



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 6 months ended 30/06/2012

	Note	Individual quarter ended		Cumulative period 6 months ended	
		30/06/2012 RM'000	30/06/2011 RM'000	30/06/2012 RM'000	30/06/2011 RM'000
Revenue	A7	18,765	16,925	34,575	33,537
Cost of sales	B8	(15,766)	(14,077)	(29,524)	(27,821)
Gross profit		2,999	2,848	5,051	5,716
Other income	B8	96	88	180	109
Selling and distribution expenses		(450)	(437)	(870)	(786)
Administration expenses	B8	(1,185)	(956)	(2,238)	(2,268)
Other expenses	B8	(210)	(237)	(482)	(299)
Profit from operations		1,250	1,306	1,641	2,472
Finance costs	B8	(289)	(280)	(604)	(618)
		961	1,026	1,037	1,854
Share of results of associate		59	117	84	213
Profit before taxation		1,020	1,143	1,121	2,067
Income tax expense	B5	(284)	163	(299)	(113)
Profit after taxation		736	1,306	822	1,954
Profit Attributable To:					
Owners of The Parent		716	1,306	812	1,954
Non-Controlling Interests		20	-	10	-
		736	1,306	822	1,954
Total Comprehensive income attributable to :					
Owners of The Parent		716	1,306	812	1,954
Non-Controlling Interests		20	-	10	-
		736	1,306	822	1,954
Weighted average number of ordinary shares in issue ('000)					
	B11	96,000	96,000	96,000	96,000
Earnings per share attributable to owners of the parent :					
Basic (Sen)	B11	0.75	1.36	0.85	2.04
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 30/06/2012

	Note	Unaudited As at 30/06/2012 RM'000	Audited As at 31/12/2011 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		16,604	17,110
Investment in an associate		2,678	2,596
Goodwill on consolidation		140	140
Deferred Tax Assets		671	665
		<u>20,093</u>	<u>20,511</u>
Current assets:			
Inventories		30,565	26,243
Trade & other receivables		29,706	29,212
Tax recoverable		1,367	962
Cash and bank balances		6,859	12,454
		<u>68,497</u>	<u>68,871</u>
TOTAL ASSETS		<u>88,590</u>	<u>89,382</u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade & Other payables		4,867	6,159
Provision for taxation		-	41
Hire purchase payable	B7	424	245
Loans and borrowings	B7	22,592	21,607
		<u>27,883</u>	<u>28,052</u>
Non-current liabilities			
Hire purchase payables	B7	1,185	721
Loans and borrowings	B7	-	95
Deferred tax liabilities		104	98
		<u>1,289</u>	<u>914</u>
TOTAL LIABILITIES		29,172	28,966
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		10,655	11,763
Equity attributable to owners of the parent		<u>59,170</u>	<u>60,278</u>
Non-controlling Interests		248	138
TOTAL EQUITY		<u>59,418</u>	<u>60,416</u>
TOTAL EQUITY AND LIABILITIES		<u>88,590</u>	<u>89,382</u>
Net assets per share attributable to owners of the parent (RM)		0.62	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.)



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K. SENG SENG CORPORATION BERHAD

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Condensed Statements of Changes in Equity for the 6 months ended 30/06/2012

<----- 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		-	-	-	1,954	1,954	-	1,954
Dividends paid		-	-	-	(2,880)	(2,880)	-	(2,880)
Listing Expenses Written off		-	(894)	-	-	(894)	-	(894)
Issue of shares		10,062	1,409	-	-	11,471	-	11,471
Balance at 30/06/2011		48,000	515	-	10,958	59,473	-	59,473
Balance at 01/01/2012		48,000	515	-	11,763	60,278	138	60,416
Acquisition of subsidiary	A9	-	-	-	-	-	100	100
Total comprehensive income for the period		-	-	-	812	812	10	822
Dividends paid	A6	-	-	-	(1,920)	(1,920)	-	(1,920)
Balance at 30/06/2012		48,000	515	-	10,655	59,170	248	59,418

(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 6 months ended 30/06/2012

	6 months ended	
	30/06/2012	30/06/2011
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	1,121	2,067
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	627	672
Bad debts Recovered	-	(210)
Interest expenses	596	609
Share of profits of Associate	(84)	(213)
Operating profit before changes in working capital	2,260	2,925
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	(463)	8,014
Increase in inventories	(4,322)	(2,328)
Increase in trade and other payables	(1,419)	(105)
(Decrease)/Increase in Short term Trade Banker Acceptance	3,322	(8,173)
	(2,882)	(2,592)
Cash Generated From Operations	(622)	333
Interest paid	(596)	(609)
Income tax refund	-	65
Income tax paid	(742)	(952)
	(1,338)	(1,496)
Net Cash Flow (Used In)/generated from Operating Activities	(1,960)	(1,163)
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment	(121)	(484)
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	(21)	763
Cash Flows From Financing Activities:		
Issue of ordinary shares	-	10,577
Proceeds from bank borrowings and other liabilities	837	-
Dividends paid on shares	(1,920)	(2,880)
Payment for borrowing	(2,337)	(107)
Payment for hire purchase obligations	(194)	(75)
Net cash flow generated from/(used in) Financing Activities	(3,614)	7,515

Condensed Statements of Cash Flows for the 6 months ended 30/06/2012

	6 months ended	
	30/06/2012	30/06/2011
	RM'000	RM'000
Net changes in Cash and Cash Equivalents	(5,595)	7,115
Cash and Cash Equivalents at Beginning of The Period	12,454	7,129
Cash and Cash Equivalents at End of The Period	<u>6,859</u>	<u>14,244</u>
Cash and Cash Equivalents Comprise:		
Cash and bank balances	6,859	14,244
Bank overdrafts	-	-
	<u>6,859</u>	<u>14,244</u>

(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 6 months ended 30/06/2012

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 6 months ended 30/06/2012 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 30/06/2012.

A4. Material Changes in estimates

There were no material changes in estimates that had affected the Group during the current quarter ended 30/06/2012.

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 6 months ended 30/06/2012

The gearing ratios as at 30/06/2012 and 31/12/2011 are as follows:

	30/06/2012 RM'000	31/12/2011 RM'000
Total long term borrowings	1,185	720
Total equity	59,418	60,416
	60,603	61,136
Gearing ratio	2.0%	1.2%

The increase in the gearing ratio in the current quarter and cumulative period-to-date 6 months ended 30/06/2012 was primarily due to drawdown of bank borrowings.

The details of the repayment of debts in the current quarter are as follows:

	30/06/2012 RM'000
(a) Repayment of bank borrowings	(164)

A6. Dividends paid

There were no dividends paid by the Group during the current quarter ended 30/06/2012.

	Current Quarter RM'000	Year-to-Date RM'000
Dividend paid on ordinary shares:		
Financial year ended 31/12/2011		
First and final dividend of 2 sen per share single tier	1,920	1,920

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 30/06/2012</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	8,047	8,326	2,392	18,765
Reportable segment gross profit	1,065	1,640	294	2,999
<i>3 months ended 30/06/2011</i>				
Revenues from external customers	6,255	7,405	3,265	16,925
Reportable segment gross profit	850	1,507	491	2,848

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Total
<i>6 months ended 30/06/2012</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	14,597	15,579	4,399	34,575
Reportable segment gross profit	1,526	2,881	644	5,051
<i>6 months ended 30/06/2011</i>				
Revenues from external customers	13,055	14,634	5,848	33,537
Reportable segment gross profit	1,827	2,887	1,002	5,716

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 30/06/2012.

Note of the Interim Financial Report for the 6 months ended 30/06/2012

A9. Effects of changes in the composition of the Group

There were no changes in composition of the Group during the current quarter ended 30/06/2012.

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 31/12/2011 have remained unchanged.

A11. Capital commitment

Authorised capital commitments not recognised in the interim financial statement as at 30/06/2012 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 30/06/2012 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	1,502	(2)	43	1,543
Total for type of transaction	<u>1,502</u>	<u>(2)</u>	<u>43</u>	<u>1,543</u>
<i>Cumulative 6 months Period:</i>				
Parents & fellow subsidiaries	-	-	-	-
Associate	2,123	(2)	84	2,205
Total for type of transaction	<u>2,123</u>	<u>(2)</u>	<u>84</u>	<u>2,205</u>

Note of the Interim Financial Report for the 6 months ended 30/06/2012

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 6 months cumulative period had increased slightly by 3.1% from RM33.54 million reported in the corresponding preceding period in the prior financial year to RM34.58 million. This is mainly attributable to the increase in our sales volume of our Stainless Steel Products as our sales and marketing team successfully secured new purchase orders from overseas markets.

The Group's profit before tax for the 6 months cumulative period had decreased from RM2.07 million achieved in the previous year to RM1.12 million, which representing a sharp decrease of 45.77% 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 13.99% recorded in the previous corresponding period to 10.45%. The decline in gross profit margins was mainly attributed to the fluctuations of the cost of raw materials (such as stainless steel) particularly in the first quarter of the financial year under review. 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;

(b) gross profit margin for our Marine hardware & consumable segment also slightly dropped from 19.73% recorded in the corresponding preceding period in the prior financial year to 18.49%. The decline was mainly due to lower purchase order from the overseas market particularly in the first quarter 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 14.64% as compared to 17.13% 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 RM1.02 million for the current quarter under review was 920% higher compared with the profit before tax amounting to RM0.1 million of the preceding quarter. This increase was mainly due to higher sales and better gross profit margin in the current quarter.

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	Current
Malaysian taxation based on profit for the period:	RM'000	Year-to-Date
		RM'000
Current tax expense	234	298
Deferred tax expense	50	1
Net tax charge	<u>284</u>	<u>299</u>

Note of the Interim Financial Report for the 6 months ended 30/06/2012

Reconciliation of Effective Tax Rate:	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	1,121	-
Statutory tax amount / rate	280	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(26)	-2.3%
Other Expenses not deductible for tax purposes	25	2.2%
Listing expenses & other professional fee	33	2.9%
Share of results of an associate	(21)	-1.9%
Deferred tax assets not recognised on:		
Over provision of deferred tax in prior years	8	1.00%
Effective tax amount / rate	299	26.7%

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	6,260	-	
(iii) Listing Expenses	1,900	1,900	-	
	11,470	8,160	3,310	

B7. Details of Group borrowings and debts securities

The Group's borrowings and debt securities as at 30/06/2012 are as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term:			
Term loans (in functional currency)	-	-	-
Hire purchase liabilities	1,185	1,185	-
	1,185	1,185	-
Short-term:			
Bills and other trade financing liabilities	22,501	22,501	-
Term loans (in functional currency)	91	91	-
Hire purchase liabilities	424	424	-
	23,016	23,016	-

Note of the Interim Financial Report for the 6 months ended 30/06/2012

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 6 months ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(45)	(88)	(88)	(109)
Other income	(43)	-	(84)	-
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	325	352	627	672
Employee benefit expenses	1,368	1,163	2,684	2,364
<i>3) Other expenses:</i>				
Bad Debts Recovered	-	(210)	-	(210)
Realised Forex (gains)/losses	(23)	9	5	91
<i>4) Finance costs:</i>				
Bank overdrafts	5	7	11	12
Bankers acceptance	244	198	494	457
Hire Purchase	32	11	56	19
Term Loan	4	61	35	121

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 30/06/2012.

B10. Dividends

The Directors do not recommend any dividend for the quarter ended 30/06/2012.

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 30/06/2012 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>716</u>	<u>812</u>
Adjustment for interest saved on assumed conversion of convertible debts securities	-	-
Adjusted profit for the financial period attributable to owners of the parent (used as numerator for the Diluted EPS)	<u>716</u>	<u>812</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 30/06/2012 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>
Weighted average number of ordinary shares in issue (used as denominator for the Diluted EPS)	<u>96,000</u>	<u>96,000</u>

Note of the Interim Financial Report for the 6 months ended 30/06/2012

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.

B12. Realised and unrealised profits

	30/06/2012 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	7,873
- Unrealised	567
	<u>8,440</u>
Total share of retained profits from associate:	
- Realised	1,857
- Unrealised	1
	<u>10,298</u>
Consolidation adjustments	357
Total Group retained profits as per consolidated financial statements	<u><u>10,655</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 31/12/2011 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 15/08/2012.