



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 12 months ended 31/12/2013

	Note	Individual quarter ended		Cumulative period 12 months ended	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012
		RM'000	RM'000	RM'000	RM'000
Revenue	A7	29,109	25,999	92,834	83,325
Cost of sales		(24,920)	(22,207)	(79,359)	(71,593)
Gross profit		4,189	3,792	13,475	11,732
Other income		100	45	11,215	276
Selling and distribution expenses		(548)	(460)	(2,220)	(1,813)
Administration expenses		(1,661)	(1,278)	(5,998)	(4,729)
Other expenses		(436)	(507)	(1,403)	(1,277)
Profit from operations		1,644	1,592	15,069	4,189
Finance costs		(329)	(317)	(1,323)	(1,234)
Share of results of associate		110	(21)	315	86
Profit before taxation	B8	1,425	1,254	14,061	3,041
Income tax expense	B5	(357)	(313)	(777)	(826)
Profit after taxation		1,068	941	13,284	2,215
Total Comprehensive income for the period		1,068	941	13,284	2,215
Profit Attributable To:					
Owners of The Parent		994	835	13,184	2,087
Non-Controlling Interests		74	106	100	128
Total Comprehensive income attributable to :		1,068	941	13,284	2,215
Total Comprehensive income attributable to :					
Owners of The Parent		994	835	13,184	2,087
Non-Controlling Interests		74	106	100	128
		1,068	941	13,284	2,215
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	1.04	0.87	13.73	2.17
Diluted (Sen)		1.04	0.87	13.73	2.17

(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 31/12/2013

	Note	Unaudited As at 31/12/2013 RM'000	Audited As at 31/12/2012 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		13,484	16,538
Investment in an associate		2,987	2,681
Goodwill on consolidation		140	140
Deferred Tax Assets		702	667
		<u>17,313</u>	<u>20,026</u>
Current assets:			
Inventories		39,546	31,032
Trade & other receivables		39,630	35,293
Tax recoverable		338	1,369
Cash and bank balances		22,790	8,910
		<u>102,304</u>	<u>76,604</u>
TOTAL ASSETS		<u>119,617</u>	<u>96,630</u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade & Other payables		16,094	7,890
Provision for taxation		138	14
Hire purchase payable	B7	794	536
Loans and borrowings	B7	27,420	25,708
		<u>44,446</u>	<u>34,148</u>
Non-current liabilities			
Hire purchase payables	B7	1,763	1,314
Deferred tax liabilities		110	107
		<u>1,873</u>	<u>1,421</u>
TOTAL LIABILITIES		<u>46,319</u>	<u>35,569</u>
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		24,067	11,930
Equity attributable to owners of the parent		<u>72,582</u>	<u>60,445</u>
Non-controlling Interests		716	616
TOTAL EQUITY		<u>73,298</u>	<u>61,061</u>
TOTAL EQUITY AND LIABILITIES		<u>119,617</u>	<u>96,630</u>
Net assets per share attributable to owners of the parent (RM)		0.76	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 2012 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Statement of Changes in Equity for the 12 months ended 31/12/2013

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

	Note	Share	Share	Retained	Total	Non-	Total Equity
		Capital	Premium	Profits		Controlling	
		RM'000	RM'000	RM'000	RM'000	Interests	RM'000
Balance at 01/01/2012		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		-	-	2,087	2,087	128	2,215
Dividends paid		-	-	(1,920)	(1,920)	-	(1,920)
Balance at 31/12/2012		48,000	515	11,930	60,445	616	61,061
Balance at 01/01/2013		48,000	515	11,930	60,445	616	61,061
Subscription of Shares by non-controlling interes	A9	-	-	(87)	(87)	-	(87)
Total comprehensive income for the period		-	-	13,184	13,184	100	13,284
Dividends paid	A6	-	-	(960)	(960)	-	(960)
Balance at 31/12/2013		48,000	515	24,067	72,582	716	73,298

(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 12 months ended 31/12/2013

	12 months ended	
	31/12/2013	31/12/2012
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	14,061	3,041
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	1,756	1,418
Impairment loss in trade receivables	36	94
Gain on disposal property, plant and equipment	(11,018)	5
Interest paid	1,303	1,218
Interest received	(191)	(276)
Share of profits of Associate	(315)	(86)
Operating profit before changes in working capital	5,632	5,414
Working Capital Changes		
Increase in trade and other receivables	(4,373)	(6,200)
Increase in inventories	(3,478)	(4,789)
Increase in trade and other payables	2,716	1,731
Increase in Short term Trade Banker Acceptance	1,731	6,416
	(3,404)	(2,842)
Cash Used In Operations	2,228	2,572
Interest received	191	276
Interest paid	(1,303)	(1,218)
Income tax refunded	1,421	-
Income tax paid	(1,155)	(1,251)
	(846)	(2,193)
Net Cash From Operating Activities	1,382	379
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	15,521	-
Purchases of property, plant and equipment	(1,333)	(581)
Net cash generated from/(used in) Investing Activities	14,188	(581)
Cash Flows From Financing Activities:		
Subscription of shares by Non-controlling shareholder	-	350
Drawdown of bank borrowings and other liabilities	-	1,046
Dividends paid on shares	(960)	(1,920)
Repayment of bank borrowings	(19)	(2,410)
Payment for hire purchase obligations	(711)	(433)
Net cash flow used in Financing Activities	(1,690)	(3,367)

Condensed Statement of Cash Flows for the 12 months ended 31/12/2013

	12 months ended	
	31/12/2013	31/12/2012
	RM'000	RM'000
Net changes in Cash and Cash Equivalents	13,880	(3,569)
Cash and Cash Equivalents at Beginning of The Period	8,910	12,479
Cash and Cash Equivalents at End of The Period	<u>22,790</u>	<u>8,910</u>
Cash and Cash Equivalents Comprise:		
Cash and bank balances	22,790	9,024
Bank overdrafts	-	(114)
	<u>22,790</u>	<u>8,910</u>

(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.)

Notes of the Interim Financial Report for the 12 months ended 31/12/2013

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 12 months ended 31/12/2013 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 entitled "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
- Amendments to MFRS 136, Recoverable Amount Disclosures from Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

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)
- Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Date of MFRS9 and Transition Disclosure

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.

Notes of the Interim Financial Report for the 12 months ended 31/12/2013

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 12 months period ended 31/12/2013, save for the disposal of freehold industrial land as explained in Note B1 and disclosed in Note B8.

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 31/12/2013 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 31/12/2013</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	9,296	6,586	1,891	11,336	29,109
Reportable segment gross profit	1,011	1,391	443	1,344	4,189
<i>3 months ended 31/12/2012</i>					
Revenues from external customers	9,347	10,662	1,652	4,338	25,999
Reportable segment gross profit	961	1,462	292	1,077	3,792

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>12 months ended 31/12/2013</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	35,162	27,037	8,759	21,876	92,834
Reportable segment gross profit	3,065	5,584	1,631	3,195	13,475
<i>12 months ended 31/12/2012</i>					
Revenues from external customers	33,116	31,270	9,434	9,505	83,325
Reportable segment gross profit	3,225	5,017	1,332	2,158	11,732

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

There were no material events subsequent to the current financial quarter ended 31/12/2013 up to the date of this interim financial report which may substantially affect the results of the operations of the Group.



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Notes of the Interim Financial Report for the 12 months ended 31/12/2013

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 31/12/2013 and financial year 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 financial statements.

A11. Capital commitment

There were no capital commitments either contracted upon or otherwise that had affected the Group as at the current quarter ended 31/12/2013.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/12/2013 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	-	205	25	230
Total for type of transaction	-	205	25	230
<i>Cumulative 12 months Period:</i>				
Parents & fellow subsidiaries	-	-	-	-
Associate	2,370	212	61	2,643
Total for type of transaction	2,370	212	61	2,643

Notes of the Interim Financial Report for the 12 months ended 31/12/2013

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 12 months cumulative period had increased by 11.41% from RM83.33 million as reported in the corresponding preceding period in the prior financial year to RM92.83 million. The increase in our revenue was principally attributable to the following:

(a) 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 RM12.37 million, representing an increase of 130.15% as compared to corresponding preceding period in the prior financial year; and

(b) 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 RM1.81 million, representing 5.15% increase in revenue of Stainless Steel Products segment.

The Group profit before tax for the 12 months cumulative period had increased from RM3.04 million achieved in the previous financial year to RM14.06 million, represents a growth of 362.38% 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 RM1.43 million for the current quarter under review was 87.6% lower compared with the profit before tax amounting to RM11.44 million of the immediate preceding quarter. This was mainly attributable to the gain on the disposal of our freehold industrial land as explained in Note B1 and disclosed in Note B8.

B3. Commentary on prospects

The Board will continue to enhance the Group marketing strategy through expansion into Engineering Segment 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	268	784
Adjustment for under provision	-	24
Deferred tax expense	89	(31)
Net tax charge	<u>357</u>	<u>777</u>

Notes of the Interim Financial Report for the 12 months ended 31/12/2013

Reconciliation of Effective Tax Rate:	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	14,061	-
Statutory tax amount / rate	3,515	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	(2,751)	-19.6%
Other Expenses not deductible for tax purposes	38	0.3%
other professional fee	40	0.3%
Share of results of an associate	(79)	-0.6%
Over provision of deferred tax in prior years	(10)	0.0%
Under provision of tax expense in prior years	24	0.0%
Effective tax amount / rate	777	5.5%

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 19/01/2015
(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 31/12/2013 are as follows:

	Total	Secured
	RM'000	RM'000
Long-term:		
Hire purchase liabilities	1,763	1,763
	<u>1,763</u>	<u>1,763</u>
Short-term:		
Bills and other trade financing liabilities	27,420	27,420
Hire purchase liabilities	794	794
	<u>28,214</u>	<u>28,214</u>

Notes of the Interim Financial Report for the 12 months ended 31/12/2013

B8. Profit before taxation

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

	Individual quarter ended		Cumulative period 12 months ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(75)	(26)	(130)	(135)
Other income	(25)	(19)	(61)	(141)
Gain on disposal of property, plant and equipment	6	-	(11,018)	-
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	635	434	1,757	1,418
Employee benefit expenses	2,009	1,592	7,628	5,790
<i>3) Other expenses:</i>				
Impairment loss in trade receivable	-	94	-	94
Bad Debts Recovered	(172)	(1)	(212)	(2)
Realised Forex (gains)/losses	(3)	(1)	(117)	(7)
<i>4) Finance costs:</i>				
Bank overdrafts	8	6	23	22
Bankers acceptance	283	274	1,133	1,040
Hire Purchase	37	33	148	119
Term Loan	-	-	(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 proposed a first and final single tier dividend of 2.0% amounting to RM960,000 and a special single tier dividend of 5.9% amounting to RM2,832,000 in respect of the financial year ended 31/12/2013, payable upon shareholders' approval at the forthcoming Annual General Meeting.

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 31/12/2013 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>994</u>	<u>13,184</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 31/12/2013 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>

Notes of the Interim Financial Report for the 12 months ended 31/12/2013

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.

B12. Realised and unrealised profits

	31/12/2013 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	21,358
- Unrealised	592
	<u>21,950</u>
Total share of retained profits from associate:	
- Realised	2,166
- Unrealised	1
	<u>24,117</u>
Consolidation adjustments	<u>(50)</u>
Total Group retained profits as per consolidated financial statements	<u><u>24,067</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 19/02/2014.