



誠成集團

K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Condensed Consolidated Statement of Comprehensive Income for the 9 months ended 30/09/2012

	Note	Individual quarter ended		Cumulative period 9 months ended	
		30/09/2012 RM'000	30/09/2011 RM'000	30/09/2012 RM'000	30/09/2011 RM'000
Revenue	A7	22,751	17,197	57,326	50,734
Cost of sales	B8	(19,860)	(14,624)	(49,384)	(42,445)
Gross profit		2,891	2,573	7,942	8,289
Other income	B8	51	94	230	202
Selling and distribution expenses		(485)	(366)	(1,355)	(1,151)
Administration expenses	B8	(1,212)	(901)	(3,450)	(3,169)
Other expenses	B8	(288)	(235)	(770)	(532)
Profit from operations		957	1,165	2,597	3,639
Finance costs	B8	(313)	(289)	(917)	(906)
		644	876	1,680	2,733
Share of results of associate		23	136	107	416
Profit before taxation		667	1,012	1,787	3,149
Income tax expense	B5	(214)	(346)	(513)	(525)
Profit after taxation		453	666	1,274	2,624
Other Comprehensive Income:					
Exchange difference on translation of foreign operations, net of income tax	B10	-	-	-	-
Total Comprehensive income for the period		453	666	1,274	2,624
Profit Attributable To:					
Owners of The Parent		441	611	1,252	2,569
Non-Controlling Interests		12	55	22	55
		453	666	1,274	2,624
Total Comprehensive income attributable to :					
Owners of The Parent		441	611	1,252	2,569
Non-Controlling Interests		12	55	22	55
		453	666	1,274	2,624
Weighted average number of ordinary shares in issue ('000)	B11	96,000	90,969	96,000	90,969
Earnings per share attributable to owners of the parent :					
Basic (Sen)	B11	0.46	0.67	1.30	2.82
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 Statement for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.)

Condensed Consolidated Statement of Financial Position as at 30/09/2012

	Note	Unaudited As at 30/09/2012 RM'000	Audited As at 31/12/2011 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		16,657	17,110
Investment in an associate		2,702	2,595
Goodwill on consolidation		140	140
Deferred Tax Assets		673	665
		20,172	20,510
Current assets:			
Inventories		32,324	26,243
Trade & other receivables		35,004	29,219
Tax recoverable		1,618	962
Cash and bank balances		6,038	12,479
		74,984	68,903
TOTAL ASSETS		95,156	89,413
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade & Other payables		7,166	6,285
Provision for taxation		-	41
Hire purchase payable	B7	457	246
Loans and borrowings	B7	26,075	21,607
		33,698	28,179
Non-current liabilities			
Hire purchase payables	B7	1,235	720
Loans and borrowings	B7	-	-
Deferred tax liabilities		103	98
		1,338	818
TOTAL LIABILITIES		35,036	28,997
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		11,095	11,763
Equity attributable to owners of the parent		59,610	60,278
Non-controlling Interests		510	138
TOTAL EQUITY		60,120	60,416
TOTAL EQUITY AND LIABILITIES		95,156	89,413
Net assets per share attributable to owners of the parent (RM)		0.62	0.63

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



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Condensed Statement of Changes in Equity for the 9 months ended 30/09/2012

<----- 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 01/01/2011	37,938	-	11,884	49,822	-	49,822
Acquisition of subsidiary	-	-	-	-	25	25
Total comprehensive income for the period	-	-	2,569	2,569	55	2,624
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 30/09/2011	48,000	515	11,573	60,088	80	60,168
Balance at 01/01/2012	48,000	515	11,763	60,278	138	60,416
Subscription of Shares by non-controlling interests A9	-	-	-	-	350	350
Total comprehensive income for the period	-	-	1,252	1,252	22	1,274
Dividends paid A6	-	-	(1,920)	(1,920)	-	(1,920)
Balance at 30/09/2012	48,000	515	11,095	59,610	510	60,120

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



誠成集團

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Condensed Statement of Cash Flows for the 9 months ended 30/09/2012

	9 months ended	
	30/09/2012	30/09/2011
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	1,787	3,149
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	984	1,013
Bad debts Recovered	-	(210)
Interest expenses	906	894
Share of profits of Associate	(107)	(416)
Operating profit before changes in working capital	3,570	4,430
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	(5,760)	7,552
Increase in inventories	(6,081)	(4,706)
Increase in trade and other payables	881	1,006
(Decrease)/Increase in Short term Trade Banker Acceptance	6,878	(7,517)
	(4,082)	(3,665)
Cash Generated From Operations	(512)	765
Interest paid	(906)	(894)
Income tax refund	-	65
Income tax paid	(1,213)	(1,877)
	(2,119)	(2,706)
Net Cash Flow (Used In)/generated from Operating Activities	(2,631)	(1,941)
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment	(340)	(686)
Subscription of shares by Non-controlling shareholder	350	-
Decrease/(Increase) in advances to associate	-	1,247
Net cash flow generated from/(used in) Investing Activities	10	561
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)
Repayment for bank borrowings	(2,410)	(198)
Payment for hire purchase obligations	(302)	(139)
Net cash flow generated from/(used in) Financing Activities	(3,795)	7,360



誠成集團

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Condensed Statement of Cash Flows for the 9 months ended 30/09/2012

	9 months ended	
	30/09/2012	30/09/2011
	RM'000	RM'000
Net changes in Cash and Cash Equivalents	(6,416)	5,980
Cash and Cash Equivalents at Beginning of The Period	12,454	7,129
Cash and Cash Equivalents at End of The Period	6,038	13,109
Cash and Cash Equivalents Comprise:		
Cash and bank balances	6,038	13,159
Bank overdrafts	-	(50)
	6,038	13,109

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement 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 9 months ended 30/09/2012

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

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB), International Accounting Standard (IAS) 134: Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) and Chapter 9 Part K of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities). The figures for the cumulative period 9 months ended 30/09/2012 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, which were prepared under Financial Reporting Standards (FRSs). The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31/12/2011.

With effect from 1 January 2012, the Group has adopted the MFRS framework issued by the MASB. The MFRS framework introduced by the MASB has fully converged Malaysia's existing FRS framework with the International Financial Reporting Standards (IFRS) framework issued by the IASB. The FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, except there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

The following MFRSs, IC Interpretations and Amendments to MFRSs have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group:

Effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Items of Other Comprehensive Income*

Effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (as amended in June 2011)
- MFRS 127, *Separate Financial Statements* (as amended by IASB in May 2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (as amended by IASB in May 2011)
- Amendments to MFRS 1, *Government Loans*
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

Effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132, *Offsetting Financial Assets and Financial Liabilities*

Effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (IFRS 9 issued by IASB in November 2009)
- MFRS 9, *Financial Instruments* (IFRS 9 issued by IASB in October 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 and cumulative 9 months period ended 30/09/2012.



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Note of the Interim Financial Report for the 9 months ended 30/09/2012

A4. Material Changes in estimates

There were no material changes in estimates that had affected the Group during the current quarter ended 30/09/2012.

A5. Issuances, repurchases and repayments of debts and equity instruments

There were no issuance and repayment of debts and equity securities, shares buy-back, shares cancellation, shares held as treasury shares or resale of treasury shares during the current quarter under review and financial year to date.

A6. Dividends paid

There were no dividends paid by the Group during the current quarter ended 30/09/2012.

Dividend paid on ordinary shares: Financial year ended 31/12/2011	Current Quarter RM'000	Year-to-Date RM'000
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 and cumulative 9 months period is as follows:

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Total
<i>3 months ended 30/09/2012</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	9,172	10,197	3,382	22,751
Reportable segment gross profit	738	1,754	399	2,891
<i>3 months ended 30/09/2011</i>				
Revenues from external customers	6,094	7,928	3,175	17,197
Reportable segment gross profit	528	1,542	503	2,573

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Total
<i>9 months ended 30/09/2012</i>	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	23,769	25,776	7,781	57,326
Reportable segment gross profit	2,264	4,635	1,043	7,942
<i>9 months ended 30/09/2011</i>				
Revenues from external customers	19,149	22,562	9,023	50,734
Reportable segment gross profit	2,355	4,429	1,505	8,289

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 in the interim financial statements.



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Note of the Interim Financial Report for the 9 months ended 30/09/2012

A9. Effects of changes in the composition of the Group

The Group had on 16/08/2012 subscribed for 75% equity interest in Koseng Sdn Bhd (Company No. 970606 A) ("KS"). KS was incorporated as a private limited company under the Companies Act, 1965 with an initial issued and paid-up share capital of RM100 comprising 100 ordinary shares of RM1.00 each and subsequently increases its paid-up share capital to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The remaining 25% equity interest in KS is owned by Mr Chia Ai Peng.

The intended principal activity of KS is primarily involved in the trading of all kinds of industrial and marine hardware and consumables; sales and marketing of stainless steel products namely industrial fasteners, rigging accessories and components, flat and long products, tubes and pipes and supplying of construction materials, machineries and machinery related parts with an outlet located at No 16, Jalan Permai 3, Off Jalan Haji Sirat, 42100 Klang, Selangor Darul Ehsan.

The subscription of shares in KS does not have any effect on the issued and paid-up share capital of the Group and substantial shareholders' shareholdings. It also does not expect any material effect on the net assets, gearing and earnings of the Group for the financial year ending 31/12/2012.

Other than the above, there were no changes in the composition of the Group during the current quarter and cumulative period to date.

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

There were no changes in the contingent liabilities and assets of the Group since the last audited date of the statement of financial position as at 30/09/2012.

A11. Capital commitment

There were no capital commitments either contracted upon or otherwise that had affected the Group during the current quarter ended 30/09/2012.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 30/09/2012 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>				
Associate	1,947	-	37	1,984
Total for type of transaction	1,947	-	37	1,984
<i>Cumulative 9 months Period:</i>				
Associate	4,070	2	121	4,193
Total for type of transaction	4,070	2	121	4,193

Note of the Interim Financial Report for the 9 months ended 30/09/2012

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

B1. Review of performance

The Group revenue for the 9 months cumulative period had increased by 12.99% from RM50.73 million reported in the corresponding preceding period in the prior financial year to RM57.33 million. This is mainly attributable to increase in our sales volume of our Stainless Steel Products as our sales and marketing team successfully secured new orders from overseas markets.

The Group profit before tax for the 9 months cumulative period had decreased from RM3.15 million achieved in the corresponding period to RM1.79 million, representing a sharp decrease of 43.25% in profit before tax. The decline was mainly due to the following:-

(a) gross profit margin for our Stainless steel products segment decreased from 12.30% recorded in the previous corresponding period to 9.53%. The decline in gross profit margin was mainly attributed to the fluctuations in the cost of raw materials (such as stainless steel) particularly in the first quarter of the current financial year. 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 19.63% recorded in the corresponding preceding period to 17.98%. The decline was mainly due to lower purchase order from the overseas market particularly in the first quarter of the current financial year as compared to the previous corresponding period;

(c) 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 13.85% as compared to 16.34% recorded in the corresponding preceding period; and

(d) Increase in selling & distribution expenses particularly for those overseas markets as mentioned the above as well as administration expenses and other operations expenses particularly for those newly incorporated subsidiaries namely KSG Engineering Sdn Bhd & Koseng Sdn Bhd.

B2. Comparison with immediate preceding quarter's results

The Group profit before tax of RM0.67 million for the current quarter under review was 34.61% lower compared with the profit before tax amounting to RM1.02 million of the immediate preceding quarter. The decrease was 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 and increases in operations costs as mentioned in Note B1 (d) 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 any 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	189	487
Adjustment for under provision	28	28
Deferred tax expense	(3)	(2)
Net tax charge	<u>214</u>	<u>513</u>



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Note of the Interim Financial Report for the 9 months ended 30/09/2012

Reconciliation of Effective Tax Rate:

	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	1,787	-
Statutory tax amount / rate	446	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(18)	-1.0%
Other Expenses not deductible for tax purposes	31	1.7%
Listing expenses & other professional fee	43	2.4%
Share of results of an associate	(27)	-1.5%
Over provision of deferred tax in prior years	10	1.0%
Under provision of tax expense in prior years	28	2.00%
Effective tax amount / rate	513	28.7%

B6. Status of corporate proposals and utilisation of proceeds

(a) Corporate proposals

There were no corporate proposals not completed as at the date of this report.

(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	Non-utilisation	Intended timeframe for utilisation (Listed on 19/01/2011)
	RM'000	RM'000	RM'000	
(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 30/09/2012 are as follows:

	Total	Secured
	RM'000	RM'000
Long-term:		
Hire purchase liabilities	1,235	1,235
	1,235	1,235
Short-term:		
Bills and other trade financing liabilities	26,056	26,056
Term loans (in functional currency)	19	19
Hire purchase liabilities	457	457
	26,532	26,532



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Note of the Interim Financial Report for the 9 months ended 30/09/2012

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 9 months ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
1) <i>Other operating income:</i>				
Interest income	(14)	(94)	(109)	(202)
Other income	(37)	-	(121)	-
2) <i>Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	357	341	984	1,013
Employee benefit expenses	1,516	1,086	4,199	3,450
3) <i>Other expenses:</i>				
Bad Debts Recovered	(1)	-	(1)	(210)
Realised Forex (gains)/losses	(11)	1	(6)	92
4) <i>Finance costs:</i>				
Bank overdrafts	5	4	16	16
Bankers acceptance	272	207	766	665
Hire Purchase	30	12	86	30
Term Loan	2	62	37	183

B9. Changes in Material Litigations

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending which might materially and adversely affect the financial position or business of the Group.

B10. Dividends

The Directors do not recommend any dividend for the current quarter ended 30/09/2012.

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 30/09/2012 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>441</u>	<u>1,252</u>

(b) The weighted average number of ordinary shares used in the denominator in calculating Basic and Diluted earnings per share for the current quarter and cumulative period ended 30/09/2012 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>

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 9 months ended 30/09/2012

B12. Realised and unrealised profits

	30/09/2012 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	8,288
- Unrealised	570
	<hr/> 8,858
Total share of retained profits from associate:	
- Realised	1,881
- Unrealised	1
	<hr/> 10,740
Consolidation adjustments	355
Total Group retained profits as per consolidated financial statements	<hr/> 11,095 <hr/>

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 20/11/2012.