



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 3 months ended 31/03/2013

	Note	Individual quarter		Cumulative period	
		ended 31/03/2013	ended 31/03/2012	3 months ended 31/03/2013	3 months ended 31/03/2012
		RM'000	RM'000	RM'000	RM'000
Revenue	A7	20,999	15,810	20,999	15,810
Cost of sales		(17,854)	(13,758)	(17,854)	(13,758)
Gross profit		3,145	2,052	3,145	2,052
Other income		39	83	39	83
Selling and distribution expenses		(518)	(419)	(518)	(419)
Administration expenses		(1,439)	(1,054)	(1,439)	(1,054)
Other expenses		(341)	(272)	(341)	(272)
Profit from operations		886	390	886	390
Finance costs		(331)	(315)	(331)	(315)
Share of results of associate		54	25	54	25
Profit before taxation	B8	609	100	609	100
Income tax expense	B5	(139)	(15)	(139)	(15)
Profit after taxation		470	85	470	85
Other Comprehensive Income:					
Item that may be reclassified to Profit or Loss:					
Exchange difference on translation of foreign operations, net of income tax		-	15	-	15
Total Comprehensive income for the period		470	100	470	100
Profit Attributable To:					
Owners of The Parent		488	95	488	95
Non-Controlling Interests		(18)	(10)	(18)	(10)
Total Comprehensive income attributable to :		470	85	470	85
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	0.51	0.10	0.51	0.10
Diluted (Sen)		0.51	0.10	0.51	0.10

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Consolidated Statement of Financial Position as at 31/03/2013

	Note	Unaudited As at 31/03/2013 RM'000	Audited As at 31/12/2012 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		16,743	16,538
Investment in an associate		2,734	2,681
Goodwill on consolidation		140	140
Deferred Tax Assets		713	667
		<u>20,330</u>	<u>20,026</u>
Current assets:			
Inventories		31,653	31,032
Trade & other receivables		35,274	35,293
Tax recoverable		566	1,369
Cash and bank balances		6,654	8,910
		<u>74,147</u>	<u>76,604</u>
TOTAL ASSETS		<u><u>94,477</u></u>	<u><u>96,630</u></u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade & Other payables		6,183	7,890
Provision for taxation		-	14
Hire purchase payable	B7	609	536
Loans and borrowings	B7	24,575	25,708
		<u>31,367</u>	<u>34,148</u>
Non-current liabilities			
Hire purchase payables	B7	1,462	1,314
Loans and borrowings	B7	-	-
Deferred tax liabilities		117	107
		<u>1,579</u>	<u>1,421</u>
TOTAL LIABILITIES		<u>32,946</u>	<u>35,569</u>
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		12,418	11,930
Equity attributable to owners of the parent		<u>60,933</u>	<u>60,445</u>
Non-controlling Interests		598	616
TOTAL EQUITY		<u>61,531</u>	<u>61,061</u>
TOTAL EQUITY AND LIABILITIES		<u><u>94,477</u></u>	<u><u>96,630</u></u>
Net assets per share attributable to owners of the parent (RM)		0.63	0.63

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Condensed Statement of Changes in Equity for the 3 months ended 31/03/2013

<----- 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 01/01/2012	48,000	515	-	11,763	60,278	138	60,416
Subscription of shares by shareholder 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
Balance at 01/01/2013	48,000	515	-	11,930	60,445	616	61,061
Total comprehensive income for the period	-	-	-	488	488	(18)	470
Balance at 31/03/2013	48,000	515	-	12,418	60,933	598	61,531

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 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 Statement of Cash Flows for the 3 months ended 31/03/2013

	3 months ended	
	31/03/2013	31/03/2012
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	609	100
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	350	301
Gain on disposal property, plant and equipment	(14)	-
Interest expenses	327	311
Interest income	(39)	-
Share of profits of Associate	(54)	(25)
Operating profit before changes in working capital	1,179	687
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	19	593
Increase in inventories	(621)	(815)
Increase in trade and other payables	(1,707)	(1,812)
(Decrease)/Increase in Short term Trade Banker Acceptance	(1,115)	1,678
	(3,424)	(356)
Cash Generated From Operations	(2,245)	331
Interest income	39	-
Interest paid	(327)	(311)
Income tax refunded	866	-
Income tax paid	(249)	(384)
	329	(695)
Net Cash Flow (Used In)/generated from Operating Activities	(1,916)	(364)
Cash Flows From Investing Activities:		
Proceeds from disposal of property, plant and equipment	19	(68)
Purchase of property, plant and equipment	(11)	-
Net cash flow generated from/(used in) Investing Activities	8	(68)
Cash Flows From Financing Activities:		
Subscription of shares by Non-controlling shareholder	-	100
Drawdown of bank borrowings and other liabilities	-	837
Repayment for bank borrowings	(19)	(2,266)
Payment for hire purchase obligations	(329)	(101)
Net cash flow generated from/(used in) Financing Activities	(348)	(1,430)



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Condensed Statement of Cash Flows for the 3 months ended 31/03/2013

	3 months ended	
	31/03/2013	31/03/2012
	RM'000	RM'000
Net changes in Cash and Cash Equivalents	(2,256)	(1,862)
Cash and Cash Equivalents at Beginning of The Period	8,910	12,454
Cash and Cash Equivalents at End of The Period	6,654	10,592
Cash and Cash Equivalents Comprise:		
Cash and bank balances	6,654	10,706
Bank overdrafts	-	(114)
	6,654	10,592

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanatory notes attached to this interim financial report.)



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Note of the Interim Financial Report for the 3 months ended 31/03/2013

A. Compliance with Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting and Bursa Listing

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 3 months ended 31/03/2013 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 31/12/2012, which were prepared in accordance with Malaysian Financial Reporting Standards (MFRSs) and International Financial Reporting Standards (IFRSs). 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 31/12/2012.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31/12/2012 except for the adoption of the following MFRSs and Amendments to MFRSs, which are applicable to its financial statements and are relevant to its operations:-

Effective for annual periods beginning on or after 1 January 2013

- MFRS 10, Consolidated Financial Statements
- 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)
- Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, Consolidated Financial Statements
- Amendments to MFRS 12, Disclosure of Interest in Other Entities: Transition Guidance
- Amendments to MFRSs and IC Interpretations contained in the documents entitles "Annual Improvements 2009-2011 Cycle"

The adoption of the above MFRSs and amendments to MFRSs did not have any financial impacts on the Group's financial results.

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 January 2014

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- 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 lower 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 3 months period ended 31/03/2013.



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Note of the Interim Financial Report for the 3 months ended 31/03/2013

A4. Material Changes in estimates

There were no material changes in estimates that had affected the Group during the current quarter under review and financial year to date.

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 31/03/2013.

A7. Operating Segment Information

The segment information for the current quarter is as follows:

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>3 months ended 31/03/2013</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	9,105	6,737	2,467	2,690	20,999
Reportable segment gross profit	898	1,491	368	388	3,145
<i>3 months ended 31/03/2012</i>					
Revenues from external customers	6,550	6,066	2,007	1,187	15,810
Reportable segment gross profit	461	996	350	245	2,052

A8. Material events subsequent to the end of the interim period

The Company has on 02/05/2013 announced its intention to dispose of a piece of freehold industrial land held under Geran 129558, Lot 11431, Mukim Setul, Daerah Seremban, Negeri Sembilan measuring 4.349 hectare for RM15,447,979. The proposal is subject to shareholders approval.

A9. Effects of changes in the composition of the Group

There were no changes in composition of the Group during the current quarter ended 31/03/2013.

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 31/03/2013.

A11. Capital commitment

There were no capital commitments either contracted upon or otherwise that had affected the Group as at the current quarter ended 31/03/2013.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/03/2013 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	1,140	-	15	1,155
Total for type of transaction	1,140	-	15	1,155

Note of the Interim Financial Report for the 3 months ended 31/03/2013

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 3 months cumulative period had increased by 32.82% from RM15.81 million reported in the corresponding preceding period in the prior financial year to RM21 million. The increase in our revenue was principally attributable to the following:

(a) our sales and marketing team secured more orders from existing customers both locally and overseas OEM market for our Stainless Steel Products segment, particularly the stainless steel tubes and pipes accounting for approximately 18.51% of our total revenue of Stainless Steel Products segment;

(b) the increase in purchase orders from our customers, particularly domestic hand gloves manufacturing companies for Engineering Works segment, representing a significant increase of approximately 126.6% as compared to corresponding preceding period in the prior financial year; and

(c) the additional revenue derived from new subsidiary, Koseng Sdn Bhd, which contributed to an increase of 25.29% of our total revenue for Marine hardware & consumable segment.

The Group profit before tax for the 3 months cumulative period had increased from RM0.1 million achieved in the previous financial year to RM0.61 million, represents a growth of 509% in profit before tax, mainly due to increase in our overall gross profit margin which was attributable to the following:-

(a) gross profit margin for our Stainless steel products segment improved marginally from 7.04% recorded in the previous financial year to 9.86%. This was primarily due to lower cost of raw materials (such as stainless steel). In addition, the increase in gross profit margin was contributed by the abovementioned Note B1 (a) growth in sales volume, and hence lowered the unit cost of production as a result of higher production volume; and

(b) the increase in our gross profit margin for Marine hardware & consumable segment from 16.42% to 22.13%. This was mainly attributable to the Company had purchased the inventories at lower price.

B2. Comparison with immediate preceding quarter's results

The Group profit before tax of RM0.61 million for the current quarter under review was 51.82% lower compared with the profit before tax amounting to RM1.26 million of the immediate preceding quarter. This was mainly due to lower demand for our products as disclosed in Note A2 particularly Marine Hardware & Consumables segment and Engineering Works segment which was recorded 36.81% and 37.98% respectively lower compared with immediate preceding quarter.

B3. Commentary on prospects for the remaining period of the current Financial Year

The Board will continue to strategise marketing through expansion into overseas OEM market and production for revenue expansion. Barring the economic uncertainty, we expect our performance to remain satisfactory.

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	174	174
Deferred tax expense	(35)	(35)
Net tax charge	<u>139</u>	<u>139</u>



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Note of the Interim Financial Report for the 3 months ended 31/03/2013

Reconciliation of Effective Tax Rate:

	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	609	-
Statutory tax amount / rate	152	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(20)	-3.3%
Other Expenses not deductible for tax purposes	8	1.3%
other professional fee	13	2.1%
Share of results of an associate	(14)	-2.3%
Effective tax amount / rate	139	22.8%

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 RM'000	Actual utilisation RM'000	Non-utilisation RM'000	Intended timeframe for utilisation (Listed on 19/01/2011)
(i) Business Expansion and capital expenditures	3,310	-	3,310	Extended to 19/01/2014
(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 denominated in Malaysian Ringgit as at 31/03/2013 are as follows:

	Total RM'000	Secured RM'000
Long-term:		
Hire purchase liabilities	1,462	1,462
	<u>1,462</u>	<u>1,462</u>
Short-term:		
Bills and other trade financing liabilities	24,575	24,575
Hire purchase liabilities	609	609
	<u>25,184</u>	<u>25,184</u>



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Note of the Interim Financial Report for the 3 months ended 31/03/2013

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 3 months ended	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	RM'000	RM'000	RM'000	RM'000
1) <i>Other operating income:</i>				
Interest income	(24)	(43)	(24)	(43)
Other income	(15)	(41)	(15)	(41)
2) <i>Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	350	301	350	301
Employee benefit expenses	1,815	1,317	1,815	1,317
3) <i>Other expenses:</i>				
Realised Forex (gains)/losses	(7)	28	(7)	28
4) <i>Finance costs:</i>				
Bank overdrafts	4	6	4	6
Bankers acceptance	288	250	288	250
Hire Purchase	36	24	36	24
Term Loan	(1)	31	(1)	31

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

There is no proposed dividend for the current quarter.

A first and final single tier dividend of 2% amounting to RM960,000 in respect of the financial year ended 31/12/2012, was duly approved at the Annual General Meeting held on 23/05/2013.

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 31/03/2013 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>488</u>	<u>488</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 31/03/2013 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.



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Note of the Interim Financial Report for the 3 months ended 31/03/2013

B12. Realised and unrealised profits

	31/03/2013 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	9,537
- Unrealised	596
	<u>10,133</u>
Total share of retained profits from associate:	
- Realised	1,913
- Unrealised	1
	<u>12,047</u>
Consolidation adjustments	371
Total Group retained profits as per consolidated financial statements	<u><u>12,418</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 31/12/2012 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 23/05/2013.