



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 30/09/2013**

	Note	Individual quarter		Cumulative period	
		ended 30/09/2013	ended 30/09/2012	9 months ended 30/09/2013	9 months ended 30/09/2012
		RM'000	RM'000	RM'000	RM'000
Revenue	A7	21,781	22,751	63,725	57,326
Cost of sales		(18,838)	(19,860)	(54,439)	(49,384)
<b>Gross profit</b>		<b>2,943</b>	<b>2,891</b>	<b>9,286</b>	<b>7,942</b>
<b>Other income</b>		<b>11,030</b>	<b>51</b>	<b>11,115</b>	<b>230</b>
Selling and distribution expenses		(571)	(485)	(1,671)	(1,355)
Administration expenses		(1,431)	(1,212)	(4,337)	(3,450)
Other expenses		(264)	(288)	(967)	(770)
<b>Profit from operations</b>		<b>11,707</b>	<b>957</b>	<b>13,426</b>	<b>2,597</b>
Finance costs		(334)	(313)	(994)	(917)
Share of results of associate		69	23	205	107
<b>Profit before taxation</b>	B8	<b>11,442</b>	<b>667</b>	<b>12,637</b>	<b>1,787</b>
Income tax expense	B5	(135)	(214)	(420)	(513)
<b>Profit after taxation</b>		<b>11,307</b>	<b>453</b>	<b>12,217</b>	<b>1,274</b>
<b>Total Comprehensive income for the period</b>		<b>11,307</b>	<b>453</b>	<b>12,217</b>	<b>1,274</b>
<b>Profit Attributable To:</b>					
Owners of The Parent		11,297	441	12,191	1,252
Non-Controlling Interests		10	12	26	22
<b>Total Comprehensive income attributable to :</b>		<b>11,307</b>	<b>453</b>	<b>12,217</b>	<b>1,274</b>
<b>Total Comprehensive income attributable to :</b>					
Owners of The Parent		11,297	441	12,191	1,252
Non-Controlling Interests		10	12	26	22
		<b>11,307</b>	<b>453</b>	<b>12,217</b>	<b>1,274</b>
<b>Weighted average number of ordinary shares in issue ('000)</b>	B11	<b>96,000</b>	<b>96,000</b>	<b>96,000</b>	<b>96,000</b>
<b>Earnings per share attributable to owners of the parent :</b>					
Basic (Sen)	B11	<b>11.77</b>	<b>0.46</b>	<b>12.70</b>	<b>1.30</b>
Diluted (Sen)		<b>11.77</b>	<b>0.46</b>	<b>12.70</b>	<b>1.30</b>

(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 30/09/2013

	Note	Unaudited As at 30/09/2013 RM'000	Audited As at 31/12/2012 RM'000
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment		12,644	16,538
Investment in an associate		2,886	2,681
Goodwill on consolidation		140	140
Deferred Tax Assets		798	667
		<b>16,468</b>	<b>20,026</b>
<b>Current assets:</b>			
Inventories		36,928	31,032
Trade & other receivables		35,282	35,293
Tax recoverable		845	1,369
Cash and bank balances		17,980	8,910
		<b>91,035</b>	<b>76,604</b>
<b>TOTAL ASSETS</b>		<b>107,503</b>	<b>96,630</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade & Other payables		8,039	7,890
Provision for taxation		(5)	14
Hire purchase payable	B7	636	536
Loans and borrowings	B7	24,944	25,708
		<b>33,614</b>	<b>34,148</b>
<b>Non-current liabilities</b>			
Hire purchase payables	B7	1,454	1,314
Loans and borrowings	B7	-	-
Deferred tax liabilities		117	107
		<b>1,571</b>	<b>1,421</b>
<b>TOTAL LIABILITIES</b>		<b>35,185</b>	<b>35,569</b>
<b>Equity:</b>			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		23,161	11,930
<b>Equity attributable to owners of the parent</b>		<b>71,676</b>	<b>60,445</b>
Non-controlling Interests		642	616
<b>TOTAL EQUITY</b>		<b>72,318</b>	<b>61,061</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>107,503</b>	<b>96,630</b>
<b>Net assets per share attributable to owners of the parent (RM)</b>		<b>0.75</b>	<b>0.63</b>

(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 Statement of Changes in Equity for the 9 months ended 30/09/2013

<----- 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
<b>Balance at 01/01/2012</b>	48,000	515	-	11,763	60,278	138	60,416
Subscription of shares by shareholder of subsidiary	-	-	-	-	-	350	350
Total comprehensive income for the period	-	-	-	1,252	1,252	22	1,274
Dividends paid	-	-	-	(1,920)	(1,920)	-	(1,920)
<b>Balance at 30/09/2012</b>	<b>48,000</b>	<b>515</b>	<b>-</b>	<b>11,095</b>	<b>59,610</b>	<b>510</b>	<b>60,120</b>
<b>Balance at 01/01/2013</b>	48,000	515	-	11,930	60,445	616	61,061
Total comprehensive income for the period	-	-	-	12,191	12,191	26	12,217
Dividends paid	-	-	-	(960)	(960)	-	(960)
<b>Balance at 30/09/2013</b>	<b>48,000</b>	<b>515</b>	<b>-</b>	<b>23,161</b>	<b>71,676</b>	<b>642</b>	<b>72,318</b>

(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 9 months ended 30/09/2013

	9 months ended	
	30/09/2013	30/09/2012
	RM'000	RM'000
<b>Cash Flows From Operating Activities:</b>		
<b>Profit before tax</b>	12,637	1,787
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	1,122	984
Gain on disposal property, plant and equipment	(11,024)	-
Interest paid	981	906
Interest received	(91)	-
Share of profits of Associate	(205)	(107)
<b>Operating profit before changes in working capital</b>	<b>3,420</b>	<b>3,570</b>
<b>Working Capital Changes</b>		
Decrease/(Increase) in trade and other receivables	10	(5,760)
Increase in inventories	(4,481)	(6,081)
Increase in trade and other payables	(1,721)	881
(Decrease)/Increase in Short term Trade Banker Acceptance	(745)	6,878
	<b>(6,937)</b>	<b>(4,082)</b>
<b>Cash Used In Operations</b>	<b>(3,517)</b>	<b>(512)</b>
Interest received	91	-
Interest paid	(981)	(906)
Income tax refunded	1,002	-
Income tax paid	(1,037)	(1,213)
	<b>(925)</b>	<b>(2,119)</b>
<b>Net Cash Used In Operating Activities</b>	<b>(4,442)</b>	<b>(2,631)</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of property, plant and equipment	15,468	(340)
Purchases of property, plant and equipment	(700)	-
<b>Net cash generated from/(used in) Investing Activities</b>	<b>14,768</b>	<b>(340)</b>
<b>Cash Flows From Financing Activities:</b>		
Subscription of shares by Non-controlling shareholder	-	350
Drawdown of bank borrowings and other liabilities	-	837
Dividends paid on shares	(960)	(1,920)
Repayment of bank borrowings	(19)	(2,410)
Payment for hire purchase obligations	(277)	(302)
<b>Net cash flow generated from/(used in) Financing Activities</b>	<b>(1,256)</b>	<b>(3,445)</b>



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**Condensed Statement of Cash Flows for the 9 months ended 30/09/2013**

	9 months ended	
	30/09/2013	30/09/2012
	RM'000	RM'000
<b>Net changes in Cash and Cash Equivalents</b>	<b>9,070</b>	<b>(6,416)</b>
<b>Cash and Cash Equivalents at Beginning of The Period</b>	<b>8,910</b>	<b>12,454</b>
<b>Cash and Cash Equivalents at End of The Period</b>	<b>17,980</b>	<b>6,038</b>
<b>Cash and Cash Equivalents Comprise:</b>		
Cash and bank balances	18,426	6,152
Bank overdrafts	(446)	(114)
	<b>17,980</b>	<b>6,038</b>

*(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 9 months ended 30/09/2013

### 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) 34: 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 30/09/2013 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 9 months period ended 30/09/2013, save for the disposal of freehold industrial land as explained in Note B1 and disclosed in Note B8.



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**Note of the Interim Financial Report for the 9 months ended 30/09/2013**

**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 30/09/2013 and financial year to date other than as follows:

	Current Quarter RM'000	Year-to-Date RM'000
Dividend paid on ordinary shares: Financial year ended 31/12/2012		
First and final dividend of 1 sen per share single tier paid on 25/06/2013	-	960

**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 30/09/2013</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	8,414	7,401	2,121	3,845	<b>21,781</b>
Reportable segment gross profit	418	1,356	438	731	<b>2,943</b>
<i>3 months ended 30/09/2012</i>					
Revenues from external customers	9,172	7,783	3,382	2,414	<b>22,751</b>
Reportable segment gross profit	738	1,342	398	413	<b>2,891</b>

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>9 months ended 30/09/2013</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	25,866	20,451	6,868	10,540	<b>63,725</b>
Reportable segment gross profit	2,054	4,193	1,188	1,851	<b>9,286</b>
<i>9 months ended 30/09/2012</i>					
Revenues from external customers	23,769	20,608	7,782	5,167	<b>57,326</b>
Reportable segment gross profit	2,264	3,555	1,042	1,081	<b>7,942</b>

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

There were no material events subsequent to the current financial quarter ended 30/09/2013 up to the date of this interim financial report which may substantially affect the results of the operations of the Group.

**A9. Effects of changes in the composition of the Group and financial year-to-date**

There were no changes in composition of the Group during the current quarter ended 30/09/2013 and financial year to date.

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



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### Note of the Interim Financial Report for the 9 months ended 30/09/2013

There were no changes in the contingent liabilities and assets of the Group since the last audited date of the financial statements.

#### A11. Capital commitment

Authorised capital commitments not recognised in the interim financial statements as at 30/09/2013 are as follows:

	RM'000
Approved and contracted for	882
Approved but not contracted for	-
	<u>882</u>
Analysed as follows:	
For purchase of plant and equipment	<u>882</u>

#### A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 30/09/2013 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>				
Parents & fellow subsidiaries	-	-	-	-
Associate	505	7	10	522
Total for type of transaction	<u>505</u>	<u>7</u>	<u>10</u>	<u>522</u>
<i>Cumulative 9 months Period:</i>				
Parents & fellow subsidiaries	-	-	-	-
Associate	2,370	7	36	2,413
Total for type of transaction	<u>2,370</u>	<u>7</u>	<u>36</u>	<u>2,413</u>



**Note of the Interim Financial Report for the 9 months ended 30/09/2013**

**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 9 months cumulative period had increased by 11.16% from RM57.33 million reported in the corresponding preceding period in the prior financial year to RM63.73 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 which contributed an increase in revenue of approximately RM2.38 million, representing 9.21% increase in revenue of Stainless Steel Products segment;

(b) the increase in purchase orders from our customers, particularly from the domestic hand gloves manufacturing companies for Engineering Works segment, contributed to a significant increase in revenue of approximately RM5.37 million, representing an increase of 103.99% as compared to corresponding preceding period in the prior financial year; and

(c) the additional revenue of RM4.22 million derived from new subsidiary, Koseng Sdn Bhd, which contributed to an increase of 20.62% of our total revenue for Marine hardware & consumable segment.

The Group profit before tax for the 9 months cumulative period had increased from RM1.79 million achieved in the previous financial year to RM12.64 million, represents a growth of 607.16% in profit before tax, mainly due to gain on the sale of a piece of freehold industrial land held under Geran 129558, Lot 11431, Mukim Setul, Daerah Seremban, Negeri Sembilan amounting to approximately RM11.01 million as disclosed in Note B8.

**B2. Comparison with immediate preceding quarter's results**

The Group profit before tax of RM11.44 million for the current quarter under review was 1,855.9% higher compared with the profit before tax amounting to RM0.59 million of the immediate preceding quarter. This was mainly attributable to the gain on the disposal of our freehold industrial land which was zero tax rate as explained in Note B1 and disclosed in Note B8.

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

The Board will continue to enhance the Group marketing strategy through expansion into overseas OEM market and increase the Group products offering to increase revenue. Barring the economic uncertainty, we expect the Group 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	Current
Malaysian taxation based on profit for the period:	RM'000	Year-to-Date
		RM'000
Current tax expense	149	516
Adjustment for under provision	24	24
Deferred tax expense	(38)	(120)
Net tax charge	<u>135</u>	<u>420</u>



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**Note of the Interim Financial Report for the 9 months ended 30/09/2013**

Reconciliation of Effective Tax Rate:

	Current Year-to-Date	
	RM'000	%
<b>Accounting Profit before tax</b>	<b>12,637</b>	<b>-</b>
Statutory tax amount / rate	3,159	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(2,762)	-21.9%
Other Expenses not deductible for tax purposes	27	0.2%
other professional fee	28	0.2%
Share of results of an associate	(51)	-0.4%
Over provision of deferred tax in prior years	(5)	0.0%
Under provision of tax expense in prior years	24	0.0%
<b>Effective tax amount / rate</b>	<b>420</b>	<b>3.3%</b>

**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 30/09/2013 are as follows:

	Total RM'000	Secured RM'000
Long-term:		
Hire purchase liabilities	1,454	1,454
	<u>1,454</u>	<u>1,454</u>
Short-term:		
Bills and other trade financing liabilities	24,944	24,944
Hire purchase liabilities	636	636
	<u>26,026</u>	<u>26,026</u>



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**Note of the Interim Financial Report for the 9 months ended 30/09/2013**

**B8. Profit before taxation**

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

	Individual quarter ended		Cumulative period 9 months ended	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(10)	(14)	(55)	(109)
Other income	(10)	(37)	(36)	(121)
Gain on disposal of property, plant and equipment	(11,009)	-	(11,024)	-
<i>2) Administration expenses &amp; Cost of sales:</i>				
Depreciation of properties, plant & equipment	409	357	1,122	984
Employee benefit expenses	1,965	1,516	5,641	4,199
<i>3) Other expenses:</i>				
Bad Debts Recovered	(40)	(1)	(40)	(1)
Realised Forex (gains)/losses	(97)	(11)	(114)	(6)
<i>4) Finance costs:</i>				
Bank overdrafts	8	5	17	16
Bankers acceptance	283	272	856	766
Hire Purchase	37	30	109	86
Term Loan	(1)	2	(1)	37

**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 30/09/2013.

**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 30/09/2013 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>11,297</u>	<u>12,191</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 30/09/2013 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 is equivalent to Basic EPS as the Group does not have any dilutive potential ordinary shares in issue during the financial quarter under review and financial year to date.



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**Note of the Interim Financial Report for the 9 months ended 30/09/2013**

**B12. Realised and unrealised profits**

	30/09/2013 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	20,044
- Unrealised	681
	<u>20,725</u>
Total share of retained profits from associate:	
- Realised	2,065
- Unrealised	1
	<u>22,791</u>
Consolidation adjustments	370
Total Group retained profits as per consolidated financial statements	<u><u><b>23,161</b></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 18/11/2013.