Investing Activities	32	1,186
Cash Flows From Financing Activities:		
Proceeds from bank borrowings and other liabilities	837	-
Payment for borrowing	(2,266)	(42)
Payment for hire purchase obligations	(101)	(35)
Net cash flow generated from/(used in) Financing Activities	(1,530)	10,500

Condensed Statements of Cash Flows for the 3 months ended 31/03/2012

	3 months ended	
	31/03/2012	31/03/2011
	RM'000	RM'000
Net changes in Cash and Cash Equivalents	(1,862)	15,394
Cash and Cash Equivalents at Beginning of The Period	12,454	7,129
Cash and Cash Equivalents at End of The Period	10,592	22,523
Cash and Cash Equivalents Comprise:		
Cash and bank balances	10,706	22,588
Bank overdrafts	(114)	(65)
	10,592	22,523

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.)

Note of the Interim Financial Report for the 3 months ended 31/03/2012

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 31/03/2012 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 31/12/2011. 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 31/12/2011.

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 31/03/2012.

A4. Material Changes in estimates

There were no material changes in estimates that had affected the Group during the current quarter ended 31/03/2012.

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 3 months ended 31/03/2012

The gearing ratios as at 31/03/2012 and 31/12/2011 are as follows:

	31/03/2012 RM'000	31/12/2011 RM'000
Total long term borrowings	1,277	720
Total equity	60,616	60,416
	61,893	61,136
Gearing ratio	2.1%	1.2%

The increase in the gearing ratio in the current quarter and cumulative period-to-date 3 months ended 31/03/2012 was primarily due to drawdown of bank borrowings.

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

	31/03/2012 RM'000
(a) Repayment of bank borrowings	(2,367)
(b) Drawdown of new bank borrowings	837

A6. Dividends paid

There were no dividends paid by the Group during the current quarter ended 31/03/2012.

A7. Operating Segment Information

The segment information for the current quarter is as follows:

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Total
<i>3 months ended 31/03/2012</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	6,550	7,253	2,007	15,810
Reportable segment gross profit	461	1,241	350	2,052
<i>3 months ended 31/03/2011</i>				
Revenues from external customers	6,800	7,229	2,583	16,612
Reportable segment gross profit	977	1,380	511	2,868

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 31/03/2012.

A9. Effects of changes in the composition of the Group

There were no changes in composition of the Group during the current quarter ended 31/03/2012, except for the following:

On 21 February 2012 the Company had increased its investment in KSG Engineering Sdn Bhd ("KSG") by subscription of additional 300,000 new ordinary shares of RM1.00 each at par for cash, representing 75% of the issued and paid-up capital in KSG.

The authorized capital of KSG as at 21 February 2012 is RM500,000.00 comprising of 500,000 ordinary shares of RM1.00 each. Upon allotment, the issued and paid-up share capital of KSG has increased from RM100,000.00 to RM500,000.00 comprising of 500,000 ordinary shares of RM1.00 each fully paid-up.

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

Note of the Interim Financial Report for the 3 months ended 31/03/2012

The contingent liabilities and contingent assets as at the end of the prior financial year 31/12/2011 have remained unchanged.

A11. Capital commitment

Authorised capital commitments not recognised in the interim financial statement as at 31/03/2012 are as follows:

	RM'000
Approved and contracted for	117
Approved but not contracted for	-
	<u>117</u>
Analysed as follows:	
For purchase of plant and equipment	<u>117</u>

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/03/2012 are as follows:

Nature of Relationship	Sales of goods RM'000	Purchases of goods RM'000	Overdue Charges RM'000	Total for nature of relationship RM'000
<i>Current quarter:</i>				
Parents & fellow subsidiaries	-	-	-	-
Associate	622	(2)	41	661
Total for type of transaction	<u>622</u>	<u>(2)</u>	<u>41</u>	<u>661</u>
<i>Cumulative 3 months Period:</i>				
Parents & fellow subsidiaries	-	-	-	-
Associate	622	(2)	41	661
Total for type of transaction	<u>622</u>	<u>(2)</u>	<u>41</u>	<u>661</u>

Note of the Interim Financial Report for the 3 months ended 31/03/2012

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 the 3 months cumulative period had decreased slightly by 4.83% from RM16.61 million reported in the corresponding preceding period in the prior financial year to RM15.81 million. This is mainly attributable to the adoption of the Group's strategy to sell its products at prevailing competitive prices as a result of the increased competition in the industry.

The Group's profit before tax for the 3 months cumulative period had decreased from RM0.93 million achieved in the previous year to RM0.1 million, which representing a significant decrease of 89.2% in profit before tax. The decline was mainly due to the following: -

(a) our gross profit margin for our Stainless steel products segment decreased from 14.37% recorded in the previous corresponding period to 7.04%. The substantial decline in gross profit margins was mainly attributed to the fluctuations of the cost of raw materials (such as stainless steel). In addition the selling prices of our processed stainless steel sheets and the manufacturing of stainless steel tubes and pipes was also affected in view of the state of the uncertainty of the economy in the first quarter of the financial year under review;

(b) gross profit margin for our Marine hardware & consumable segment also dropped from 19.09% recorded in the corresponding preceding period in the prior financial year to 17.11%. The decline was mainly due to the decline in the sales for our segment as a result of low purchase orders from the overseas market as compared to the previous corresponding period; and

(c) the decrease in purchase orders from our existing customers, which in turn resulted in a lower overall gross profit margin for other industrial hardware segments of 17.44% as compared to 19.78% recorded in the corresponding preceding period in the prior financial year.

B2. Comparison with immediate preceding quarter's results

The Group's profit before tax of RM0.1 million for the current quarter under review was 71.01% lower compared with the profit before tax amounting to RM0.35 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

Notwithstanding the current global economic uncertainty and challenging market, we expect the Malaysian economy to continue to be positive, the Board will strategise sales, marketing and production for revenue expansion.

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	64	64
Deferred tax expense	(49)	(49)
Adjustment for under provision	-	-
Net tax charge	<u>15</u>	<u>15</u>

Note of the Interim Financial Report for the 3 months ended 31/03/2012

Reconciliation of Effective Tax Rate:	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	100	-
Statutory tax amount / rate	25	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(23)	-23.0%
Other Expenses not deductible for tax purposes	16	16.0%
Listing expenses & other professional fee	3	3.0%
Share of results of an associate	(6)	-6.0%
Effective tax amount / rate	15	15.0%

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 31/03/2012 are as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term:			
Hire purchase liabilities	1,277	1,277	-
	1,277	1,277	-
Short-term:			
Bills and other trade financing liabilities	20,855	20,855	-
Term loans (in functional currency)	163	163	-
Hire purchase liabilities	424	424	-
Bank overdrafts	114	114	-
	21,556	21,556	-

Note of the Interim Financial Report for the 3 months ended 31/03/2012

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 3 months ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(43)	(21)	(43)	(21)
Other income	(41)	-	(41)	-
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	301	320	301	320
Employee benefit expenses	1,317	1,201	1,317	1,201
<i>3) Other expenses:</i>				
Bad Debts Recovered	-	(210)	-	(210)
Realised Forex (gains)/losses	28	82	28	82
<i>4) Finance costs:</i>				
Bank overdrafts	6	5	6	5
Bankers acceptance	250	259	250	259
Hire Purchase	24	8	24	8
Term Loan	31	60	31	60

B9. Changes in Material Litigations

There were no material litigations since the last financial year ended 31/12/2011 and up to current quarter ended 31/03/2012.

B10. Derivative Financial Instruments

The Group entered into forward foreign exchange contracts where appropriate to minimise its exposure to currency risk on recognised asset or liability or an unrecognised firm commitment denominated in foreign currencies. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

Details of derivative financial instruments outstanding as at 31/03/2012 are as follows:

	Contract or Notional Value RM'000	Fair Value Net Gain/ (Loss) RM'000
Forward foreign currency contracts of less than 1 year (US Dollar)		
- Designated as hedging instruments	<u>2,092</u>	<u>20</u>

The Group has no significant concentration of credit and market risks in relation to the above derivative financial instruments as the forward foreign currency exchange contracts are entered into with reputable financial institutions and are not used for speculative purposes. The cash requirement for settling these forward foreign exchange contracts is solely from the Group's working capital.

B11. 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, subject to shareholders' approval at the forthcoming Annual General Meeting.

Note of the Interim Financial Report for the 3 months ended 31/03/2012

B12. Earnings per share

(a) The earnings used as the numerator in calculating Basic and Diluted earnings per share (EPS) for the current quarter ended 31/03/2012 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>95</u>	<u>95</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 31/03/2012 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.

B13. Realised and unrealised profits

	31/03/2012 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	9,091
- Unrealised	<u>616</u>
	9,707
Total share of retained profits from associate:	
- Realised	1,799
- Unrealised	<u>1</u>
	11,507
Consolidation adjustments	<u>351</u>
Total Group retained profits as per consolidated financial statements	<u>11,858</u>

B14. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the year ended 31/12/2011 did not contain any qualification.

B15. Authorisation for issue

The interim financial report was duly reviewed by Audit Committee and approved by the Board of Directors on 09/05/2012.