

11. APPROVALS AND CONDITIONS (Cont'd)

The SC had, vide its letters dated 18 September 2009 and 11 November 2009, approved the waivers sought from having to comply with certain requirements under the Prospectus Guidelines – Equity and Debt issued by the SC (“Prospectus Guidelines”). The details of the waivers sought and accompanying conditions imposed by the SC are as follows:

Paragraph under the Prospectus Guidelines for which waiver was sought	Details of waiver granted and conditions (if applicable)	Status of compliance of conditions (if any)
Paragraph 12.10	<p>Waiver from the requirement to include interim audited financial statements in the exposure draft of Prospectus.</p> <p>Conditions:</p> <p>(i) Unaudited interim consolidated financial statements, which are not more than 6 months prior to the submission of the registrable Prospectus, are disclosed in the registrable Prospectus;</p> <p>(ii) Disclosure in the registrable Prospectus that the interim financial statements are unaudited and may be subject to further changes; and</p> <p>(iii) Material deviations, if any, between the interim unaudited and audited financial statements are highlighted and clarified to the SC.</p>	<p>Complied. The unaudited interim consolidated financial statements of our Company for the 6 months financial period ended 30 June 2009 was disclosed in our registrable exposure Prospectus.</p> <p>Complied. The disclosure was disclosed in our registrable exposure Prospectus.</p> <p>Not applicable as there is no material deviation between the unaudited interim consolidated financial statements of our Company (as set out in our registrable exposure Prospectus) and the audited consolidated financial statements of our Company (as set out in this Prospectus).</p>
Paragraph 13.01	<p>Waiver from having to disclose the audited financial statements in the Accountants’ Report and the relevant sections on the financial information in the Prospectus and to allow disclosure based on restated financial statements arising from the change in the revenue recognition policy and in compliance with Financial Reporting Standards 108: Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>Approved without conditions.</p>	<p>Not applicable as no condition was imposed by the SC.</p>

11. APPROVALS AND CONDITIONS (Cont'd)

Paragraph under the Prospectus Guidelines for which waiver was sought	Details of waiver granted and conditions (if applicable)	Status of compliance of conditions (if any)
Paragraph 13.10	<p>Waiver from having to include the audit reports of those audited financial statements disclosed in Section 15 of this Prospectus.</p> <p>Conditions:</p> <p>(i) The Reporting Accountants, SC Lim, Ng & Co disclose in the Accountants' Report the verification procedures carried out by them in stating that the financial statements for FYE 2005 and FYE 2006 were reported without any qualifications; and</p> <p>(ii) That consent from BDO Binder be obtained and disclosed in the prospectus for the inclusion of their name and statements in the form and context in which such statements appear in the Accountants' Report as well as a statement that they have not subsequently withdrawn such consents.</p>	<p>Complied. Refer to Section 15 (paragraph 5) of this Prospectus.</p> <p>Complied. Refer to Section 18.8 of this Prospectus.</p>

11.3 Moratorium on sale of our Shares

In accordance with Section 5.29(a) of the SC Guidelines, our Promoters are not allowed to sell, transfer or assign their entire shareholdings in our Company as at the date of our Listing for a period of 6 months from the date of admission of our Company to the Main Market of Bursa Securities.

The SC, in approving the Flotation Exercise, has imposed a moratorium on the disposal of all our Shares held by our Promoters upon completion of our IPO. Accordingly, our Promoters as listed in the table below are not allowed to sell, transfer or assign their shareholdings of 57,132,232 Shares, representing approximately 71.40% of the enlarged issued and paid-up share capital of our Company, within 6 months from the date of our Listing.

Details of our Promoters, who will be subjected to moratorium, are set out below:

Shareholders	Shareholdings after our IPO		Shareholdings under moratorium	
	No. of Shares [^]	% of enlarged issued and paid-up share capital	No. of Shares	% of enlarged issued and paid-up share capital
Success Transformer	52,000,000	65.0	52,000,000	65.0
OASB	4,054,519	5.07	4,054,519	5.07
WTECH	777,713	0.97	777,713	0.97
Wong Choon Cheon	50,000	0.06	50,000	0.06
Wong Chee Kian	50,000	0.06	50,000	0.06
Wong Poh Chee	50,000	0.06	50,000	0.06
Tan Tian Seng	50,000	0.06	50,000	0.06
Tan Ah Moy	50,000	0.06	50,000	0.06
Tan Ah Bah @ Tan Ah Ping	50,000	0.06	50,000	0.06
Total	57,132,232	71.40	57,132,232	71.40

Note:

[^] Assuming that the Restricted Shares provisionally offered to the Entitled Shareholders (save for OASB and WTECH) under the Restricted Offer are not fully taken up by them.

11. APPROVALS AND CONDITIONS (Cont'd)

The moratorium, which has been fully accepted by the abovementioned shareholders, is specifically endorsed on the share certificates representing our shareholders' respective shareholdings which are under moratorium to ensure that our Company's share registrar does not register any transfer not in compliance with the restrictions imposed by the SC.

The endorsement which will be affixed on these share certificates are as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Securities during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

In addition, the following persons have given their respective undertakings that they will not sell, transfer or assign any part of their interest in all and any shares they hold in the respective companies within 6 months from the date of our Listing:

- (i) Pan Kim Foon, Tan Ah Bah @ Tan Ah Ping, Yeoh Cheng Twan @ Yeoh Kong Liang, Panorama Sakti Sdn Bhd, Saingan Nyata Sdn Bhd, Casa Wonder Sdn Bhd and Yeoh Kim Wah (collectively shareholders of OASB);
- (ii) Majelis Bin Majid and Suraya Binti Arshad (collectively shareholders of Panorama Sakti Sdn Bhd);
- (iii) Suleiman Bin Mazlan and Siti Huzaimah Binti Abas (collectively shareholders of Saingan Nyata Sdn Bhd);
- (iv) Tan Ka He and Tan Yoon Huat (collectively shareholders of Casa Wonder Sdn Bhd); and
- (v) Wong Choon Cheon, Wong Poh Chee and Wong Chee Kian (collectively shareholders of WTECH).

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12. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS

12.1 Interests in similar business

Save as disclosed below, as at LPD, none of our Directors or substantial shareholders has any interest, whether direct or indirect, in any businesses or corporations which are (i) carrying on a similar trade as our Group; and (ii) customers of and/or suppliers of our Group:

Name of company	Principal activities	Interested Directors / substantial shareholders	Nature of relationship	Shareholdings in similar business			
				Direct No. of shares	%	Indirect No. of shares	%
SEPEN	Fabrication of process equipment and metal structure	Tan Ah Bah @ Tan Ah Ping Wong Choon Cheon Wong Poh Chee Wong Chee Kian Tan Tian Seng	Director of our Company and SEPEN Director of our Company and SEPEN Director of our Company and SEPEN Director of our Company and SEPEN Director of our Company and SEPEN	- - - - -	- - - - -	240,000 ⁽¹⁾	60.00
RBPV Fabricator & Engineering Sdn Bhd ("RBPV")	Engineering works	Ir. Mohamad Noh Bin Serul	Director of our Company and RBPV	-	-	-	-
Ideal Plant Technology Sdn Bhd ("Ideal Plant")	Engineering support services, training courses and safety and health management consultancy	Ir. Mohamad Noh Bin Serul	Director of our Company and director and shareholder of Ideal Plant	70,000	70.00	30,000 ⁽²⁾	30.00

Notes:

(1) Deemed interest by virtue of his substantial interests in our Company and Success Transformer.

(2) Deemed interest by virtue of his spouse's direct interest in Ideal Plant.

SEPEN had on 27 August 2009 given a written undertaking to our Company that it will not directly or indirectly, either alone or jointly with or on behalf of any third party pitch or solicit for any projects from customers who have been dealing with our Company, without our prior written approval.

Ir. Mohamad Noh Bin Serul is not involved in the daily management of RBPV. In this respect, he is of the view that his involvement in RBPV will not affect his contributions to our Group and would not be expected to affect the operations of our Company.

12. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

Ideal Plant is one of our customers. Our Company will ensure that any transactions between Ideal Plant and our Company are carried out on normal commercial terms not more favourable to Ideal Plant than those generally available to third parties dealing at arm's length and are not detrimental of our Company's minority shareholders. Further, Ir. Mohamad Noh Bin Serul shall abstain from deliberations and voting on any of the resolution(s) with regards to any transactions between Ideal Plant and our Group.

12.2 Related party transactions

Save as disclosed below, our Group has not entered into or are involved in any other on-going or proposed related party transactions (including recurrent related party transactions) that involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them (as defined in the Listing Requirements) for the past 3 FYE 2007 to FYE 2009 and our proposed related party transactions for FYE 2010:

Transacting parties	Companies within our Group	Nature of relationship	Nature of transaction	Transaction value (RM)			Forecast for FYE 2010
				2007	2008	2009	
Process Systems Sea Sdn Bhd	Seremban Engineering	Wong Chee Kian and Wong Poh Chee are our Directors and they were both Directors in Process Systems Sea Sdn Bhd *	Supply of labour services to our Company	9,174	6,320	-	-
SEISB	Seremban Engineering	Wong Choon Cheon and Wong Poh Chee are our Directors and they were both Directors in SEISB until 26 June 2007	Supply of labour services to our Company	70,328	-	-	-
SEPEN	Seremban Engineering	Our 60% owned subsidiary	Sub-contracting of labour services to our Company	-	676,860	3,736,634**	6,000,000
SETM	Seremban Engineering	Related company	<ul style="list-style-type: none"> • Sundry loan to SETM @ • Sundry loan interest charged to SETM 	-	5,728,000	1,195,000 #	-
				-	38,640	32,932	-

12. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Companies within our Group	Nature of relationship	Nature of transaction	Transaction value (RM)			Forecast for FYE 2010
				2007	2008	2009	
STMKT	Seremban Engineering	Related company	<ul style="list-style-type: none"> Purchase of property, plant and equipment from STMKT Purchase of goods from STMKT 	9,800	5,800	10,615	-
Tan Ah Moy and Wong Poh Chee	Seremban Engineering	Our Directors	Our Company, Tan Ah Moy and Wong Poh Chee had entered into a tenancy agreement where Tan Ah Moy and Wong Poh Chee had rented out a double storey terrace house as accommodation for our workers	8,100	-	5,400	-
Pen Steel Engineering Works Sdn Bhd ("Pen Steel")	SEPEN	Wong Kee Pen and Wong Kah Poh are directors of Pen Steel and SEPEN	<ul style="list-style-type: none"> Supply of labour and tools to SEPEN[^] Purchase of property, plant and equipment from Pen Steel Purchase of goods from Pen Steel 	-	548,346	186,746	-
Ideal Plant	Seremban Engineering	Ir. Mohamad Noh Bin Serul is a director in our Company and Ideal Plant	<ul style="list-style-type: none"> Rental of 3 roller bending machines from our Company To repair 1 unit boiler plate rolls 	-	-	-	1,000,000
SEPEN	Seremban Engineering	Our 60% owned subsidiary	Rental of Lot no. 1666 from Seremban Engineering	-	-	120,000	120,000

12. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

* Wong Chee Kian and Wong Poh Chee both resigned as a Director of Process Systems Sea Sdn Bhd on 28 April 2009.

** The material increase in the transaction value with SEPEN for FYE 2009 was due to the following:

(i) SEPEN became our Company's subsidiary in August 2008. Hence, the transacted value for FYE 2008 is for 4 months, whereas for FYE 2009 is for 1 full financial year; and

(ii) Our Company sub-contracts additional labour from SEPEN due to increase in sales.

^ Pen Steel was previously also engaged in the supply of labour but effective 1 September 2009, Pen Steel is only an investment holding company. Hence, SEPEN no longer source labour supply from Pen Steel effective 1 September 2009. Wong Kee Pen and Wong Kah Poh were initially employed under Pen Steel prior to the incorporation of SEPEN in August 2008 and prior to 1 September 2009, SEPEN was relying on Pen Steel for the supply of labour for its fabrication activities.

@ Sundry loan with interest bearing from 3.5% to 4.0% per annum and is unsecured with no fixed terms of repayment.

~ As SEISB is our wholly-owned subsidiary effective 27 June 2007, it is no longer considered as related party transaction pursuant to the Listing Requirements.

Our Company does not foresee to lend to SETM in the near future. This transaction value has already taken place during the first 9 months of 2009.

All the related party transactions disclosed above would not give rise to any conflict of interest situation and were transacted based on a negotiated basis, which are not detrimental to the interest of our Group.

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12. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS *(Cont'd)*

12.3 Monitoring and oversight of conflict of interests and related party transactions

Our Audit Committee will review any related party transactions and conflict of interests that may arise within our Group. Our Audit Committee will periodically review the procedures set by our Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length and are not detrimental to the interest of our Company's minority shareholders. All reviews of our Audit Committee will be reported to our Board for its further action.

We will, after our Listing, procure a mandate from our shareholders, if necessary, for all our recurrent related party transactions of revenue or trading in nature or those necessary for our day-to-day operations. Further, the interested persons shall abstain from voting on the resolution(s) pertaining to the respective transactions. Furthermore, we will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us conducted based on the nature of transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

12.4 Transactions that are unusual in nature or condition

Our Group has not entered into any transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or our subsidiary was a party in the past 3 FYE 2007 to FYE 2009 up to LPD.

12.5 Outstanding loans made to or for the benefit of related parties

Save as disclosed below, there are no outstanding loans (including guarantees of any kind), made by us, or any of our parent or subsidiary to or for the benefit of related parties during the past 3 FYE 2007 to FYE 2009 and the subsequent financial period thereof, immediately preceding the date of this Prospectus:

	FYE 2007 (RM'000)	FYE 2008 (RM'000)	FYE 2009 (RM'000)
Amount owing to our Group by:			
Short Term			
- Associate	-	-	-
- Related company	-	2,744 ^	-
- Related party	-	-	-
Total	-	2,744	-

Note:

^ The amount due from related company mainly represents an outstanding unsecured loan to SETM, a subsidiary company of Success Transformer. The loan was incurred with the objective to achieve cost savings at the Success Transformer Group's level. The loans are repayable on demand and interest bearing as follows:

<u>Description</u>	<u>Principal</u> (RM'000)	<u>Interest rate</u> (per annum)	<u>Outstanding</u> (RM'000)
Loan I	300	4.0%	305
Loan II	1,428	3.5%	1,437
Loan III	1,000	3.7%	1,002
Expenses paid on behalf	*	N/A	*
			<u>2,744</u>

* Amount less than RM1,000

N/A Not applicable

The settlement of the aforesaid loans was made on 1 June 2009.

12. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

As at LPD, there were no long term loans made by us or any of our parent or subsidiary to or for the benefit of related parties.

12.6 Promotion of material assets acquired/to be acquired

None of our Directors or substantial shareholders has any interest, direct or indirect, in the promotion of, or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed or leased to or proposed to be leased to our Group within 3 FYE 2007 to FYE 2009 up to LPD.

12.7 Declaration by advisers

- (i) RHB Investment Bank confirms that there is no conflict of interest in respect of its role as the Principal Adviser, Sole Underwriter and Placement Agent for the Flotation Exercise.
- (ii) Messrs SC Lim, Ng & Co. confirms that there is no conflict of interest in respect of its role as the Auditors and Reporting Accountants for the Flotation Exercise.
- (iii) Messrs Lee, Perara & Tan confirms that there is no conflict of interest in respect of its role as the Due Diligence Solicitors for the Flotation Exercise.
- (iv) Vital Factor Consulting Sdn Bhd confirms that there is no conflict of interest in respect of its role as the Independent Market Researcher for the Flotation Exercise.
- (v) Henry Butcher confirms that there is no conflict of interest in respect of its role as the Independent Valuer for the Flotation Exercise.

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13. OTHER INFORMATION**13.1 Major licences, permits, registrations and certifications**

Details of the major licences, permits, registrations and certifications held by our Group for the purposes of conducting our Group's business are listed below:

Company	Licence No./ Certificate No./ Registration No.	Issuing authority	Subject matter/purpose	Date of issue	Validity period/ Date of expiry	Equity condition and/or major conditions imposed	Status of compliance with the conditions attached
Seremban Engineering	NS PMA 1191	DOSH	Certificate of fitness ("CF") for mechanical hoists and unfired pressure vessels - Double girder overhead traveling crane ("OTC")	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	NS PMA 1190	DOSH	CF for mechanical hoists and unfired pressure vessels - Double girder OTC	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	PMA 84569	DOSH	CF for mechanical hoists and unfired pressure vessels - Single girder electric OTC	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	PMA 84568	DOSH	CF for mechanical hoists and unfired pressure vessels - Single girder electric underhang crane	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	PMA 83919	DOSH	CF for mechanical hoists and unfired pressure vessels - Double girder electronic overhead traveling crane ("EOT")	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	PMA 58162	DOSH	CF for mechanical hoists and unfired pressure vessels - Double girder OTC	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	PMA 58161	DOSH	CF for mechanical hoists and unfired pressure vessels - Single girder EOT	09.12.2009	24.02.2011	Nil	-

13. OTHER INFORMATION (Cont'd)

Company	Licence No./ Certificate No./ Registration No.	Issuing authority	Subject matter/purpose	Date of issue	Validity period/ Date of expiry	Equity condition and/or major conditions imposed	Status of compliance with the conditions attached
Seremban Engineering	PMA 57953	DOSH	CF for mechanical hoists and unfired pressure vessels - Double girder EOT	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	NS PMA 1375	DOSH	CF for mechanical hoists and unfired pressure vessels - Double girder OTC	25.08.2009	17.11.2010	Nil	-
Seremban Engineering	NS PMA 1372	DOSH	CF for mechanical hoists and unfired pressure vessels - Double girder OTC	25.08.2009	17.11.2010	Nil	-
Seremban Engineering	NS PMA 800	DOSH	CF for mechanical hoists and unfired pressure vessels - Electric chain hoist	04.08.2009	21.10.2010	Nil	-
Seremban Engineering	NS PMA 799	DOSH	CF for mechanical hoists and unfired pressure vessels - Electric chain hoist	04.08.2009	21.10.2010	Nil	-
Seremban Engineering	NS PMA 1588	DOSH	CF for mechanical hoists and unfired pressure vessels - Single girder OTC	01.04.2009	11.06.2010	Nil	-
Seremban Engineering	NS PMA 1587	DOSH	CF for mechanical hoists and unfired pressure vessels - Single girder electric OTC	01.04.2009	11.06.2010	Nil	-
Seremban Engineering	NS PMA 1589	DOSH	CF for mechanical hoists and unfired pressure vessels - Single girder OTC	01.04.2009	11.06.2010	Nil	-
Seremban Engineering	NS PMA 894	DOSH	CF for Single girder OTC installed at Lot 170, Senawang Industrial Estate, 70450 Seremban, Negeri Sembilan	04.12.2009	19.01.2011	Nil	-
Seremban Engineering	NS PMT 1676	DOSH	CF for mechanical hoists and unfired pressure vessels - Air receiver	04.08.2009	21.10.2010	Nil	-

13. OTHER INFORMATION (Cont'd)

Company	Licence No./ Certificate No./ Registration No.	Issuing authority	Subject matter/purpose	Date of issue	Validity period/ Date of expiry	Equity condition and/or major conditions imposed	Status of compliance with the conditions attached
Seremban Engineering	NS PMT 1675	DOSH	CF for mechanical hoists and unfired pressure vessels - Air receiver	04.08.2009	14.10.2010	Nil	-
Seremban Engineering	PMT 108013	DOSH	CF for mechanical hoists and unfired pressure vessels - Air receiver	09.12.2009	24.02.2011	Nil	-
Seremban Engineering	NS PMT 1829	DOSH	CF for mechanical hoists and unfired pressure vessels - Air receiver	23.03.2010	24.05.2011	Nil	-
Seremban Engineering	NS PMT 2259	DOSH	CF for mechanical hoists and unfired pressure vessels - Air receiver vessel	08.09.2009	30.10.2010	Nil	-
Seremban Engineering	NS PMT 2262	DOSH	CF for mechanical hoists and unfired pressure vessels - Air receiver	08.09.2009	30.10.2010	Nil	-
Seremban Engineering	02/003104/56	Majlis Perbandaran Seremban ("MPS")	Industrial factory / signboard licence	03.12.2009	31.12.2010	Nil	-
Seremban Engineering	A 019699	Royal Customs and Excise Malaysia	Sales Tax Act 1972 ("STA") - Manufacturer's Licence	26.06.1979	-	The Sales Tax Act 1972 requires that a return of taxable sales be made in respect of each taxable period and that the tax be paid thereon on or before the 28 day of the following month.	We confirmed that as at LPD, all submission of sales tax return and settlement of sales tax liabilities are up to date.
Seremban Engineering	A 013469 bearing serial No. A 021282	MITI	Industrial Co-Ordination Act 1975 ("ICOA") - Manufacturing Licence with respect to the manufacture of heat exchangers, tanks, pressure vessels and other steel fabricated products	13.05.2003 (with effect from 21.02.2003)	-	Nil	-

13. OTHER INFORMATION (Cont'd)

Company	Licence No./ Certificate No./ Registration No.	Issuing authority	Subject matter/purpose	Date of issue	Validity period/ Date of expiry	Equity condition and/or major conditions imposed	Status of compliance with the conditions attached
Seremban Engineering	A 013469 bearing serial No. A 023312	MITI	ICOA – Manufacturing Licence to manufacture rotor for mud grinding machines and conveyor system and parts thereof	19.07.2005 (with effect from 21.02.2005)	-	Nil	-
Seremban Engineering	LPKP/LC/N/4533 2X(2)	Lembaga Perlesenan Kenderaan Perdagangan	General cargo lorry licence	23.06.2006	22.06.2011	Nil	-
Seremban Engineering	BP 21/ 163	DOSH	Approval as gas (piping) contractor	13.02.2008	06.02.2008 to 05.02.2010	Nil	-
Seremban Engineering	BT 21/ 277	DOSH	Approval for manufacturing of unfired pressure vessel and boiler repair	18.06.2008	16.06.2008 to 15.06.2010	Nil	-
Seremban Engineering	33426	ASME	Authorisation to use the indicated symbol “U” of the ASME for manufacturing of pressure vessels at Lot 1A-1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan	02.07.2008	02.07.2008 to 23.07.2011	Nil	-
Seremban Engineering	-	NBBI	Authorisation to apply the “NB” mark and register boilers, pressure vessels, or other pressure retaining items with the NBBI in accordance with its provisions	23.07.2008	23.07.2008 to 23.07.2011	Nil	-
Seremban Engineering	R07475	NBBI	Authorisation to use the “R” symbol for metallic repairs and/or alterations and extended for field repairs and/or alterations at Lot 1A-1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan	26.06.2008	26.06.2008 to 23.07.2011	Nil	-

13. OTHER INFORMATION (Cont'd)

Company	Licence No./ Certificate No./ Registration No.	Issuing authority	Subject matter/purpose	Date of issue	Validity period/ Date of expiry	Equity condition and/or major conditions imposed	Status of compliance with the conditions attached
Seremban Engineering	000238	Bureau Veritas Certification (Malaysia) Sdn Bhd	ISO 9001:2008 – manufacture and fabrication of process equipment such as unfired pressure vessels, heat exchangers, tanks and silos	05.08.2009	21.07.2009 to 21.07.2012	Nil	-
SEISB	02/025892/82	MPS	Signboard licence	04.12.2009	31.12.2010	Nil	-
SEPEN	02/025119/21	MPS	Industrial – engineering factory/ signboard licence	30.11.2009	31.12.2010	Nil	-

Note:

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We had submitted an application to renew this licence. DOSH conducted an inspection on 23 March 2010. The issuance of the new licence is currently pending.

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13. OTHER INFORMATION (Cont'd)

13.2 Properties

13.2.1 Our Group's properties

Table 1: Our Group's properties

Details of the properties owned by our Group are as follows:

Registered owner	Postal address/title details	Description/ existing use	Tenure/ date of expiry of lease	Restriction in interest/ Encumbrances	Date of issuance of certificate of fitness for occupation	Land area and/ or built up area	Approximate age of building	NBV as at 31.12.2009 (RM)	Market Value (RM)/Date of valuation
Seremban Engineering	Lot 1A & 1B, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan <i>GRN 162853, Lot No. 1662, Pekan Senawang (formerly known as H.S. (D) 75500, PT 14711, Mukim Ampangan), District of Seremban, Negeri Sembilan (For Lot 1A)</i> <i>GRN 97654, Lot No. 32563, Pekan Senawang (formerly known as H.S. (D) 122098, PT 1286), District of Seremban, Negeri Sembilan (For Lot 1B)</i>	Office and factory	Term in perpetuity	Charged in favour of CIMB Bank Berhad vide presentation nos. 19672/1995 and 24194/2000 dated 31 October 1995 and 2 October 2000 respectively (For Lot 1A) Leased to Tenaga Nasional Berhad for a term of 30 years commencing from 15 July 2000 until 14 July 2030 vide presentation no. 4519/2001 dated 5 March 2001 (For Lot 1A) Charged in favour to HSBC Bank Malaysia Berhad vide presentation no. 4005-1999 dated 18 March 1999 (For Lot 1B)	09.08.2006	14,144 sq. m. (land) 7,272.82 sq. m. (building)	13 years ⁽¹⁾	2,260,000 (land) 5,712,000 (building)	8,020,000 / 22 July 2009
Seremban Engineering	Lot 1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan <i>GRN 97653, Lot No. 32564, Pekan Senawang, District of Seremban, Negeri Sembilan</i>	Store, canteen and factory	Term in perpetuity	Charged in favour to Citibank Berhad vide presentation no. 30758/2006 dated 28 December 2006	03.01.2008	8,786 sq. m. (land) 5,030.71 sq. m. (building)	3 years	1,490,000 (land) 4,740,167 (building)	6,230,000 / 22 July 2009

13. OTHER INFORMATION (Cont'd)

Registered owner	Postal address/title details	Description/ existing use	Tenure/ date of expiry of lease	Restriction in interest/ Encumbrances	Date of issuance of certificate of fitness for occupation	Land area and/ or built up area	Approximate age of building	NBV as at 31.12.2009 (RM)	Market Value (RM)/Date of valuation
Seremban Engineering	Lot 6A, Lorong Bunga Tanjung 1/2, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan <i>GRN 162852, Lot No. 1666, Pekan Senawang (formerly known as H.S. (D) 75504, PT 14715, Mukim Ampangan), District of Seremban, Negeri Sembilan</i>	Factory	Term in perpetuity	Charged in favour to AmBank (M) Berhad vide presentation no. 32960/2008 dated 24 December 2008 Sub-leased to Tenaga Nasional Berhad for a term of 30 years commencing from 25 June 2009 until 24 June 2039 vide presentation no. 32951/2009 dated 31 December 2009	22.12.2008	10,565 sq. m. (land) 2,445.63 sq. m. (building)	1 year	1,610,000 (land) 2,945,250 (building)	4,620,000 / 22 July 2009
Seremban Engineering	No. 170, Senawang Light Industrial Estate, 71450 Seremban, Negeri Sembilan <i>PM 210, Lot No. 10383, Mukim Rantau, District of Seremban, Negeri Sembilan</i>	Open sided structure/ Unoccupied	Leasehold interest for a term of 90 years - expiring 01.06.2075	Land cannot be transferred/ charged/ mortgaged without written consent from the state authority	(ⁱⁱ)	901 sq. m. (land) 434.3 sq. m. (building)	-	195,260 (land) 83,918 (building)	232,000 / 22 July 2009
Seremban Engineering	No. 95, Senawang Light Industrial Estate, 71450 Seremban, Negeri Sembilan ⁽ⁱⁱⁱ⁾ <i>PM 129, Lot No. 10308, Pekan Sungai Gadut (formerly known as PM 135, Mukim Rantau), District of Seremban, Negeri Sembilan</i>	1 storey terrace factory/ Rented to tenant	Leasehold interest for a term of 90 years - expiring 01.06.2075	Land cannot be transferred/ charged/ mortgaged without written consent from the state authority Charged in favour of HSBC Bank Malaysia Berhad vide presentation no. 1344/92 dated 30 October 1992	14.10.1992	164 sq. m. (land) 102.19 sq. m. (building)	17 years	61,970 (land) 35,029 (building)	97,000 / 22 July 2009

13. OTHER INFORMATION (Cont'd)

Registered owner	Postal address/title details	Description/ existing use	Tenure/ date of expiry of lease	Restriction in interest/ Encumbrances	Date of issuance of certificate of fitness for occupation	Land area and/ or built up area	Approximate age of building	NBV as at 31.12.2009 (RM)	Market Value (RM)/Date of valuation
SEPEN	Lot 243, Jalan KPK, Kawasan Perindustrian Kundang, Kundang Jaya, 48020 Rawang, Selangor GRN 85454, Lot 19731, Mukim Bandar Kundang, Daerah Gombak, Selangor	Vacant	Term in perpetuity	Charged in favour of EON Bank Berhad vide presentation no. 633681/2009 dated 29 July 2009	Not applicable as it is a vacant land	6,801 sq. m.	Not applicable	1,629,400	-

Notes:

- (i) Our Company purchased Lot 1A and CF was issued on 21 September 1996 ("First CF") for the factory building. Subsequently, our Company purchased Lot 1B and made an extension to the existing factory building. A new CF was subsequently obtained and issued on 9 August 2006 for the entire Lot 1A and 1B (which supersede the First CF). Hence, the approximate age of the building of 13 years corresponds to the First CF.
- (ii) MPS had on 1 February 2010 approved the open sided structure. The Certificate of Completion and Compliance was issued on 30 March 2010.
- (iii) An awning was constructed up to the front boundary of this property. This extension does not conform to Undang-Undang Kecil Bangunan Seragam, 1984.

Our Company is currently occupying a piece of state land measuring 5,028 sq. m. located at Senawang Industrial Park, Pekan Senawang, District of Seremban, Negeri Sembilan for storage and car park purpose. Since this piece of land does not belong to our Company, we had on 26 May 2009 submitted an application to the Seremban Land Office for the temporary occupation. As at LPD, the approval for the temporary occupation of the land from the Seremban Land Office is still pending.

Save as disclosed above, there are no other restrictions in interest for the above properties. In addition, save as disclosed above, there has not been any breach of land-use conditions or permissible land use and there has not been any material non-compliance with the current statutory requirements, land rules or building regulations.

Arising from the valuation exercise by Henry Butcher, there shall be a net revaluation surplus (net of deferred tax) of approximately RM3.694 million. The net revaluation surplus has been incorporated into the books of our Company for FYE 2009.

As at LPD, our Group has not leased any properties.

13. OTHER INFORMATION *(Cont'd)*

13.2.2 Acquisition of properties within the last 2 years

Save as disclosed below, our Group has not acquired any properties during the past 2 years preceding the date of this Prospectus:

- (i) Sale and Purchase Agreement dated 4 May 2009 between Royale Baby Holdings Sdn Bhd and SEPEN for purchase of a vacant industrial land held under GRN 85454, Lot 19731, Mukim Bandar Kundang, Daerah Gombak, Selangor bearing postal address of Lot 243, Jalan KPK, Kawasan Perindustrian Kundang, Kundang Jaya, 48020 Rawang, Selangor measuring approximately 6,801 sq. m. for a purchase consideration of RM1,537,305.00, subject to the terms and conditions contained therein.

13.3 Material plant and equipment

As at 31 December 2009, details of the material plant and equipment used by our Group for the fabrication of process equipment and metal structure are set out below:

Equipment	Description	No. of units	NBV as at 31 December 2009 (RM)
Hydraulic Plate Bending Roll SERTOM	Hydraulic Plate Bending Roll SERTOM	1 unit	29,867
Hydraulic Pipe Bending Machine	Hydraulic Pipe Bending Machine	1 unit	25,967
Hydraulic Section Roll Machine "Akyapak"	Hydraulic Section Roll Machine "Akyapak"	1 unit	73,667
Milling Machine Mastika	Milling Machine Mastika	1 unit	17,667
Bed Lathe Machine Dalian Gap	Bed Lathe Machine Dalian Gap	1 unit	30,875
Drilling Machine Radial New Taiwan Made	Drilling Machine Radial New Taiwan Made	1 unit	16,625
Hydraulic Press Brake Machine	Hydraulic Press Brake Machine	1 unit	83,417
Welding Machine Lincoln DC 500	Welding Machine Lincoln DC 500	2 units	10,140
Hyperthem PMX-1650 Plasma cutting Systems	Hyperthem PMX-1650 Plasma cutting Systems	1 unit	11,700
Akyapak/Mastika Hydraulic Profile Bending Machine	Akyapak/Mastika Hydraulic Profile Bending Machine	1 unit	97,433
Kemppi Fastmig KMS400 Welding Machine	Kemppi Fastmig KMS400 Welding Machine	1 unit	17,775
Drilling Machine Radial Czechoslovakia	Drilling Machine Radial Czechoslovakia	1 unit	21,333
Cutting Machine Plasma (Dama CNC Flame)	Cutting Machine Plasma (Dama CNC Flame)	1 unit	232,000
Welding Orbital System for Tube-sheet	Welding Orbital System for Tube-sheet	1 unit	138,833
Hartford Double Column Vertical Machine Centre	Hartford Double Column Vertical Machine Centre	1 unit	467,500
Miller CC DC Welding Rectifier (30-500 Amps)	Miller CC DC Welding Rectifier (30-500 Amps)	11 units	47,190

13. OTHER INFORMATION (Cont'd)

Equipment	Description	No. of units	NBV as at 31 December 2009 (RM)
Roller Plate Roiling Machine (New ACL Three)	Roller Plate Roiling Machine (New ACL Three)	1 unit	35,833
Orbital Welding Machine	Orbital Welding Machine (Power Source EWA 408 and Welding Head TP060)	1 unit	158,667
Lincoln Idealarc DC 600 Welding set	Lincoln Idealarc DC 600 Welding set	1 unit	43,317
MIG Welding Machine	WIM TA350i MIG Welding Machine	2 units	12,285
Welding Machine	Power Source EWA 408 and Welding Head TP060	1 unit	167,167
Lincoln Idealarc DC 600 Welding set	Recon Hydracut HYD Shearing Machine & Recon Hydracut HYD Press Brake Machine	1 unit	123,413
Shearing & Press Brake Machine	Recon Hydracut HYD Shearing Machine & Recon Hydracut HYD Press Brake Machine	2 units	109,083
5.0 Ton Toyota Forklift	5.0 Ton Toyota Forklift Model: 02-7FDA50	1 unit	45,617
TOTAL			2,017,371

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14. FINANCIAL INFORMATION

14.1 Historical financial information

The table below sets out our proforma consolidated income statements for FYE 2005 to FYE 2007 and our audited consolidated income statements for FYE 2008 and FYE 2009. The proforma consolidated income statements for the past 3 FYE 2005 to FYE 2007 are provided for illustrative purposes assuming that our Group has been in existence throughout the financial years under review, except for the financial information of SEPEN which was only consolidated from 29 August 2008 onwards as SEPEN was only incorporated on this date. Adjustments were made to the proforma consolidated income statements to account for the retrospective effects of the change in the accounting policy on the revenue recognition for our process equipment fabrication division.

Our Company had on 1 January 2008 changed the revenue recognition policy for our process equipment fabrication division from “delivery and acceptance basis” to a combination of “percentage of completion method” and “delivery and acceptance basis”. This change was made to allow better reflection of the periodic performance of process equipment fabrication division and this change is consistent with those adopted by companies which operate in similar industry. In accordance with Financial Reporting Standards 108: Accounting Policies, Changes in Accounting Estimates and Errors, adjustments were made to the proforma consolidated income statements to account for the retrospective effects of this change. The comparison in the revenue recognition policy between the audited and audited (restated) financial results of our Group for the past 5 FYE 2005 to FYE 2009 are tabulated below:

FYE	Revenue recognition policy for the audited accounts	Revenue recognition policy for the audited (restated) accounts
2005	Percentage of completion method (“POC”) *	POC and D&A
2006	Delivery and acceptance basis (“D&A”) *	POC and D&A
2007	D&A	POC and D&A
2008	POC and D&A	POC and D&A
2009	POC and D&A	POC and D&A

Note:

* During FYE 2006, the revenue recognition policy was changed from POC to D&A. In the opinion of our then management, the change was principally because the jobs undertaken by our Company were generally short term in nature and progress claims cannot be clearly identified against the stage of completion of the jobs.

Our proforma consolidated financial information as illustrated below have been compiled based on the accounting principles and bases consistent with those adopted by our Group which are set out in the notes and assumptions included in the Reporting Accountants’ Letter on Proforma Consolidated Financial Information as set out in Section 14.8 of this Prospectus. The financial statements used in the preparation of our proforma consolidated financial information were prepared in accordance with applicable approved Financial Reporting Standards in Malaysia. Any adjustments that were dealt with when preparing our proforma consolidated financial information have been highlighted and disclosed in Sections 14.8 and 15 of this Prospectus. There has been no audit qualification on our audited financial statements for the past 5 FYE 2005 to FYE 2009.

You should read the summary of our proforma consolidated financial information which have been presented below together with the management’s discussion and analysis of financial condition and results of operations and the Reporting Accountants’ Letter on our Proforma Consolidated Financial Information as set out in Sections 14.2 and 14.8 of this Prospectus respectively.

14. FINANCIAL INFORMATION (Cont'd)

14.1.1 Proforma consolidated income statements

	<-----Proforma Group (Audited)^----->			<-----Audited----->	
	FYE 2005 RM'000 (Restated) #	FYE 2006 RM'000 (Restated) #	FYE 2007 RM'000 (Restated) #	FYE 2008 RM'000	FYE 2009 RM'000
Revenue	34,704	54,333	55,208	62,127	69,036
Gross profit ("GP")	6,551	10,114	13,768	14,349	17,337
EBITDA	4,920	8,664	11,140	11,377	13,852
Interest income	94	109	192	132	69
Interest expense	(386)	(410)	(637)	(677)	(571)
Depreciation	(646)	(875)	(788)	(884)	(1,182)
Share of (loss) of jointly controlled entity	-	-	-	-	(4)
PBT	3,982	7,488	9,907	9,948	12,164
Tax expense	(995)	(2,167)	(1,995)	(2,130)	(2,912)
PAT	2,987	5,321	7,912	7,818	9,252
Attributable to:					
Equity holders of the parent	2,987	5,321	7,912	7,709	9,005
MI	-	-	-	109	247
	2,987	5,321	7,912	7,818	9,252
No. of Shares (‘000) *	60,072	60,072	60,072	60,072	60,072
Gross EPS (sen) @	6.6	12.5	16.5	16.4	19.8
Net EPS (sen) @	5.0	8.9	13.2	12.8	15.0
GP margin (%)	18.9	18.6	24.9	23.1	25.1
PBT margin (%)	11.5	13.8	17.9	16.0	17.6
PAT margin (%)	8.6	9.8	14.3	12.6	13.4

Notes:

^ The proforma income statements of our Group for FYE 2005 to FYE 2007 were arrived at after incorporating the full year results of our existing subsidiary company, SEISB, which we acquired since June 2007.

The proforma income statements of our Group for FYE 2005 to FYE 2007 have been prepared based on the audited financial statements of our Group, after incorporating the retrospective effects of the change in accounting policy on the revenue recognition policy for our process equipment fabrication division.

* Number of Shares in issue before the Public Issue.

@ The gross and net EPS are computed based on the PBT after MI and PAT after MI respectively divided by the number of Shares in issue before the Public Issue.

14. FINANCIAL INFORMATION (Cont'd)

14.1.2 Proforma consolidated balance sheets

Our proforma consolidated balance sheets have been prepared for illustrative purpose only based on our audited consolidated balance sheets as at 31 December 2009 and have been prepared on the assumption that the Flotation Exercise had been effected on 31 December 2009.

We advise you to read the proforma consolidated balance sheets presented below together with the notes included in the Reporting Accountants' Letter on Proforma Consolidated Financial Information as set out in Section 14.8 of this Prospectus.

	Audited	Proforma		
	As at 31 December 2009	I After Bonus Issue	II After I and Dividend Payment	III After (I), (II) and Public Issue and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	26,026	26,026	26,026	35,026
Prepaid lease payment	195	195	195	195
Investment properties	97	97	97	97
Investment in jointly controlled entity	14	14	14	14
	26,332	26,332	26,332	35,332
Current assets				
Inventories	5,325	5,325	5,325	5,325
Amount due from contract customers	3,170	3,170	3,170	3,170
Trade and other receivables	23,085	23,085	23,085	23,085
Deposits, cash and bank balances	11,663	11,663	6,163	9,102
	43,243	43,243	37,743	40,682
TOTAL ASSETS	69,575	69,575	64,075	76,014
EQUITY AND LIABILITIES				
Share capital	1,000	30,036	30,036	40,000
Share premium	-	-	-	4,975
Revaluation reserves	4,820	3,793	3,793	3,793
Retained profits	37,347	9,338	3,838	3,838
Equity attributable to equity holders of the Parent	43,167	43,167	37,667	52,606
Minority interest	516	516	516	516
TOTAL EQUITY	43,683	43,683	38,183	53,122
Non-current liabilities				
Bank borrowings	3,033	3,033	3,033	33
Hire purchase payables	108	108	108	108
Deferred tax liability	2,250	2,250	2,250	2,250
	5,391	5,391	5,391	2,391
Current liabilities				
Trade and other payables	12,201	12,201	12,201	12,201
Bank borrowings	7,366	7,366	7,366	7,366
Hire purchase payables	84	84	84	84
Tax payable	850	850	850	850
	20,501	20,501	20,501	20,501
TOTAL LIABILITIES	25,892	25,892	25,892	22,892
TOTAL EQUITY AND LIABILITIES	69,575	69,575	64,075	76,014
NA per ordinary share (sen) ^	2,158.4	71.9	62.7	65.8

14. FINANCIAL INFORMATION (Cont'd)

Note:

^ Computed by dividing the equity attributable to equity holders of our Company by the number of Shares assumed in issue.

14.1.3 Proforma consolidated cash flow statements

Our proforma consolidated cash flow statements for FYE 2009 as set out below have been prepared for illustrative purposes only, based on our audited accounts for FYE 2009, after incorporating such adjustments necessary for the elimination of all inter-company transactions and balances and on the assumption that our Group's current structure had been in existence since 1 January 2009 and the Flotation Exercise had been effected on 31 December 2009.

	Audited	<-----Proforma----->	
		I	II
	As at 31 December 2009 RM'000	After Dividend Payment RM'000	After (I) and Public Issue and utilisation of proceeds of proceeds RM'000
CASHFLOWS FROM OPERATING ACTIVITIES			
PBT	12,164	12,164	12,164
Adjustments for:			
Allowance for doubtful debts – general	2	2	2
Allowance for doubtful debts – specific	214	214	214
Amortisation of prepaid lease payment	3	3	3
Bad debts written off	^	^	^
Depreciation of property, plant and equipment	1,179	1,179	1,179
Interest expense	571	571	571
Interest income	(69)	(69)	(69)
Property, plant and equipment written off	3	3	3
Share of loss of jointly controlled entity	4	4	4
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	14,071	14,071	14,071
Changes in working capital			
Inventories	9,344	9,344	9,344
Amount due from contract customers	(1,175)	(1,175)	(1,175)
Trade and other receivables	(5,442)	(5,442)	(5,442)
Trade and other payables	(3,329)	(3,329)	(3,329)
CASH GENERATED FROM OPERATING ACTIVITIES	13,469	13,469	13,469
Interest paid	(571)	(571)	(571)
Interest received	69	69	69
Tax paid	(2,196)	(2,196)	(2,196)
NET CASH FROM OPERATING ACTIVITIES	10,771	10,771	10,771
CASHFLOWS FROM INVESTING ACTIVITIES			
Net cash outflow on acquisition of jointly controlled entity	(18)	(18)	(18)
Purchase of property, plant and equipment	(4,177)	(4,177)	(13,177)
NET CASH (USED IN) INVESTING ACTIVITIES	(4,195)	(4,195)	(13,195)

14. FINANCIAL INFORMATION (Cont'd)

	Audited	<-----Proforma----->	
		I	II
	As at 31 December 2009 RM'000	After Dividend Payment RM'000	After (I) and Public Issue and utilisation of proceeds RM'000
CASHFLOWS FROM FINANCING ACTIVITIES			
Drawdown from term loans	2,874	2,874	2,874
Proceeds from Public Issue	-	-	16,939
Listing expenses paid	(531)	(531)	(2,000)
Dividend Payment	-	(5,500)	(5,500)
Net (increase) in fixed deposits pledged	(19)	(19)	(19)
Net movement in trade bills	(6,958)	(6,958)	(6,958)
Repayment of hire purchase and lease payables	(260)	(260)	(260)
Repayment of term loans	(1,046)	(1,046)	(4,046)
NET CASH (USED IN) FINANCING ACTIVITIES	(5,940)	(11,440)	1,030
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	636	(4,864)	(1,394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	9,629	9,629	9,629
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	10,265	4,765	8,235

Note:

^ Amount less than RM1,000.

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14. FINANCIAL INFORMATION (Cont'd)

14.2 Management's discussion and analysis of financial condition and results of operations

Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the proforma consolidated financial information and the related notes thereon for the past 5 FYE 2005 to FYE 2009 as set out in Section 14.8 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 5 of this Prospectus.

14.2.1 Overview of operations**Revenue**

We derive our revenue from:

- (i) the fabrication of process equipment and metal structure; and
- (ii) the provision of maintenance and shutdown services.

Process equipment include, *inter alia*, unfired pressure vessels, heat exchangers, non-pressurised tanks and piping and ducting systems, whereas metal structure include plant fabrication and installation and steel structures.

Our contract prices are determined on a mark-up over costs after all cost components have been estimated. These costs include, *inter alia*, material cost, direct labour and sub-contractor costs, inspection costs and transportation expenses such as freight and handling costs. Our project duration varies with the complexities of our project scope. Generally, our projects may take between 2 to 6 months to complete.

We recognise revenue from process equipment fabrication using percentage of completion method for projects supported by contracts and/or where specific progress claims can be clearly identified against the stage of completion of contracts or where there is continuous transfer of control and risks and rewards of ownership. Where these characteristics cannot be determined, delivery and acceptance basis shall be adopted to recognise revenue from our process equipment fabrication division.

We fabricate process equipment for different types of user industries including palm oil, food processing, chemical and waste management.

Our business is generally not subjected to any seasonal fluctuations.

The factors that affect our revenue include:

- (i) *Our ability to secure new projects*

Our ability to secure new projects would depend, *inter alia*, on our marketing efforts to new customers, and referrals and recommendations from our existing customers. If we are not able to secure sufficient projects to keep our production capacity occupied, our revenue and profitability will be adversely affected.

14. FINANCIAL INFORMATION (Cont'd)

(ii) Demand arising from palm oil industry

For FYE 2008 and FYE 2009, 49% and 81% respectively of our Group's revenue was derived from customers operating in the palm oil industry. Any slow down in the palm oil industry may lead to a reduction in their capital and operating expenditures and accordingly, demand for our products and services and consequently, our revenue will be adversely affected.

(iii) Our ability to find new markets and increase our customer base

For FYE 2008 and FYE 2009, we have a customer base of 91 and 85 customers respectively. Further, we are dependent on a few major customers including Lipico Technologies Pte Ltd, Desmet Ballestra (M) Sdn Bhd and Eco Special Waste Management Pte Ltd which, in aggregate accounted for approximately 72.4% and 63.2% of our Group's revenue for FYE 2008 and FYE 2009 respectively. In the event of a reduction in the level of business from any of our major customers, our revenue and profitability may be adversely affected.

Please refer to Section 5 of this Prospectus for other factors that may affect our financial performance.

Cost of sales

Our fabrication activities involve engineering design of vessels, fabrication, post welding heat treatment, testing, and site assembly, installation, hook-up and commissioning. Our design and engineering activities are either performed in-house or by external engineering consultants while fabrication activities are carried out in-house. Commissioning activities are conducted on site at our customers' production locations.

Our cost of sales comprises mainly of:

(i) Direct materials

Direct materials comprise mainly cost of materials such as stainless steel plates/pipes, boiler plates, angles, channels, hollows and metal shafts. We generally do not purchase or store materials in anticipation of our customers' procurement needs. To derive the budget for a project, we obtain quotation from suppliers whereby these quotations are typically valid for 2 to 14 days.

(ii) Direct labour

Direct labour costs comprise mainly salaries and other staff-related costs to employees who are directly involved in the projects.

(iii) Production overheads

Production overheads comprise depreciation charges and maintenance expenses of plant and equipment, utilities, consumables, rental of crane, freight and handling charges and other related expenses at the fabrication yard.

14. FINANCIAL INFORMATION (Cont'd)

Factors that affect our cost of sales include:

(i) Underestimation of project costs

The pricing of our projects is determined by our estimate of our cost components, which comprise mainly material costs, manpower cost and other overheads. Inadequate or erroneous cost estimation and/or unanticipated increases in our cost components may lead to cost overrun. Wastage, damage to materials or changes in or replacement of components required to meet our customers' specifications will increase our cost of sales.

(ii) Delay in completion of projects

Any delay in the completion of a project may result in additional direct labour costs and may disrupt the manpower scheduling of our workers, which in turn would increase our cost of sales.

(iii) Fluctuations in raw material prices

For our fabrication activity, stainless steel is one of the major raw materials. As stainless steel is a commodity, the cost of sourcing this commodity as raw materials for our fabrication activity is subject to the world prices. Our direct material costs and accordingly, our cost of sales will increase with any increase in the world prices of stainless steel.

Please refer to Section 5 of this Prospectus for other factors that may affect our financial performance.

Operating costs

Our operating costs comprise distribution costs, administration and other credits and charges. Our operating expense margins for the past 5 FYE 2005 to FYE 2009 were approximately as follows:

FYE	Operating expense margin (%)
2005	6.9
2006	4.6
2007	6.4
2008	6.4
2009	7.1

Distribution costs are mainly transportation, travelling, entertainment and advertising expenses. Administrative and other credits and charges consist of salary-related expenses (including remuneration of directors and administrative staff), premises-related expenses (such as rental, office maintenance and utilities), depreciation charges of assets and other miscellaneous costs (which includes amongst others, Directors' incentives, insurance, printing and stationery, software licences and security charges).

Interest expense and interest income

Our expense comprises interest charges on bank overdrafts, hire purchase facilities, term loans and trade bills. For FYE 2005 to FYE 2009, the interest expense accounted for the following percentage of our revenue:

FYE	Interest expense (%)
2005	1.1
2006	0.8
2007	1.2
2008	1.1
2009	0.8

14. FINANCIAL INFORMATION (Cont'd)

Our interest income is derived mainly from fixed deposits and short term deposits with financial institutions. For FYE 2005 to FYE 2009, the interest income accounted for the following percentage of our revenue:

FYE	Interest income (%)
2005	0.3
2006	0.2
2007	0.3
2008	0.2
2009	0.1

Effective tax rate

The statutory tax rate and the effective tax rate applicable to our Group's PBT for FYE 2005 to FYE 2009:

FYE	Statutory tax rate (%)	Effective tax rate (%)
2005	28	25
2006	28	29
2007	27	20
2008	26	21
2009	25	24

During the financial years under review, certain subsidiaries with issued and paid-up share capital not exceeding RM2.5 million enjoyed a lower tax rate of 20% for chargeable income up to RM500,000 and any chargeable income in excess of RM500,000 will be taxed at the applicable statutory tax rates. Save for FYE 2006, the restated effective tax rates for the other financial years under review were lower than the statutory tax rate principally due to utilisation of tax incentives in the form of reinvestment allowances.

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14. FINANCIAL INFORMATION (Cont'd)

14.2.2 Review of results of operations

For the purpose of discussion, we have segmented our revenue, GP and GP margin (where applicable) by divisions, market and products for the past 5 FYE 2005 to FYE 2009.

(i) By division

	←-----Proforma (Audited)-----→		←-----Audited-----→			
	FYE 2005 Restated	FYE 2006 Restated	FYE 2007 Restated	FYE 2008	FYE 2009	
	RM'000	%	RM'000	%	RM'000	%
Turnover						
Maintenance	2,752	7.9	3,410	6.3	2,612	4.7
Process	31,952	92.1	50,923	93.7	52,596	95.3
equipment						
	34,704	100.0	54,333	100.0	55,208	100.0
					62,127	100.0
					69,036	100.0
GP						
Maintenance	1,112	17.0	1,320	13.1	857	6.2
Process	5,439	83.0	8,794	86.9	12,911	93.8
equipment						
	6,551	100.0	10,114	100.0	13,768	100.0
					14,349	100.0
					17,337	100.0
GP Margin						
Maintenance	40.4%	38.7%	32.8%	36.9%	36.2%	
Process	17.0%	17.3%	24.5%	22.2%	24.4%	
equipment						
Overall average	18.9%	18.6%	24.9%	23.1%	25.1%	

14. FINANCIAL INFORMATION (Cont'd)

Notes:

The above profitability analysis was prepared by our management on best-estimate basis and presented for illustrative purpose only because the financial data and information are not readily available.

The analysis of PBT and PAT were not prepared because the accounting records kept by our management for the financial years under review does not segregate selling, distribution, administrative and finance expenses by division.

Turnover from process equipment refers to the fabrication of new pressure vessels such as unfired pressure vessels, heat exchangers, tanks, silos and other machinery or parts including mechanical works.

Maintenance refers to the maintenance services and shutdown works for existing process equipment.

(ii) By market

	<-----Proforma (Audited)----->		<-----Audited----->		
	FYE 2005 Restated RM'000	FYE 2006 Restated RM'000	FYE 2007 Restated RM'000	FYE 2008 RM'000	FYE 2009 RM'000
	%	%	%	%	%
Turnover					
Domestic	13,772	17,130	30,462	20,730	29,579
Overseas	20,932	37,203	24,746	41,397	39,457
	34,704	54,333	55,208	62,127	69,036
	100.0	100.0	100.0	100.0	100.0
				33.4	66.6
				42.8	57.2
				100.0	100.0

Notes:

The profitability analysis by market is not prepared as the financial data and information are not readily available.

The breakdown by market is based on the billing address of each individual customer.

14. FINANCIAL INFORMATION (Cont'd)

(iii) By products

	Proforma (Audited)						Audited			
	FYE 2005		FYE 2006		FYE 2007		FYE 2008		FYE 2009	
	Restated		Restated		Restated					
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Turnover										
PE										
- UPV	8,080	23.3	22,056	40.6	23,997	43.5	19,193	30.8	33,937	49.2
- HE	5,360	15.4	7,708	14.2	9,903	17.9	4,158	6.7	15,706	22.8
- NPT	12,711	36.6	15,284	28.1	10,440	18.9	14,553	23.4	8,619	12.5
- SSPM	5	*	1,049	1.9	534	1.0	7,807	12.6	1,296	1.9
- Piping	392	1.1	982	1.8	1,504	2.7	1,598	2.6	1,656	2.4
- PFI	3,890	11.2	3,162	5.8	5,387	9.8	9,171	14.8	2,101	3.0
- Others	1,514	4.4	682	1.3	831	1.5	1,985	3.2	1,828	2.6
Maintenance	2,752	8.0	3,410	6.3	2,612	4.7	3,662	5.9	3,893	5.6
	34,704	100.0	54,333	100.0	55,208	100.0	62,127	100.0	69,036	100.0

Notes:

* Negligible.

The profitability analysis by products is not prepared as the financial data and information are not readily available.

Others refer to supply of labour, consumables, tools and related materials.

Abbreviations

PE	:	Process equipment
UPV	:	Unfired pressure vessels
HE	:	Heat exchangers
NPT	:	Non-pressurised tanks
SSPM	:	Steel structures and plant and machinery
PFI	:	Plant fabrication and installation

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14. FINANCIAL INFORMATION (Cont'd)

Commentary on performance**FYE 2006 compared to FYE 2005*****Revenue***

For FYE 2006, our revenue increased by approximately 56.5% to RM54.3 million as compared to preceding FYE 2005 of RM34.7 million. This is principally due to:

- (i) an increase in revenue from process equipment of approximately RM18.97 million or 59.4 % from RM31.95 million for FYE 2005 to RM50.92 million for FYE 2006; and
- (ii) an increase in revenue from maintenance services of approximately RM0.66 million or 24.0% from RM2.75 million for FYE 2005 to RM3.41 million for FYE 2006.

During FYE 2006, there was a significant increase in order for UPV from overseas customers as compared to preceding FYE 2005 due to significant increase in demand from the palm oil industry.

GP

Our overall GP margin for FYE 2006 was 18.6% as compared to 18.9% for FYE 2005. Therefore, our overall GP margin for FYE 2006 and FYE 2005 were fairly consistent.

Operating expenses

Our operating expenses increased by approximately RM0.10 million or 4.2% from RM2.40 million for FYE 2005 to RM2.50 million for FYE 2006 mainly due to salary-related expenses and higher depreciation charges.

Interest expense and interest income

Our interest expenses increased from RM0.39 million for FYE 2005 to RM0.41 million for FYE 2006, mainly due to an increase in interest payment for trade finance facilities.

Our interest income increased marginally from RM0.09 million for FYE 2005 to RM0.11 million for FYE 2006, mainly due to higher placement of short term deposits with financial institutions.

PBT

Our PBT increased by approximately RM3.51 million or 88.2%, from RM3.98 million for FYE 2005 to RM7.49 million for FYE 2006. Our PBT margin also improved from 11.5% for FYE 2005 to 13.8% for FYE 2006 due to improved economies of scale arising from revenue growth.

14. FINANCIAL INFORMATION (Cont'd)

FYE 2007 compared to FYE 2006***Revenue***

Our revenue increased by approximately RM0.88 million or 1.6% for FYE 2007. The increase in revenue was primarily a result of an increase in revenue from process equipment by approximately RM1.68 million or 3.3% from RM50.92 million for FYE 2006 to RM52.60 million for FYE 2007. This increase was mainly due to the increase in demand from the biodiesel industry. However, this increase was negated by a decrease of approximately RM0.80 million or 23.4% in our maintenance division from RM3.41 million for FYE 2006 to RM2.61 million for FYE 2007.

Our production capacity/ fabrication work is limited by our manufacturing floor area. In the second half of 2006, our Company had acquired a piece of land adjacent to our manufacturing facility located at Lot 1A, Senawang Industrial Park, of which we only commenced fabrication activities in this new yard in 2007. Refer to Section 7.6 of this Prospectus for details on our fabrication facilities. With additional manufacturing floor area, our Company managed to procure and complete more fabrication jobs given the increase in demand for the biodiesel industry.

GP

We registered a GP of approximately RM13.77 million for FYE 2007, representing an increase of approximately RM3.66 million or 36.2% from RM10.11 million for FYE 2006.

In line with higher revenue contribution from the process equipment division for FYE 2007, process equipment's GP increased by RM4.12 million or 46.9%, from RM8.79 million for FYE 2006 to RM12.91 million for FYE 2007. Correspondingly, for FYE 2007, the process equipment division registered a higher GP margin of 24.5% as compared to 17.3% for FYE 2006. The higher GP margin for FYE 2007 is principally due to lower cost of raw materials.

Our maintenance division registered a lower GP of approximately RM0.86 million, which was in line with lower revenue derived from maintenance projects for FYE 2007, a decline of 34.8% or RM0.46 million from RM1.32 million for FYE 2006. GP margin also decreased from 38.7% to 32.8% for FYE 2007.

Operating expenses

Our operating expenses increased by approximately RM1.01 million or 40.4%, from RM2.50 million for FYE 2006 to RM3.51 million for FYE 2007, mainly due to salary-related expenses (including our Directors' remuneration).

Interest expense and interest income

Our interest expenses increased from RM0.41 million for FYE 2006 to RM0.64 million for FYE 2007, mainly due to an increase in interest payment from trade finance facilities. Our interest income increased marginally from RM0.11 million for FYE 2006 to RM0.19 million for FYE 2007, mainly due to higher placement of short term deposits with financial institutions.

PBT

Our PBT increased by approximately RM2.42 million or 32.3%, from RM7.49 million for FYE 2006 to RM9.91 million for FYE 2007. Our PBT margin also increased from 13.8% for FYE 2006 to 17.9% for FYE 2007. These increases were due mainly to an increase in revenue, GP and GP margin.

14. FINANCIAL INFORMATION (Cont'd)**FYE 2008 compared to FYE 2007*****Revenue***

Our revenue increased by approximately RM6.92 million or 12.5% for FYE 2008. Such increase was primarily a result of:

- (i) an increase in revenue from process equipment of approximately RM5.87 million or 11.2% from RM52.60 million for FYE 2007 to RM58.47 million for FYE 2008. The increase was mainly contributed by the completion of the sludge treatment plant equipment contract in Singapore as mentioned below; and
- (ii) an increase in revenue from maintenance services of approximately RM1.05 million or 40.2% from RM2.61 million for FYE 2007 to RM3.66 million for FYE 2008.

During FYE 2008, we have identified new premises and successfully constructed new factories at Lot 1B and 1C at Senawang Industrial Park. As a result, we have fabrication yard with an aggregate built-up area of approximately 14,268 sq. m. With these additional manufacturing floor areas, we have expanded our manufacturing capacity and consequently, we managed to secure and complete more fabrication jobs. One of the key projects secured and completed by our Group for FYE 2008 is the PUB Sludge Treatment Plant Equipment contract for Eco Special Waste Management Pte Ltd. Arising from this project, there was an increase in orders across a range of process equipment such as NPT, SSPM and PFI.

GP

Our GP increased to RM14.36 million for FYE 2008, representing an increase of 4.3% or approximately RM0.59 million from RM13.77 million for FYE 2007.

Our GP from process equipment division registered a growth of approximately RM0.10 million or 0.8%, from RM12.91 million for FYE 2007 to RM13.01 million for FYE 2008. Our GP margin from the process equipment division decreased from 24.5% for FYE 2007 to 22.2% for FYE 2008 due to higher production overhead costs and increase of raw material prices during the first half of year 2008.

Our maintenance division registered an increase of approximately RM0.49 million or 57.0% from RM0.86 million for FYE 2007 to RM1.35 million for FYE 2008. Correspondingly, our GP margin increased from 32.8% to 36.9%.

Operating expenses

Our operating expenses increased from RM3.51 million for FYE 2007 to RM3.96 million for FYE 2008, representing an increase of approximately 12.8%, due mainly to an increase in salary-related expenses (including remuneration to our Directors).

Interest expense and interest income

Our interest expenses increased marginally from RM0.64 million for FYE 2007 to RM0.68 million for FYE 2008, mainly due to an increase in interest payment from term loans to finance the construction of new factories.

Our interest income decreased marginally from RM0.19 million for FYE 2007 to RM0.13 million for FYE 2008, mainly due to lower placement of fixed deposits and short term deposits with financial institutions.

14. FINANCIAL INFORMATION (Cont'd)

PBT

Our PBT increased slightly for FYE 2008, from RM9.91 million for FYE 2007 to RM9.95 million for FYE 2008. However, our PBT margin decreased from 17.9% for FYE 2007 to 16.0% for FYE 2008. The decreases were mainly attributable to (i) lower GP margin; and (ii) higher operating expenses.

FYE 2009 compared to FYE 2008***Revenue***

Our revenue increased from RM62.13 million to RM69.04 million, approximately by RM6.91 million or 11.1% for FYE 2009 as compared to FYE 2008. Both process equipment division and maintenance division recorded higher revenue for FYE 2009. The increase in revenue from the process equipment was mainly contributed by the increase in demand from the palm oil industry.

GP

Our GP increased to approximately RM17.34 million for FYE 2009, representing an increase of 20.8% or approximately RM2.98 million, from RM14.36 million for FYE 2008.

Our GP margin for FYE 2009 was higher at 25.1% as compared to 23.1% for FYE 2008 due to lower raw materials prices for FYE 2009.

Operating expenses

Our operating expenses increased from RM3.96 million for FYE 2008 to RM4.92 million for FYE 2009. This represents an increase of approximately 24.2% or RM0.96 million, mainly due to an increase in salary related expenses in our Company (including Directors' remuneration) and expenses incurred by SEPEN of RM0.57 million for FYE 2009. SEPEN only became our subsidiary in August 2008.

Interest expense and interest income

Our interest expenses decreased from RM0.68 million for FYE 2008 to RM0.57 million for FYE 2009, mainly due to the decrease in interest payment for term loans and trade bills. This was mainly attributable to the lower interest rate for FYE 2009 as compared to FYE 2008.

Our interest income decreased from RM0.13 million for FYE 2008 to RM0.07 million for FYE 2009, mainly due to lower placement of fixed deposits and short-term deposits with financial institutions.

PBT

Our PBT increased by approximately RM2.21 million or 22.2%, from RM9.95 million for FYE 2008 to RM12.16 million for FYE 2009. The increase was mainly attributable to higher revenue achieved.

14. FINANCIAL INFORMATION (Cont'd)

14.2.3 Liquidity and capital resources

(i) Working capital

Our operations, business growth and expansion have been financed through a combination of cash generated from our operating activities and various credit facilities from financial institutions.

The various credit facilities from financial institutions comprise mainly trade bills and term loans. Refer to Sections 14.2.3(ii) and (iii) of this Prospectus for details on the liquidity of our Group.

Our Directors are of the opinion that, after taking into consideration our cash flow position as shown below, the expected proceeds from the Public Issue, the expected funds to be generated from our operating activities and amounts available under our existing banking facilities, our Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

A summary of our Group's cash flow position for FYE 2007 to FYE 2009 is as follows:

	FYE 2007 (Restated) RM'000	FYE 2008 <----- (Audited) -----> RM'000	FYE 2009 RM'000
Net cash inflow/ (used in) from operating activities	(2,504)	8,865	10,771
Net cash (used in) investing activities	(2,643)	(4,934)	(4,195)
Net cash (used in) financing activities	3,205	(1,473)	(5,940)
Net increase/(decrease) in cash and cash equivalents	(1,942)	2,458	636
Cash and cash equivalents at end of financial year	7,171	9,629	10,265
Current ratio (times)	1.45	1.50	2.11

Subject to compliance of legislations and financial covenants, if any, there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances to meet the cash obligations of our Company.

Premised on the above:

- For FYE 2007, we generated net cash flow from operating activities before working capital changes of approximately RM11.16 million. After accounting for increases in inventories and trade and other receivables of RM2.08 million and RM7.16 million respectively, decrease in trade and other payables of RM2.52 million, net interest paid of RM0.44 million and tax paid of RM1.46 million, the net cash outflow from operating activities was RM2.50 million.

14. FINANCIAL INFORMATION (Cont'd)

The reasons for the net cash outflow from operating activities were mainly due to cash being used to finance the increase in work-in-progress and trade receivables which was in tandem with the overall increase in revenue and also due to the completion of a large number of jobs-on-hand and billed towards the end of 2007 where the collection would only be expected in 2008.

- For FYE 2008, we generated net cash from operating activities before working capital changes of approximately RM11.33 million. This was however reduced to RM8.87 million by a net increase in working capital of approximately RM0.83 million, an income tax paid of approximately RM1.08 million and net interest paid of RM0.55 million.

The increase in working capital requirements resulted mainly from an increase in inventories of RM2.83 million, an increase in amount due from contract customer of RM2.0 million and an increase in trade and other payables of RM4.41 million.

For FYE 2009, we generated net cash flow from operating activities before working capital changes of approximately RM14.07 million. After accounting for increase in trade and other receivables and amount due from contract customers of RM5.44 million and RM1.17 million respectively, decreases in inventories and trade and other payables of RM9.34 million and RM3.33 million respectively, net interest paid of RM0.50 million and tax paid of RM2.20 million, the net cash inflow from operating activities was RM10.77 million.

- For FYE 2007, 2008 and 2009, our Group's net cash outflow from investing activities amounted to RM2.64 million, RM4.93 million and RM4.19 million respectively, mainly attributable to amount spent for the purchase of property, plant and equipment.
- For FYE 2007, we recorded a net cash inflow from financing activities of approximately RM3.20 million, mainly due to drawdown from term loan of RM3.03 million and net movement in trade bills of RM1.73 million, which were partially offset by an increase in fixed deposit pledged of RM1.08 million, repayment of hire purchase and lease payables of RM0.46 million and repayment of term loan of RM0.02 million.

For FYE 2008, we recorded a net cash outflow from financing activities of approximately RM1.47 million, mainly due to a dividend payment of RM2.65 million and partially offset by the movement in trade bills.

For FYE 2009, we recorded a net cash outflow from financing activities of approximately RM5.94 million, mainly due to repayment of trade bills, term loan, hire purchase and lease payables, and payment for our Listing expenses.

- Cash and cash equivalents comprise cash and bank balances, short term deposits and other short term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value. These also include bank overdrafts which form an integral part of our Group's cash management.
- We have a healthy current ratio of 1.45 times for FYE 2007, 1.50 times for FYE 2008 and 2.11 times for FYE 2009.

14. FINANCIAL INFORMATION (Cont'd)

Further, as at 31 December 2009, our total trade lines and loan facilities available is RM44.35 million (31 December 2008: RM44.35 million), out of which RM9.53 million (31 December 2008: RM15.55 million) has been utilised. As such, we should have available banking facilities to utilise should we need additional funds to finance our working capital.

(iii) Borrowings

As at 31 December 2009, our Group has total outstanding borrowings of RM10.59 million, details of which are set out below:

	RM'000
Long term borrowings (interest bearing)	
- Term loans	3,033
- Hire purchase	108
	<u>3,141</u>
Short term borrowings (interest bearing)	
- Bank overdraft	269
- Trade bills	5,837
- Term loans	1,260
- Hire purchase	84
	<u>7,450</u>
TOTAL BORROWINGS	10,591
Gearing ratio (times)	0.24 ^

Note:

^ Being total borrowings divided by total equity

Our short term borrowings are mainly trade bills, which are generally used for purchases of raw materials and our working capital purposes. The interest rates for the trade bills are based on the market rates prevailing at the date of the respective transactions.

As at 31 December 2009, the amount of fixed rate borrowings amounted to RM0.19 million while the amount for floating rate borrowings amounted to RM10.40 million.

Our long term borrowings comprise the term loans obtained to finance the land acquisitions and factory construction for additional manufacturing capacity. The interest rates for our term loans are based on prevailing base lending rates plus a margin agreed upon by our bankers when the respective term loans were granted.

There was no default on payments of either interest and/or principal sums in respect of any borrowings throughout FYE 2008 and FYE 2009 and up to the LPD. We are not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations, or the investments by holders of securities in us.

Currently, we do not have any interest rate hedging policy or any foreign borrowings. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedge policy. We manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings. However, no assurance can be given that any future significant movement in interest rate will not have a material adverse impact on our business, operating results and financial position.

14. FINANCIAL INFORMATION (Cont'd)

(iv) Capital expenditure

Our Group's capital expenditure for the past 4 FYE 2006 to FYE 2009 are as follows:

	<-----Audited----->			
	FYE 2006	FYE 2007	FYE 2008	FYE 2009
	RM'000	RM'000	RM'000	RM'000
Land ⁽¹⁾	1,296	-	1,422	1,629
Factory buildings ⁽²⁾	63	975	2,056	684
Furniture, fittings and office equipment	55	183	223	250
Motor vehicles	217	20	631	59
Plant and machinery	766	1,483	705	1,195
Construction in progress ⁽³⁾	1,820	- *	- *	405
	4,217	2,661	5,037	4,222

Notes:

* There was no construction in progress for FYE 2007 and FYE 2008 as the construction for the factory buildings at Lot 1A, 1B and 1C were fully completed in FYE 2007. Similarly, the construction of one of the factory buildings at Lot 6A commenced and was completed in FYE 2008 and hence there was no construction in progress for FYE 2008.

(1) Refers to Lot 1C and Lot 6A. Detailed information on the land is disclosed under Section 13.2.1 of this Prospectus.

(2) Refers to Lots 1A, 1B, 1C, 6A and 170. Detailed information on the factory buildings are disclosed under Section 13.2.1 of this Prospectus.

(3) Refers to Lots 1C, 6A and 170. Detailed information on the factory buildings are disclosed under Section 13.2.1 of this Prospectus.

For the financial years under review, our capital expenditure was mainly concentrated on acquisition of land, plant and equipment and expansion of factory buildings, which are in line with our efforts to expand our business operations and production capacity.

Save as disclosed in Sections 7.6 and 7.19.1 of this Prospectus, we do not have any material plan on capital expenditure as at LPD.

(v) Financial instruments for hedging purpose

For FYE 2009, our exposure to foreign currency is as follows:

	RM ('000)
Trade receivables	
USD	16

Our Group does not hedge our foreign currency exposures but will undertake to regularly monitor and review the need to enter into forward foreign exchange contract. As at 31 December 2009, we have a forward foreign exchange contract line, which allows our Group to enter into forward contracts of up to RM3.50 million.

Our Group has not entered into any interest rates swap to hedge against the adverse fluctuations in the interest rates. Our Group manages our interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

14. FINANCIAL INFORMATION (Cont'd)**(vi) Material capital commitments**

As at 31 March 2010 (being the latest practicable date of which such amount can be determined prior to the issuance of this Prospectus), save as disclosed below and the proposed utilisation of proceeds for the purchase of property, plant and equipment, our Board is not aware of any material capital commitments contracted or known to be contracted by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results/ position:

	RM'000
Approved and contracted for:	
Purchase of property, plant and equipment	1,648

(vii) Contingent liabilities

Save as disclosed below, as at 31 March 2010 (being the latest practicable date of which such amount can be determined prior to the issuance of this Prospectus), our Board is not aware of any contingent liability, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable:

	RM'000
Secured:	
Bank guarantees issued to third parties	655
Unsecured :	
Corporate guarantee to financial institution for banking facilities granted to subsidiary company	3,773

(viii) Material litigation, claims or arbitration

As at LPD, neither our Company nor our Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group and our Board does not know of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Company or our Group.

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14. FINANCIAL INFORMATION (Cont'd)

(ix) Key financial ratios

The key financial ratios of our Group for the past 5 FYE 2005 to FYE 2009 are as follows:

	←-----FYE-----→				
	2005	2006	2007	2008	2009
Trade receivables turnover (months) ⁽¹⁾	1.8	1.2	2.4	2.7	2.7
Trade payables turnover (months) ⁽²⁾	4.5	3.6	3.3	2.6	3.5
Inventory turnover (months) ⁽³⁾	4.7	2.8	3.1	3.3	2.3

Notes:

- (1) Average trade receivables as at year end (excluding retention sum) over total revenue.
 (2) Average trade payables as at year end over total purchases.
 (3) Average inventory as at year end over cost of goods sold.

Trade receivables turnover

We normally grant credit terms of 7 to 60 days to our customers, except for retention sums, of which credit term is generally up to 180 days. Other credit terms are assessed and approved on a case-by-case basis. Retention sums represent the final balance claimable, normally 5% - 10% of the total invoice value, after delivery and acceptance by customer (including completion of inspection and certification by authorities). In accordance with the industry practice, the credit term is calculated from the month subsequent to the invoice date. Therefore, the effective credit term is 1 – 3 months.

	←-----FYE-----→				
	2005	2006	2007	2008	2009
Trade receivables * (RM'000)	4,282	8,346	16,566	14,306	22,474
Revenue (RM'000)	34,704	54,333	55,208	62,127	69,036

Note:

- * Being total trade receivables (including retention sum) before adjusting for allowance for doubtful debts

For FYE 2006, the trade receivables turnover period reduced to 1.2 months as compared to 1.8 months for FYE 2005 due to improved collection despite a significant increase in turnover for FYE 2006. For FYE 2007, the trade receivables turnover period increased to 2.4 months as compared to 1.2 months mainly due to higher sales billing towards the year end where collection would only be expected in FYE 2008. For FYE 2008, the trade receivables turnover period increased marginally to 2.7 months as compared to 2.4 months for FYE 2007 notwithstanding the better collection during FYE 2008 vis-à-vis the increase in turnover for FYE 2008. Furthermore, the computation of 2.4 months for FYE 2007 was based on the average trade receivables for FYE 2006 and FYE 2007, where the trade receivables for FYE 2006 was much lower as compared to the corresponding registered revenue in 2006 and 2007. For FYE 2009, the trade receivables turnover period was maintained at 2.7 months as compared to FYE 2008.

14. FINANCIAL INFORMATION (Cont'd)

During the first half of 2009, there was a large amount of trade receivables which exceeded the credit period, mainly due to delay in obtaining 'final documentation' for certain products (such as UPV and NPT) from the accreditations bodies/ testing inspectors, which are required before the customers make payments and also certain products (such as UPV, piping, HE and NPT) were not delivered to the customers as the project sites were not ready as detailed below.

Subsequently, our Company had adopted more stringent procedures, i.e. conducting weekly progress meeting with the engineers to monitor the status of each milestone of the fabrication project, including the communication with the accreditations bodies/ testing inspectors, to mitigate and resolve the delay in fabrication/ procurement of 'final documentation'. This, in turn, has mitigated the risk of delay in payment from the customers. With such stringent procedures, our Board is of opinion that it does not foresee the increasing trend of trade receivables turnover to continue.

The ageing analysis of our trade receivables as at 31 December 2009 is as follows:

	0-30 days	31-60 days	61-90 days	91-180 days	>6 months	Total
Trade receivables						
- RM'000	10,328	961	1,299	2,107	3,563	18,258*
- %	46.4	4.3	5.8	9.5	16.0	82.0
Retention sum						
- RM'000	436	2	-	147	3,412	3,997*
- %	2.0	^	-	0.7	15.3	18.0

Notes:

^ Negligible.

* Being net of allowance for doubtful debts

For FYE 2009, the total trade receivables was RM22.26 million, of which RM11.96 million or 53.7% of total trade receivables had been collected up to 24 March 2010. Out of the remaining total trade receivables, RM7.83 million is within credit period, while an amount of RM2.47 million has exceeded the credit period, mainly due to certain of our products were, at the request of our customers, not delivered to them as the project sites were not ready. Hence, our customers had requested for an extension to the credit period until the products are delivered to the site.

Our Board is of the view that these overdue trade receivables are not disputed by our customers and thus are collectible.

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14. FINANCIAL INFORMATION (Cont'd)

Trade payables turnover

We are granted credit terms of 30 – 90 days by our trade suppliers. However, it is the industry practice to calculate the credit period from the month subsequent to the invoice date. Hence, the effective credit terms granted by our suppliers will range from 2 – 4 months.

Generally, the trade payables turnover for the financial years under review have been within the effective credit terms granted by our suppliers.

The average trade payables turnover period for FYE 2006 were lower at 3.6 months as compared to 4.5 months for FYE 2005 principally due to limited trade financing facilities available for FYE 2005 to finance the payment of our trade payables. The trade payables turnover period has gradually improved at later years and were within the credit terms granted by our suppliers, when additional trade financing facilities were obtained.

Thereafter, the trade payables turnover period for FYE 2006, FYE 2007, FYE 2008 and FYE 2009 were fairly consistent with the normal effective turnover period of within 2 – 4 months.

The ageing analysis of our trade payables for FYE 2009 is as follows:

	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	>6 months	Total
Trade payables							
- RM'000	1,161	1,794	2,378	1,513	472	385	7,703
- %	15.1	23.3	30.9	19.6	6.1	5.0	100.0

As at 31 December 2009, 63.1% of the total trade payables are within credit period.

Inventory turnover

Our Group does not practice a standard inventory re-order level. Our replenishing of inventory will depend on the forthcoming sales order requirements and their prices. Our inventory consists of:

- Raw materials - mainly consist of stainless steel pipes, plates and flange.
- Consumable tools - mainly include fasteners, painting materials, tapes and lubricants.
- Work-in-progress - mainly comprises cost of raw materials, sub-contractors fees, and a proportion of direct labour and production overhead costs incurred to-date for incomplete jobs.

Our inventory turnover period for FYE 2005, FYE 2006, FYE 2007, FYE 2008 and FYE 2009 were 4.7 months, 2.8 months, 3.1 months, 3.3 months and 2.3 months respectively. For FYE 2006, the inventory turnover improved to 2.8 months as compared to 4.7 months for FYE 2005 mainly due to lower work-in-progress as most jobs were completed and billed towards the end of FYE 2006. The inventory turnover period increased marginally from FYE 2006 to FYE 2008 principally due to our management had anticipated the increase in sales orders from customers in the respective forthcoming year based on the increased number of new jobs in negotiation with customers at that period of time.

14. FINANCIAL INFORMATION (Cont'd)

For FYE 2009, the inventory turnover improved from 3.3 months to 2.3 months mainly due to lower work-in-progress as most jobs were completed and billed towards the end of FYE 2009.

(x) Treasury policies and objectives

We have been financing our operations through cash generated from our operations and external source of funds. Our external source of funds comprises credit terms granted by our suppliers as well as bank borrowings. The normal credit terms granted to us by our suppliers range from 30 – 90 days. Detail of our bank borrowings are set out in Section 14.2.3(iii) above.

14.2.4 Trend analysis

As at 31 December 2009, to the best of our Directors' knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonable expect to have, a material favourable or unfavourable impact on our Group's financial performance, position, operations and liquidity and capital resources other than those disclosed in Sections 5, 6, 9 and 14.2 of this Prospectus;
- (ii) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save for those that have been disclosed in Section 3 of this Prospectus;
- (iii) material commitments for capital expenditure, save as those disclosed in Section 14.2.3(vi) of this Prospectus; and
- (iv) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, positions and operations of our Group save as disclosed in Sections 5 and 14.2 of this Prospectus.

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14. FINANCIAL INFORMATION (Cont'd)**14.3 Capitalisation and indebtedness**

The following information shall be read in conjunction with the Reporting Accountants' Letter on Proforma Consolidated Financial Information and Accountants' Report set out in Sections 14.8 and 15 of this Prospectus.

The following table shows our Group's cash and bank balances, capitalisation and indebtedness:

- (i) based on our proforma financial position as at 31 December 2009; and
- (ii) as adjusted for the Dividend Payment, net proceeds from the Public Issue and proposed utilisation of the proceeds from the Public Issue.

	As at 31 December 2009	After Dividend Payment, Public Issue and utilisation of proceeds
	RM'000	RM'000
Deposits, cash and bank balances	11,663	9,102
Indebtedness		
<i>Current</i>		
Term loans	1,260	1,260
Trade bills	5,837	5,837
Bank overdraft	269	269
Hire purchase	84	84
<i>Non-current</i>		
Term loan	3,033	33
Hire purchase	108	108
Total indebtedness	10,591	7,591
Shareholders' equity	43,167	52,606
Total capitalisation and indebtedness	53,758	60,197

14.4 Order book

In general, our revenue is derived from project based contracts. As at LPD, we have secured projects amounting to approximately RM13.9 million, out of which 79.9% and 20.1% are from overseas and local customers respectively. These projects are however subject to cancellation, deferral or rescheduling by our customers. Accordingly, our order book as at any particular date may not be indicative of our revenue for any succeeding period.

14.5 Impact of inflation

Our Group's financial performances for the past 5 FYE 2005 to FYE 2009 were not materially affected by inflation.

14.6 Government/ Economic/ Fiscal/ Monetary policies

Risks relating to government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 5 of this Prospectus. Save for the risks disclosed in Section 5 of this Prospectus, there is no government, economic, fiscal or monetary policies or factors that will have a material impact on our profitability and financial position.

14. FINANCIAL INFORMATION *(Cont'd)*

14.7 Dividend policy

It is our policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to declare dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Directors will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) the level of cash and level of indebtedness;
- (ii) required and expected interest expense, cash flows, our profits and return on equity and retained earnings;
- (iii) our expected results of operations and future level of operations; and
- (iv) our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Directors and will depend on factors stated above. There can be no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

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14. FINANCIAL INFORMATION (Cont'd)

14.8 Reporting Accountants' Letter on the Proforma Consolidated Financial Information

Date: 31 March 2010



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

The Board of Directors
Seremban Engineering Berhad
(Formerly known as Seremban Engineering Sdn Bhd)
A-11-3 (Suite 2), Northpoint Offices
Mid Valley City
No.1, Medan Syed Putra Utara
59200 Kuala Lumpur

Dear Sirs,

**SEREMBAN ENGINEERING BERHAD
(FORMERLY KNOWN AS SEREMBAN ENGINEERING SDN BHD)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

We report on the proforma consolidated financial information of Seremban Engineering Berhad (*formerly known as Seremban Engineering Sdn Bhd*) ("SEB" or the "Company") and its subsidiary companies and jointly controlled entity (collectively known as "SEB Group" or the "Group") together with Notes thereto as set out in the accompanying statement, which we have stamped for the purpose of identification.

The proforma consolidated financial information has been prepared for illustrative purposes only, for inclusion in the Prospectus of SEB to be dated **14 April 2010** in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of SEB on the Main Market of Bursa Malaysia Securities Berhad, and on the basis of assumptions as set out in the Notes thereto and after making certain adjustments to show what:-

- (a) the financial results of the SEB Group for the five (5) financial years ended 31 December 2005 to 2009 would have been, if the group structure as of the date of the Prospectus had been in place since the beginning of the financial years being reported thereon;
- (b) the financial position of the SEB Group as at 31 December 2009 would have been, if the group structure as at the date of the Prospectus had been in place on that date, adjusted for the proceeds from the Public Issue and the proposed utilisation of proceeds; and
- (c) the cash flows of the SEB Group for the financial year ended 31 December 2009 would have been, if the group structure as at the date of the Prospectus had been in place since the beginning of the financial year, adjusted for the proceeds from the Public Issue and the proposed utilisation of proceeds.

The proforma consolidated financial information, because of its nature, may not be reflective of the Group's actual financial results, financial position and cash flows. Further, such information does not purport to predict the Group's future financial results, financial position and cash flows.

It is the sole responsibility of the Directors of SEB to prepare the proforma consolidated financial information in accordance with the requirements of the Prospectus Guidelines – Equity and Debt issued by the Securities Commission. Our responsibility is to form an opinion on the proforma consolidated financial information and to report our opinion to you based on our work.

14. FINANCIAL INFORMATION (Cont'd)



Our work, which involves no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements of SEB and the SEB Group covering the past five (5) financial years ended 31 December 2005 to 2009, considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the Directors of SEB.

Our work has not been carried out in accordance with applicable Approved Standards on Auditing in Malaysia and accordingly, should not be relied upon as if it has been carried out in accordance with those standards.

In our opinion,

- (a) the proforma consolidated financial information has been properly prepared on the bases as set out in the Notes thereto, and such bases are consistent with both the format of the audited financial statements and accounting policies adopted by the SEB Group;
- (b) the audited financial statements used in the preparation of the proforma consolidated financial information were prepared in accordance with the applicable approved accounting standards in Malaysia; and
- (c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such financial information.

This letter has been prepared solely for the purpose stated above and should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

.....
SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

.....
NG KIM KIAT
No. 2074/10/10 (J)
Partner

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
 (Formerly known as Seremban Engineering Sdn Bhd)
 Proforma Consolidated Financial Information



1. PROFORMA GROUP AND BASIS OF PREPARATION
1.1 Introduction

The proforma consolidated financial information, for which the Directors of SEB are solely responsible, comprising the proforma consolidated income statements for the five (5) financial years ended (“FYE”) 31 December 2005 to 2009, the proforma consolidated balance sheets as at 31 December 2009, and the proforma consolidated cash flow statement for the financial year ended 31 December 2009, have been prepared for illustrative purposes only in connection with the flotation exercise as referred to in Note 1.2 below.

The proforma consolidated financial information has been prepared based on the audited financial statements of SEB and the SEB Group using the bases and accounting policies consistent with those adopted in the audited financial statements, after giving effect to the proforma adjustments which is considered appropriate.

In the preparation of the proforma consolidated income statements, the audited financial statements of SEB and its subsidiary companies for the FYE 31 December 2005 to 2007 have been restated to take into account the retrospective effect of the change in accounting policy as set out in Note 3.2 below.

The audited financial statements of SEB and its subsidiary companies for the respective financial years under review have been prepared in accordance with applicable approved accounting standards in Malaysia.

The auditors’ reports on the respective financial statements were not subject to any qualifications or modifications for all the financial years under review.

1.2 Flotation Exercise

The flotation exercise of SEB comprises the following:

- (a) Bonus issue of 58,072,000 new ordinary shares of RM0.50 each in SEB (“Bonus Shares”), credited as fully paid-up, on the basis of approximately 2,904 new ordinary shares of RM0.50 each for every existing 100 ordinary shares of RM0.50 each in SEB, by way of capitalisation of an aggregate RM28,009,000 out of retained earnings of SEB as at 31 December 2009 and RM1,027,000 out of the revaluation surplus of SEB after the incorporation of a net revaluation surplus of RM3,693,973 arising from the valuation of properties of SEB (“Bonus Issue”). The Bonus Issue was completed on 31 March 2010;
- (b) Public issue of 19,928,000 new ordinary shares of RM0.50 each in SEB at an issue price of RM0.85 per share (“Public Issue”);
- (c) Offer for sale of 8,072,000 ordinary shares of RM0.50 each in SEB at an offer price of RM0.85 per share (“Offer for Sale”); and
- (d) Listing of and quotation for the entire enlarged issued and paid-up share capital of SEB on the Main Market of Bursa Malaysia Securities Berhad comprising 80,000,000 ordinary shares of RM0.50 each (“Listing”).

(collectively “Flotation Exercise”)

The directors of SEB proposed a final tax-exempt dividend of RM2.75 per ordinary share amounting to dividend payable of RM5,500,000 in respect of the financial year ended 31 December 2009. The dividend was approved by the shareholders at the Annual General Meeting held on the 26 March 2010 and paid on the same day.

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
(Formerly known as Seremban Engineering Sdn Bhd)
Proforma Consolidated Financial Information



2. PROFORMA CONSOLIDATED INCOME STATEMENTS FOR THE FIVE (5) FYE 31 DECEMBER 2005 TO 2009

The proforma consolidated income statements of SEB for the five (5) FYE 31 December 2005 to 2009, which have been prepared solely for the illustrative purposes only, are prepared on the assumption that the current group structure had been in place throughout the financial years under review.

	FYE 31 December				
	2005	2006	2007	2008	2009
	← Proforma^		→	← Audited	→
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	34,704	54,333	55,208	62,127	69,036
Gross profit	6,551	10,114	13,768	14,349	17,337
Other income	128	170	112	100	245
EBITDA	4,920	8,664	11,140	11,377	13,852
Interest income	94	109	192	132	69
Interest expense	(386)	(410)	(637)	(677)	(571)
Depreciation and amortisation	(646)	(875)	(788)	(884)	(1,182)
	3,982	7,488	9,907	9,948	12,168
Share of (loss) of jointly controlled entity	-	-	-	-	(4)
Profit before tax	3,982	7,488	9,907	9,948	12,164
Tax expense	(995)	(2,167)	(1,995)	(2,130)	(2,912)
Profit after tax	2,987	5,321	7,912	7,818	9,252
Attributable to:					
Equity holders of the parent	2,987	5,321	7,912	7,709	9,005
Minority interests	-	-	-	109	247
Profit after tax	2,987	5,321	7,912	7,818	9,252
Number of ordinary shares of RM0.50 each assumed to be in issue ('000)#	60,072	60,072	60,072	60,072	60,072
Basic earnings per share:-					
- Gross (sen)	6.6	12.5	16.5	16.4	19.8
- Net (sen)	5.0	8.9	13.2	12.8	15.0
Gross profit margin	18.9%	18.6%	24.9%	23.1%	25.1%
Profit before tax margin	11.5%	13.8%	17.9%	16.0%	17.6%

^ The proforma consolidated income statements of SEB for the FYE 31 December 2005, 2006 and 2007 are arrived at after incorporating the full year's results of its existing subsidiary company, SEISB, which was actually acquired in June 2007.

Based on the issued and paid-up share capital of 60,072,000 ordinary shares RM0.50 each in SEB before the Public Issue.

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
 (Formerly known as Seremban Engineering Sdn Bhd)
 Proforma Consolidated Financial Information



3. NOTES TO THE PROFORMA CONSOLIDATED INCOME STATEMENTS

- 3.1 The proforma consolidated income statements of SEB for the five (5) FYE 31 December 2005 to 2009 have been prepared for illustrative purposes only.

The relevant financial years/period for the purpose of this report (“Relevant Financial Period”) is as follows:

Company	Relevant Financial Period
SEB	- FYE 31 December 2005 to 2009
SEISB	- FYE 31 December 2005 to 2009
SEPEN	- Financial period from 29 August 2008 (date of incorporation) to 31 December 2008 and FYE 31 December 2009
ACE	- Financial period from 15 April 2009 (date of share subscription) to 31 December 2009

The proforma consolidated income statements of the SEB Group is prepared based on the audited financial statements of SEB and the SEB Group after making certain adjustments considered necessary and assuming that the group structure as at the date of the Prospectus had been in place since the beginning of the financial years under review.

- 3.2 The proforma consolidated income statements are arrived at after making adjustments for reclassification of under / (over) provision of current tax expense in prior year, and after incorporating the retrospective effect of the change in accounting policy, details of which are discussed below:-
- (a) SEB had on 1 January 2008 changed its revenue recognition policy for its process equipment fabrication division from “delivery and acceptance basis” to a combination of “percentage of completion method” and “delivery and acceptance basis”. The “percentage of completion method” shall be applicable for projects supported by contracts, and/or where specific progress claims can be clearly identified against the stage of completion of contracts or where there is continuous transfer of control and risks and rewards of ownership. When these characteristics cannot be identified, “delivery and acceptance basis” shall be adopted.
- (b) The comparison in the revenue recognition policy between the audited financial statements as previously reported; and the audited financial statements as restated, where applicable of SEB for the past five (5) FYE 31 December 2005 to 2009 are tabulated below:

FYE 31 December	Revenue recognition policy for the audited financial statements (as previously reported)	Revenue recognition policy for the audited financial statements (as restated, where applicable)
2005	Percentage of completion method (“POC”) *	POC and D&A
2006	Delivery and acceptance basis (“D&A”) *	POC and D&A
2007	D&A	POC and D&A
2008	POC and D&A	POC and D&A
2009	POC and D&A	POC and D&A

* During the FYE 31 December 2006, the revenue recognition policy was changed from POC to D&A. The changes were made by the management of SEB because in their opinion, the jobs undertaken by SEB were short-term in nature with no progressive billing characteristic.

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
 (Formerly known as Seremban Engineering Sdn Bhd)
 Proforma Consolidated Financial Information

**3. NOTES TO THE PROFORMA CONSOLIDATED INCOME STATEMENTS (CONT'D)**

- (c) The proforma consolidated income statements are arrived at after incorporating the retrospective effect of the abovementioned change in the accounting policy on revenue recognition for the process equipment fabrication division during the FYE 31 December 2008. The reconciliation between those figures previously reported and those figures restated are as follows:-

FYE	As Previously	Effect of	As Restated
	Reported	Change in Accounting Policy	
	RM'000	RM'000	RM'000
31 December 2005			
Revenue	33,874	830	34,704
Gross profit	6,716	(165)	6,551
Profit before tax	4,156	(174)	3,982
Tax expense	(646)	(349)	(995)
Profit after tax	<u>3,510</u>	<u>(523)</u>	<u>2,987</u>
31 December 2006			
Revenue	45,334	8,999	54,333
Gross Profit	9,989	125	10,114
Profit before tax	7,171	317	7,488
Tax Expense	1,998	169	2,167
Profit after Tax	<u>5,173</u>	<u>148</u>	<u>5,321</u>
31 December 2007			
Revenue	53,183	2,025	55,208
Gross Profit	11,646	2,122	13,768
Profit before tax	7,882	2,025	9,907
Tax Expense	1,585	410	1,995
Profit after Tax	<u>6,297</u>	<u>1,615</u>	<u>7,912</u>

- 3.3 All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.
- 3.4 There were no exceptional items and extraordinary items during the financial years under review.
- 3.5 The gross profit margin is computed by dividing the gross profit by revenue earned in the respective financial years.
- 3.6 The profit before tax margin is computed by dividing the profit before tax by revenue earned in the respective financial years.
- 3.7 The proforma gross earnings per share is computed by dividing the profit before tax after minority interest by 60,072,000 ordinary shares of RM0.50 each in SEB assumed to be in issue before the completion of the Public Issue.
- 3.8 The proforma net earnings per share is computed by dividing the profit after tax after minority interest by 60,072,000 ordinary shares of RM0.50 each in SEB assumed to be in issue before the completion of the Public Issue.

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
(Formerly known as Seremban Engineering Sdn Bhd)
Proforma Consolidated Financial Information



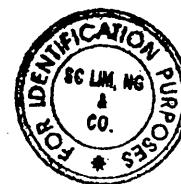
4. PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2009

The proforma consolidated balance sheets of SEB as at 31 December 2009, are prepared for illustrative purpose only and on the basis as set out below:-

	Audited	Proforma		
		I	II	III
	As at 31 December 2009 RM'000	After Bonus Issue RM'000	After I and Dividend RM'000	After I, II and Public Issue and Utilisation of Proceeds RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	26,026	26,026	26,026	35,026
Prepaid lease payment	195	195	195	195
Investment properties	97	97	97	97
Investment in jointly controlled entity	14	14	14	14
	<u>26,332</u>	<u>26,332</u>	<u>26,332</u>	<u>35,332</u>
Current Assets				
Inventories	5,325	5,325	5,325	5,325
Amount due from contract customers	3,170	3,170	3,170	3,170
Trade and other receivables	23,085	23,085	23,085	23,085
Deposits, cash and bank balances	11,663	11,663	6,163	9,102
	<u>43,243</u>	<u>43,243</u>	<u>37,743</u>	<u>40,682</u>
TOTAL ASSETS	69,575	69,575	64,075	76,014
EQUITY AND LIABILITIES				
Share capital	1,000	30,036	30,036	40,000
Share premium	-	-	-	4,975
Revaluation reserves	4,820	3,793	3,793	3,793
Retained profits	37,347	9,338	3,838	3,838
Equity attributable to equity holders	43,167	43,167	37,667	52,606
of the Parent				
Minority interest	516	516	516	516
TOTAL EQUITY	43,683	43,683	38,183	53,122
Non-Current Liabilities				
Bank borrowings	3,033	3,033	3,033	33
Hire purchase payables	108	108	108	108
Deferred tax liability	2,250	2,250	2,250	2,250
	<u>5,391</u>	<u>5,391</u>	<u>5,391</u>	<u>2,391</u>
Current Liabilities				
Trade and other payables	12,201	12,201	12,201	12,201
Bank borrowings	7,366	7,366	7,366	7,366
Hire purchase payables	84	84	84	84
Tax payable	850	850	850	850
	<u>20,501</u>	<u>20,501</u>	<u>20,501</u>	<u>20,501</u>
TOTAL LIABILITIES	25,892	25,892	25,892	22,892
TOTAL EQUITY AND LIABILITIES	69,575	69,575	64,075	76,014

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
 (Formerly known as Seremban Engineering Sdn Bhd)
 Proforma Consolidated Financial Information



5. NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

5.1 The proforma consolidated balance sheets had been prepared based on the audited consolidated balance sheets of SEB as at 31 December 2009 after incorporating, on a proforma basis, the following transactions as if they were effected on 31 December 2009:-

(a) Proforma I

The Proforma I is stated after incorporating the bonus issue of 58,072,000 new ordinary shares of RM0.50 each in SEB ("Bonus Shares"), credited as fully paid-up, on the basis of approximately 2,904 new ordinary shares of RM0.50 each for every existing 100 ordinary shares of RM0.50 each in SEB, by way of capitalisation of an aggregate RM28,009,000 out of the retained earnings of SEB as at 31 December 2009 and RM1,027,000 out of the revaluation surplus of SEB.

(b) Proforma II

The Proforma II is stated after Proforma I and declaration and payment of a net dividend of RM5.50 million to its existing shareholder, Success Transformer Corporation Berhad, prior to the Listing.

(c) Proforma III

The Proforma III is stated after Proforma II and incorporating the following:

- (i) Public issue of 19,928,000 new ordinary shares of RM0.50 each in SEB at an issue price of RM0.85 per share; and
- (ii) The gross proceeds raised from the Public Issue of RM16.939 million will be utilised in the following manner:-

	RM '000
Purchase of plant and machinery and extension/ upgrading of properties	9,000
Repayment of borrowings	3,000
Working capital	2,939
Estimated listing expenses	2,000
	16,939

5.2 The changes in the share capital, revaluation reserves, retained profits of the SEB Group after the Bonus Issue, payment of dividend, Public Issue and proposed utilisation of proceeds are as follows:

	<u>Share capital</u>	<u>Share premium</u>	<u>Revaluation reserves</u>	<u>Retained profits</u>	<u>Total</u>
	RM '000	RM '000	RM '000	RM '000	RM '000
As at 31 December 2009	1,000	-	4,820	37,347	43,167
Bonus Issue	29,036	-	(1,027)	(28,009)	-
Proforma I balance	30,036	-	3,793	9,338	43,167
Dividend	-	-	-	(5,500)	(5,500)
Proforma II balance	30,036	-	3,793	3,838	37,667
Public Issue	9,964	6,975	-	-	16,939
Less: Estimated listing expenses	-	(2,000)	-	-	(2,000)
Proforma III balance	40,000	4,975	3,793	3,838	52,606

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
 (Formerly known as Seremban Engineering Sdn Bhd)
 Proforma Consolidated Financial Information



6. PROFORMA CONSOLIDATED CASH FLOW STATEMENTS FOR THE FYE 31 DECEMBER 2009

The proforma consolidated cash flow statements of SEB, are prepared for illustrative purpose only, and have been prepared based on the audited consolidated cash flow statement of SEB for the FYE 31 December 2009, after adjusting for the Public Issue, utilisation of proceeds as described in Note 5.1(c)(ii) above:-

	Audited	Proforma	
		I	II
	As at 31 December 2009	After Payment of Dividend	After I and Public Issue and Utilisation of Proceeds
	RM '000	RM '000	RM '000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax	12,164	12,164	12,164
Adjustments for :			
Allowance for doubtful debts - general	2	2	2
Allowance for doubtful debts - specific	214	214	214
Amortisation of prepaid lease payments	3	3	3
Bad debts written off	*	*	*
Depreciation of property, plant and equipment	1,179	1,179	1,179
Interest expense	571	571	571
Interest income	(69)	(69)	(69)
Property, plant and equipment written off	3	3	3
Share of (loss) of jointly controlled entity	4	4	4
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	14,071	14,071	14,071
Changes in working capital			
Inventories	9,344	9,344	9,344
Amount due from/(to) contract customers	(1,175)	(1,175)	(1,175)
Trade and other receivables	(5,442)	(5,442)	(5,442)
Trade and other payables	(3,329)	(3,329)	(3,329)
CASH GENERATED FROM OPERATING ACTIVITIES	13,469	13,469	13,469
Interest paid	(571)	(571)	(571)
Interest received	69	69	69
Tax paid	(2,196)	(2,196)	(2,196)
NET CASH FROM OPERATING ACTIVITIES	10,771	10,771	10,771
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net cash outflow on acquisition of jointly controlled entity	(18)	(18)	(18)
Purchase of property, plant and equipment	(4,177)	(4,177)	(13,177)
NET CASH (USED IN) INVESTING ACTIVITIES	(4,195)	(4,195)	(13,195)

14. FINANCIAL INFORMATION (Cont'd)

Seremban Engineering Berhad (Company No. 45332 – X)
 (Formerly known as Seremban Engineering Sdn Bhd)
 Proforma Consolidated Financial Information



6. PROFORMA CONSOLIDATED CASH FLOW STATEMENTS FOR THE FYE 31 DECEMBER 2009 (CONT'D)

	Audited	Proforma	
		I	II
	As at	After	After I and
	31 December	Payment of	Public Issue
	2009	Dividend	and
	RM '000	RM '000	Utilisation of
			Proceeds
			RM '000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown from term loans	2,874	2,874	2,874
Proceeds from public issue	-	-	16,939
Listing expenses paid	(531)	(531)	(2,000)
Dividend paid	-	(5,500)	(5,500)
Net (increase) in fixed deposits pledged	(19)	(19)	(19)
Net movement in trade bills	(6,958)	(6,958)	(6,958)
Repayment of hire purchase and lease payables	(260)	(260)	(260)
Repayment of term loans	(1,046)	(1,046)	(4,046)
NET CASH (USED IN) FINANCING ACTIVITIES	(5,940)	(11,440)	1,030
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	636	(4,864)	(1,394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	9,629	9,629	9,629
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	10,265	4,765	8,235

* Amount less than RM1,000

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15. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

Date: 31 March 2010

The Board of Directors
Seremban Engineering Berhad
(formerly known as Seremban Engineering Sdn Bhd)
A-11-3 (Suite 2), Northpoint Offices
Mid Valley City
No.1, Medan Syed Putra Utara
59200 Kuala Lumpur

Dear Sirs,

**SEREMBAN ENGINEERING BERHAD (FORMERLY KNOWN AS SEREMBAN ENGINEERING SDN BHD) ("SEB" OR THE "COMPANY")
ACCOUNTANTS' REPORT**

1. INTRODUCTION

This report has been prepared by SC Lim, Ng & Co., an approved company auditor, for inclusion in the Prospectus of SEB to be dated 14 April 2010 issued in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of SEB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the flotation exercise are disclosed in Section 2 of this report.

2. DETAILS OF THE FLOTATION EXERCISE

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of 80,000,000 ordinary shares of RM0.50 each in SEB on the Main Market of Bursa Securities, the Company proposes to undertake a flotation exercise involving the following: -

- (a) Bonus issue of 58,072,000 new ordinary shares of RM0.50 each in SEB ("Bonus Shares"), credited as fully paid-up, on the basis of approximately 2,904 new ordinary shares of RM0.50 each for every existing 100 ordinary shares of RM0.50 each in SEB, by way of capitalisation of an aggregate RM28,009,000 out of retained earnings of SEB as at 31 December 2009 and RM1,027,000 out of the revaluation surplus of SEB after the incorporation of a net revaluation surplus of RM3,693,973 arising from the valuation of the properties of SEB ("Bonus Issue"). The Bonus Issue was completed on 31 March 2010;
- (b) Public issue of 19,928,000 new ordinary shares of RM0.50 each in SEB at an issue price of RM0.85 per share ("Public Issue");
- (c) Offer for sale of 8,072,000 ordinary shares of RM0.50 each in SEB at an offer price of RM0.85 per share ("Offer for Sale"); and
- (d) Listing of and quotation for the entire enlarged issued and paid-up share capital of SEB on the Main Market of Bursa Securities comprising 80,000,000 ordinary shares of RM0.50 each ("Listing").

The directors of SEB proposed a final tax-exempt dividend of RM2.75 per ordinary share amounting to dividend payable of RM5,500,000 in respect of the financial year ended 31 December 2009. The dividend was approved by the shareholders at the Annual General Meeting held on the 26 March 2010 and paid on the same day.

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15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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Accountants' Report (for inclusion in the Prospectus)*



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

3. GENERAL INFORMATION**3.1 INCORPORATION**

SEB was incorporated in Malaysia as a private limited company under the Companies Act, 1965, on 19 February 1979 under the name of Seremban Engineering Services & Supplies Sdn Berhad. It subsequently changed its name to Seremban Engineering Sdn Bhd on 27 June 1979. The Company was converted into a public company on 19 August 2009.

3.2 PRINCIPAL ACTIVITIES

SEB is principally an investment holding company and is engaged in the fabrication of process equipment, metal structures and the provision of maintenance and shutdown works.

SEB is currently a wholly-owned subsidiary company of Success Transformer Corporation Berhad, a company listed on the Main Market of Bursa Securities. The Directors of SEB regard Omega Attraction Sdn Bhd as its ultimate holding company. As at the date of this report, the details of its subsidiary companies and jointly controlled entity are as follows:-

Name of company	Date and place of incorporation	Principal activities	Effective equity interest
<u>Subsidiary companies</u>			
Seremban Engineering Industries Sdn Bhd ("SEISB")	13 September 1993/ Malaysia	Supply of labour for the Group's fabrication operations	100%
Sepen Engineering Sdn Bhd ("SEPEN")	29 August 2008/ Malaysia	Fabrication of process equipment and metal structure	60%
<u>Jointly controlled entity</u>			
ACE Standard International Limited ("ACE")	16 December 2008/ British Virgin Island	Dormant*	50%

Note:

* *The proposed principal activity of ACE is the provision of environmental cleaning services for the oil and gas industry.*

SEB does not have any associated company as at the date of this report.

15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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SG LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

3.3 SHARE CAPITAL**3.3.1 SEB****(a) Authorised Share Capital**

The details of changes in its authorised share capital since the date of incorporation are as follows:-

Date of creation / conversion	No. of ordinary shares	No. of "A" class shares *	Par value (RM)	Share type	Cumulative authorised share capital (RM)
19 February 1979	200,000	-	1.00	Ordinary shares	200,000
14 September 1991	300,000	-	1.00	Ordinary shares	500,000
16 July 1993	(1)	1	1.00	"A" class share	500,000
28 September 1994	2,500,000	-	1.00	Ordinary shares	3,000,000
29 November 1994	1	(1)	1.00	Ordinary share	3,000,000
30 July 2009	6,000,000	-	0.50	Share split	3,000,000
30 July 2009	94,000,000	-	0.50	Ordinary shares	50,000,000

Note:

* The "A" class share was transferred from / (to) the ordinary share for the purpose as stated at Note 3.3.1 (b) below.

(b) Issued and Paid-up Share Capital

The details of changes in its issued and paid-up share capital since the date of incorporation are as follows:-

Date of allotment	No. of ordinary shares	No. of "A" class shares *	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
19 February 1979	2	-	1.00	Subscribers' shares	2
1 June 1979	49,998	-	1.00	Cash	50,000
10 May 1989	50,000	-	1.00	Cash	100,000
16 July 1993	100,000	1	1.00	Cash	200,001
28 September 1994	299,999	-	1.00	Cash	500,000
29 November 1994	1	(1)	1.00	Conversion	500,000
18 August 1995	500,000	-	1.00	Cash	1,000,000
30 July 2009	2,000,000	-	0.50	Share split	1,000,000
31 March 2010	58,072,000	-	0.50	Bonus Issue	30,036,000

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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SC LIM, NG & CO.
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3.3 SHARE CAPITAL (CONT'D)**3.3.1 SEB (CONT'D)****(b) Issued and Paid-up Share Capital (cont'd)**

Note:

* The "A" class share entitled the first original holder to be a permanent director of SEB and shall not be subject to rotation, retirement and/or removal and shall be entitled to exercise at every general meeting of SEB and on every poll votes equal to 12% of the total percentage of the votes which can be cast by all the shareholders for the time being of SEB combined. However, on the demise of the first original holder of "A" class share or on the "A" class share being transferred out from the first original holder of the said share, the "A" class share shall become an ordinary share and all rights and obligation attested to the "A" class share shall be void. On 29 November 1994, the "A" class share was converted to ordinary share.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company shall increase to RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each.

3.3.2 SEISB**(a) Authorised Share Capital**

The present authorised share capital of SEISB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The details of changes in its authorised share capital since the date of incorporation are as follows: -

Date of creation	No. of ordinary shares	Par value (RM)	Share type	Cumulative authorised share capital (RM)
13 September 1993	100,000	1.00	Ordinary shares	100,000
16 March 2001	400,000	1.00	Ordinary shares	500,000

(b) Issued and Paid-Up Share Capital

The present issued and paid-up share capital of SEISB is RM250,000 comprising 250,000 ordinary shares of RM1.00 each. The details of changes in its issued and paid-up share capital since the date of incorporation are as follows: -

Date of allotment	No. of ordinary shares	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
13 September 1993	2	1.00	Subscribers' shares	2
16 March 2001	200,000	1.00	Cash	200,002
21 January 2010	49,998	1.00	Cash	250,000

(c) SEISB is a wholly-owned subsidiary company of SEB. As at the date of this report, SEISB does not have any subsidiary company, associated company or jointly controlled entity.

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3.3 SHARE CAPITAL (CONT'D)**3.3.3 SEPEN****(a) Share Capital**

Its present authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The authorised share capital has not changed since the date of incorporation. The present issued and paid-up share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each. The details of changes in its issued and paid-up share capital since the date of incorporation are as follows: -

Date of allotment	No. of ordinary shares	Par value (RM)	Consideration	Cumulative Issued and paid-up share capital (RM)
29 August 2008	2	1.00	Subscribers' shares	2
2 September 2008	399,998	1.00	Cash	400,000

(b) SEPEN is a 60% owned subsidiary company of SEB. As at the date of this report, SEPEN does not have any subsidiary company, associated company or jointly controlled entity.

3.3.4 ACE**(a) Share Capital**

Its present authorised share capital is USD50,000 comprising 50,000 shares of USD1.00 each. The authorised share capital has not changed since its establishment. Its present issued and paid-up share capital is USD10,000 comprising 10,000 shares of USD1.00 each. The details of changes in its issued and paid-up share capital since its establishment are as follows: -

Date of subscription	No. of ordinary shares	Par value (USD)	Consideration	Cumulative issued and paid-up share capital (USD)
15 April 2009	10,000	1.00	Subscribers' share	10,000

(b) As at the date of this report, ACE does not have any subsidiary company, associated company or jointly controlled entity; and has yet to commence any business.

15. ACCOUNTANTS' REPORT (Cont'd)

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SC LIM, NG & CO.
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4. DIVIDENDS

(a) Details of dividends proposed, declared and paid by SEB for the financial years under review are as follows:

Financial year ended ("FYE")	Issued and fully paid-up share capital	Gross dividend rate (%)	Net dividend declared (RM)	Date Declared / Paid
31 December 2005	1,000,000	Interim tax exempt dividend of approximately 200%	2,000,000	15 December 2005 / 30 December 2005
31 December 2006	1,000,000	Interim tax exempt dividend of approximately 174%	1,738,095	30 September 2006 / 14 February 2008
31 December 2006	1,000,000	Interim dividend of approximately 126% less 28% tax	908,572	30 September 2006 / 14 February 2008
31 December 2009	2,000,000	Final tax-exempt dividend of 275%	5,500,000	26 March 2010 / 26 March 2010

(b) No dividend were declared and paid by SEISB, SEPEN and ACE during the financial years under review.

5. FINANCIAL STATEMENTS AND AUDITORS

The Auditors who audited the financial statements of SEB and its group of companies ("SEB Group" or "Group") for the financial years under review are as follows:-

Companies	Financial Years	Auditors
SEB	- FYE 31 December 2005 to 2006	BDO Binder
	- FYE 31 December 2007 to 2009	SC Lim, Ng & Co.
SEISB	- FYE 31 December 2005 to 2009	Y. S. Wong & Co.
SEPEN	- Financial period from 29 August 2008 (date of incorporation) to 31 December 2008 and FYE 31 December 2009	SC Lim, Ng & Co.

All the above financial statements were reported on without any qualifications. Nothing has come to our attention which causes us to believe that a re-audit is necessary for the financial statements reported on by auditors other than SC Lim, Ng & Co.

15. ACCOUNTANTS' REPORT (Cont'd)

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SCLIM, NG & CO.
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5. FINANCIAL STATEMENTS AND AUDITORS (CONT'D)

In respect of the financial statements of SEB for the FYE 31 December 2005 and 2006, which were audited by BDO Binder, we have performed the following procedures:

- (a) Test of subsequent collections and payments for accounts receivable and payables respectively on sampling basis;
- (b) Test of revenue and purchase cut-off, and valuation of opening inventory items on sampling basis; and
- (c) Ascertain that the changes in accounting policy have been properly accounted for and adequately presented and disclosed.

ACE was incorporated in the British Virgin Island ("BVI") on 16 December 2008. However, its subscribers' shares were first issued on 15 April 2009. The financial statements of ACE for the periods under review were included in the consolidated financial statements of SEB based on management accounts. No auditors have been appointed as it is not required by the legislation in BVI to have the financial statements to be audited. As at the date of this report, ACE is still dormant.

6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS

The accounting policies adopted in the preparation of this report as set out below are consistent with the accounting policies adopted by the SEB Group in their latest audited financial statements.

The financial information presented in this report is based on the audited financial statements of SEB for the five (5) FYE 31 December 2005 to 2009; and the SEB Group for the three (3) FYE 31 December 2007 to 2009.

The financial information presented in this report complies with applicable approved accounting standards in Malaysia for the relevant financial years under review.

Commencing 1 January 2007, SEB has adopted all the new and revised Financial Reporting Standards ("FRS") and the Interpretation (collectively "FRSs") issued by the Malaysian Accounting Standards Board ("MASB") relevant to its operations and effective for the financial periods beginning on/or after 1 January 2006. The effects of the adoption of FRSs are set out in Note 9 of this report.

In arriving at the financial information, certain reclassification, adjustments, re-presentation of balance sheets and income statements to conform with the format of presentation required by the FRS 101 on Presentation of Financial Statements for consistency and for better comparison purposes, and restatement of the audited financial statements in line with the adoption of FRSs and the change in accounting policy over revenue recognition have been made to the audited financial statements of SEB and the SEB Group. All of these are set out in Note 9 of this report.

15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

- (a) The audited financial statements of the SEB Group have been prepared in accordance with the FRSS issued by the MASB for entities other than private entities, accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.
- (b) The audited financial statements of the SEB Group have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.
- (c) The audited financial statements of the SEB Group are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). All the financial statements are presented in Ringgit Malaysia ("RM") and the figures have been rounded up to nearest RM, unless otherwise stated.

6.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below:-

(a) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group shall account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

15. ACCOUNTANTS' REPORT (Cont'd)

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SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)

6.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(b) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line method over their useful lives. The Directors estimated the useful lives of these assets to be within 5 to 10 years except for factory buildings which is 50 to 66 years.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(c) Income tax

Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Allowance for doubtful debts

The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statement reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the allowance recorded.

(e) Amount due from contract customers

Revenue and expenses that satisfy the characteristic of construction contracts are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs.

Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contracts or development projects. In making the judgment, the management evaluates based on past experience and by relying on the work of specialists.

Where the total actual revenue and cost incurred are different from the total estimated revenue and cost incurred, such differences will impact the contract profit or losses recognised.

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full. Unrealised losses are also eliminated unless cost cannot be recovered. Thus the consolidated financial statements reflect external transactions only. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represent goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the income statement on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets ("NA") in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiary companies' equity since then.

(b) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses (Note 6.3(g)). Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made at least once in every five years or any shorter intervals to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the asset revaluation reserve. However, the increase is recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statement. However, the decrease is debited directly to the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

15. ACCOUNTANTS' REPORT (Cont'd)

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Property, plant and equipment and depreciation (cont'd)**

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained profits on retirement or disposal of the asset.

Freehold land is not depreciated whilst depreciation of all other property, plant and equipment begins when it is available for use and is depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Factory buildings	50 - 66 years
Furniture, fittings and office equipment	5-10 years
Motor vehicles	5-10 years
Plant and machinery	10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each FYE to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Fully depreciated property, plant and equipment are retained in the financial statements at nominal value of RM1.00 each until they are no longer in use, and no further charge for depreciation is made in respect of these assets.

(c) Prepaid lease payments

Prepaid lease payments are accounted for as operating leases where substantially all the rewards and risk of ownership of assets remain with the lessor. Prepaid lease payments under operating leases are initially stated at cost and subsequently amortised on the straight line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment. The policy for the recognition and measurement of impairment losses is in accordance with Note 6.3(g).

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Investment properties**

Investment properties consist of land and building held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Company. Investment properties are treated as non-current investment and are measured initially at cost, including transaction costs. The carrying amount included the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excluded the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which representing open-market value determined by external valuers.

Investment properties are derecognised when they are either disposed of or permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of investment properties are recognised in the income statement in the year of retirement or disposal.

(e) Investment in subsidiaries

Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, the Company's investment in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 6.3(g). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statements.

(f) Jointly controlled entity ("JV")

A JV is a contractual agreement whereby two parties undertake an economic activity that is subject to joint control, and the JV is a joint venture that involves the establishment of a separate entity in which each venturer has financial interest.

Investment in JV is accounted for in the consolidated financial statements using the equity method of accounting. The investment is carried in the consolidated balance sheet at cost adjusted for post acquisition changes in the Group's share of net assets of the JV. The Group's share of the net profit or loss is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the JV, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the JV are eliminated to the extent of the Group's interest in the JV. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the JV. The JV is equity accounted for from the date the Group obtains jointly control right until the date the Group ceases to have the jointly control right over the JV.

In the Company's separate financial statements, investment in JV is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 6.3(g). On disposal of such investment, the difference between net disposal proceeds and their carrying value is recognised in the income statement.

15. ACCOUNTANTS' REPORT (Cont'd)

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Impairment of assets**

The carrying amounts of the Group's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(h) Inventories

Inventories comprising raw materials, consumable stores and work-in-progress ("WIP") are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost of WIP includes direct materials, direct labour, other direct costs and appropriate production overheads. In arriving at net realisable value, due allowance is made for all obsolete and slow moving items. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases

Property, plant and equipment acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

Hire purchase or lease payments are apportioned between finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligations for each accounting period.

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)

6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Leases (cont'd)

(i) Finance leases (cont'd)

The property, plant and equipment so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment and depreciation as described in Note 6.3(b).

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date. Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not at that time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction, which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition in which case the deferred tax is included in the resulting goodwill.

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(l) Financial instruments**

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments. Financial instruments carried on the balance sheet include amount due from contract customers, receivables, cash and cash equivalents, payables, bank borrowings, equity instruments and derivatives. The particular recognition methods and accounting policy adopted associated with each item are set forth below:

(i) Receivables

Receivables are carried at anticipated realisable values. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due to the original terms of receivables. The amount of the provision is recognised in the income statements.

(ii) Amount due from / to contract customers

Amount due from contract customers on fixed price contracts is stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes all direct costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade payables as amount due to contract customers.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(iv) Liabilities

Payables are stated at fair value.

(v) Bank borrowings

Bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised as an expense in the income statements in the period in which they are incurred.

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)

6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (cont'd)

(vi) Equity instrument

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(vii) Derivatives

Derivative financial instruments are used by the Group to manage its exposure to foreign currency risk arising from operating, investing and financing activities. The Group does not use derivative financial instruments for speculative and trading purposes.

Derivative financial instruments are initially recognised at cost, and are subsequently re-measured at fair value. Changes in the fair value that do not qualify for hedge accounting are recognised in the profit or loss. The fair value of forward exchange contracts is determined based on the quoted market rate at the balance sheet date.

(m) Borrowing costs

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualified assets is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to income statement. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in income statement in the period in which they are incurred.

(n) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(i) Construction contracts

Revenue from construction contracts is recognised on the percentage of completion method for projects supported by contracts, and/or where specific progress claims can be clearly identified against the stage of completion of contracts or when there is continuous transfer of control and risks and rewards of ownership. When these characteristics cannot be identified, "delivery and acceptance basis" shall be adopted.

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(n) Revenue recognition (cont'd)****(i) Construction contracts (cont'd)**

The stage of completion is measured by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimated contract costs.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and the contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

(ii) Sales of goods

Revenue from sales of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptances of goods sold.

(iii) Interest Income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Rental income

Rental income from properties is recognised on an accrual basis unless collectability is in doubt, in which case it is recognised on cash receipt basis.

(o) Employee benefits**(i) Short term employee benefits**

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund Board ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

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6. FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND STANDARDS (CONT'D)**6.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(p) Contingent liabilities and assets**

Contingent liabilities are disclosed in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group discloses the existence of contingent assets where inflows of economic benefits are probable, but not virtually certain.

(q) Functional and foreign currency**(i) Functional and presentation currency**

The management has determined the currency of the primary economic environment in which the Group operates i.e. functional currency, to be presented in RM, which is also the Group's presentation currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured and recorded in RM using the exchange rate in effect at the date of transactions. Monetary assets and liabilities denominated in foreign currency are adjusted to reflect the rate at the balance sheet date. All realised and unrealised exchange gain and losses are taken to income statement.

The principal closing rates used in translation of foreign currency are as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM	RM
1 United States Dollar ("USD")	3.80	N/A	3.35	3.47	3.39
1 European ("EURO")	N/A	N/A	4.93	4.89	5.06
1 Singapore Dollar ("SGD")	2.29	2.30	2.32	2.42	2.44

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS

The financial information presented below are extracted from the audited financial statements of SEB for the five (5) FYE 31 December 2005 to 2009, the SEB Group for the three (3) FYE 31 December 2007 to 2009, modified as appropriate, for the purpose of this report. The consolidated financial statements of SEB are presented from FYE 31 December 2007 onwards as its first subsidiary company, SEISB, was acquired in June 2007.

The financial statements of its subsidiary companies, namely SEISB and SEPEN are not presented separately as collectively their contribution to the external revenue and net assets of the SEB Group constitute approximately less than 2% and 2% respectively for the financial years under review. The financial statements of ACE are not presented as it has remained dormant since its incorporation on 16 December 2008.

All information is extracted from the audited financial statements for the relevant financial years under review except for those in italics which are prepared based on calculations, representations and/or explanations provided by the management and those as otherwise indicated. The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards of auditing in Malaysia.

7.1 CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December				
		2005 [^]	2006 [^]	2007	2008	2009
		Restated	Restated			
		RM '000	RM '000	RM '000	RM '000	RM '000
ASSETS						
Non-Current Assets						
Property, plant and equipment	8.1	7,523	11,855	13,719	17,789	26,026
Prepaid lease payment	8.2	-	-	-	-	195
Investment properties	8.3	263	384	384	384	97
Investment in jointly controlled entity	8.5	-	-	-	-	14
Other investment	8.6	4	-	-	-	-
		<u>7,790</u>	<u>12,239</u>	<u>14,103</u>	<u>18,173</u>	<u>26,332</u>
Current Assets						
Inventories	8.7	11,052	9,762	11,838	14,669	5,325
Amount due from contract customers	8.8	-	-	-	1,995	3,170
Trade and other receivables	8.9	6,282	10,705	17,414	17,342	23,085
Deposits, cash and bank balances	8.10	6,192	9,113	8,248	10,739	11,663
		<u>23,526</u>	<u>29,580</u>	<u>37,500</u>	<u>44,745</u>	<u>43,243</u>
TOTAL ASSETS		<u>31,316</u>	<u>41,819</u>	<u>51,603</u>	<u>62,918</u>	<u>69,575</u>

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 CONSOLIDATED BALANCE SHEETS (CONT'D)

	Note	As at 31 December				
		2005 [^]	2006 [^]	2007	2008	2009
		Restated	Restated			
		RM '000	RM '000	RM '000	RM '000	RM '000
EQUITY AND LIABILITIES						
Equity						
Share capital	8.11	1,000	1,000	1,000	1,000	1,000
Revaluation reserves	8.12	-	1,126	1,126	1,126	4,820
Retained profits	8.13	10,081	12,721	20,633	28,342	37,347
Equity attributable to equity holders of the Parent		11,081	14,847	22,759	30,468	43,167
Minority interests		-	-	-	269	516
TOTAL EQUITY		11,081	14,847	22,759	30,737	43,683
Non-Current Liabilities						
Bank borrowings	8.14	-	-	2,373	1,654	3,033
Hire purchase and lease payables	8.15	440	555	344	151	108
Deferred tax liability	8.16	326	342	448	708	2,250
		766	897	3,165	2,513	5,391
Current Liabilities						
Amount due to contract customers	8.8	347	-	-	-	-
Trade and other payables	8.17	10,668	16,291	13,775	15,543	12,201
Bank borrowings	8.14	8,177	9,324	11,690	13,605	7,366
Hire purchase and lease payables	8.15	277	460	214	256	84
Tax liabilities		-	-	-	264	850
		19,469	26,075	25,679	29,668	20,501
TOTAL LIABILITIES		20,235	26,972	28,844	32,181	25,892
TOTAL EQUITY AND LIABILITIES		31,316	41,819	51,603	62,918	69,575
<i>NA per ordinary share (RM)</i>		<i>11.1</i>	<i>14.8</i>	<i>22.8</i>	<i>30.5</i>	<i>21.6*</i>

[^] The balance sheets as at 31 December 2005 and 2006 and the related Notes thereto are included for comparison purpose as SEB prepares consolidated financial statements for financial year 2007 onwards, and are restated from the audited financial statements of SEB at company level only. The balance sheets as at 31 December 2005 and 2006 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

* Arrived at by dividing equity attributable to equity holders of the parent with 2,000,000 ordinary shares in issue after the completion of share split.

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 CONSOLIDATED INCOME STATEMENTS

	FYE 31 December				
	2005 [^]	2006 [^]	2007 [^]	2008	2009
	Restated	Restated	Restated		
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	34,704	54,333	55,208	62,127	69,036
Gross profit	6,537	10,065	13,740	14,349 #	17,337
Other income	128	170	112	100	245
EBITDA	4,915	8,620	11,135	11,377	13,852
Depreciation and amortisation	(646)	(875)	(788)	(884)	(1,182)
Interest expense	(386)	(410)	(637)	(677)	(571)
Interest income	94	109	192	132	69
	3,977	7,444	9,902	9,948	12,168
Share of (loss) of jointly controlled entity	-	-	-	-	(4)
Profit before tax	3,977	7,444	9,902	9,948	12,164
Tax expense	(995)	(2,157)	(1,990)	(2,130)	(2,912)
Net profit for the financial year	2,982	5,287	7,912	7,818	9,252
Attributable to:					
Equity holders of the parent	2,982	5,287	7,912	7,709	9,005
Minority interests	-	-	-	109	247
	2,982	5,287	7,912	7,818	9,252
No. of ordinary shares in issue ('000) ^{^^}	2,000	2,000	2,000	2,000	2,000
GP margin (%)	18.8%	18.5%	24.9%	23.1%	25.1%
PBT margin (%)	11.5%	13.7%	17.9%	16.0%	17.6%
PAT margin (%)	8.6%	9.7%	14.3%	12.6%	13.4%
Effective tax rate (%)	25.0%	29.0%	20.1%	21.4%	23.9%
Gross EPS (RM)*	2.0	3.7	5.0	4.9	6.0
Net EPS (RM)*	1.5	2.6	4.0	3.9	4.5

[^] The income statements for the FYE 31 December 2005 and 2006 and the related Notes thereto are included for comparison purpose as SEB prepares consolidated financial statements for financial year 2007 onwards, and are restated from the audited financial statements of SEB at company level only. The income statements for the FYE 31 December 2005 and 2006, and the consolidated income statement for the FYE 31 December 2007 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

^{^^} The number of ordinary shares in issue is adjusted retrospectively as if the share split was implemented at the beginning of financial years under review.

Reclassification of expenses was made to conform with SEB's FYE 31 December 2009 presentation.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 CONSOLIDATED INCOME STATEMENTS (CONT'D)

* The gross and net EPS are computed based on the profit before tax after minority interest and profit after tax after minority interest respectively divided by the number of ordinary shares in issue.

Note:

As the results of the SEB Group does not differ materially from SEB's results set out in Section 7.6 below, no further commentary is made in respect of the results of the SEB Group throughout the financial years under review.

7.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity holders of the Parent					Total equity	
	Share capital	Non -		Minority interest	Total		
		Revaluation reserve	Distributable				
			Retained profits				Restated
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000		
As at 1 January 2005 as restated	1,000	-	9,099	10,099	-	10,099	
Net profit for the financial year	-	-	2,982	2,982	-	2,982	
Dividend	-	-	(2,000)	(2,000)	-	(2,000)	
As at 31 December 2005 [^] as restated	1,000	-	10,081	11,081	-	11,081	
As at 1 January 2006 as restated	1,000	-	10,081	11,081	-	11,081	
Arising from revaluation of land	-	1,126	-	1,126	-	1,126	
Net profit for the financial year	-	-	5,287	5,287	-	5,287	
Dividend	-	-	(2,647)	(2,647)	-	(2,647)	
As at 31 December 2006 [^] as restated	1,000	1,126	12,721	14,847	-	14,847	
As at 1 January 2007 as restated	1,000	1,126	12,721	14,847	-	14,847	
Net profit for the financial year	-	-	7,912	7,912	-	7,912	
As at 31 December 2007	1,000	1,126	20,633	22,759	-	22,759	
As at 1 January 2008	1,000	1,126	20,633	22,759	-	22,759	
Arising from subscription of shares in subsidiary company	-	-	-	-	160	160	
Net profit for the financial year	-	-	7,709	7,709	109	7,818	
As at 31 December 2008	1,000	1,126	28,342	30,468	269	30,737	
As at 1 January 2009	1,000	1,126	28,342	30,468	269	30,737	
Arising from revaluation of landed properties	-	3,694	-	3,694	-	3,694	
Net profit for the financial year	-	-	9,005	9,005	247	9,252	
As at 31 December 2009	1,000	4,820	37,347	43,167	516	43,683	

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

^ The statements of changes in equity for the FYE 31 December 2005 and 2006 are included for comparison purpose as SEB prepares consolidated financial statements for financial year 2007 onward, and are restated from the audited financial statements of SEB at company level only. The statements of changes in equity for the FYE 31 December 2005 and 2006 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

7.4 CONSOLIDATED CASH FLOW STATEMENTS

	FYE 31 December				
	2005^	2006^	2007^	2008	2009
	Restated	Restated	Restated		
	RM '000	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	3,977	7,444	9,902	9,948	12,164
Adjustments for :					
Allowance for doubtful debts - general	-	-	33	(31)	2
Allowance for doubtful debts - specific	-	-	-	-	214
Amortisation of prepaid lease payments	-	-	-	-	3
Bad debts written off	1	-	-	-	*
Depreciation of property, plant and equipment	646	875	788	884	1,179
(Gain) on disposal of property, plant and equipment	(102)	(71)	-	(25)	-
Gross dividend income	*	*	-	-	-
Interest expense	386	410	637	677	571
Interest income	(94)	(109)	(192)	(132)	(69)
Loss on disposal of quoted investment	-	2	-	-	-
Negative goodwill	-	-	(19)	-	-
Property, plant and equipment written off	7	*	9	5	3
Share of (loss) of jointly controlled entity	-	-	-	-	4
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	4,821	8,551	11,158	11,326	14,071
Changes in working capital					
Inventories	184	1,291	(2,076)	(2,831)	9,344
Amount due from/(to) contract customers	347	(347)	-	(1,995)	(1,175)
Trade and other receivables	5,347	(4,071)	(7,162)	(420)	(5,442)
Trade and other payables	(6,506)	2,673	(2,519)	4,414	(3,329)
CASH GENERATED FROM/(ABSORBED INTO) OPERATING ACTIVITIES	4,193	8,097	(599)	10,494	13,469
Interest paid	(386)	(410)	(637)	(677)	(571)
Interest received	94	109	192	132	69
Tax paid	(1,947)	(2,191)	(1,460)	(1,084)	(2,196)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,954	5,605	(2,504)	8,865	10,771

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.4 CONSOLIDATED CASH FLOW STATEMENTS (CONT'D)

	FYE 31 December				
	2005 [^]	2006 [^]	2007 [^]	2008	2009
	Restated	Restated	Restated		
	RM '000	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash flow from acquisition of subsidiary companies	-	-	18	-	-
Net cash outflow on acquisition of jointly controlled entity	-	-	-	-	(18)
Net dividend received	*	*	-	-	-
Proceeds from disposal of property, plant and equipment	322	86	-	103	-
Purchase of property, plant and equipment	(873)	(3,549)	(2,661)	(5,037)	(4,177)
Purchase of quoted investment	(4)	-	-	-	-
Proceeds from disposal of quoted investment	-	2	-	-	-
NET CASH (USED IN) INVESTING ACTIVITIES	(555)	(3,461)	(2,643)	(4,934)	(4,195)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown from term loans	-	-	3,033	-	2,874
Dividend paid	(2,000)	-	-	(2,647)	-
Listing expenses paid	-	-	-	-	(531)
Proceeds from issuance of shares to minority shareholders	-	-	-	160	-
Net (increase) in fixed deposits pledged	-	-	(1,077)	(33)	(19)
Net movement in trade bills	2,872	1,147	1,729	1,742	(6,958)
Repayment of hire purchase payables	(354)	(370)	(457)	(150)	(260)
Repayment of term loans	-	-	(23)	(545)	(1,046)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	518	777	3,205	(1,473)	(5,940)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,917	2,921	(1,942)	2,458	636
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	4,275	6,192	9,113	7,171	9,629
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6,192	9,113	7,171	9,629	10,265

* Amount less than RM1,000

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)**7.4 CONSOLIDATED CASH FLOW STATEMENTS (CONT'D)**

	FYE 31 December				
	2005 [^]	2006 [^]	2007 [^]	2008	2009
	Restated	Restated	Restated		
	RM '000	RM '000	RM '000	RM '000	RM '000
Cash and cash equivalents comprise:					
Deposits, cash and bank balances	6,192	9,113	8,248	10,739	11,663
Bank overdraft	-	-	-	-	(269)
Less: Non-cash and cash equivalents					
Fixed deposits pledged to licensed banks	-	-	(1,077)	(1,110)	(1,129)
	<u>6,192</u>	<u>9,113</u>	<u>7,171</u>	<u>9,629</u>	<u>10,265</u>

[^] The cash flow statements for the FYE 31 December 2005 and 2006 are included for comparison purpose as SEB prepares consolidated financial statements for financial year 2007 onwards, and are restated from the audited financial statements of SEB at company level only. The cash flow statements for the FYE 31 December 2005 and 2006, and the consolidated cash flow statement for the FYE 31 December 2007 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

7.5 BALANCE SHEETS

Note	As at 31 December				
	2005 [^]	2006 [^]	2007	2008	2009
	Restated	Restated			
	RM '000	RM '000	RM '000	RM '000	RM '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	8.1	7,523	11,855	13,719	23,539
Prepaid lease payment	8.2	-	-	-	195
Investment properties	8.3	263	384	384	97
Investment in subsidiary companies	8.4	-	-	236	476
Investment in jointly controlled entity	8.5	-	-	-	18
Other investment	8.6	4	-	-	-
		<u>7,790</u>	<u>12,239</u>	<u>14,339</u>	<u>24,325</u>
Current Assets					
Inventories	8.7	11,052	9,762	11,838	5,231
Amount due from contract customers	8.8	-	-	1,995	3,159
Trade and other receivables	8.9	6,282	10,705	17,409	22,443
Deposits, cash and bank balances	8.10	6,192	9,113	7,998	11,282
		<u>23,526</u>	<u>29,580</u>	<u>37,245</u>	<u>42,115</u>
TOTAL ASSETS		<u>31,316</u>	<u>41,819</u>	<u>51,584</u>	<u>66,440</u>

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.5 BALANCE SHEETS (CONT'D)

Note	As at 31 December				
	2005 [^]	2006 [^]	2007	2008	2009
	Restated	Restated			
	RM '000	RM '000	RM '000	RM '000	RM '000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Parent					
Share capital	8.11	1,000	1,000	1,000	1,000
Revaluation reserves	8.12	-	1,126	1,126	4,820
Retained profits	8.13	10,081	12,721	20,620	36,792
TOTAL EQUITY		11,081	14,847	22,746	42,612
Non-Current Liabilities					
Bank borrowings	8.14	-	-	2,373	1,654
Hire purchase and lease payables	8.15	440	555	344	151
Deferred tax liability	8.16	326	342	448	679
		766	897	3,165	2,484
Current Liabilities					
Amount due to contract customers	8.8	347	-	-	-
Trade and other payables	8.17	10,668	16,291	13,769	14,777
Bank borrowings	8.14	8,177	9,324	11,690	13,605
Hire purchase and lease payables	8.15	277	460	214	256
Tax liabilities		-	-	-	224
		19,469	26,075	25,673	28,862
TOTAL LIABILITIES		20,235	26,972	28,838	31,346
TOTAL EQUITY AND LIABILITIES		31,316	41,819	51,584	61,632
<i>NA per ordinary share (RM)</i>		<i>11.1</i>	<i>14.8</i>	<i>22.7</i>	<i>30.3</i>
		<i>21.3*</i>			

[^] The balance sheets as at 31 December 2005 and 2006 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

* Arrived at by dividing total equity with 2,000,000 ordinary shares in issue after the completion of share split.

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.6 INCOME STATEMENTS

	Note	FYE 31 December				
		2005 [^]	2006 [^]	2007 [^]	2008	2009
		Restated	Restated	Restated		
		RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	7.6 (a)	34,704	54,333	55,208	61,215	67,757
Gross profit	7.6 (b)	6,537	10,065	13,539	14,044	15,901
Other income		128	170	93	100	344
EBITDA		4,915	8,620	11,123	11,006	12,930
Depreciation and amortisation		(646)	(875)	(788)	(863)	(1,115)
Interest expense		(386)	(410)	(637)	(677)	(563)
Interest income		94	109	192	132	69
Profit before tax	7.6 (c)	3,977	7,444	9,890	9,598	11,321
Tax expense	7.6 (d)	(995)	(2,157)	(1,991)	(2,058)	(2,689)
Net profit for the financial year		2,982	5,287	7,899	7,540	8,632
No. of ordinary shares in issue ('000) ^{^^}		2,000	2,000	2,000	2,000	2,000
GP margin (%)		18.8%	18.5%	24.5%	22.9%	23.5%
PBT margin (%)		11.5%	13.7%	17.9%	15.7%	16.7%
PAT margin (%)		8.6%	9.7%	14.3%	12.3%	12.7%
Effective tax rate (%)		25.0%	29.0%	20.1%	21.4%	23.8%
Gross EPS (RM)		2.0	3.7	4.9	4.8	5.7
Net EPS (RM)		1.5	2.6	3.9	3.8	4.3

[^] The income statements for the FYE 31 December 2005, 2006 and 2007 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

^{^^} The number of ordinary shares in issue is adjusted retrospectively as if the share split was implemented at the beginning of financial years under review.

Notes:

(a) Revenue

Revenue mainly derived from fabrication of process equipment and provision of maintenance and shutdown works. Throughout the financial years under review, the fabrication of process equipment contributed more than 90% of total revenue.

(b) Gross profit margin ("GP margin")

Throughout the financial years under review, the fluctuations in GP margin were attributed to the changes in process equipment fabrication division, which on aggregate, contributed more than 90% to the total gross profit.

15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.6 INCOME STATEMENTS (CONT'D)

Notes:

(b) Gross profit margin ("GP margin") (cont'd)

The GP margins of FYE 31 December 2006 and FYE 31 December 2005 were fairly consistent. The GP margin for FYE 31 December 2007 increased to 24.5% as compared to 18.5% for preceding year principally due to lower cost of raw materials.

The GP margin for FYE 31 December 2008 decreased to 22.9% as compared to 24.5% for preceding year principally due to higher production overhead cost.

The change in GP margin for FYE 31 December 2009 as compared to preceding year is negligible.

(c) Pre-tax profit margin ("PBT margin")

The PBT margin improved from 11.5% for the FYE 31 December 2005 to 13.7% for the FYE 31 December 2006 due to improved economies of scale arising from revenue growth.

Save for FYE 31 December 2006, throughout the financial years under review, the fluctuations in PBT margins were in tandem with the fluctuation of GP margins. Operating expenses such as administration, selling and distribution, and others remained fairly consistent throughout the financial years under review.

(d) Effective tax rate

The effective tax rate for FYE 31 December 2005 was lower than the statutory tax rate mainly due to the utilisation of tax incentive in the form of reinvestment allowances.

The effective tax rate for FYE 31 December 2006 was slightly higher than the statutory tax rate mainly due to higher non-deductible expenses and lesser reinvestment allowance available to offset against taxable income.

The effective tax rate for FYE 31 December 2007 and 2008 were lower than the statutory tax rate principally due to higher amount of reinvestment allowance to offset against taxable income.

The effective tax rate for FYE 31 December 2009 was slightly lower than the statutory tax rate principally due to the utilisation of tax incentive in the form of reinvestment allowances.

(e) Earnings per share

The basic gross and net earnings per share are calculated based on the profit before and after tax respectively over the number of ordinary shares in issue during the financial years under review.

(f) Others

There were no exceptional or extraordinary items during the financial years under review being reported.

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)**7.7 STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Revaluation reserve	Retained profits	Total
			Restated	Restated
	RM '000	RM '000	RM '000	RM '000
As at 1 January 2005 as restated	1,000	-	9,099	10,099
Net profit for the financial year	-	-	2,982	2,982
Dividend	-	-	(2,000)	(2,000)
As at 31 December 2005 [^] as restated	1,000	-	10,081	11,081
As at 1 January 2006 as restated	1,000	-	10,081	11,081
Arising from revaluation of land	-	1,126	-	1,126
Net profit for the financial year	-	-	5,287	5,287
Dividend	-	-	(2,647)	(2,647)
As at 31 December 2006 [^] as restated	1,000	1,126	12,721	14,847
As at 1 January 2007 as restated	1,000	1,126	12,721	14,847
Net profit for the financial year	-	-	7,899	7,899
As at 31 December 2007	1,000	1,126	20,620	22,746
As at 1 January 2008	1,000	1,126	20,620	22,746
Net profit for the financial year	-	-	7,540	7,540
As at 31 December 2008	1,000	1,126	28,160	30,286
As at 1 January 2009	1,000	1,126	28,160	30,286
Arising from revaluation of landed properties	-	3,694	-	3,694
Net profit for the financial year	-	-	8,632	8,632
As at 31 December 2009	1,000	4,820	36,792	42,612

[^] The statements of changes in equity for the FYE 31 December 2005 and 2006 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.8 CASH FLOW STATEMENTS

	FYE 31 December				
	2005 [^]	2006 [^]	2007 [^]	2008	2009
	Restated	Restated	Restated		
	RM '000	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	3,977	7,444	9,890	9,598	11,321
Adjustments for :					
Allowance for doubtful debts - general	-	-	33	(31)	2
Allowance for doubtful debts - specific	-	-	-	-	214
Amortisation of prepaid lease payments	-	-	-	-	3
Bad debts written off	1	-	-	-	*
Depreciation of property, plant and equipment	646	875	788	863	1,112
(Gain) on disposal of property, plant and equipment	(102)	(71)	-	(25)	-
Gross dividend income	*	*	-	-	-
Interest expense	386	410	637	677	563
Interest income	(94)	(109)	(192)	(132)	(69)
Loss on disposal of quoted investment	-	2	-	-	-
Property, plant and equipment written off	7	*	9	5	3
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	4,821	8,551	11,165	10,955	13,149
Changes in working capital					
Inventories	184	1,291	(2,076)	(2,822)	9,429
Amount due from/(to) contract customers	347	(347)	-	(1,995)	(1,163)
Trade and other receivables	5,347	(4,071)	(7,162)	77	(5,291)
Trade and other payables	(6,506)	2,673	(2,522)	-3,654	(2,920)
CASH GENERATED FROM/(ABSORBED INTO) OPERATING ACTIVITIES	4,193	8,097	(595)	9,869	13,204
Interest paid	(386)	(410)	(637)	(677)	(563)
Interest received	94	109	192	132	69
Tax paid	(1,947)	(2,191)	(1,460)	(1,082)	(2,152)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,954	5,605	(2,500)	8,242	10,558

15. ACCOUNTANTS' REPORT (Cont'd)

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.8 CASH FLOW STATEMENTS (CONT'D)

	FYE 31 December				
	2005 [^]	2006 [^]	2007 [^]	2008	2009
	Restated	Restated	Restated		
	RM '000	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiary companies	-	-	(236)	(240)	-
Acquisition of jointly controlled entity	-	-	-	-	(18)
Net dividend received	*	*	-	-	-
Proceeds from disposal of property, plant and equipment	322	86	-	103	-
Purchase of property, plant and equipment	(873)	(3,549)	(2,661)	(4,564)	(2,074)
Purchase of quoted investment	(4)	-	-	-	-
Proceeds from disposal of quoted investment	-	2	-	-	-
NET CASH (USED IN) INVESTING ACTIVITIES	(555)	(3,461)	(2,897)	(4,701)	(2,092)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown from term loan	-	-	3,033	-	1,800
Dividend paid	(2,000)	-	-	(2,647)	-
Payment of listing expenses	-	-	-	-	(531)
Net (increase) in fixed deposits pledged	-	-	(1,077)	(33)	(19)
Net movement in trade bills	2,872	1,147	1,729	1,742	(7,111)
Repayment of hire purchase payables	(354)	(370)	(457)	(150)	(260)
Repayment of term loan	-	-	(23)	(545)	(1,021)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	518	777	3,205	(1,633)	(7,142)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,917	2,921	(2,192)	1,908	1,324
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	4,275	6,192	9,113	6,921	8,829
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6,192	9,113	6,921	8,829	10,153
Cash and cash equivalents comprise:					
Deposits, cash and bank balances	6,192	9,113	7,998	9,939	11,282
Less: Non-cash and cash equivalents					
Fixed deposits pledged to licensed banks	-	-	(1,077)	(1,110)	(1,129)
	6,192	9,113	6,921	8,829	10,153

* Amount less than RM1,000

[^] The cash flow statements for the FYE 31 December 2005, 2006 and 2007 have been adjusted for the retrospective effect of the change in accounting policy on the revenue recognition for its fabrication of process equipment division.

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS

8.1 PROPERTY, PLANT AND EQUIPMENT

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated RM '000	Restated RM '000	RM '000	RM '000	RM '000
Group					
Net book value					
At cost					
- Freehold land	2,104	-	-	1,422	-
- Factory buildings	2,706	4,526	5,403	7,334	84
- Furniture, fittings and office equipment	353	260	365	476	590
- Motor vehicles	957	872	624	880	595
- Plant and machinery	1,403	1,797	2,927	3,277	3,966
- Capital work-in-progress	-	-	-	-	405
At valuation					
- Freehold land	-	4,400	4,400	4,400	6,989
- Factory buildings	-	-	-	-	13,397
	<u>7,523</u>	<u>11,855</u>	<u>13,719</u>	<u>17,789</u>	<u>26,026</u>
Company					
Net book value					
At cost					
- Freehold land	2,104	-	-	1,422	-
- Factory buildings	2,706	4,526	5,403	7,334	84
- Furniture, fittings and office equipment	353	260	365	465	570
- Motor vehicles	957	872	624	730	478
- Plant and machinery	1,403	1,797	2,927	2,986	3,650
At valuation					
- Freehold land	-	4,400	4,400	4,400	5,360
- Factory buildings	-	-	-	-	13,397
	<u>7,523</u>	<u>11,855</u>	<u>13,719</u>	<u>17,337</u>	<u>23,539</u>

- (a) A leasehold building with carrying amount of RM85,778 was reclassified from investment properties to property, plant and equipment during the FYE 31 December 2009 following a change of usage to an owner-occupied property. The fair value of the leasehold building is treated as the surrogate cost thereafter.

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.1 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) The following property, plant and equipment are charged against bank borrowings (Note 8.14):

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated RM '000	Restated RM '000	RM '000	RM '000	RM '000
Group					
Net book value					
At cost					
- Capital work-in-progress	-	-	-	-	405
- Freehold land	2,104	-	-	1,422	-
- Factory buildings	2,196	4,526	5,403	7,334	-
- Plant and equipment	-	-	1,250	1,220	1,301
At valuation					
- Freehold land	-	4,400	4,400	4,400	6,989
- Factory buildings	-	-	-	-	13,397
	<u>4,300</u>	<u>8,926</u>	<u>11,053</u>	<u>14,376</u>	<u>22,092</u>
Company					
Net book value					
At cost					
- Freehold land	2,104	-	-	1,422	-
- Factory buildings	2,196	4,526	5,403	7,334	-
- Plant and equipment	-	-	1,250	1,220	1,301
At valuation					
- Freehold land	-	4,400	4,400	4,400	5,360
- Factory buildings	-	-	-	-	13,397
	<u>4,300</u>	<u>8,926</u>	<u>11,053</u>	<u>14,376</u>	<u>20,058</u>

(c) The following motor vehicles, plant and equipment are acquired under hire purchase instalment plans (Note 8.15):

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
Net book value					
Motor vehicles	798	746	450	486	268
Plant and equipment	490	884	260	445	-
	<u>1,288</u>	<u>1,630</u>	<u>710</u>	<u>931</u>	<u>268</u>

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.1 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (d) The following property, plant and equipment have been previously revalued by a registered valuer with an independent firm of professional valuers:

<u>Description</u>	<u>Date of valuation</u>	<u>Valuation method</u>	<u>Valuer</u>
Freehold land	June 2006	Cost comparative method	Mr. Jacob H.T. Lim of Raine & Horne International Zaki + Partners Sdn. Bhd
Freehold and leasehold land and factory buildings	July 2009	Cost comparative method	Mr. Siew Weng Hong of Henry Butcher Malaysia (NS) Sdn. Bhd.
Freehold land	December 2009	Cost comparative method	Mr. Hee Chee Meng of Rahim & Co. (Sel) Sdn. Bhd.

All subsequent addition to property, plant and equipment are stated at cost and deletions at cost or valuation, where applicable. Had the freehold land of the Group and the Company been carried at historical cost less accumulated depreciation and impairment loss, if any, the carrying amount of the revalued assets that would have been included in the financial statements at the end of each financial year under review would be as follows

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Net book value					
- Freehold land	3,401	3,401	3,401	3,401	6,452
- Factory buildings	-	-	-	-	7,900
	<u>3,401</u>	<u>3,401</u>	<u>3,401</u>	<u>3,401</u>	<u>14,352</u>
Company					
Net book value					
- Freehold land	3,401	3,401	3,401	3,401	4,822
- Factory buildings	-	-	-	-	7,900
	<u>3,401</u>	<u>3,401</u>	<u>3,401</u>	<u>3,401</u>	<u>12,722</u>

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.2 PREPAID LEASE PAYMENT

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
Carrying amount					
As at beginning of year	-	-	-	-	-
Add: Reclassified from investment properties	-	-	-	-	198
	-	-	-	-	198
Less: Amortisation charge for the year	-	-	-	-	(3)
As at end of year	-	-	-	-	195

The leasehold land with carrying amount of RM198,291 was reclassified from investment properties to prepaid lease payment during the FYE 31 December 2009 following a change of usage to an owner-occupied property. The carrying amount of the prepaid lease payment is treated as surrogate cost thereafter.

8.3 INVESTMENT PROPERTIES

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated RM '000	Restated RM '000	RM '000	RM '000	RM '000
Group and Company					
At Cost / Fair value					
As at beginning of year	263	384	384	384	384
Less: Reclassified to property, plant and equipment	-	-	-	-	(86)
Less: Reclassified to prepaid lease payment	-	-	-	-	(198)
	263	384	384	384	100
Less: Valuation deficit	-	-	-	-	(3)
As at end of year	263	384	384	384	97

- (a) An investment property with fair value amounting to RM284,069 has been reclassified to property, plant and equipment (building portion) and prepaid lease payment (leasehold land portion) of RM85,778 and RM198,291 respectively during the FYE 31 December 2009 following a change of usage to an owner-occupied property.

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.3 INVESTMENT PROPERTIES (CONT'D)

- (b) Investment properties were last revalued by a registered valuer with an independent firm of professional valuers in July 2009 as disclosed in Note 8.1(d).
- (c) The Directors of SEB are of the opinion that the fair value of the investment property for the financial years under review does not differ materially from its carrying amount. The details of the investment properties held by the Group and the Company as at end of 31 December 2009 are as follows:

Name of properties	:	Senawang Light Industry Estate, Negeri Sembilan
Description	:	1 unit of single storey terrace factory
Tenure of land	:	90 years lease from 1 June 1985

- (d) The property rental income earned by the Group and the Company from its investment property, all of which are leased out under operating lease, and direct operating expenses arising from the rental-earning investment property throughout the financial years under review are as follows:-

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Rental income	22	69	61	6	6
Operating expenses	(2)	(2)	(2)	(2)	*

* Amount less than RM1,000

- (e) One of the investment properties with fair value amounting to RM97,000 is charged against bank borrowings (Note 8.14) during the financial years under review.

8.4 INVESTMENT IN SUBSIDIARY COMPANIES

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Company					
Unquoted shares - at cost					
At beginning of year	-	-	-	236	476
Add : Addition	-	-	236	240	-
At end of year	-	-	236	476	476

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.4 INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

- (a) The Directors of SEB reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that the recoverable amounts of the investment in subsidiary companies are in excess of their carrying values.
- (b) The subsidiary companies, which all are incorporated in Malaysia, are as follows:

Name of subsidiaries	Principal activities	Effective interest in equity				
		2005	2006	2007	2008	2009
		%	%	%	%	%
SEISB	Supply of labour for the Group's fabrication operations	-	-	100	100	100
SEPEN	Fabrication of process equipment and metal structure	-	-	-	60	60

- (c) During the FYE 31 December 2007, the fair values of the assets acquired and liabilities assumed and the cash flow effects from the acquisition of SEISB are as follows:

	As at 31 December 2007 RM '000
Property, plant and equipment	*
Trade and other receivables	5
Deposits, cash and bank balances	254
Trade and other payables	(4)
Fair value of net assets acquired	255
Negative goodwill	(19)
Total purchase consideration	236
Satisfied by:-	
Cash	(236)
Less: Cash and cash equivalents of subsidiary company acquired	254
Net cash inflow arising on acquisition	18

* Amount less than RM1,000

Negative goodwill represents the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination. The addition of SEISB has resulted in a decrease in the Group's net profit by RM5,735 and increase in net assets by RM249,625 for FYE 31 December 2007.

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.4 INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

- (d) During the FYE 31 December 2008, SEPEN was acquired via the subscription of 240,000 ordinary shares of RM1.00 each, representing 60% of its issued and paid-up share capital for a total cash consideration of RM240,000. The addition of SEPEN has resulted in an increase in the Group's net profit by RM272,843 and increase in net assets by RM672,843 for the FYE 31 December 2008.

8.5 INVESTMENT IN JOINTLY CONTROLLED ENTITY

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Unquoted shares, at cost	-	-	-	-	18
Share of post acquisition reserves	-	-	-	-	(4)
	-	-	-	-	14
Company					
Unquoted shares, at cost	-	-	-	-	18

- (a) The Directors of SEB reviewed the Company's investment in jointly controlled entity for indication of impairment and concluded that the recoverable amount of the investment in jointly controlled entity is in excess of their carrying value.
- (b) The details of the jointly controlled entity are as follows:-

Name of jointly controlled entity	Principal activities	Effective interest in equity				
		2005	2006	2007	2008	2009
		%	%	%	%	%
ACE # (incorporated in the British Virgin Island)	Dormant	-	-	-	-	50

Not a legal requirement to be audited and therefore consolidated based on unaudited management account.

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.5 JOINTLY CONTROLLED ENTITY (CONT'D)

- (c) The Group's aggregate share of the turnover, expenses, assets and liabilities of the jointly controlled entity is as follows:-

	As at 31 December				
	2005	2006	2007	2008	2009
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Current assets	-	-	-	-	14
Current liabilities	-	-	-	-	*
Net Assets	-	-	-	-	14
Administrative expenses	-	-	-	-	(4)
Loss before tax	-	-	-	-	(4)
Taxation	-	-	-	-	-
Loss after tax	-	-	-	-	(4)

* Amount less than RM1,000

8.6 OTHER INVESTMENT

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
Quoted shares, at cost	4	-	-	-	-
Quoted shares, at market value	2	-	-	-	-

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.7 INVENTORIES

	As at 31 December				
	2005	2006	2007	2008	2009
	<u>Restated</u>				
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
At cost					
Raw materials	2,285	5,502	5,826	3,576	4,214
Consumable stores	85	118	104	172	258
Work-in-progress	8,682	4,142	5,908	10,921	853
	<u>11,052</u>	<u>9,762</u>	<u>11,838</u>	<u>14,669</u>	<u>5,325</u>
Company					
At cost					
Raw materials	2,285	5,502	5,826	3,568	4,120
Consumable stores	85	118	104	172	258
Work-in-progress	8,682	4,142	5,908	10,921	853
	<u>11,052</u>	<u>9,762</u>	<u>11,838</u>	<u>14,661</u>	<u>5,231</u>

8.8 AMOUNT DUE FROM / (TO) CONTRACT CUSTOMERS

	As at 31 December				
	2005	2006	2007	2008	2009
	<u>Restated</u>				
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Aggregate cost incurred to date	1,063	-	-	6,412	7,022
Add: Attributable profits	355	-	-	1,610	651
	<u>1,418</u>	<u>-</u>	<u>-</u>	<u>8,022</u>	<u>7,673</u>
Less: Progress billings	(1,765)	-	-	(6,027)	(4,503)
Amount due from / (to) contract customers	<u>(347)</u>	<u>-</u>	<u>-</u>	<u>1,995</u>	<u>3,170</u>
Company					
Aggregate cost incurred to date	1,063	-	-	6,412	6,759
Add: Attributable profits	355	-	-	1,610	548
	<u>1,418</u>	<u>-</u>	<u>-</u>	<u>8,022</u>	<u>7,307</u>
Less: Progress billings	(1,765)	-	-	(6,027)	(4,148)
Amount due from / (to) contract customers	<u>(347)</u>	<u>-</u>	<u>-</u>	<u>1,995</u>	<u>3,159</u>

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.9 TRADE AND OTHER RECEIVABLES

	As at 31 December				
	2005	2006	2007	2008	2009
	<u>Restated</u>	<u>Restated</u>			
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Trade Receivables					
Other trade receivables	4,282	8,346	16,566	14,306	22,474
Less : Allowance for doubtful debts					
- general	-	-	(33)	(2)	(4)
- specific	-	-	-	-	(214)
	<u>4,282</u>	<u>8,346</u>	<u>16,533</u>	<u>14,304</u>	<u>22,256</u>
Other Receivables					
Amount due from a related company	-	-	-	2,744	-
Deposits	28	28	174	94	80
Prepayments	1,804	1,877	668	149	99
Sundry receivables	168	454	39	51	650
	<u>2,000</u>	<u>2,359</u>	<u>881</u>	<u>3,038</u>	<u>829</u>
	<u>6,282</u>	<u>10,705</u>	<u>17,414</u>	<u>17,342</u>	<u>23,085</u>
Company					
Trade Receivables					
Amount due from a subsidiary company	-	-	-	3	-
Other trade receivables	4,282	8,346	16,561	13,717	21,778
Less : Allowance for doubtful debts					
- general	-	-	(33)	(2)	(4)
- specific	-	-	-	-	(214)
	<u>4,282</u>	<u>8,346</u>	<u>16,528</u>	<u>13,718</u>	<u>21,560</u>
Other Receivables					
Amount due from a subsidiary company	-	-	3	87	84
Amount due from a related company	-	-	-	2,744	-
Deposits	28	28	174	94	64
Prepayments	1,804	1,877	665	146	99
Sundry receivables	168	454	39	51	636
	<u>2,000</u>	<u>2,359</u>	<u>881</u>	<u>3,122</u>	<u>883</u>
	<u>6,282</u>	<u>10,705</u>	<u>17,409</u>	<u>16,840</u>	<u>22,443</u>

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.9 TRADE AND OTHER RECEIVABLES (CONT'D)

- (a) The Group's trade receivables are non-interest bearing and are generally on credit terms ranging from 7 to 60 days whilst credit terms in respect of retention sums are generally up to 180 days. Other credit terms are assessed and approved on a case-by-case basis.
- (b) The amounts due from a subsidiary company included in other receivables are unsecured, interest free and repayable on demand.
- (c) The amount due from a related company included in other receivables is unsecured, interest bearing from 3.5% to 4% per annum and repayable on demand. The amount was fully recovered by June 2009.
- (d) The foreign currency exposure profile for trade receivables as at financial years end are as follows:-

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
EURO	-	-	147	-	-
USD	46	-	6	22	16
	46	-	153	22	16

- (e) The significant concentrations of credit risk that may arise from exposures to single receivable or to groups of receivables are as follows:-

	As at 31 December				
	2005	2006	2007	2008	2009
Group and Company					
No. of customers	3	3	2	3	2
% of total trade receivables	64%	76%	76%	67%	71%

The maximum exposure to credit risk for the Group is represented by the carrying amount of the receivables presented in the balance sheet.

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.10 DEPOSITS, CASH AND BANK BALANCES

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated	Restated			
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Cash and bank balances	1,179	1,569	5,871	9,629	10,534
Fixed deposits placed with licensed banks	5,013	7,544	2,377	1,110	1,129
	6,192	9,113	8,248	10,739	11,663
Company					
Cash and bank balances	1,179	1,569	5,621	8,829	10,153
Fixed deposits placed with licensed banks	5,013	7,544	2,377	1,110	1,129
	6,192	9,113	7,998	9,939	11,282
Group and Company					
(a) Fixed deposits pledged to licensed banks for banking facilities (Note 8.14)	-	-	1,077	1,110	1,129
(b) Effective interest rates of deposit placed with licensed bank (per annum)	2.8% - 3.0%	3.1%	3.1%-3.4%	2.8%-3.1%	1.5%-2.2%
(c) Maturity period of deposit placed with licensed bank as at end of financial year (days)	25 - 35	16 - 46	7 - 30	30	30

8.11 SHARE CAPITAL

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
Ordinary shares of RM1.00 / RM0.50 each					
Authorised					
Balance at beginning of year	3,000	3,000	3,000	3,000	3,000
Created during the year	-	-	-	-	47,000
Balance at end of year	3,000	3,000	3,000	3,000	50,000

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.11 SHARE CAPITAL (CONT'D)

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
Ordinary shares of RM1.00 / RM0.50 each					
Issued and paid-up share capital					
Balance at beginning of year	1,000	1,000	1,000	1,000	1,000
Balance at end of year	1,000	1,000	1,000	1,000	1,000
Represented by no. of shares (in thousands)					
Authorised					
Balance at beginning of year	3,000	3,000	3,000	3,000	3,000
Arising from share split *	-	-	-	-	3,000
Created during the year	-	-	-	-	94,000
Balance at end of year	3,000	3,000	3,000	3,000	100,000
Issued and paid-up share capital					
Balance at beginning of year	1,000	1,000	1,000	1,000	1,000
Arising from share split *	-	-	-	-	1,000
Balance at end of year	1,000	1,000	1,000	1,000	2,000

* On 30 July 2009, every one existing ordinary shares of RM1.00 each in the Company was subdivided into two ordinary shares of RM0.50 each in the Company.

8.12 REVALUATION RESERVES

Group and Company

Revaluation reserves represent non-distributable surplus arising from the revaluation of freehold land, factory buildings and investment properties.

15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**8.13 RETAINED PROFITS****Company**

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the balance under Section 108 of the Income Tax Act, 1967 ("108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007.

As at 31 December 2009, the Company has sufficient tax credit to distribute the retained earnings up to approximately RM32.0 million as dividends.

As at 31 December 2009, the Company has balance in the tax-exempt accounts available to be utilised for the distribution of reserves as tax-exempt dividend amounting to approximately RM6.8 million, subject to the agreement of the Inland Revenue Board.

8.14 BANK BORROWINGS

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Current					
- Bank overdraft	-	-	-	-	269
- Term loans	-	-	637	810	1,260
- Trade bills	8,177	9,324	11,053	12,795	5,837
	8,177	9,324	11,690	13,605	7,366
Non-current					
- Term loans	-	-	2,373	1,654	3,033
	8,177	9,324	14,063	15,259	10,399

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.14 BANK BORROWINGS (CONT'D)

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Company					
Current					
- Term loans	-	-	637	810	1,224
- Trade bills	8,177	9,324	11,053	12,795	5,684
	8,177	9,324	11,690	13,605	6,908
Non-current					
- Term loans	-	-	2,373	1,654	2,020
	8,177	9,324	14,063	15,259	8,928

(a) The bank borrowings are secured against:-

- (i) Charge over the Group's and Company's freehold land, factory buildings, plant and machinery, and capital work-in-progress. (Note 8.1);
- (ii) Charge over the Company's investment properties (Note 8.3);
- (iii) Certain fixed deposits of the Company with licensed banks (Note 8.10);
- (iv) Corporate guarantee provided by Success Transformer Corporation Berhad, the immediate holding company; and
- (v) Joint and several guarantees by certain directors.

(b) The effective interest rates (per annum) for borrowings are as follow:-

	As at 31 December				
	2005	2006	2007	2008	2009
	%	%	%	%	%
Bank overdraft	7.75	7.5 - 8.5	7.5 - 8.5	7.5 - 8.5	6.1 - 7.3
Revolving credit	-	-	-	-	4.8
Term loan	-	-	3.8 - 7.3	3.8 - 7.3	3.8 - 6.1
Trade bills	2.9% - 3.8%	3.7 - 4.1	3.5 - 4.8	3.5 - 4.9	3.1 - 4.5

15. ACCOUNTANTS' REPORT (Cont'd)

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.14 BANK BORROWINGS (CONT'D)

- (c) The term loans are repayable by 36 to 240 equal monthly instalments. As at the end of financial year, they are repayable as follows:

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Current					
Not later than one year	-	-	637	810	1,260
Non-current					
Later than one year and not later than two years	-	-	757	675	928
Later than two years and not later than five years	-	-	1,616	979	1,252
Later than five years	-	-	-	-	853
	-	-	2,373	1,654	3,033
	-	-	3,010	2,464	4,293
Company					
Current					
Not later than one year	-	-	637	810	1,224
Non-current					
Later than one year and not later than two years	-	-	757	675	890
Later than two years and not later than five years	-	-	1,616	979	1,130
	-	-	2,373	1,654	2,020
	-	-	3,010	2,464	3,244

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.15 HIRE PURCHASE AND LEASE PAYABLES

As at the end of each financial year, the outstanding hire purchase and lease obligations are repayable as follows:

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
Minimum hire purchase payments:					
Not later than one year	313	511	366	269	92
Later than one year but not later than two years	270	372	205	81	63
Later than two years and not later than five years	195	214	15	78	51
	778	1,097	586	428	206
Less : Unexpired term charges	(61)	(82)	(28)	(21)	(14)
	717	1,015	558	407	192
Principal amounts outstanding:					
Current portion	277	460	214	256	84
Non-current portion	440	555	344	151	108
	717	1,015	558	407	192
Effective interest rates per annum (%)	4.3 - 8.0	4.3 - 8.0	4.3 - 8.0	4.3 - 8.0	4.3 - 8.0

8.16 DEFERRED TAX (ASSET) / LIABILITY

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated RM '000	Restated RM '000	RM '000	RM '000	RM '000
Group					
As at beginning of year	405	326	342	448	708
Recognised in income statement	(79)	16	106	260	127
Recognised in equity	-	-	-	-	1,415
As at end of year	326	342	448	708	2,250
Presented after appropriate offsetting as follows:					
Deferred tax assets	-	-	(9)	(1)	(1)
Deferred tax liabilities	326	342	457	709	2,251
	326	342	448	708	2,250

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**8.16 DEFERRED TAX (ASSET) / LIABILITY (CONT'D)**

	As at 31 December				
	2005	2006	2007	2008	2009
	<u>Restated</u> RM '000	<u>Restated</u> RM '000	RM '000	RM '000	RM '000
Company					
As at beginning of year	405	326	342	448	679
Recognised in income statement	(79)	16	106	231	113
Recognised in equity	-	-	-	-	1,415
As at end of year	<u>326</u>	<u>342</u>	<u>448</u>	<u>679</u>	<u>2,207</u>
Presented after appropriate offsetting as follows:					
Deferred tax assets	-	-	(9)	(1)	(1)
Deferred tax liabilities	<u>326</u>	<u>342</u>	<u>457</u>	<u>680</u>	<u>2,208</u>
	<u>326</u>	<u>342</u>	<u>448</u>	<u>679</u>	<u>2,207</u>

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority.

The components and movements in deferred tax (assets)/liabilities during the financial year prior to offsetting are as follows:

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Group					
Deferred tax assets					
- Allowance for doubtful debts	-	-	(9)	(1)	(1)
Deferred tax liabilities					
- Accelerated capital allowance	326	342	457	709	836
- Revaluation surplus arising from:					
- property, plant and equipment	-	-	-	-	1,393
- prepaid lease payments	-	-	-	-	22
	<u>326</u>	<u>342</u>	<u>457</u>	<u>709</u>	<u>2,251</u>

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8.16 DEFERRED TAX (ASSET) / LIABILITY (CONT'D)

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
Company					
Deferred tax assets					
- Allowance for doubtful debts	-	-	(9)	(1)	(1)
Deferred tax liabilities					
- Accelerated capital allowance	326	342	457	680	793
- Revaluation surplus arising from:					
- property, plant and equipment	-	-	-	-	1,393
- prepaid lease payments	-	-	-	-	22
	326	342	457	680	2,208

8.17 TRADE AND OTHER PAYABLES

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated RM '000	Restated RM '000	RM '000	RM '000	RM '000
Group					
Trade Payables	4,486	10,309	6,570	7,350	7,703
Other Payables					
Amount due to directors	1,712	-	-	-	-
Accruals	730	502	1,096	1,300	1,728
Dividend payables	-	2,647	2,647	-	-
Sundry payables	3,740	2,833	3,462	6,893	2,770
	6,182	5,982	7,205	8,193	4,498
	10,668	16,291	13,775	15,543	12,201

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.17 TRADE AND OTHER PAYABLES (CONT'D)

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated	Restated			
	RM '000	RM '000	RM '000	RM '000	RM '000
Company					
Trade Payables					
Amount due to a subsidiary company	-	-	-	51	151
Other trade payables	4,486	10,309	6,570	7,140	7,444
	4,486	10,309	6,570	7,191	7,595
Other Payables					
Amount due to directors	1,712	-	-	-	-
Accruals	730	502	1,090	1,270	1,566
Dividend payables	-	2,647	2,647	-	-
Sundry payables	3,740	2,833	3,462	6,316	2,692
	6,182	5,982	7,199	7,586	4,258
	10,668	16,291	13,769	14,777	11,853

- (a) The normal credit terms granted to the Group are ranging from 30 to 90 days.
- (b) Included in the Group's and the Company's sundry payables are the following amounts being advance payments from customers:-

	As at 31 December				
	2005	2006	2007	2008	2009
	Restated	Restated			
	RM '000	RM '000	RM '000	RM '000	RM '000
Group and Company					
Advance payment from customers	3,554	2,025	2,702	4,393	982

- (c) The foreign currency exposure profile of trade payables as at financial years end are as follows:

	As at 31 December				
	2005	2006	2007	2008	2009
	RM '000	RM '000	RM '000	RM '000	RM '000
SGD	416	20	182	73	-
USD	-	-	-	35	-
	416	20	182	108	-

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.18 CONTINGENT LIABILITIES

As at 31 December 2009, the Group and the Company has secured contingent liabilities in the form of bank guarantees issued to third parties and warranty for products to a customer amounting to RM512,464 and RM42,540 respectively. As at that date, the Group does not have unsecured contingent liabilities.

As at 31 December 2009, the Company has unsecured contingent liabilities in the form of corporate guarantee to financial institution for banking facilities granted to a subsidiary company amounting to RM3,773,000 of which, RM1,471,629 has been drawdown as at that date.

8.19 CAPITAL COMMITMENT

As at 31 December 2009, the Group has approved and contracted for purchase of property, plant and equipment amounting to approximately RM1.6 million but not provided for in the financial statements.

8.20 RELATED PARTY DISCLOSURE

(a) Related party relationship

An entity or individual is considered a related party of the Group for the purposes of these financial statements if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

The Company has related party relationship with its subsidiary companies; related companies; and companies in which certain directors have financial interest referred to as "Other Directors' Interest".

(b) Related party transactions

The following are aggregate value of transactions between the Group and related parties that took place during the financial year at terms that, in the opinion of the Directors of SEB, are not more favourable to the related party than those arranged with independent third parties:

	FYE 31 December				
	2005	2006	2007	2008	2009
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Group					
<u>Immediate Holding Company</u>					
Success Transformer Corporation Berhad					
- Sundry loan from	-	-	-	-	1,000
- Sundry interest income from	-	-	-	-	3
<u>Related Companies</u>					
Success Electronic & Transformer Manufacturer Sdn Bhd					
- Sundry loan to	-	-	-	5,728	1,195
- Sundry interest income charged to	-	-	-	39	33

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.20 RELATED PARTY DISCLOSURE (CONT'D)

(b) Related party transactions (cont'd)

	FYE 31 December				
	2005	2006	2007	2008	2009
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Group					
<u>Related Companies</u>					
Success Transformer Marketing Sdn Bhd					
- Purchase property, plant and equipment from	-	-	10	6	15
- Purchase goods from	-	-	8	-	5
<u>Other Directors' Interests</u>					
- Maintenance and shutdown services received	-	-	-	-	4
- Sub contractor fees	-	-	-	-	2
- Supply of labour services	-	63	9	6	-
- Supply of labour services and tools	-	-	-	548	187
- Purchase property, plant and equipment	-	-	-	463	-
- Purchase of goods	-	-	-	20	-
- Rental of hostel	-	-	-	6	6
- Supply of labour services from	127	121	70	-	-
<u>Company</u>					
<u>Immediate Holding Company</u>					
Success Transformer Corporation Berhad					
- Sundry loan from	-	-	-	-	1,000
- Sundry interest income from	-	-	-	-	3
<u>Related Companies</u>					
Success Electronic & Transformer Manufacturer Sdn Bhd					
- Sundry loan to	-	-	-	5,728	1,195
- Sundry interest income charged to	-	-	-	39	33
Success Transformer Marketing Sdn Bhd					
- Purchase property, plant and equipment from	-	-	10	6	11
- Purchase goods from	-	-	8	-	5
<u>Subsidiary Companies</u>					
SEISB					
- Supply of labour services from	-	-	35	184	590

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.20 RELATED PARTY DISCLOSURE (CONT'D)

(b) Related party transactions (cont'd)

	FYE 31 December				
	2005	2006	2007	2008	2009
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Company					
Subsidiary Companies					
SEPEN					
- Supply of labour services from	-	-	-	677	3,737
- Factory rental charged to	-	-	-	-	120
Other Directors' Interests					
- Maintenance and shutdown services received	-	-	-	-	4
- Sub contractor fees	-	-	-	-	2
- Supply of labour services from	-	63	9	6	-
- Supply of labour services from	127	121	70	-	-
- Rental of hostel	-	-	-	6	6

The outstanding balances as at end of respective financial years, arising from sale/purchase of goods and services, are disclosed in Notes 8.9 and 8.17 respectively.

(c) Compensation of key management personnel

	FYE 31 December				
	2005	2006	2007	2008	2009
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Group					
Fees	-	-	-	-	125
Salary and wages	958	990	1,176	1,382	1,621
Defined contribution plans (EPF)	49	52	65	99	159
	<u>1,007</u>	<u>1,042</u>	<u>1,241</u>	<u>1,481</u>	<u>1,905</u>
Comprise amounts paid to: -					
- Directors of SEB	698	717	873	1,187	1,578
- Other key management personnel	309	325	368	294	327
	<u>1,007</u>	<u>1,042</u>	<u>1,241</u>	<u>1,481</u>	<u>1,905</u>
Company					
Fees	-	-	-	-	125
Salary and wages	958	990	1,176	1,324	1,469
Defined contribution plans (EPF)	49	52	65	95	141
	<u>1,007</u>	<u>1,042</u>	<u>1,241</u>	<u>1,419</u>	<u>1,735</u>
Comprise amounts paid to: -					
- Directors of SEB	698	717	873	1,125	1,408
- Other key management personnel	309	325	368	294	327
	<u>1,007</u>	<u>1,042</u>	<u>1,241</u>	<u>1,419</u>	<u>1,735</u>

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**8.21 FINANCIAL INSTRUMENTS****(a) Financial risk management**

The operations of the Group is subject to various financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk, in connection with its use or holding of financial instruments. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on its financial performance.

(i) Foreign currency risk

The Group operates principally in Malaysia but is exposed to various currencies, mainly USD, SGD and EURO arising from its imports and exports. Foreign currency denominated assets and liabilities together with expected cash flows from highly probably purchases and sales give rise to foreign exchange exposures. The Group has a nature hedge to the extent that payments for foreign currency payables will be matched against receivables denominated in the same foreign currency or whenever possible, by intra group arrangements and settlements. As at year end, the Group does not have any derivative financial instruments used to hedge foreign currency risk.

(ii) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts obtained from the financial institutions in Malaysia. It has no substantial long term interest-bearing assets as at end of those financial years under review. The investments in financial assets, i.e. deposits placed with licensed banks, are short term in nature and are not held for speculative purposes. The Group does not hedge interest rate risk but ensures that it obtains borrowings at competitive interest rates under the most favourable term and conditions.

(iii) Credit risk

The credit risk with respect to trade and other receivables are managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customer's financial condition and credit history.

The Group's normal credit term ranges from 7 to 60 days whilst credit terms for retention sums are generally up to 180 days. Any other credit terms are assessed and approved on a case-by-case basis depending on the length of trading relationship, the volume of trade and other management considerations. Notwithstanding the credit terms granted to customers, it is the industry norm to begin counting the credit period from the first day of the immediate following month after sales transactions occurred, i.e. invoicing date.

(iv) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**8.21 FINANCIAL INSTRUMENTS (CONT'D)****(b) Fair values**

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

- (i) The carrying amounts of cash and cash equivalents, receivables, payables and trade bills are considered to approximate their carrying amounts as they are either payable on demand or within the normal credit term or they have short maturity.
- (ii) The fair value of hire purchase and lease payables approximates its carrying amount as the Group does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be required for settlement.
- (iii) The fair value of term loan approximates its carrying amount as the interest rate is on floating rate basis.

The fair values of financial assets and liabilities of the Group approximate their carrying amounts as at end of financial year except that it is not practicable to estimate reliably the fair value of contingent liabilities due to uncertainty of timing, cost and eventual outcome.

9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS**9.1 ADOPTION OF NEW AND REVISED FRS AND THE INTERPRETATIONS**

Since 1 January 2007, SEB has adopted the FRS and the interpretations (collectively "FRSs") issued by the MASB that are relevant to the operations of SEB. They are as follows:

FRS 3	Business Combination
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 107	Cash Flow Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 112	Income Taxes
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 123	Borrowing Costs
FRS 124	Related Party Transactions
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 136	Impairment of Assets
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 140	Investment Property

The adoptions of the above FRSs do not have significant financial impact on the Group other than the following:-

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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)**9.1 ADOPTION OF NEW AND REVISED FRS AND THE INTERPRETATIONS (CONT'D)****(a) FRS 3: Business Combinations**

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingents liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in income statement.

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation on the balance sheet, income statement and statement of changes in equity. The presentation of the Group and Company financial statements is based on the requirements of FRS 101, with the comparatives restated to conform with the presentation.

(c) FRS 140: Investment Property

The adoption of this new FRS has resulted in a change in accounting policy for investment property. Investment property is now stated at fair value, representing open-market value determined by external valuers. Gains or losses arising from changes in the fair values of investment property are recognised in income statement in the period in which they arise.

Revaluation was carried out at least once every five years and any revaluation increase is taken to equity as a valuation surplus. The investment property was last revalued in 2006. In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively. Instead, the changes have been accounted for by restating the opening balances in the balance sheet as at 1 January 2005.

9.2 CHANGES IN ACCOUNTING POLICIES OVER REVENUE RECOGNITION

SEB had on 1 January 2008 changed its revenue recognition policy for its process equipment fabrication division from "delivery and acceptance basis" to a combination of "percentage of completion method" and "delivery and acceptance basis".

The "percentage of completion method" shall be applicable for projects supported by contracts, and/or where specific progress claims can be clearly identified against the stage of completion of contracts or where there is continuous transfer of control and risks and rewards of ownership. When these characteristics cannot be identified, "delivery and acceptance basis" shall be adopted.

The change in the accounting policy was made to allow better reflection and consistency of the periodic performance of process equipment fabrication division in line with the industry norms and common practices.

For the purpose of this report, the effect of the changes in accounting policies over revenue recognition have been adjusted retrospectively in the comparative figures for the financial years under review as if the accounting policies have been effected since 1 January 2005.

The comparison in the revenue recognition policy between the audited financial statements as previously reported; and the audited financial statements as restated, where applicable of SEB for the past five (5) FYE 31 December 2005 to 31 December 2009 are tabulated below:

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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.2 CHANGES IN ACCOUNTING POLICIES OVER REVENUE RECOGNITION (CONT'D)

FYE 31 December	Revenue recognition policy for the audited financial statements (as previously reported)	Revenue recognition policy for the audited financial statements (as restated, where applicable)
2005	Percentage of completion method ("POC") *	POC and D&A
2006	Delivery and acceptance basis ("D&A") *	POC and D&A
2007	D&A	POC and D&A
2008	POC and D&A	POC and D&A
2009	POC and D&A	POC and D&A

* During the FYE 31 December 2006, the revenue recognition policy was changed from POC to D&A. The changes were made by the management of SEB because in their opinion, the jobs undertaken by SEB were short-term in nature with no progressive billing characteristic.

9.3 EFFECTS OF THE CHANGES

The effects of the changes on the summarised results, balance sheets and cash flow statements of SEB for the FYE 31 December 2005 and 2006; and the results and cash flow statements of SEB and SEB Group for the FYE 31 December 2007, are summarised as follows:-

(a) FYE 31 December 2005

Company	As previously reported	Effect of change in revenue recognition policy	As restated
	RM '000	RM '000	RM '000
(i) Income statement			
Revenue	33,874	830	34,704
Gross profit	6,716	(179)	6,537
Other income	128	-	128
EBITDA	5,094	(179)	4,915
Depreciation	(646)	-	(646)
Interest expense	(386)	-	(386)
Interest income	94	-	94
Profit before tax	4,156	(179)	3,977
Tax expense	(646)	(349)	(995)
Net profit for the financial year	3,510	(528)	2,982
No. of ordinary shares in issue ('000)	2,000		2,000
GP margin (%)	19.8%		18.8%
PBT margin (%)	12.3%		11.5%
PAT margin (%)	10.4%		8.6%
Effective tax rate (%)	15.5%		25.0%
Gross EPS (RM)	2.1		2.0
Net EPS (RM)	1.8		1.5

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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(a) FYE 31 December 2005 (cont'd)

Company	As		Effect of		As restated
	previously reported	Effect of FRS 101	Effect of FRS 140	change in revenue recognition policy	
	RM '000	RM '000	RM '000	RM '000	RM '000
(ii) Balance sheet					
ASSETS					
Non-Current Assets					
Property, plant and equipment	7,786	-	(263)	-	7,523
Investment properties	-	-	263	-	263
Other investment	4	-	-	-	4
	<u>7,790</u>	-	-	-	<u>7,790</u>
Current Assets					
Inventories	2,370	-	-	8,682	11,052
Amount due from contract customers	7,123	-	-	(7,123)	-
Trade receivables	4,282	(4,282)	-	-	-
Other receivables, deposits and prepayments	348	(348)	-	-	-
Tax recoverable	1,117	(1,117)	-	-	-
Trade and other receivables	-	5,747	-	535	6,282
Fixed deposits with licensed banks	5,013	(5,013)	-	-	-
Cash and bank balances	1,179	(1,179)	-	-	-
Deposit, cash and bank balances	-	6,192	-	-	6,192
	<u>21,432</u>	-	-	2,094	<u>23,526</u>
TOTAL ASSETS	<u>29,222</u>	-	-	2,094	<u>31,316</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Parent					
Share capital	1,000	-	-	-	1,000
Retained profits	11,844	-	-	(1,763)	10,081
TOTAL EQUITY	<u>12,844</u>	-	-	(1,763)	<u>11,081</u>
Non-Current Liabilities					
Hire purchase and lease payables	440	-	-	-	440
Deferred tax liability	370	-	-	(44)	326
	<u>810</u>	-	-	(44)	<u>766</u>

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(a) FYE 31 December 2005 (cont'd)

	As previously reported	Effect of FRS 101	Effect of FRS 140	Effect of change in revenue recognition policy	As restated
	RM '000	RM '000	RM '000	RM '000	RM '000
Company					
(ii) Balance sheet					
Current Liabilities					
Amount due to contract customers	-	-	-	347	347
Trade payables	4,485	(4,485)	-	-	-
Other payables deposits and accruals	917	(917)	-	-	-
Amount owing to directors	1,712	(1,712)	-	-	-
Trade and other payables	-	7,114	-	3,554	10,668
Bank borrowings	8,177	-	-	-	8,177
Hire purchase and lease payables	277	-	-	-	277
	15,568	-	-	3,901	19,469
TOTAL LIABILITIES	16,378	-	-	3,857	20,235
TOTAL EQUITY AND LIABILITIES	29,222	-	-	2,094	31,316
<i>NA per ordinary share (RM)</i>	12.8				11.1

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(a) FYE 31 December 2005 (cont'd)

	As previously reported	Effect of FRS 101	Effect of change in recognition policy	As restated
	RM '000	RM '000	RM '000	RM '000
Company				
(iii) Cash flow statement				
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	4,156	-	(179)	3,977
Adjustments for :				
Bad debts written off	1	-	-	1
Depreciation of property, plant and equipment	646	-	-	646
(Gain) on disposal of property, plant and equipment	(102)	-	-	(102)
Gross dividend income	*	-	-	*
Interest expense	386	-	-	386
Interest income	(94)	-	-	(94)
Property, plant and equipment written off	7	-	-	7
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,000	-	(179)	4,821
Changes in working capital				
Inventories	(824)	-	1,008	184
Amount due from customers for contract works	(1,283)	-	1,283	-
Trade receivables	3,149	(3,149)	-	-
Other receivables, deposits and prepayments	179	(179)	-	-
Trade and other receivables	-	5,347	-	5,347
Amount due to customers for contract works	(109)	-	456	347
Trade payables	(3,969)	3,969	-	-
Other payables deposits and accruals	31	(31)	-	-
Trade and other payables	-	(3,938)	(2,568)	(6,506)
CASH GENERATED FROM OPERATING ACTIVITIES	2,174	2,019	-	4,193
Interest paid	*	(386)	-	(386)
Interest received	-	94	-	94
Tax paid	(1,947)	-	-	(1,947)
NET CASH FROM OPERATING ACTIVITIES	227	1,727	-	1,954

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(a) FYE 31 December 2005 (cont'd)

<u>Company</u>	As previously reported	Effect of FRS 101	Effect of change in recognition policy	As restated
	RM '000	RM '000	RM '000	RM '000
(iii) Cash flow statement				
CASH FLOWS FROM INVESTING ACTIVITIES				
Net dividend received	*	-	-	*
Interest received	94	(94)	-	-
Proceeds from disposal of property, plant and equipment	322	-	-	322
Purchase of property, plant and equipment	(873)	-	-	(873)
Purchase of quoted investment	(4)	-	-	(4)
NET CASH (USED IN) INVESTING ACTIVITIES	(461)	(94)	-	(555)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(2,000)	-	-	(2,000)
Interest paid	(386)	386	-	-
Repayment from directors	307	(307)	-	-
Advance from directors	1,712	(1,712)	-	-
Net movement in trade bills	2,872	-	-	2,872
Repayment of hire purchase payables	(354)	-	-	(354)
NET CASH FROM FINANCING ACTIVITIES	2,151	(1,633)	-	518
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,917	-	-	1,917
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	4,275	-	-	4,275
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6,192	-	-	6,192
Cash and cash equivalents comprise:				
Deposits, cash and bank balances	6,192	-	-	6,192

* Amount less than RM1,000

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(b) FYE 31 December 2006

Company	As	Effect of change in revenue	As	
	previously reported		Effect of FRS 101	restated
	RM '000	RM '000	RM '000	
(i) <u>Income statement</u>				
Revenue	45,334	-	8,999	54,333
Gross profit	9,867	(119)	317	10,065
Other income	170	-	-	170
EBITDA	8,303	-	317	8,620
Depreciation	(875)	-	-	(875)
Interest expense	(410)	-	-	(410)
Interest income	109	-	-	109
Profit before tax	7,127	-	317	7,444
Tax expense	(1,988)	-	(169)	(2,157)
Net profit for the financial year	5,139	-	148	5,287
No. of ordinary shares in issue ('000)	2,000			2,000
GP margin (%)	21.8%			18.5%
PBT margin (%)	15.7%			13.7%
PAT margin (%)	11.3%			9.7%
Effective tax rate (%)	27.9%			29.0%
Gross EPS (RM)	3.6			3.7
Net EPS (RM)	2.6			2.6

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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SGLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(b) FYE 31 December 2006 (cont'd)

	As		Effect of change in revenue recognition policy	As restated
	previously reported	Effect of FRS 101		
	RM '000	RM '000	RM '000	RM '000
Company				
(ii) Balance sheet				
ASSETS				
Non-Current Assets				
Property, plant and equipment	12,239	-	(384)	11,855
Investment properties	-	-	384	384
	<u>12,239</u>	<u>-</u>	<u>-</u>	<u>12,239</u>
Current Assets				
Inventories	9,762	-	-	9,762
Trade receivables	8,346	(8,346)	-	-
Other receivables, deposits and prepayments	355	(355)	-	-
Amount due from director	303	(303)	-	-
Tax recoverable	1,291	(1,291)	-	-
Trade and other receivables	-	10,295	-	10,705
Fixed deposits with licensed banks	7,544	(7,544)	-	-
Cash and bank balances	1,569	(1,569)	-	-
Deposit, cash and bank balances	-	9,113	-	9,113
	<u>29,170</u>	<u>-</u>	<u>-</u>	<u>29,580</u>
TOTAL ASSETS	41,409	-	-	41,819
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent				
Share capital	1,000	-	-	1,000
Revaluation reserves	1,126	-	-	1,126
Retained profits	14,336	-	-	(1,615)
TOTAL EQUITY	16,462	-	-	14,847
Non-Current Liabilities				
Hire purchase and lease payables	555	-	-	555
Deferred tax liability	342	-	-	342
	<u>897</u>	<u>-</u>	<u>-</u>	<u>897</u>

15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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Accountants' Report (for inclusion in the Prospectus)*



SC LIM, NG & CO.
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)**9.3 EFFECTS OF THE CHANGES (CONT'D)**

(b) FYE 31 December 2006 (cont'd)

	As previously reported	Effect of FRS 101	Effect of FRS 140	Effect of change in revenue recognition policy	As restated
	RM '000	RM '000	RM '000	RM '000	RM '000
Company					
(ii) Balance sheet					
Current Liabilities					
Trade payables	10,309	(10,309)	-	-	-
Other payables deposits and accruals	1,310	(1,310)	-	-	-
Dividend payable	2,647	(2,647)	-	-	-
Trade and other payables	-	14,266	-	2,025	16,291
Bank borrowings	9,324	-	-	-	9,324
Hire purchase and lease payables	460	-	-	-	460
	<u>24,050</u>	<u>-</u>	<u>-</u>	<u>2,025</u>	<u>26,075</u>
TOTAL LIABILITIES	<u>24,947</u>	<u>-</u>	<u>-</u>	<u>2,025</u>	<u>26,972</u>
TOTAL EQUITY AND LIABILITIES	<u>41,409</u>	<u>-</u>	<u>-</u>	<u>410</u>	<u>41,819</u>
<i>NA per ordinary share (RM)</i>	<i>16.5</i>				<i>14.8</i>

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(b) FYE 31 December 2006 (cont'd)

	As previously reported	Effect of FRS 101	Effect of change in revenue recognition policy	As restated
	RM '000	RM '000	RM '000	RM '000
Company				
(iii) Cash flow statement				
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Profit before tax	7,127	-	317	7,444
Adjustments for :				
Bad debts written off		-	-	-
Depreciation of property, plant and equipment	875	-	-	875
(Gain) on disposal of property, plant and equipment	(71)	-	-	(71)
Gross dividend income	*	-	-	*
Interest expense	410	-	-	410
Interest income	(109)	-	-	(109)
Loss on disposal of quoted investment	2	-	-	2
Property, plant and equipment written off	*	-	-	*
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	8,234	-	317	8,551
Changes in working capital				
Inventories	(269)	-	1,560	1,291
Amount due from customers for contract works		-	(347)	(347)
Trade receivables	(4,064)	4,064	-	-
Other receivables, deposits and prepayments	(7)	7	-	-
Trade and other receivables	-	(4,071)	-	(4,071)
Amount due to customers for contract works		-	-	-
Trade payables	5,823	(5,823)	-	-
Other payables deposits and accruals	393	(393)	-	-
Trade and other payables	-	4,203	(1,530)	2,673
CASH GENERATED FROM OPERATING ACTIVITIES	10,110	(2,013)	-	8,097
Interest paid	*	(410)	-	(410)
Interest received	-	109	-	109
Tax paid	(2,191)	-	-	(2,191)
NET CASH FROM OPERATING ACTIVITIES	7,919	(2,314)	-	5,605

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(b) FYE 31 December 2006 (cont'd)

	As previously reported	Effect of FRS 101	Effect of change in revenue recognition policy	As restated
	RM '000	RM '000	RM '000	RM '000
Company				
(iii) Cash flow statement				
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Net dividend received	*	-	-	*
Interest received	109	(109)	-	-
Proceeds from disposal of quoted investment	2	-	-	2
Proceeds from disposal of property, plant and equipment	86	-	-	86
Purchase of property, plant and equipment	(3,549)	-	-	(3,549)
NET CASH (USED IN) INVESTING ACTIVITIES	(3,352)	(109)	-	(3,461)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Dividend paid	-	-	-	-
Interest paid	(410)	410	-	-
Repayment from directors	(302)	302	-	-
Advance from directors	(1,711)	1,711	-	-
Net movement in trade bills	1,147	-	-	1,147
Repayment of hire purchase payables	(370)	-	-	(370)
NET CASH FROM FINANCING ACTIVITIES	(1,646)	2,423	-	777
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,921	-	-	2,921
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	6,192	-	-	6,192
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	9,113	-	-	9,113
Cash and cash equivalents comprise:				
Deposits, cash and bank balances	9,113	-	-	9,113

* Amount less than RM1,000

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(c) FYE 31 December 2007

Group	As	Effect of	Re-	As
	previously	change in	classification	restated
	reported	revenue		
	RM '000	recognition	RM '000	RM '000
		policy		
(i) Income statement				
Revenue	53,183	2,025	-	55,208
Gross profit	11,575	2,025	140	13,740
Other income	112	-	-	112
EBITDA	9,110	2,025	-	11,135
Depreciation	(788)	-	-	(788)
Interest expense	(637)	-	-	(637)
Interest income	192	-	-	192
Profit before tax	7,877	2,025	-	9,902
Tax expense	(1,580)	(410)	-	(1,990)
Net profit for the financial year	6,297	1,615	-	7,912
No. of ordinary shares in issue ('000)	2,000			2,000
GP margin (%)	21.8%			24.9%
PBT margin (%)	14.8%			17.9%
PAT margin (%)	11.8%			14.3%
Effective tax rate (%)	20.1%			20.1%
Gross EPS (RM)	3.9			5.0
Net EPS (RM)	3.1			4.0

- Reclassification of expenses was made to conform with SEB's FYE 31 December 2009 presentation.

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(c) FYE 31 December 2007 (cont'd)

<u>Group</u>	As previously reported	Effect of change in revenue recognition policy	As restated
	RM '000	RM '000	RM '000
(ii) Cash flow statement			
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax	7,877	2,025	9,902
Adjustments for :			
Allowance for doubtful debts - general	33	-	33
Depreciation of property, plant and equipment	788	-	788
Interest expense	637	-	637
Interest income	(192)	-	(192)
Negative goodwill	(19)	-	(19)
Property, plant and equipment written off	9	-	9
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	9,133	2,025	11,158
Changes in working capital			
Inventories	(2,076)	-	(2,076)
Trade and other receivables	(7,162)	-	(7,162)
Trade and other payables	(494)	(2,025)	(2,519)
CASH GENERATED FROM OPERATING ACTIVITIES	(599)	-	(599)
Interest paid	(637)	-	(637)
Interest received	192	-	192
Tax paid	(1,460)	-	(1,460)
NET CASH FROM OPERATING ACTIVITIES	(2,504)	-	(2,504)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net cash flow from acquisition of subsidiary companies	18	-	18
Purchase of property, plant and equipment	(2,661)	-	(2,661)
NET CASH (USED IN) INVESTING ACTIVITIES	(2,643)	-	(2,643)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Drawdown from term loan	3,033	-	3,033
Net (increase) in fixed deposits pledged	(1,077)	-	(1,077)
Net movement in trade bills	1,729	-	1,729
Repayment of hire purchase payables	(457)	-	(457)
Repayment of term loan	(23)	-	(23)
NET CASH FROM FINANCING ACTIVITIES	3,205	-	3,205

15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)**9.3 EFFECTS OF THE CHANGES (CONT'D)**

(c) FYE 31 December 2007 (cont'd)

<u>Group</u>	<u>As previously reported</u>	<u>Effect of change in revenue recognition policy</u>	<u>As restated</u>
	RM '000	RM '000	RM '000
(ii) Cash flow statement			
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,942)	-	(1,942)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	9,113	-	9,113
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>7,171</u>	<u>-</u>	<u>7,171</u>
Cash and cash equivalents comprise:			
Deposits, cash and bank balances	8,248	-	8,248
Less: Non-cash and cash equivalents			
Fixed deposits pledged to licensed banks	(1,077)	-	(1,077)
	<u>7,171</u>	<u>-</u>	<u>7,171</u>

(iii) The change in revenue recognition policy has no effect on the Group's balance sheet as at 31 December 2007.

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(c) FYE 31 December 2007 (cont'd)

Company	As	Effect of	Re-	As
	previously reported	change in revenue recognition policy	classification	restated
	RM '000	RM '000	RM '000	RM '000
(i) Income statement				
Revenue	53,183	2,025	-	55,208
Gross profit	11,338	2,025	176	13,539
Other income	93	-	-	93
EBITDA	9,098	2,025	-	11,123
Depreciation	(788)	-	-	(788)
Interest expense	(637)	-	-	(637)
Interest income	192	-	-	192
Profit before tax	7,865	2,025	-	9,890
Tax expense	(1,581)	(410)	-	(1,991)
Net profit for the financial year	6,284	1,615	-	7,899
No. of ordinary shares in issue ('000)	2,000			2,000
GP margin (%)	21.3%			24.5%
PBT margin (%)	14.8%			17.9%
PAT margin (%)	11.8%			14.3%
Effective tax rate (%)	20.1%			20.1%
Gross EPS (RM)	3.9			4.9
Net EPS (RM)	3.1			3.9

- Reclassification of expenses was made to conform with SEB's FYE 31 December 2009 presentation.

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)

9.3 EFFECTS OF THE CHANGES (CONT'D)

(c) FYE 31 December 2007 (cont'd)

Company	Effect of change in revenue		
	As previously reported	recognition policy	As restated
	RM '000	RM '000	RM '000
(ii) Cash flow statement			
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax	7,865	2,025	9,890
Adjustments for :			
Allowance for doubtful debts - general	33	-	33
Depreciation of property, plant and equipment	788	-	788
Interest expense	637	-	637
Interest income	(192)	-	(192)
Property, plant and equipment written off	9	-	9
OPERATING PROFIT BEFORE	9,140	2,025	11,165
WORKING CAPITAL CHANGES			
Changes in working capital			
Inventories	(2,076)	-	(2,076)
Trade and other receivables	(7,162)	-	(7,162)
Trade and other payables	(497)	(2,025)	(2,522)
CASH GENERATED FROM	(595)	-	(595)
OPERATING ACTIVITIES			
Interest paid	(637)	-	(637)
Interest received	192	-	192
Tax paid	(1,460)	-	(1,460)
NET CASH FROM OPERATING ACTIVITIES	(2,500)	-	(2,500)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of subsidiary companies	(236)	-	(236)
Purchase of property, plant and equipment	(2,661)	-	(2,661)
NET CASH (USED IN) INVESTING ACTIVITIES	(2,897)	-	(2,897)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Drawdown from term loan	3,033	-	3,033
Net (increase) in fixed deposits pledged	(1,077)	-	(1,077)
Net movement in trade bills	1,729	-	1,729
Repayment of hire purchase payables	(457)	-	(457)
Repayment of term loan	(23)	-	(23)
NET CASH FROM FINANCING ACTIVITIES	3,205	-	3,205

15. ACCOUNTANTS' REPORT (Cont'd)

*Seremban Engineering Berhad (Company No. 45332 - X)
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9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS (CONT'D)**9.3 EFFECTS OF THE CHANGES (CONT'D)**

(c) FYE 31 December 2007 (cont'd)

<u>Company</u>	<u>As previously reported</u>	<u>Effect of change in revenue recognition policy</u>	<u>As restated</u>
	RM '000	RM '000	RM '000
(ii) Cash flow statement			
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,192)	-	(2,192)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	9,113	-	9,113
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6,921	-	6,921
Cash and cash equivalents comprise:			
Deposits, cash and bank balances	7,998	-	7,998
Less: Non-cash and cash equivalents			
Fixed deposits pledged to licensed banks	(1,077)	-	(1,077)
	6,921	-	6,921

(iii) The change in revenue recognition policy has no effect on the Company's balance sheet as at 31 December 2007.

10. SUBSEQUENT EVENTS

There were no significant subsequent event between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report other than as follows:-

- (a) On 21 January 2010, a wholly-owned subsidiary of the Company, Seremban Engineering Industries Sdn. Bhd., increased its issued and paid-up share capital from RM200,002 to RM250,000 through the allotment of 49,998 new ordinary shares of RM1.00 each at par for cash. The proceeds were used as working capital. However, the increased in issued and paid-up share capital have no effect on financial position and results of the Group.
- (b) On 29 January 2010, the Securities Commission ("SC") granted conditional approval for the Proposed Flotation Exercise except for the declaration of dividend.

15. ACCOUNTANTS' REPORT (Cont'd)

Seremban Engineering Berhad (Company No. 45332 - X)
(Formerly known as Seremban Engineering Sdn. Bhd.)
Accountants' Report (for inclusion in the Prospectus)



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

10. SUBSEQUENT EVENTS (CONT'D)

- (c) On 25 February 2010, Bursa Securities had approved the admission of SEB to the Official List of Bursa Securities and the listing of and quotation for its entire enlarged issued and paid-up share capital of up to RM40,000,000 comprising 80,000,000 SEB Shares on the Main Market of Bursa Securities upon completion of the Proposed Public Issue and Proposed Offer for Sale.
- (d) On 4 March 2010, the Company made an appeal to the SC for the waiver of the condition in which the Company shall not declare any dividends prior to its listing on the Main Market of Bursa Malaysia. SC had on 24 March 2010 approved the waiver of that condition.
- (e) The directors of SEB proposed a final tax-exempt dividend of RM2.75 per ordinary share amounting to dividend payable of RM5,500,000 in respect of the financial year ended 31 December 2009. The dividend was approved by the shareholders at the Annual General Meeting held on the 26 March 2010 and paid on the same day.
- (f) On 31 March 2010, the issued and fully paid-up share capital of the Company was increased from RM1,000,000 to RM30,036,000 through the Bonus Issue of 58,072,000 new ordinary shares of RM0.50 each on the basis of approximately 2,904 new ordinary shares of RM0.50 each for every existing 100 ordinary shares of RM0.50 each in the Company, by way of the capitalisation of an aggregate RM28,009,000 and RM1,027,000 out of retained earnings and revaluation surplus of the Company respectively.
- (g) On 31 March 2010, the Company entered into an underwriting agreement with RHB Investment Bank Berhad and the Offeror, namely Success Transformer Corporation Berhad, for the underwriting of an aggregate of 16,737,768 ordinary shares of RM0.50 each in the Company, representing 20.92% of the total enlarged issued and paid-up share capital of the Company upon completion of the Flotation Exercise.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully

.....
SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

.....
NG KIM KIAT
No. 2074/10/10 (J)
Partner

16. VALUATION CERTIFICATES*(Prepared for inclusion in this Prospectus)*

HENRY BUTCHER MALAYSIA
International Asset Consultants

Our Ref: V/NS/A7654/09/SK

31 March 2010

The Board of Directors

SEREMBAN ENGINEERING BERHAD**(FORMERLY KNOWN AS SEREMBAN ENGINEERING SDN BHD)**

Lot 1A – 1C, Lorong Bunga Tanjung 1/3

Senawang Industrial Park

70400 Seremban

Negeri Sembilan

Dear Sirs

CERTIFICATE OF VALUATION OF A FACTORY COMPLEX LOCATED WITHIN SENAWANG INDUSTRIAL PARK HELD UNDER GRN 162853, LOT 1662, GRN 97654, LOT 32563, GRN 97653, LOT 32564 AND GRN 162852, LOT 1666, PEKAN SENAWANG, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN

This certificate has been prepared for inclusion in the Prospectus of Seremban Engineering Berhad (*formerly known as Seremban Engineering Sdn Bhd*) (“SEB”) to be dated 14 April 2010 in connection with the admission of SEB to the Official List of Bursa Malaysia Securities Berhad.

In accordance with the instructions from SEB, we have valued the abovementioned property vide our valuation report bearing Reference No.: V/NS/A7654/09/SK dated 1 September 2009 for the purpose of submission to the Securities Commission. The subject property was inspected on 22 July 2009. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. 22 July 2009.

The valuations had been carried out in accordance with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and complies with the Securities Commission’s Asset Valuation Guidelines.

The basis of valuation adopted is the Market Value which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Description of the property

Lot Nos. 1662, 32563 & 32564 bears a postal address of No. 1A - 1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan. Lot No. 1666 bears a postal address of No. 6A, Lorong Bunga Tanjung 1/2, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan.

The subject property is located within an industrial area known as Senawang Industrial Park located approximately 10 kilometres due south east of Seremban town centre.

The subject property comprises four adjoining industrial lands. The combined site is fairly regular in shape with a total frontage of about 155.529 metres onto Lorong Bunga Tanjung 1/3 and about 127.541 metres to Lorong Bunga Tanjung 1/2.

Brief particulars of the property are as follows:-

Lot Nos.	Land Area	Tenure	Land Use
1662	6,752 sq. m.	Term in perpetuity	Industrial
32563	7,392 sq. m.	Term in perpetuity	Industrial
32564	8,786 sq. m.	Term in perpetuity	Industrial
1666	10,565 sq. m.	Term in perpetuity	Industrial
Total	33,495 sq. m.		

HENRY BUTCHER MALAYSIA (NS) Sdn Bhd (553971-D)

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16. VALUATION CERTIFICATES (Cont'd)



Erected on the land is a factory complex, which comprises the following buildings:-

	<u>Parcel 1</u>	<u>Parcel 2</u>	<u>Parcel 3</u>
Lot Nos.	Lot 1662 & Lot 32563	Lot 32564	Lot 1666
Total Built-up Areas	7,214.03 sq. m.	5,030.71 sq. m.	2,378.32 sq. m.
Buildings	Three storey office block, factory 1A & 1B	Factory 3 & 4, metal storage area, canteen & training room	Factory 5 & 6
Age of building	13 years	3 years	Less than a year
Date of Certificate of Fitness Issued	9 August 2006	3 January 2008	22 December 2008

The factories are basically constructed of steel portal framework, reinforced concrete floor, supporting a steel roof structure covered with corrugated metal roofing sheets. Floor finishes are of cement screed hardcore. The three (3) storey office building is constructed of reinforced concrete framework with infill plastered brickwalls supporting metal deck / flat concrete roof.

SEB occupies all the factories except for Factory 5. It is tenanted to Sepen Engineering Sdn Bhd at a monthly rental of RM10,000/-. The tenancy period is for 1 year, commencing on 2 January 2009 and ending on 31 December 2009.

Valuation Approaches

We have adopted the "Cost Method" and "Comparison Method" in formulating our opinion of the Market Value of the subject property. As a check, we have also adopted "Investment Method"

The Cost Method involves the estimation of the reproduction or replacement cost of the property less depreciation. The land component is arrived at by the Comparison Method, comparing the subject property with similar properties that were either transacted or listed for sale within the same location or other comparable localities.

In Investment Method, the capital value is derived from an estimate of the Market Rental, which the subject property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annum rental income is capitalised at an appropriate current market yield to arrive at its indicative capital value.

Comparison and Cost Method

Our findings from the Jabatan Penilaian & Perkhidmatan Harta ("JPPH") statistic revealed that there are three transactions of industrial properties within the locality.

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16. VALUATION CERTIFICATES (Cont'd)



Workings for the subject property are as follows:-

Comparables	1	2	3
Lot No / Address	31817	PT 5181	18159
Name of scheme	Senawang Industrial Park	Senawang Industrial Park	Sri Senawang Light Industry
Type	Detached Factory	Vacant Land	Detached Factory
Land Area (sq. m.)	12,477	8,387	1,046
Consideration	RM3,750,000	RM1,503,199	RM580,000
Remarks	Factory with an office and closed factory block Height estimated about 25-30feet	Vacant Industrial Land, arm's length transaction	Smaller land & building area, better location
Transaction Date	17-Apr-06	25-Feb-08	15-Jan-09
Building Value	RM1,704,150	-	RM224,438
Land Value after depreciation	RM2,795,850	RM1,503,199	RM355,563
Land Value (psm)	RM224	RM179	RM340
Adjusted Land Value (psm) for Parcel 1	RM224.08	RM250.92	RM254.94
Remarks on Adj. Value for Parcel 1	Time factor adjusted to reflect current date.	Adjustment on size and site improvement made.	Adjustment on size and location made.
Adjusted Land Value (psm) for Parcel 2	RM235.28	RM259.88	RM271.94
Remarks on Adj. Value for Parcel 2	Time factor adjusted to reflect current date. Also on size factor.	Adjustment on site improvement made.	Adjustment on size and location made.
Adjusted Land Value (psm) for Parcel 3*	RM212.88	RM241.96	RM237.95
Remarks on Adj. Value	Time factor adjusted to reflect current date. Also on shape factor.	Adjustment on shape, size and site improvement made.	Adjustment on shape, size and location made.

We have adopted comparable 2 for calculation of market value for all the three subject lots. This is due to the fact that it is the most recent comparable located at the same area. Conversely, even though Comparable 1 is located in the subject scheme but it is relatively older sale as it has been transacted about 3 years ago. Comparable 3, albeit a good indicator of general industrial property market in Senawang area, is also not considered as the best comparable as well due to its location, which is in another industrial scheme.

Brief workings for the comparison method are as follows:-

	Parcel 1 (Lots 1662 & 32563)	Parcel 2 (Lot 32564)	Parcel 3 (Lot 1666)
Land Value	RM3,536,000	RM2,284,360	RM2,556,730
Building Value after depreciation*	RM4,488,087	RM3,943,472	RM2,061,958
Market Value	RM8,024,087	RM6,227,832	RM4,618,688

* Building cost is estimated cost new of a similar building. We also referred to the Construction Cost Handbook Malaysia 2009

Building value is derived from the built up area multiplied with the cost of the building. Building cost is derived from estimated cost new of a similar building. We have adopted rates of RM1,000/- psm for the office building and RM850/- psm for the factory structures. Depreciation rate is derived from dividing age of building with estimated building life span.

16. VALUATION CERTIFICATES (Cont'd)

**Investment Method**

We noted that there is no concluded rental in the JPPH record. However, there are few asking prices for detached factory within the locality. For the purpose of this valuation, we have adopted the following comparables.

Location	Premises	Built-up Area	Monthly Rental / Asking Rental	Term and Commencement Date / Asking Date	Remarks
Comparable 1 - 82, Persiaran Bunga Tanjung 2, Senawang Industrial Park (Source: Agent)	Factory	3,623.22	RM28,000	Asking in April 2009	Old building. Factory with office block. Closed building. Height estimated at about 15 to 20 feet.
Comparable 2 - Senawang Industrial Area (Source: Agent)	Factory	4,418.57	RM30,000	Asking in July 2009	Old building. Factory with office block. Closed building. Height estimated at about 20 feet. Leasehold

The above comparables are then deducted for negotiation of 15% from the asking rental price. Then adjustment was made for size, shape, age and type of building.

	Parcel 1 (Lots 1662 & 32563)		Parcel 2 (Lot 32564)		Parcel 3 (Lot 1666)	
	Comparable 1	Comparable 2	Comparable 1	Comparable 2	Comparable 1	Comparable 2
Adjusted Rental rate (psm)*	RM8.21	RM7.50	RM8.21	RM7.50	RM8.54	RM8.08

* Adjustment has been made for location, size, shape, age of building, negotiation on asking prices and type of building

We have adopted comparable 1 as the best comparable as it is located within the same scheme as the subject property. The rental rate per square metres is then multiplied with the built-up areas of the factories. For Parcel 3, the rental for the vacant land has been included as considering that 78% of the land is not built upon. Comparison of vacant unimproved industrial land has been made, which comes to RM1.20 psm. The parameters considered for the investment method are as follows:-

	Parcel 1 (Lots 1662 & 32563)	Parcel 2 (Lot 32564)	Parcel 3 (Lot 1666)
Outgoings*	RM77,677	RM52,173	RM34,914
Voids	5% of FRV	5% of FRV	5% of FRV
YP in perpetuity **	Yield at 7%	Yield at 7%	Yield at 7%
Market Value	RM8,500,116	RM5,732,578	RM3,981,323

* Based on actual quit rent, assessment and insurance paid. Repairs and maintenance based on 5% of FRV whilst management fee on government approved scale fee with 30% discount.

** Yield adopted is based on analysis of similar properties within the locality, derived from dividing annual rental with market price.

In this valuation, we have adopted figures derived from **Comparison Method** and not **Investment Method**.

Investment Method involves the conversion of an income flow from property into an appropriate capital sum. The assessment of a rental value is therefore an important process and a reasonably accurate estimate is therefore vital. The lack of concluded rental evidences have resulted us to depend on asking prices to arrive at the notional income flow. Hence, reducing the accuracy of the **Investment Method** as compared to the **Comparison Method** in terms of the value in this exercise.

16. VALUATION CERTIFICATES (Cont'd)



From the above analysis, it is our considered opinion that the current **Market Value (MV)** of the unencumbered interest in the subject property with the benefit of vacant possession is as follows:-

- Lot 1662 & Lot 32563 – RM8,020,000/- (Ringgit Malaysia: Eight Million and Twenty Thousand Only).
- Lot 32564 – RM6,230,000/- (Ringgit Malaysia: Six Million, Two Hundred and Thirty Thousand Only).
- Lot 1666 – RM4,620,000/- (Ringgit Malaysia: Four Million, Six Hundred and Twenty Thousand Only).

Yours faithfully,

HENRY BUTCHER MALAYSIA (NS) SDN BHD


SIEW WENG HONG

Designation: Director

Registered Number: V-505

16. VALUATION CERTIFICATES (Cont'd)



HENRY BUTCHER MALAYSIA
International Asset Consultants

Our Ref: V/NS/A7654/09/SK

31 March 2010

The Board of Directors
SEREMBAN ENGINEERING BERHAD
(FORMERLY KNOWN AS SEREMBAN ENGINEERING SDN BHD)
Lot 1A – 1C, Lorong Bunga Tanjung 1/3
Senawang Industrial Park
70400 Seremban
Negeri Sembilan

Dear Sirs

CERTIFICATE OF VALUATION OF A CORNER LOT INDUSTRIAL PROPERTY AT NO. 170, SENAWANG LIGHT INDUSTRIAL ESTATE, 71450 SEREMBAN, NEGERI SEMBILAN HELD UNDER TITLE NO. PM 210, LOT 10383, MUKIM RANTAU, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN

This certificate has been prepared for inclusion in the Prospectus of Seremban Engineering Berhad (formerly known as Seremban Engineering Sdn Bhd) ("SEB") to be dated 14 April 2010 in connection with the admission of SEB to the Official List of Bursa Malaysia Securities Berhad.

In accordance with the instructions from SEB, we have valued the abovementioned property vide our valuation report bearing Reference No.: V/NS/A7654/09/SK dated 1 September 2009 for the purpose of submission to the Securities Commission. The subject property was inspected on 22 July 2009. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. 22 July 2009.

The valuations had been carried out in accordance with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and complies with the Securities Commission's Asset Valuation Guidelines.

The basis of valuation adopted is the Market Value which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Description of the property

The subject property is a corner lot industrial property bearing a postal address of No. 170, Senawang Light Industrial Estate, 71450 Seremban, Negeri Sembilan. Senawang Light Industrial Estate is located approximately 8 kilometres due south east of Seremban town centre.

Private search at State Registry of Land Titles revealed that the land is held under 90 years lease expiring on 1 June 2075 and is registered under SEB.

The subject site is near triangular in shape measuring approximately 901 sq. m with a direct frontage of approximately 55.628 metres, a splay frontage of approximately 2.597 metres and a back lane frontage of approximately 48.477 metres.

The original building was burnt down about 6 years ago and an open sided structure has been built on the site. At the date of valuation, an application has been made to the local authority for its approval. In view that the structure has yet to be approved on the date of valuation, the property was valued as a vacant improved industrial land. The certificate of completion and compliance (CCC) has recently been issued on 30 March 2010.

On the date of inspection, we noted that the subject property was vacant and unoccupied.

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16. VALUATION CERTIFICATES (Cont'd)

**Valuation Approaches**

We have adopted the “Cost Method” and “Comparison Method” in formulating our opinion of the Market Value of the subject property. As a check, we have also adopted “Investment Method”.

The Cost Method involves the estimation of the reproduction or replacement cost of the property less depreciation. The land component is arrived at by the Comparison Method, comparing the subject property with similar properties that were either transacted or listed for sale within the same location or other comparable localities.

In Investment Method, the capital value is derived from an estimate of the Market Rental, which the subject property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annum rental income is capitalised at an appropriate current market yield to arrive at its indicative capital value.

Comparison Method

Based on the statistic from Jabatan Penilaian & Perkhidmatan Harta (“JPPH”) the following comparables are adopted.

Comparables	1	2	3	4	5
Lot Nos.	10276	10461	10457	10315	10386
Type	Single storey terraced factory	One and a half storey terraced factory	One and a half storey terraced factory	Single storey terraced factory	One and a half storey terraced factory
Land Area (sq. m.)	164	164	164	164	164
Consideration	RM100,000	RM118,000	RM120,000	RM100,000	RM110,000
Remarks	Standard, end lot	Standard, intermediate	Standard, intermediate	Standard, end lot	Standard, intermediate
Date	3-Apr-08	31-May-07	21-Jan-07	17-Nov-06	26-Jul-06
Building value after depreciation	RM34,949	RM58,249	RM58,249	RM34,949	RM58,249
Land value after depreciation	RM65,051	RM59,751	RM61,751	RM65,051	RM51,751
Land value (psm)	RM397	RM364	RM377	RM397	RM316
Adjusted Land Value (psm)*	RM257.82	RM255.03	RM263.57	RM257.82	RM220.89
Remarks on Adj. Value	Adjustment made on size, shape, end / corner lot factor.	Adjustment made on size, shape, end / corner lot factor.	Adjustment made on size, shape, end / corner lot factor.	Adjustment made on size, shape, end / corner lot factor.	Adjustment made on size, shape, end / corner lot factor.

We have adopted comparable 1 as the best comparable and have the land value of RM258/- psm as it is the latest transaction within the subject scheme and similar in term of number of storey.

The market value is therefore RM232,000/-.

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16. VALUATION CERTIFICATES (Cont'd)

**Investment Method**

We noted that there is no concluded rental in the JPPH record for vacant industrial land. However, there are a few asking prices for vacant industrial land within Negeri Sembilan. For the purpose of this valuation, we have adopted the following comparables: -

	Comparable 1	Comparable 2
Location	Oakland Industrial Park	Arab Malaysian Industrial Park
Premises	Vacant Industrial Land	Vacant Industrial Land
Built-up Area (sq. m.)	4,645.16	8,093.72
Monthly Rental / Asking Rental	RM5,000	RM8,700
Term and Commencement Date / Asking Date	Asking in June 2009	Asking in May 2009
Remarks	Vacant Land. Unimproved. Bigger size.	Vacant Land. Unimproved. Bigger size.
Monthly Rental (psm)	RM1.08	RM1.07
Adjusted Rental rate (psm)	RM1.37	RM1.60

**Adjustment has been made for location, size, site improvement, shape and negotiation.*

We have adopted comparable 1 as the best comparable as it is nearest and need less adjustment as compared to comparable 2. The parameters considered in the investment method are as follows:-

Outgoings*	RM2,382.00
Voids	5% of FRV
YP in perpetuity**	Yield at 6.20%
Market Value	RM184,950
Market Value say	RM185,000

** Based on actual quit rent and assessment paid. Management fee is based on government approved scale fee with 30% discount.*

*** Yield adopted is based on analysis of similar properties within the locality, derived from dividing annual rental with market price.*

In this valuation, we have adopted figures derived from **Comparison Method** and not **Investment Method**.

Investment Method involves the conversion of an income flow from property into an appropriate capital sum. The assessment of a rental value is therefore an important process and a reasonably accurate estimate is therefore vital. The lack of concluded rental evidences have resulted us to depend on asking prices to arrive at the notional income flow. Hence, reducing the accuracy of the **Investment Method** as compared to the **Comparison Method** in terms of the value in this exercise.

From the above analysis, it is our considered opinion that the current **Market Value** of the unencumbered interest in the subject property with the benefit of vacant possession is **RM232,000/- (Ringgit Malaysia: Two Hundred Thirty Two Thousand Only)**.

Yours faithfully,

HENRY BUTCHER MALAYSIA (NS) SDN BHD

SIEW WENG HONG

Designation: Director

Registered Number: V-505

16. VALUATION CERTIFICATES (Cont'd)



HENRY BUTCHER MALAYSIA
International Asset Consultants

Our Ref: V/NS/A7654/09/SK

31 March 2010

The Board of Directors
SEREMBAN ENGINEERING BERHAD
(FORMERLY KNOWN AS SEREMBAN ENGINEERING SDN BHD)
Lot 1A – 1C, Lorong Bunga Tanjung 1/3
Senawang Industrial Park
70400 Seremban
Negeri Sembilan

Dear Sirs

CERTIFICATE OF VALUATION OF AN INTERMEDIATE SINGLE STOREY TERRACED FACTORY AT NO. 95, SENAWANG LIGHT INDUSTRIAL ESTATE, 71450 SEREMBAN, NEGERI SEMBILAN HELD UNDER TITLE NO. PM 129, LOT 10308, PEKAN SUNGAI GADUT, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN

This certificate has been prepared for inclusion in the Prospectus of Seremban Engineering Berhad (formerly known as Seremban Engineering Sdn Bhd) ("SEB") to be dated 14 April 2010 in connection with the admission of SEB to the Official List of Bursa Malaysia Securities Berhad.

In accordance with the instructions from SEB, we have valued the abovementioned property vide our valuation report bearing Reference No.: V/NS/A7654/09/SK dated 1 September 2009 for the purpose of submission to the Securities Commission. The subject property was inspected on 22 July 2009. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. 22 July 2009.

The valuations had been carried out in accordance with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and complies with the Securities Commission's Asset Valuation Guidelines.

The basis of valuation adopted is the Market Value which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Description of the property

The subject property is an intermediate terraced factory located within Senawang Light Industrial Estate, which is approximately 8 kilometres due south east of Seremban town centre.

Private search at State Registry of Land Titles revealed that the land is held under 90 years lease expiring on 1 June 2075 and is registered under SEB.

The subject site is measured approximately 164 sq. m with a direct frontage of approximately 6.706 metres and a depth of approximately 24.384 metres.

The factory is basically constructed of reinforced concrete framework, plastered infill walls, supporting a steel roof structure covered with corrugated metal roofing sheets. Floor finishes are of cement rendered and ceramic tiles. The building is approximately 17 years old. The front portion has been extended to accommodate a terrace area. However, this extension does not conform to the local authority guidelines hence we have excluded this portion from your valuation.

The subject property is tenanted at a monthly rental of RM500/-. The tenancy period is for 2 years, commencing on 1 June 2009 and ending on 31 May 2011. The subject property has been issued with a Certificate of Fitness for Occupation on 14 October 1992.

HENRY BUTCHER MALAYSIA (NS) Sdn Bhd (553971-D)
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16. VALUATION CERTIFICATES (Cont'd)

**Valuation Approaches**

We have adopted the “Cost Method” and “Comparison Method” in formulating our opinion of the Market Value of the subject property. As a check, we have also adopted “Investment Method”.

The Cost Method involves the estimation of the reproduction or replacement cost of the property less depreciation. The land component is arrived at by the Comparison Method, comparing the subject property with similar properties that were either transacted or listed for sale within the same location or other comparable localities.

In Investment Method, the capital value is derived from an estimate of the Market Rental, which the subject property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annum rental income is capitalised at an appropriate current market yield to arrive at its indicative capital value.

Comparison Method

Based on the statistic from Jabatan Penilaian & Perkhidmatan Harta (“JPPH”) the following comparables are adopted.

Comparables	1	2	3	4	5
Lot Nos.	10276	10461	10457	10315	10386
Type	Single storey terraced factory	One and a half storey terraced factory	One and a half storey terraced factory	Single storey terraced factory	One and a half storey terraced factory
Land Area (sq. m.)	,164	164	164	164	164
Consideration	RM100,000	RM118,000	RM120,000	RM100,000	RM110,000
Remarks	Standard, end lot	Standard, intermediate	Standard, intermediate	Standard, end lot	Standard, intermediate
Date	3-Apr-08	31-May-07	21-Jan-07	17-Nov-06	26-Jul-06
Building value after depreciation	RM34,949	RM58,249	RM58,249	RM34,949	RM58,249
Land value after depreciation	RM65,051	RM59,751	RM61,751	RM65,051	RM51,751
Land value (psm)	RM397	RM364	RM377	RM397	RM316
Adjusted Land Value (psm)*	RM376.82	RM346.12	RM357.70	RM376.82	RM299.77
Remarks on Adj. Value	Adjustment made on intermediate / end lot factor.	Adjustment made on density factor.	Adjustment made on density factor.	Adjustment made on intermediate / end lot factor.	Adjustment made on density factor.

We have adopted comparable 1 as the best comparable and have the land value of RM377/- psm as it is the latest transaction within the subject scheme and similar in term of number of storey. Brief workings for the comparison method are as follows:-

Land Value	RM61,828
Building Value* after depreciation	RM34,949
Market Value	RM96,777
Market Value say	RM97,000

* Building cost is derived from estimated cost new of a similar building and is estimated at RM600/- psm. Depreciation rate is derived from dividing age of building with estimated building life span.

16. VALUATION CERTIFICATES (Cont'd)

**Investment Method**

We noted that there are few concluded rental in the JPPH record for the terraced factory. However, there are only a few asking prices for vacant industrial land within the locality. For the purpose of this valuation, we have adopted the following comparables.

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Location	207 & 208, Senawang Light Industrial Estate	7-104, Senawang Light Industrial Estate	96, Senawang Light Industrial Estate	135, Senawang Light Industrial Estate
Premises	One and a half storey terraced factory	Single storey terraced factory	Single storey terraced factory	One and a half storey terraced factory
Built-up Area (psm)	340.64	102.19	102.19	170.32
Monthly Rental / Asking Rental	RM1,600	RM650	RM750	RM650
Term and Commencement Date / Asking Date	4-Jun-09	1-Jun-08	1-Jan-08	8-Sep-08
Remarks	Intermediate unit. Asking price	Intermediate unit.	Intermediate unit.	Intermediate unit.
Price (psm)	RM4.54	RM6.36	RM7.34	RM4.34
Adjusted Rental rate (psm)*	RM4.99	RM6.36	RM7.34	RM4.34

* Adjustment for size has been made.

We have adopted comparable 1 as the best comparable as it is nearest and has the least adjustment compare to comparable 2. The parameters considered in the investment method are as follows:-

Outgoings *	RM1,701.00
Voids	5% of FRV
YP in perpetuity **	Yield at 6.20%
Market Value	RM90,321
Market Value say	RM90,000

* Based on actual quit rent, assessment and insurance paid. Repairs and maintenance based on 5% of FRV whilst management fee on government approved scale fee with 30% discount.

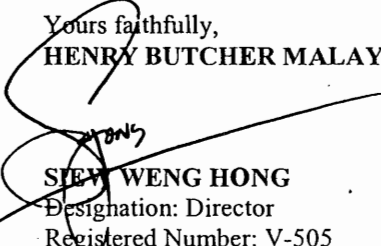
** Yield adopted is based on analysis of similar properties within the locality, derived from dividing annual rental with market price.

In this valuation, we have adopted figures derived from **Comparison Method** and not **Investment Method**.

Investment Method involves the conversion of an income flow from property into an appropriate capital sum. The assessment of a rental value is therefore an important process and a reasonably accurate estimate is therefore vital. The lack of concluded rental evidences have resulted us to depend on asking prices to arrive at the notional income flow. Hence, reducing the accuracy of the **Investment Method** as compared to the **Comparison Method** in terms of the value in this exercise.

From the above analysis, it is our considered opinion that the current **Market Value** of the unencumbered interest in the subject property with the benefit of vacant possession is **RM97,000/- (Ringgit Malaysia: Ninety Seven Thousand Only)**.

Yours faithfully,
HENRY BUTCHER MALAYSIA (NS) SDN BHD


SIEW WENG HONG
Designation: Director
Registered Number: V-505

17. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



SEREMBAN ENGINEERING BERHAD (45332-X)

(formerly known as Seremban Engineering Sdn. Bhd.)

(A wholly owned Subsidiary of Success Transformer Corporation Berhad)

(Listed in Bursa Malaysia Securities Berhad)

Lot 1A - 1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park,
70400 Seremban, Negeri Sembilan, Malaysia.

Tel: 606-6775898 (5 Lines) Fax: 606-6775162

E-mail: enquiry@sesb98.com

Registered Office:

A-11-3 (Suite 2)

Northpoint Offices

Mid Valley City

No. 1, Medan Syed Putra Utara

59200 Kuala Lumpur

1 April 2010

The Shareholders of Seremban Engineering Berhad *(formerly known as Seremban Engineering Sdn Bhd)*

Dear Sir/Madam

On behalf of the Board of Directors of Seremban Engineering Berhad *(formerly known as Seremban Engineering Sdn Bhd)* ("the Company") ("Directors"), I report after due enquiry that during the period from 31 December 2009 (being the date to which the last audited financial statements of the Company and its group of companies ("Group") have been made up to 1 April 2010 (being a date not earlier than 14 days before the date of issue of the Prospectus), that:

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Company or its Group;
- (c) the current assets of the Group appear in the books at the values, which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Company or the Group;
- (e) there have been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) save as disclosed in this Prospectus, there have been, since the last audited financial statements of the Group, no material changes in the published reserves or any unusual factors affecting the profit of the Group.

Yours faithfully,

For and on behalf of the Board of Directors of

Seremban Engineering Berhad *(formerly known as Seremban Engineering Sdn Bhd)*

Wong Choon Cheon

Non-Independent Executive Director cum Vice Chairman

18. ADDITIONAL INFORMATION

18.1 Share capital

- (a) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.
- (b) As at the date of this Prospectus, none of our capital (including our subsidiaries and jointly controlled entity) is under any options, or agreed conditionally or unconditionally to be put under any options.
- (c) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities.
- (d) Save as disclosed in Section 4 of this Prospectus, no shares or debentures of our Group have been or are proposed to be issued as partly or fully paid-up, in cash or otherwise than in cash, within the 2 years preceding the date of this Prospectus.
- (e) Save for the Issue Shares reserved for subscription by eligible Directors and employees of our Group, there is currently no other scheme involving the Directors and employees of our Group in the share capital of our Group.
- (f) As at the date of this Prospectus, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by our M&A.

18.2 Articles of Association

The following provisions are reproduced from our Articles of Association and are qualified in its entirety by the remainder of the provisions of our Articles of Association and applicable law.

The terms defined in our Articles of Association shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

(a) Transfer of securities“Article 34

The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Depository shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such deposited securities.

Article 35

Subject to the provisions of the Act, the Depositories Act and the Rules, the transfer of all or any of his shares of the Company not so deposited with the Depository (not being Deposited Securities) by any Member shall be in the manner provided in the Rules to the extent that the same is not inconsistent with these Articles.

The instrument of transfer of any share shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered into the Register and/or the Record of Depositors as the case may be in respect thereof.

18. ADDITIONAL INFORMATION (Cont'd)

Article 36

Subject to the provisions of the Act, the Depositories Act and the Rules, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole, thirty (30) days in any year. Ten (10) market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register and the reason thereof shall be given to the Exchange and published in a daily newspaper circulating in Malaysia. Such notice shall state the Books Closing Date which shall not be less than eight (8) clear market days from the date of notification to the Exchange.

Article 37

The transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest, or new securities or rights to a priority of application for issued of securities. The Company shall request the Depository in accordance with the Rules to issue a Record of Depositors as at a date not less than three (3) market days before the occurrence of the related event.

Article 38

There should be no restriction on the transfer of fully paid shares except where required by law and no share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 39

The Depository may refuse to register any transfer of deposited security that does not comply with the Depositories Act and the Rules.

Article 40

Subject to the provisions of these Articles, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.”

(b) Remuneration of Directors

“Article 105

The Directors shall be paid for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting, and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine or failing agreement, equally PROVIDED ALWAYS that:-

- (a) fees payable to Directors who hold non executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (b) salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover.
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

18. ADDITIONAL INFORMATION (Cont'd)

- (d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid by the Director nominating him, unless the Company be instructed in writing by that Director to pay any portion of his remuneration to such alternate Director out of the remuneration of the latter.

Article 106

- (1) The Directors shall be paid all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company.
- (2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors."

- (c) **Voting and borrowing powers of Directors, including voting powers in relation to proposals, arrangements or contracts in which they are interested**

"Article 108

Subject to the provisions of the Act, the management and control of the business and affairs of the Company shall be vested in the Directors who may in addition to the power and authorities by these Article or otherwise expressly conferred upon them may be exercised or done by the Company; and not hereby or by the statutes expressly directed or required to be exercised or done by the Company in general meeting but subject nevertheless to the provisions of the statutes and of these Articles and to any regulations not being inconsistent with these Articles from time to time made by the Company in general meeting PROVIDED THAT no resolution so made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been made.

Article 109

The Directors shall not, without the prior approval of the Company in general meeting:

- (a) carry into effect any proposal or execute any transaction for the acquisition of any undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's or its subsidiaries' undertaking or property;
- (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act; and
- (c) subject to Sections 132E and 132F of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a director or person, any non-cash assets of the requisite value.

18. ADDITIONAL INFORMATION (Cont'd)

Article 110

- (1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its subsidiaries, as they shall think fit.
- (2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- (3) The Directors may borrow or raise any such money as aforesaid upon or by the issue or sale of any bonds, debentures, debenture stock, or securities, and upon such terms as to time of repayment, rate of interest, price of issue or sale; payment of premium or bonus upon redemption or repayment or upon any other terms as they may think proper.
- (4) Any debenture or other security may be issued at a discount, premium or otherwise and (with the sanction of the Company in general meeting) with any special privilege as to allotment of shares, attending and voting at general meetings of the Company, appointment of Directors or otherwise.

Article 111

The Directors may establish and maintain or participate in or contribute to any contributory or non-contributory pension provident or superannuation fund or life insurance scheme for the benefit of, and provide for or procure with grant of donations and pay gratuities, pensions, allowance, benefits or emolument to any person (including Directors and other officers of the Company) who are or have been at any time in the employment of or in the service of the Company or any subsidiary of the Company or of the predecessors in business of the Company or any such subsidiary of the Company or the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interest and well-being of the Company or of any such other company aforesaid or its Members and payments for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibition of for any public, general or useful object.

Article 112

The Directors may exercise all the powers of the Company in relation to any official seal for use outside Malaysia and in relation to branch registers.

Article 113

The Directors may from time to time by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney/attorneys of the Company for such purpose and with such powers, authorities and discretion (not exceeding those vested and/or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.

18. ADDITIONAL INFORMATION (Cont'd)

Article 114

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be in such manner as the Directors may from time to time by resolution determine.

Article 115

A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.

Article 116

Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.

Article 117

Subject always to Sections 131, 132E and 132F and other provisions of the Act, a Director may hold any other office or place of profit under the Company (other than the office of Auditors) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Article 118

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.”

(d) Changes in capital and variations of class rights

“Article 3

The authorised capital of the Company is Ringgit Malaysia Fifty Million (RM50,000,000-00) divided into One Hundred Million (100,000,000) shares of Ringgit Malaysia Fifty Cents (RM0.50) each.

Article 4

The Company shall have the power, subject to and in accordance with the provisions of the Act and any rules, regulations and guidelines thereunder issued by the Exchange and any other relevant authorities or in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act and any rules, regulations and guidelines thereunder issued by the Exchange and any other relevant authorities in respect thereof.

18. ADDITIONAL INFORMATION (Cont'd)Article 5

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Act and to these Articles, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors subject to any ordinary resolution of the Company, may determine but such rights shall be expressly provided by the terms of issue of such shares.

Article 6

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of these Articles and the Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of the same to such persons on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and either at par or at a premium or at a discount and at such times as the Directors think fit and with full power to give to any person with right to call for the allotment of any shares either at par/at a premium/at a discount for such time and for such consideration as the Directors may see fit PROVIDED ALWAYS every issue of shares or options to employees and/or Directors of the Company and its subsidiaries shall be approved by the Members in general meeting and no Director shall participate in such issues of shares or options unless the Members in general meeting have approved of the specific allotment to be made to such Director.

Article 7

Subject to the Act, the Company shall have the power to issue preference shares, with the sanction of an ordinary resolution, on the terms that they are, or at the option of the Company are liable, to be redeemed but the Company shall not issue preference shares in priority above preference shares already issued, but may issue preference shares ranking equally therewith.

Preference shareholders shall have the same rights as ordinary shareholders in relation to receiving notices, reports and audited financial statements and attending general meetings of the Company.

Article 8

Preference shareholders must be entitled to the rights to vote in each of the following circumstances:

- (a) where any resolution or proposal is to be submitted to the meeting:
 - (i) for the purpose of reducing the share capital of the Company, disposing of the whole of the property, business and undertaking of the Company or winding up of the Company; or
 - (ii) which affects rights attached to the preference shares;
- or
- (b) when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months; and
- (c) during the winding up of the Company.

18. ADDITIONAL INFORMATION (Cont'd)

The rights attaching to shares of a class other than ordinary shares shall be expressly set out in these Articles.

Article 9

Notwithstanding Article 11 and 12 hereof, the repayment of preference share capital other than redeemable preference capital, or any alteration of preference shareholder's rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Article 10

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provision of Section 65 of the Act and whether or not the Company is being wound up, be varied with:

- (a) the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class obtained within two (2) months from the date of the separate general meeting; or
- (b) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy, one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 152 of the Act shall with such adaptations as are necessary, apply.

Article 11

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

Article 12

The Company may exercise the powers of paying commission conferred by the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per cent (10%) of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

18. ADDITIONAL INFORMATION (Cont'd)Article 13

Where any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 69 of the Act and may charge the same by way of interest to the capital as part of the cost of the plant construction of the works or buildings or the provision of the plant.

Article 14

Except as required by law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognize (even with notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of share or (except only as by these Articles or by law otherwise provided) any other right in respect of any shares, except an absolute right to the entirety thereof in the registered holder.

Article 15

If by the conditions of allotment of any share the whole or part of the amount or issued price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person who for the time being shall be registered holder of the share.

Article 64

The Company may by ordinary resolution:

- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (c) sub-divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association; provided that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares and;
- (d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 65

Subject to and in accordance with the provisions of the Act and such other relevant law, regulation or guideline for the time being in force, the Company is allowed and shall have power, to the fullest extent permitted, to purchase any of its own shares and other securities and thereafter, the Directors may resolve and shall have the fullest power to deal with such purchased shares or other securities in accordance with the provisions of the Act and such other relevant law, regulation or guideline.

18. ADDITIONAL INFORMATION (Cont'd)Article 66

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any authorization, and consent required by law.”

18.3 Benefits to our Promoters, Directors and substantial shareholders

- (a) Save as disclosed in Section 10.6 of this Prospectus, none of our Directors or substantial shareholders has any interest in any contract, agreement or arrangement, which is significant in relation to the business of our Group taken as a whole and which is still subsisting as at the date of this Prospectus.
- (b) Save as disclosed in Section 10.1.2 of this Prospectus, there are no persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company and our subsidiaries.

18.4 Material litigation, claims or arbitration

As at LPD, neither our Company nor our Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group and our Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial or business position of our Company or our Group.

18.5 Material contracts

Save as disclosed below, there are no other contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the 2 years preceding the date of this Prospectus:

- (i) Joint Venture cum Shareholders Agreement dated 18 February 2009 (“Agreement”) between our Company and Carsten Ranico & Partners (M) Sdn Bhd (“CRP”) (collectively “the Parties”) whereby the Parties intend to form a private joint venture company limited by shares incorporated in British Virgin Island (“BVI”) for a shares consideration of USD10,000 comprising 10,000 shares of USD1.00 each, whereby our Company held 50% and CRP held the remaining 50% in the share capital of ACE, subject to the terms and conditions contained in Schedule 1 attached in the Agreement.
- (ii) Sale and Purchase Agreement dated 4 May 2009 between Royale Baby Holdings Sdn Bhd and SEPEN for the purchase of a vacant industrial land held under GRN 85454, Lot 19731, Mukim Bandar Kundang, Daerah Gombak bearing postal address of Lot 243, Jalan KPK, Kawasan Perindustrian Kundang, Kundang Jaya, 48020 Rawang, Selangor measuring approximately 6,801 sq. m. for a purchase consideration of RM1,537,305.00 to be satisfied in cash, subject to the terms and conditions contained therein.
- (iii) A placement agreement dated 22 December 2009 entered into between our Company and the Placement Agent for the placement of 10,000,000 Shares under the Bumiputera Offer, for a placement fee at the rate set out in Section 4.12(iii) of this Prospectus.
- (iv) An underwriting agreement dated 31 March 2010 entered into between our Company, the Offeror and RHB Investment Bank in relation to the underwriting of an aggregate of 16,737,768 IPO Shares, for an underwriting commission at the rate set out in Section 4.12(ii) of this Prospectus.

18. ADDITIONAL INFORMATION (Cont'd)

18.6 Public take-overs

During the last FYE 2009 and the subsequent period up to the LPD, there were no:

- (a) public take-over offers by third parties in respect of our Shares; and
- (b) public take-over offers by our Company in respect of other corporations' securities.

18.7 Restricted Offer

The Restricted Offer entails the offering of 8,000,000 Restricted Shares for application by the Entitled Shareholders on the basis of 1 Restricted Share for every 15 existing Success Transformer Shares held as at the Entitlement Date, at the IPO Price, payable in full upon application.

The Restricted Offer is RENOUNCEABLE. Entitled Shareholders who apply for the Restricted Shares will first be allocated the Restricted Shares (on the basis of 1 Restricted Share for every 15 existing Success Transformer Shares held as at the Entitlement Date) provided that such Entitled Shareholders have remitted the required application monies for the Restricted Shares in accordance with the procedures for application and acceptance as set out in Section 19 of this Prospectus.

In determining an Entitled Shareholder's entitlement to the Restricted Shares, any fractional entitlement of the Restricted Shares shall be disregarded. Fractional entitlements, if any, shall be dealt with in such manner as our Board in its absolute discretion deems fit or expedient and in the best interest of our Company.

Our Board will also consider, on a fair and equitable manner, other factors including the level of acceptances, cost effectiveness and timeliness in finalising the allocation to meet Bursa Securities' timeline, during the allocation process. Nevertheless, our Board reserves the right to allot any application of excess Restricted Shares, in full or in part, and on such basis as it deems fit or expedient and in the best interest of our Company without assigning any reason thereof.

Any Restricted Shares provisionally offered to the Entitled Shareholders which are not accepted and not validly taken up under the Restricted Offer, will be made available to the Entitled Shareholders and/or renounees (as the case may be) who have applied for excess Restricted Shares.

The basis of allotment of excess Restricted Shares is set out in Section 4.3.2 of this Prospectus.

The last date on which transfers of the provisional allotment of Restricted Shares were or will be accepted for registration for participation of the Restricted Offer is 26 April 2010 at 4.00 p.m.

The approval of the shareholders of Success Transformer for the Flotation Exercise has been obtained at an extraordinary general meeting held on 30 March 2010.

18.8 Consents

- (a) The written consents of the Principal Adviser, Sole Underwriter, Placement Agent, Principal Bankers, Company Secretary, due diligence Solicitors for the Flotation Exercise, Issuing House and Share Registrar to the inclusion in this Prospectus of their names and all references in the manner, form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (b) The written consent of the Auditors and Reporting Accountants to the inclusion of their name, Accountants' Report and Letter relating to the Proforma Consolidated Financial Information and all references in the manner, form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

18. ADDITIONAL INFORMATION (Cont'd)

- (c) The written consent of the Independent Market Researcher to the inclusion of their name and the executive summary of the independent market research report, and all references in the manner, form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (d) The written consent of the Independent Valuer to the inclusion of their name and valuation certificates and all references in the manner, form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (e) The written consent of BDO Binder, being the Auditors for our Company for FYE 2005 and FYE 2006, have been given before the issue of this Prospectus and have not subsequently been withdrawn.

18.9 Documents available for inspection

Copies of the following documents may be inspected at the registered office of our Company during normal business hours for a period of 12 months from the date of this Prospectus:

- (a) Our M&A;
- (b) The Reporting Accountants' Letter on the Proforma Consolidated Financial Information as included in Section 14.8 of this Prospectus;
- (c) The Accountants' Report as included in Section 15 of this Prospectus;
- (d) The Vital Factor Report and its summary thereof as included in Section 9 of this Prospectus;
- (e) The Directors' Report as included in Section 17 of this Prospectus;
- (f) The material contracts as referred to in Section 18.5 above and all other contracts as disclosed in this Prospectus;
- (g) The service agreements as referred to in Section 10.6 of this Prospectus;
- (h) The share sale agreements dated 12 December 2006 and 1 April 2008 referred to in Section 6.3 of this Prospectus;
- (i) The valuation certificates as included in Section 16 of this Prospectus and the valuation reports dated 1 September 2009;
- (j) The letters of consent referred to in Section 18.8 above;
- (k) The audited financial statements of our Company for the past 5 FYE 2005 to FYE 2009;
- (l) The audited financial statements of SEISB for the past 5 FYE 2005 to FYE 2009; and
- (m) The audited financial statements of SEPEN for the financial period ended 31 December 2008 and FYE 2009.

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18. ADDITIONAL INFORMATION (Cont'd)

18.10 Responsibility statements

- (a) This Prospectus has been seen and approved by our Directors, Promoters and the Offeror and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.
- (b) RHB Investment Bank, being the Principal Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE

19.1 Opening and closing dates for application

Applications will be accepted from 10.00 a.m. on 14 April 2010 and will remain open until 5.00 p.m. on 29 April 2010 or such later date or dates as our Directors, the Offeror and the Sole Underwriter may in their absolute discretion mutually decide. **Late applications will not be accepted.**

In the event the closing date for the application for our IPO Shares is extended, you will be notified of the change in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia.

19.2 Methods of application

Applications for our IPO Shares must be made using the method designated for each of the categories of investors identified as follows:

Class of applicants	Type of Application Form
Eligible Directors and employees of the Success Transformer Group, our Group and persons who have contributed to the success of our Group	Pink Application Form only
Bumiputera investors approved by the MITI	White Application Form only
Malaysian Public (for individuals only)	White Application Form or Electronic Share Application or Internet Share Application
Malaysian Public	White Application Form only
Entitled Shareholders	Offer Acceptance Form only

19.3 Procedures for application

Each application for our IPO Shares must be made on the Application Form for the relevant category of investors issued together with this Prospectus and must be completed in accordance with the notes and instructions printed therein in the respective category of the Application Form. The Application Forms together with the notes and instructions shall constitute an integral part of this Prospectus. Applications which do not conform strictly to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE APPLICATION FOR OUR IPO SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. ALL APPLICANTS ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

You may submit only 1 application for our IPO Shares by way of Application Form or by way of Electronic Share Application or Internet Share Application. For example, if you submit an application using an Application Form, you may not submit an application by way of Electronic Share Application or Internet Share Application and vice versa. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application or Internet Share Application.

You MUST have a CDS account before you can submit your application by way of Application Forms.

Directors and employees of Malaysian Issuing House Sdn Bhd ("MIH") and their immediate families are strictly prohibited from applying for our IPO Shares.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

19.3.1 Application by the Malaysian Public

Applications for the 6,500,000 Issue Shares made available for the Malaysian Public must be made on the **White Application Forms** provided or by way of Electronic Share Application through a Participating Financial Institution or Internet Share Application through an Internet Participating Financial Institution. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.85 per Issue Share.

19.3.2 Application by eligible Directors and employees of the Success Transformer Group, our Group and persons who have contributed to the success of our Group

Applications for the 3,500,000 Issue Shares made available for eligible Directors and employees of the Success Transformer Group, our Group and persons who have contributed to the success of our Group must be made on the **Pink Application Forms** provided and NOT any other Application Form or by way of Electronic Share Application through a Participating Financial Institution or Internet Share Application through an Internet Participating Financial Institution. The amount payable in full on application is RM0.85 per Issue Share.

19.3.3 Application by Bumiputera investors approved by MITI by way of private placement

Application for the 10,000,000 Issue/ Offer Shares made available for Bumiputera investors approved by MITI must be made on the **White Application Forms** provided and NOT any other Application Form or by way of Electronic Share Application through a Participating Financial Institution or Internet Share Application through an Internet Participating Financial Institution. The amount payable in full on application is RM0.85 per Issue/ Offer Share.

19.3.4 Application by Entitled Shareholders under the Restricted Offer

An Entitled Shareholder's CDS account will be duly credited with the number of provisionally offered Restricted Shares, which they are entitled to subscribe for in full or in part under the terms of the Restricted Offer. Entitled Shareholders will find enclosed with this Prospectus, the notice of provisional offer ("NPO") notifying the Entitled Shareholder of the provisional offer of the Restricted Shares into his/her CDS account and the Offer Acceptance Form (together with the notes of instructions printed therein) to enable them to subscribe for the Restricted Shares which will be credited provisionally offered to them, as well as to apply for excess Restricted Shares with, if he/she choose to do so.

This Prospectus and its accompanying documents will not be registered under any applicable securities legislation of any country or jurisdiction other than Malaysia and the Restricted Offer will not be offered or deemed to be offered for subscription in any country or jurisdiction other than Malaysia.

Accordingly, this Prospectus and its accompanying documents will not be sent to the Foreign Addressed Shareholders. Such shareholders may collect the Prospectus from the Share Registrar for the Restricted Offer, in which event, the Share Registrar for the Restricted Offer shall be entitled to request for such evidence as they may deem necessary to satisfy themselves as to the identity and authority of the persons collecting this Prospectus.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

An Entitled Shareholder may only exercise his/her rights in respect of the Restricted Offer to the extent that it would be lawful to do so, and our Company, the Offeror, Promoters, advisers, Sole Underwriter, any of their respective directors or any other persons involved in our IPO, would not in connection with the Restricted Offer, be in breach of the laws of any jurisdiction to which the Entitled Shareholders might be subject to. Each Entitled Shareholder shall be solely responsible to seek advice or consultation as to the laws of any jurisdiction to which he/she may lawfully so participate without our Company, the Offeror, Promoters, advisers, Sole Underwriter, any of their respective directors or any other persons involved in our IPO, being in breach of the laws of any jurisdiction.

The Foreign Addressed Shareholders or Excluded Parties will have no rights or claim whatsoever against our Company, the Offeror, Promoters, advisers, Sole Underwriter, any of their respective directors or any other persons involved in our IPO, in respect of their rights entitlements or to any proceeds thereof in respect of the Restricted Offer and our Company, the Offeror, Promoters, advisers, Sole Underwriter, any of their respective directors or any other persons involved in our IPO shall not accept any responsibility and liability in the event that any acceptance/excess application under the Restricted Offer is or becomes illegal, unenforceable, voidable or void or shall contravene the laws in such countries or jurisdictions.

In determining an Entitled Shareholder's entitlement to the Restricted Shares, any fractional entitlement will be disregarded and shall be dealt with in such manner as our Board in its absolute discretion deems fit in a fair and equitable manner and in the best interests of our Company.

Acceptance and payment for the Restricted Shares provisionally offered to an Entitled Shareholder and/or his/her renouncee(s) (if applicable) must be made on the Offer Acceptance Form enclosed with this Prospectus and must be completed in accordance with the notes and instructions contained in the Offer Acceptance Form. Acceptances which do not conform to the terms of this Prospectus, NPO or Offer Acceptance Form or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RESTRICTED SHARES PROVISIONALLY OFFERED TO THE ENTITLED SHAREHOLDER(S) AND/OR HIS/HER RENOUNCEE(S) (IF APPLICABLE), EXCESS APPLICATION FOR THE RESTRICTED SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD THE ENTITLED SHAREHOLDER(S) AND/OR HIS/HER RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS, ARE SET OUT IN THIS PROSPECTUS AND THE ACCOMPANYING OFFER ACCEPTANCE FORM.

THE ENTITLED SHAREHOLDERS AND/OR HIS/HER RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS PROSPECTUS, THE OFFER ACCEPTANCE FORM AND NOTES AND INSTRUCTIONS PRINTED THEREIN CAREFULLY.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

An Entitled Shareholder and/or his/her renouncee(s) (if applicable) accepting the provisionally offered Restricted Shares are required to complete Part I (A) and II of the Offer Acceptance Form in accordance with the notes and instructions provided therein. Each completed Offer Acceptance Form together with the relevant payment must be despatched by ORDINARY POST or DELIVERED BY HAND using the envelope provided (at your own risk) to the Share Registrar for the Restricted Offer at the following addresses:

BY HAND / ORDINARY POST:

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

so as to arrive not later than 5.00 p.m. on 29 April 2010, being the last time and date for acceptance and payment, or such later date or dates as our Directors, the Offeror and Sole Underwriter may in their absolute discretion mutually decide.

1 Offer Acceptance Form can only be used for acceptance of Restricted Shares standing to the credit of 1 CDS account. Separate Offer Acceptance Forms must be used for the acceptance of Restricted Shares standing to the credit of more than 1 CDS accounts. If successful, such number of Restricted Shares subscribed by an Entitled Shareholder(s) and/or his/her renouncee(s) (as the case may be) will be credited into the respective CDS accounts as stated in the Record of Depositors.

The Entitled Shareholder(s) and/or his/her renouncee(s) (as the case may be) should take note that a trading board lot will comprise 100 Shares. The minimum number of securities that can be subscribed for or accepted is 100 Restricted Shares.

Payment must be made in the exact amount. Any acceptance with insufficient payment may be rejected at the absolute discretion of our Board. Cheques or any other mode of payments are not acceptable.

If acceptance and payment for the Restricted Shares provisionally offered to an Entitled Shareholder(s) and/or his/her renouncee(s) (as the case may be) is not received by the Share Registrar for the Restricted Offer by 5.00 p.m. on 29 April 2010, being the last time and date for acceptance and payment, or such later date or dates as our Directors, the Offeror and Sole Underwriter may in their absolute discretion mutually decide, the Entitled Shareholder(s) and/or his/her renouncee(s) (as the case may be) will be deemed to have declined such offer and it will be cancelled. Such Restricted Shares not taken up will be allotted to the applicants applying for excess Restricted Shares.

Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar for the Restricted Offer. Our Board reserves the right not to accept or to accept in part only any application without providing any reason.

An Entitled Shareholder and/or his/her renouncee(s) (as the case may be) who lose, misplace or for any other reason require another copy of the Offer Acceptance Form, may obtain additional copies from stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>), the Share Registrar for the Restricted Offer at the address stated above or our Registered Office.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

EACH COMPLETED OFFER ACCEPTANCE FORM MUST BE ACCOMPANIED BY VALID REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "ACCOUNT PAYEE ONLY" AND MADE PAYABLE TO "SEB OFFER ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY THE SHARE REGISTRAR FOR THE RESTRICTED OFFER.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE OFFER ACCEPTANCE FORM.

- **Procedures for sale/transfer of provisional allotment of rights**

The Restricted Issue is renounceable. Entitled Shareholders with provisionally offered Restricted Shares may sell/transfer all or part of their entitlements to the Restricted Shares to potential investors/renounees who may wish to accept the provisionally offered Restricted Shares.

Entitled Shareholders who wish to sell/transfer all or part of their entitlements to the Restricted Shares may do so immediately through their stockbrokers for the period up to the last trading day of the provisional allotment of rights to subscribe for the Restricted Shares without first having to request the Share Registrar for the Restricted Offer for a split of the provisional offer.

To sell/transfer all or part of their entitlements to the Restricted Shares, the Entitled Shareholders and/or his/her renounee(s) (as the case may be) may sell such entitlements on Bursa Securities or transfer such entitlements to such persons as may be allowed pursuant to the Rules of Bursa Depository. They are however, advised to ensure that they have sufficient provisional offer of rights to subscribe for the Restricted Shares standing to the credit of their respective CDS accounts before trading/transfer.

In selling all or part of their provisional offer, the Entitled Shareholders and/or his/her renounee(s) (as the case may be) need not deliver any documents, including the Offer Acceptance Form, to their stockbrokers. Entitled Shareholders and/or his/her renounee(s) (as the case may be) who have sold/transferred only part of their entitlements to the Restricted Shares may still accept the balance of their entitlements to the Restricted Shares by completing Parts I (A) and II of the Offer Acceptance Form and forwarding the completed Offer Acceptance Form (together with the valid remittance(s) for the full amount payable on the balance of the Restricted Shares) to the Share Registrar for the Restricted Offer.

- **Procedures for full or part acceptance by Entitled Shareholders**

The NPO and Offer Acceptance Form together with this Prospectus will be sent to the Entitled Shareholders.

You must use the Offer Acceptance Form issued together with this Prospectus to apply for the Restricted Shares that an Entitled Shareholder is provisionally offered. You must complete the Offer Acceptance Form according to the notes and instructions printed therein.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Entitled Shareholders who wish to accept their entitlements in full or in part are required to fill and complete Parts I (A) and II of the Offer Acceptance Form in accordance with the notes and instructions printed therein and together with the valid remittance(s), to the Share Registrar for the Restricted Offer in the manner as set out above.

• **Procedures for acceptance by purchaser/ renounee**

If you are a purchaser of the provisional offer of rights to subscribe for the Restricted Shares or a renounee who wishes to accept the provisionally offered Restricted Shares, you must obtain a copy of the Offer Acceptance Form from either one of the following in order to be able to accept the rights:

- (i) Our registered office at the address stated under the Corporate Directory;
- (ii) The Share Registrar for the Restricted Offer at the address stated in Section 19.3.4 above; or
- (iii) Bursa Securities' website at <http://www.bursamalaysia.com>.

You are to complete the Offer Acceptance Form and submit the same together with the valid remittance(s) in accordance with the notes and instructions printed therein. The procedures for payment for the acceptance of the provisional offer of Restricted Shares by the purchaser/ renounee are the same as that which is applicable to the Entitled Shareholders as described in this section.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENT OF THIS PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS PROSPECTUS AND THE OFFER ACCEPTANCE FORM CAREFULLY.

• **Procedure for excess application**

Any Restricted Shares not applied for will be made available for excess application. Entitled Shareholders, purchaser and/or his/her renounee(s) (as the case may be) who accept the provisionally offered Restricted Shares may apply for excess Restricted Shares by completing Part I (B) of the excess Restricted Shares application section in the Offer Acceptance Form (in addition to Parts I (A) and II) and forwarding it (together with a separate valid remittance(s) for the full amount payable on the excess Restricted Shares applied) to the Share Registrar for the Restricted Offer at the address above so as to arrive no later than 5.00 p.m. on 29 April 2010 (or such extended time and date as set out in Section 19.1 above) being the last time and date for acceptance and payment.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Payment for the excess Restricted Shares applied for should be made in the same manner as described above, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia which is crossed "ACCOUNT PAYEE ONLY" and has to be made payable to "SEB EXCESS OFFER ACCOUNT" and endorsed on the reverse side with the name, address and CDS account of the applicant in block letters to be received by the Share Registrar for the Restricted Offer.

• **Basis of allotment of excess Restricted Shares**

Our Board reserves the rights to allot the excess Restricted Shares applied for in a fair and equitable basis and in such manner as it deems fit and expedient and in the best interest of our Company. As such, it is the intention of our Board to allot the excess Restricted Shares in the following priority:

- (i) firstly, to minimise the incidence of odd lots; and
- (ii) secondly, for allocation to applicants who applied for excess Restricted Shares at the IPO Price, on a pro-rata basis calculated based on the entitlement as at the Entitlement Date and the quantum of excess Restricted Shares applied for.

Our Board will also consider, on a fair and equitable manner, other factors including the level of acceptances, cost effectiveness and timeliness in finalising the allocation to meet Bursa Securities' timeline, during the allocation process. Nevertheless, our Board reserves the right to allot any application of excess Restricted Shares, in full or in part, and on such basis as it deems fit or expedient and in the best interest of our Company without assigning any reason therefor.

Any Restricted Shares that remain unsubscribed subsequent to the above shall be made available for application by the Malaysian Public in the event of an over-subscription under the Retail Offer at the IPO Price. Any Restricted Shares reallocated not taken up by the Malaysian Public shall then be underwritten by the Sole Underwriter.

There will be no minimum number of excess Restricted Shares which the Entitled Shareholders, purchasers and/or renounees (as the case may be) may apply for. However, it should be noted that a trading board lot comprise 100 shares.

No acknowledgement of the receipt of the Offer Acceptance Form, excess Restricted Shares applications or applications monies will be made by our Company or the Share Registrar for the Restricted Offer. However, notices of allotment will be issued and forwarded by ordinary post to the accepting Entitled Shareholders, purchasers and/or renounees (as the case may be) at their own risk to the address stated in the records of Bursa Depository within 8 Market Days from the last date of the acceptance and payment in respect of the Restricted Shares.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RESTRICTED SHARES APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN 10 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RESTRICTED SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

19.4 Application using Application Form**19.4.1 Application Forms**

The following relevant Application Forms issued with the notes and instructions are accompanied with this Prospectus:

- (i) **White Application Forms** for applications by the Malaysian Public and Bumiputera investors approved by MITI; and
- (ii) **Pink Application Forms** for applications by the eligible Directors and employees of the Success Transformer Group, our Group and persons who have contributed to the success of our Group.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability from the following parties:

- (i) RHB Investment Bank;
- (ii) Participating organisations of Bursa Securities;
- (iii) Members of the Association of Banks in Malaysia;
- (iv) Members of the Malaysian Investment Banking Association; and
- (v) MIH.

You may submit only 1 Application Form and your application must be for 100 Shares or multiples thereof. Multiple applications will not be accepted. We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to 10 years under Section 182 of the CMSA.

Your application for the Issue/ Offer Shares must be made on the Application Form accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and on this Prospectus. Our Directors and the Offeror may at their absolute discretion not accept applications, which do not STRICTLY conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

If you are an individual and you are not a member of the armed forces or police, your name and national registration identity card (“NRIC”) number must be the same as that stated in:

- (i)
 - (a) your NRIC; or
 - (b) your “Resit Pengenalan Sementara (JPN KP09)” issued pursuant to Peraturan 5(5), Peraturan-Peraturan Pendaftaran Negara 1990; or
 - (c) any valid temporary identity document as issued by the National Registration Department from time to time; or
- (ii) the Records of Bursa Depository.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number (as the case may be), must be the same as that stated in your authority card.

If you are a corporation/ institution, the name and certificate of incorporation number must be the same as that stated in the corporation’s/ institution’s certificate of incorporation.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

We, together with MIH, will not issue any acknowledgement of receipt for your Application Form or application monies.

19.4.2 Terms and conditions for applications using Application Form

Your application by way of White and Pink Application Form shall be made on, and subject to, the terms and conditions as set out below:

- (i) If you are an individual, you must be a Malaysian citizen residing in Malaysia, with a CDS account and a Malaysian address (White Application Forms only).

If you are an individual, you must have a CDS account and a correspondence address in Malaysia (Pink Application Forms only);

- (ii) If you are a corporation/ institution incorporated in Malaysia, you must have a CDS account and be subject to the following:

(a) if you are a corporation/ institution with share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and

(b) there is a majority of Malaysian citizens on the board of Directors/ trustee.

If you are a corporation/ institution incorporated outside Malaysia, you must have a CDS account and provide a correspondence address in Malaysia (Pink Application Forms only);

- (iii) If you are a superannuation, provident or pension fund, you must be established or operating in Malaysia and have a CDS account.

- (iv) Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/ institutions referred to in Sections 19.4.2 (ii) and (iii) above or the trustees thereof.

- (v) Application for our IPO Shares must be made on the respective Application Forms accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein is accompanied by this Prospectus. Our Directors and the Offeror may at their absolute discretion not accept applications, which **do not STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

- (vi) Your completed Application Form must be accompanied by remittance in RM for the full amount payable by any of the following:

(a) BANKER'S DRAFT or CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants); or

(b) MONEY ORDER or POSTAL ORDER (for applicants from Sabah and Sarawak only); or

(c) Guaranteed Giro Order ("GGO") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

(d) ATM STATEMENT obtained from any of the following financial institutions:

- Affin Bank Berhad;
- Alliance Bank Malaysia Berhad;
- AmBank (M) Berhad;
- CIMB Bank Berhad;
- EON Bank Berhad;
- Hong Leong Bank Berhad;
- Malayan Banking Berhad;
- Public Bank Berhad; or
- RHB Bank Berhad,

and must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NUMBER 485**” and crossed “**A/C PAYEE ONLY**” (excluding ATM statements) and endorsed on the reverse side with your name and address.

- (vii) We will not accept applications accompanied by any mode of payments other than those stated above or with excess or insufficient remittances or inappropriate banker’s draft, cashier’s order, GGO, money order, postal order or ATM statement. You must state the details of the payment in the appropriate boxes provided in the Application Form.
- (viii) You must state your CDS account number in the space provided in the Application Form. You shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to MIH and/or our Company.
- (ix) If you are successful in your application, our Directors and the Offeror, reserve the right to require you to appear in person at the registered office of MIH at anytime within 14 days of the date of notice issued to you to ascertain your application is genuine and valid. Our Directors and the Offeror are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expense incurred or to be incurred by you for the purpose of complying with this provision.
- (x) MIH, on the authority of our Directors and the Offeror, reserves the right to reject any application which does not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (xi) MIH, on the authority of our Directors and the Offeror, reserves the right to reject or accept any application in whole or in part without giving any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.
- (xii) Where your application is not accepted or accepted in part only, the full amount or the balance of your application monies, as the case may be, will be returned without interest and despatched within 10 Market Days from the date of the final ballot of the application lists by ordinary post or registered post to your address registered with Bursa Depository, or if your application is rejected because you did not have a CDS account, to the address stated in your NRIC or “Resit Pengenalan Sementara (JPN KP09)” or any valid temporary identity document as issued by the National Registration Department from time to time or the Authority Card in the case of armed forces/ police personnel, at your own risk.
- (xiii) You shall ensure that your personal particulars stated in the Application Form are identical with your records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

(xiv) MIH, on the authority of our Directors and the Offeror, reserves the right to bank in all application monies from unsuccessful Bumiputera applicants and partially successful Bumiputera applicants. These monies will be refunded by ordinary post or registered post to your last address maintained with Bursa Depository without interest and shall be despatched to you within 10 Market Days from the date of the final ballot of the application lists, at your own risks.

(xv) You may submit your application together with the appropriate remittance and legible photocopy of the relevant documents by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
P.O. Box 13269
50804 Kuala Lumpur

or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, on the last day of acceptance of applications which is currently on 29 April 2010, between 10.00 a.m. and 5.00 p.m. or such later date or dates as our Board, Offeror and the Sole Underwriter may in their absolute discretion decide.

(xvi) You may contact MIH if you have any queries on the White Application Form at the telephone number 03-7841 8000 or 03-7841 8289 (during office hours only).

19.5 Application using Electronic Share Application

19.5.1 Steps for Electronic Share Application through a Participating Financial Institution

- (i) You must have an account with a Participating Financial Institution (as detailed in Section 19.5.2 below) and an ATM card issued by that Participating Financial Institution to access the account;
- (ii) You **MUST** have a CDS account;
- You may apply for our IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 19.5.3 below under the terms and conditions for Electronic Share Application. You will have to enter at least the following information through the ATM where the instructions on the ATM screen requires you to do so:
 - Personal Identification Number (PIN);
 - MIH Share Issue account number 485;
 - CDS account number;
 - Number of our IPO Shares applied for and/or the RM amount to be debited from the account; and
 - Confirmation of several mandatory statements.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

19.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions at their branches:

- Affin Bank Berhad;
- AmBank (M) Berhad;
- Bank Muamalat Malaysia Berhad;
- CIMB Bank Berhad;
- EON Bank Berhad;
- HSBC Bank Malaysia Berhad;
- Malayan Banking Berhad;
- OCBC Bank (Malaysia) Berhad;
- RHB Bank Berhad; or
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

19.5.3 Terms and conditions for Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "Steps"). You must complete all the Steps and follow the instructions set out on the ATM screen to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application. Any reference to "applicant/you" in the terms and conditions for Electronic Share Application and the Steps shall mean the applicant who applies for our IPO Shares through an ATM of any of the Participating Financial Institutions.

If you are an individual, you must have a CDS account to be eligible to utilise the facility.

You must have an existing bank account with, and be an ATM cardholder of, 1 of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of your Electronic Share Application. The Transaction Record is a record that you have completed a transaction at the ATM and not a record that MIH or us have received any part of your application. Do not submit your Transaction Record with any Application Form. It is for your own retention.

Upon the closing of the offer for the application for our IPO Shares, on 29 April 2010 at 5.00 p.m. ("Closing Date and Time"), the Participating Financial Institutions shall submit a magnetic tape containing its respective customers' applications for our IPO Shares to MIH as soon as practicable but not later than 12.00 p.m. of the 2nd business day after the Closing Date and Time.

You are allowed to make an Electronic Share Application for our IPO Shares via an ATM that accepts the ATM card of the Participating Financial Institution with which you have an account and its branches, subject to you making only 1 application.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN APPLYING FOR OUR IPO SHARES, EVEN WHEN YOU HAVE A JOINT ACCOUNT WITH ANY OF THE PARTICIPATING FINANCIAL INSTITUTIONS. YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING CONDITIONS.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our M&A.
- (ii) You will have to confirm and undertake that the following statements are true and correct (by pressing the designated keys (or buttons) on the ATM keyboard):
 - You are at least 18 years of age as at the Closing Date and Time of our IPO Share application;
 - You are a Malaysian citizen residing in Malaysia;
 - You have read the Prospectus and understood and agreed with the terms and conditions of this application;
 - This is the only application that you are submitting; and
 - You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institutions and Bursa Depository to MIH and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institutions. By doing so, you will be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to MIH or any relevant regulatory bodies.

- (iii) **You confirm that you are not applying for our IPO Shares as a nominee of any other persons and that your Electronic Share Application is made on your own account as a beneficial owner. You will only make 1 Electronic Share Application and shall not make any other application for our IPO Shares, whether at the ATMs of any Participating Financial Institutions, on the prescribed Application Forms or via Internet Share Application.**
- (iv) You must have sufficient funds in your bank account with the relevant Participating Financial Institutions at the time you make the Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of our IPO Shares applied for as stated on the Transaction Record or any lesser number of our IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by action of depressing the predesignated key (or button) on the ATM keyboard) of the number of IPO Shares applied for shall signify, and shall be treated as your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our M&A.
- (vi) MIH, on the authority of our Directors and the Offeror, reserves the right to reject or accept any Electronic Share Application in whole or in part without giving any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establish an adequate market for our Shares.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (vii) If your Electronic Share Application is not successful or successful in part only, MIH shall inform the relevant Participating Financial Institutions of the non-successful or partially successful applications within 2 Market Days after the balloting date. The relevant Participating Financial Institutions will credit the full amount of the application monies or the balance of it (as the case may be) in RM (without interest or any share of revenue or other benefit arising therefrom) into your account with that Participating Financial Institution within 2 Market Days after the receipt of confirmation from MIH. You may check your account on the 5th Market Day from the balloting day.

Where an Electronic Share Application is accepted in part only, the relevant Participating Financial Institutions will credit the balance of the application monies without interest into your account with the Participating Financial Institution within 2 Market Days after the receipt of confirmation from MIH. A number of applications will be held in reserve to replace any successfully balloted applications, which are subsequently rejected. The application monies relating to this applications which are subsequently rejected, will be refunded (without interest or any share of revenue or other benefit arising therefrom) by MIH by way of cheques issued by ordinary post or registered post. The cheques will be issued within 10 Market Days from the date of the final ballot.

If you encounter any problems in your applications, you may refer to the Participating Financial Institutions.

- (viii) You request and authorise us:
- (a) to credit our IPO Shares allotted or allocated to you into your CDS account; and
 - (b) to issue share certificate(s) representing such IPO Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to Bursa Depository.
- (ix) You, acknowledging that the Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in our control, or the control of MIH, the Participating Financial Institutions or Bursa Depository, irrecoverably agree that if:
- (a) We or MIH do/does not receive your Electronic Share Application; and
 - (b) Your application data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible to us or MIH, or not transmitted or communicated to us or MIH,
- you shall be deemed not to have made an Electronic Share Application and shall not claim whatsoever against us, MIH, the Participating Financial Institutions or Bursa Depository for our IPO Shares applied for or for any compensation, loss or damage arising from it.
- (x) All of your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct, and we, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (xi) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institutions are correct and identical. Otherwise, the Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xii) By making and completing an Electronic Share Application, you agree that:
 - (a) in consideration of our Company making available the Electronic Share Application facility to you, through the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
 - (b) we, MIH, the Participating Financial Institutions and Bursa Depository shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application to us due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/ their control;
 - (c) notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase our IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notice of allocation by us or on our behalf for prescribed securities in respect of our IPO Shares;
 - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of our IPO Shares allotted to you; and
 - (e) you agree that in the event of legal disputes arising from the use of the Electronic Share Application, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.
- (xiii) If you are successful in your Electronic Share Application, our Directors and the Offeror reserve the right to require you to appear in person at the registered office of MIH within 14 days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors and the Offeror are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (xiv) MIH, on the authority of our Directors and the Offeror, reserves the right to reject applications which do not conform to these instructions.
- (xv) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

19.6 Application using Internet Share Application

19.6.1 Steps for Internet Share Application through an Internet Participating Financial Institution

The exact steps for Internet Share Application for our IPO Shares are as set out on the Internet financial services websites of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below the possible steps of an application for our IPO Shares using Internet Share Application.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINE BELOW.

- (i) Connect to the Internet financial services website of the Internet Participating Financial Institution with which you have an account. You are advised not to apply for our IPO Shares through any website other than the Internet financial services website of the Internet Participating Financial Institution.
- (ii) Log in to the Internet financial services facility by entering your user identification and PIN/password.
- (iii) Navigate to the section of the website on applications in respect of initial public offerings.
- (iv) Select the counter in respect of our IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (vi) At the next screen, complete the online application form.
- (vii) Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (viii) After selecting the designated hyperlink on the screen, you will confirm and undertake that the following mandatory statements are true and correct:
 - (a) You are at least 18 years of age as at the Closing Date and Time of our IPO Share application.
 - (b) You are a Malaysian citizen residing in Malaysia.
 - (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood.
 - (d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for our IPO Shares.
 - (e) The Internet Share Application is the only application that you are submitting for our IPO Shares.
 - (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (g) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority.
- (h) You are not applying for our IPO Shares as a nominee of any other persons and the application is made in your own name as a beneficial owner and subject to the risks referred to in this Prospectus.
- (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with our IPO Shares, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with our IPO Shares. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services.
- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of your application of our IPO Shares.
- (x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen on the website through which the online payment for the application of our IPO Shares is being made.
- (xi) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (xii) You are advised to print out the Confirmation Screen for reference and retention.

19.6.2 Terms and conditions of Internet Share Application

Your application for our IPO Shares may be made through the Internet financial services websites of the Internet Participating Financial Institutions.

APPLICANTS ARE ADVISED NOT TO APPLY FOR OUR IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:

- Malayan Banking Berhad at www.maybank2u.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) or
- CIMB Investment Bank Berhad at www.eipocimb.com or
- CIMB Bank Berhad at www.cimbclicks.com.my or
- Affin Bank Berhad at www.affinOnline.com

PLEASE READ THE TERMS OF THIS PROSPECTUS, TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION AND THE PROCEDURES SET OUT IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, BEFORE YOU MAKE AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR THE INTERNET SHARE APPLICATIONS IN RESPECT OF OUR IPO SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out below:

- (i) In order to make an Internet Share Application, you must:
 - (a) be an individual with a CDS account;
 - (b) have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification and PIN/password for the relevant Internet financial services facilities; and
 - (c) be a Malaysian citizen and have a Malaysian address.

You are advised to note that the User Identification and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and shall be subject to the terms and conditions of this Prospectus and our M&A.
- (iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services websites of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:
 - (a) You have attained 18 years of age as at the date of the application for our IPO Shares.
 - (b) You are a Malaysian citizen residing in Malaysia.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood.
 - (d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for our IPO Shares.
 - (e) The Internet Share Application is the only application that you are submitting for our IPO Shares.
 - (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution.
 - (g) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institutions, the Authorised Financial Institutions and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH, the Authorised Financial Institution, the SC and any other relevant authority.
 - (h) You are not applying for our IPO Shares as a nominee of any other persons and the application is made in your own name, as a beneficial owner and subject to the risks referred to in this Prospectus.
 - (i) You authorise the Internet Participating Financial Institutions to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with our IPO Shares, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with our IPO Shares. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services.
- (iv) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this section of the Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of our IPO Shares applied for, which can be printed out by you for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 19.6.2 (iii) above.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not strictly conform to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made, shall be rejected.
- (vi) You irrevocably agree and undertake to subscribe for and to accept the number of our IPO Shares applied for as stated on the Confirmation Screen or any lesser number of such IPO Shares that may be allotted or allocated to you. In the event that we decide to allot or allocate any lesser amount of our IPO Shares or not to allot or allocate any our IPO Shares to you, you agree to accept our decision as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- (a) your acceptance of the number of our IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
- (b) your agreement to be bound by our M&A.
- (vii) You are fully aware that multiple or suspected multiple Internet Share Applications for our IPO Shares will be rejected. MIH, on the authority of our Directors and the Offeror, reserves the right to reject or accept any Internet Share Application in whole or in part without assigning any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.
- (viii) If your Internet Share Application is unsuccessful or successful in part only, MIH shall inform the relevant Internet Participating Financial Institutions of the unsuccessful or partially successful Internet Share Applications within 2 Market Days after the balloting date. The Internet Participating Financing Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies or the balance of it (as the case may be) in RM (without interest or any share of revenue or other benefit arising there from) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within 2 Market Days after receipt of written confirmation from MIH.

A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to this applications which are subsequently rejected, will be refunded (without interest or any share of revenue or other benefit arising therefrom) by MIH by way of cheques by ordinary post or registered post. The cheques will be issued within 10 Market Days from the date of the final ballot.

For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institutions will arrange for a refund of the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within 10 Market Days from the day of the final ballot.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institutions to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult with the Internet Participating Financial Institutions through which your application was made in respect of the mode or procedure of enquiring on the status of your Internet Share Application in order to determine the status or exact number of our IPO Shares allotted, if any, before trading of our Shares on the Bursa Securities.

- (ix) Internet Share Applications will be closed at 5.00 p.m. on 29 April 2010 or such later date or dates as our Directors, the Offeror and the Sole Underwriter may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion, that is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Application will not be accepted.
- (x) You irrevocably agree and acknowledge that the Internet Share Application is subject to the risk of electrical, electronic, technical, transmission and communication and computer related faults and breakdowns, fires and other events which are not in our control, or the control of MIH, the Internet Participating Financial Institutions and the Authorised Financial Institutions. If we, MIH, the Internet Participating Financial Institutions and/or the Authorised Financial Institutions do not receive your Internet Share Application and/or the payment, or if any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, MIH or the Internet Participating Financial Institutions and the Authorised Financial Institutions in relation to our IPO Shares applied for or for any compensation, loss or damage arising from it.
- (xi) All of your particulars in the records of the relevant Internet Participating Financial Institutions at the time of the Internet Share Application shall be deemed to be true and correct, and we, MIH, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institutions are correct and identical, otherwise your Internet Share Application is liable to be rejected. The notification letter on successful allotment will be sent to your address last registered with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

- (xii) By making and completing an Internet Share Application, you are deemed to have agreed that:
 - (a) in consideration of us making available the Internet Share Application facility to you, through the Internet Participating Financial Institutions acting as our agents, the Internet Share Application is irrevocable;
 - (b) you have irrevocably requested and authorised us to register our IPO Shares allotted to you for deposit into your CDS account;
 - (c) neither us nor the Internet Participating Financial Institutions, shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH and Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 19.6.2 (x) herein or to any cause beyond our/ their control;

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

- (d) you shall hold the Internet Participating Financial Institutions harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by us, MIH and/or the Internet Participating Financial Institutions for reasons of multiple applications, suspected multiple applications, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institutions;
 - (e) the acceptance of your offer to subscribe for and the purchase of our IPO Shares for which your Internet Share Application has been successfully completed shall be constituted by the issue of a notice of allotment by us or on our behalf for prescribed securities in respect of our IPO Shares, notwithstanding the receipt of any payment by us or on our behalf;
 - (f) you are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;
 - (g) in making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, the Sole Underwriter, Principal Adviser and any other person involved in our IPO shall not be liable for any information not contained in this Prospectus which may have been relied on by you in making the Internet Share Application; and
 - (h) our acceptance of your Internet Share Application and the contract resulting from our IPO shall be governed by and construed in accordance with the laws of Malaysia, and you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xiii) A processing fee of RM1.00 per Internet Share Application will be charged by Malayan Banking Berhad (www.maybank2u.com.my), RM2.00 per Internet Share Application will be charged by CIMB Investment Bank Berhad (www.eipocimb.com) or RM2.00 for payment via Malayan Banking Berhad and RM2.00 per Internet Share Application for applicants with CDS account held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs will be charged by CIMB Bank Berhad (www.cimbclicks.com.my). No fee will be charged by Affin Bank Berhad (www.affinOnline.com) for application by their account holders.

19.7 Application and acceptance

MIH, on the authority of our Directors and the Offeror, reserves the right to reject any application which does not strictly comply with the instructions or to accept any application in part only without giving any reason.

The submission of an Application Form does not necessarily mean that the application will be successful.

ALL APPLICATIONS MUST BE FOR AT LEAST 100 SHARES OR MULTIPLES THEREOF.

In the event of an over-subscription of the Retail Offer, MIH will conduct a ballot in a fair and equitable manner as approved by our Directors and the Offeror to determine acceptance of applications. In determining the manner of balloting, our Directors and the Offeror will consider the desirability of distributing the Issue Shares, to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares.

Pursuant to the Listing Requirements, we need at least 25% of our enlarged issued and paid-up share capital to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon our Listing. We expect to achieve this at the point of our Listing. However, if the above requirement is not met pursuant to our IPO, we may not be allowed to proceed with our Listing. Then, monies paid in respect of all applications will be returned without interest.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Any Restricted Shares not subscribed for by the Entitled Shareholders pursuant to the Restricted Offer shall first be made available for excess application at the IPO Price and thereafter any unsubscribed Restricted Shares shall be made available for application by the Malaysian Public in the event of an over-subscription under the Retail Offer at the IPO Price.

The Shares allocated to the eligible Directors and employees of the Success Transformer Group, our Group and persons who have contributed to the success of our Group shall also be reallocated to the Malaysian Public at the IPO Price in the event of an over-subscription under the Retail Offer and under-subscription under the Pink Form Offer.

Any Shares not subscribed for by the Bumiputera investors under the Bumiputera Offer shall be made available for application by the retail Bumiputera investors as part of our IPO balloting process. Thereafter, any Shares that were reallocated to the retail Bumiputera investors (as part of our IPO balloting process) and not taken up by the retail Bumiputera investors, shall be made available for application by the Malaysian Public.

IF YOUR APPLICATION VIA APPLICATION FORM IS UNSUCCESSFUL OR SUCCESSFUL IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED TO YOU WITHOUT INTEREST, AND DESPATCHED BY ORDINARY POST OR REGISTERED POST TO YOU WITHIN 10 MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION TO YOUR ADDRESS LAST MAINTAINED WITH BURSA DEPOSITORY, AT YOUR OWN RISK.

MIH, ON THE AUTHORITY OF OUR DIRECTORS AND THE OFFEROR, RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM UNSUCCESSFUL BUMIPUTERA APPLICANTS AND PARTIALLY SUCCESSFUL BUMIPUTERA APPLICANTS, WHICH WOULD SUBSEQUENTLY BE REFUNDED TO YOU WITHOUT INTEREST, AND DESPATCHED BY ORDINARY POST OR REGISTERED POST TO YOU WITHIN 10 MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION TO YOUR ADDRESS LAST MAINTAINED WITH BURSA DEPOSITORY, AT YOUR OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

19.8 CDS account

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed our Shares as Prescribed Securities. In consequence thereof, our Share issued/ offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the Securities Industry (Central Depository) Act, 1991 and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in our Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

If you make an application by way of Application Form, you must have a CDS account. You should state your CDS account number in the space provided on the Application Form and shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to MIH or us, and any relevant regulatory bodies (as the case may be). If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for our IPO Shares.

In the case of an application by way of Electronic Share Application, you must have a CDS account. You must furnish your CDS account number to the Participating Financial Institution by way of keying in your CDS account number when the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so.

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

If you make an application by way of Internet Share Application, you must have a CDS account. In certain cases, you can only make an Internet Share Application if you have a CDS account opened with the Internet Participating Financial Institutions. Subsequently, your CDS account number would automatically appear in the electronic online application form.

Failure to comply with the specific instructions or inaccuracy in the CDS account number arising from the use of invalid, third party or nominee accounts, may result in the application being rejected. If you are successful in your application but fail to state your CDS account number, MIH, on the authority of our Directors and the Offeror, reserves the right to reject your application. Applications may also be rejected if your particulars provided in the Application Form, or your records with the Participating Financial Institutions (in the case of Electronic Share Application) or Internet Participating Financial Institutions (in the case of Internet Share Application) differ from those in Bursa Depository's records such as your identity card number, name and nationality.

19.9 Notice of allotment

If you are successful or partially successful in your application, our Shares allotted to you will be credited to your CDS account. We will not be issuing any share certificate to you. A notice of allotment will be despatched to you at your address last maintained with Bursa Depository, at your own risk, prior to our Listing. This is your only acknowledgement of acceptance of the application. For Electronic Share Application or Internet Share Application, the notice of allotment will be despatched to the successful or partially successful applicant at his/her address last maintained with Bursa Depository at the applicant's own risk prior to our Listing. This is the only acknowledgement of the application.

You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which, the notification letter on your successful or partially successful allotment shall be sent to your registered or correspondence address last maintained with Bursa Depository.

19.10 Enquiries

You may contact MIH if you have any queries on the White Application Form at 03-7841 8000 or 03-7841 8289 between 5 to 10 Market Days (during office hours only) after the balloting date. If you have enquiry with regards to your Electronic Share Application, you may refer to the relevant Participating Financial Institution. If you have any enquiry with regards to your Internet Share Application, you may refer to the relevant Internet Participating Financial Institution and Authorised Financial Institution.

If you have queries on the NPO and Offer Acceptance Form, you may refer to the Share Registrar for the Restricted Offer, Symphony Share Registrars Sdn Bhd, at 03-7841 8000.

If you are applying for our IPO Shares as a Malaysian Public under our IPO, you may check the status of your application by logging onto MIH's website at www.mih.com.my or by calling your ADAs at the telephone number stated in Section 19.11 of this Prospectus or MIH's Enquiry Services Telephone Hotline at 03-7841 8000 or 03-7841 8289 between 5 to 10 Market Days (during office hours only) after the balloting date.

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19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

19.11 List of ADAs

The list of ADAs and their respective broker codes are as follows:

Name	Address and telephone number	Broker code
KUALA LUMPUR		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No.: 03-6201 1155	078-004
AFFIN INVESTMENT BANK BERHAD	Ground, Mezzanine and 3rd Floor Chulan Tower No.3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2143 8668	028-001
ALLIANCE INVESTMENT BANK BERHAD	17 th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2697 6333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2078 2788	086-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor, Podium Block AMDB Building No. 1, Jalan Lumut 50400 Kuala Lumpur Tel No.: 03-4043 3533	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2084 9999	065-001
ECM LIBRA INVESTMENT BANK BERHAD	3rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2178 1888	052-001
ECM LIBRA INVESTMENT BANK BERHAD	Level 1, Avenue Building Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2089 1800	052-009
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.: 03-2168 1168	066-001

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No.: 03-7710 6688	068-009
HWANGDBS INVESTMENT BANK BERHAD	Nos. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan Kaskas, 5th Mile Cheras 56100 Kuala Lumpur Tel No.: 03-9130 3399	068-012
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2711 6888	068-014
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No.: 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No.: 03-7981 8811	054-005
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No.: 03-2117 1888	054-001
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th - 14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2168 8800	053-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2164 9080	073-001
KENANGA INVESTMENT BANK BERHAD	No. 57-10, Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Tel No.: 03-2287 1799	073-015

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No.: 03-2282 1820	057-002
MAYBAN INVESTMENT BANK BERHAD (formerly known as <i>Aseambankers Malaysia Berhad</i>)	5-13 Floor, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No.: 03-2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No.: 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2173 8888	026-001
MIMB INVESTMENT BANK BERHAD	Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No.: 03-2691 0200	061-001
OSK INVESTMENT BANK BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2333 8333	056-001
OSK INVESTMENT BANK BERHAD	No 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No.: 03-6257 5869	056-028
OSK INVESTMENT BANK BERHAD	Ground Floor No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4280 4798	056-054
OSK INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No.: 03-9058 7222	056-058

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
PM SECURITIES SDN BHD	Ground & Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No.: 03-2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No.: 03-2031 3011	051-001
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-9287 3888	087-001
TA SECURITIES HOLDINGS BERHAD	Floor 13-16, 20, 23, 28-30, 34 & 35 TA One Tower No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No.: 03-2072 1277	058-003
SELANGOR DARUL EHSAN		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 8016	028-003
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7710 6613	086-003
HONG LEONG INVESTMENT BANK BERHAD <i>(formerly known as HLG Securities Sdn Bhd)</i>	1st, 2nd & 3rd Floor Plaza Damansara Utama No. 2, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7724 6888	066-002

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No.: 03-5513 3288	068-002
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5635 6688	068-010
INTER-PACIFIC SECURITIES SDN BHD	No. 77 & 79, Jalan 2/3A Pusat Bandar Utara KM12, Jalan Ipoh Selayang 68100 Batu Caves Selangor Darul Ehsan Tel No.: 03-6137 1888	054-006
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 1118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7620 1118	079-002
KENANGA INVESTMENT BANK BERHAD	13th Floor, Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7956 2169	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No.: 03-8024 1682	073-006
KENANGA INVESTMENT BANK BERHAD	Suite 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No.: 03-3005 7550	073-007

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiarra Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7725 9095	073-016
OSK INVESTMENT BANK BERHAD	24, 24M, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7873 6366	056-011
OSK INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 3378	056-045
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No.: 03-6092 8916	056-047
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1 ½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9180	056-048
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3341 5300	064-007
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak 40200 Shah Alam • Selangor Darul Ehsan Tel No.: 03-5192 0202	096-001

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

Name	Address and telephone number	Broker code
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8025 1880	058-005
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.: 06-289 8880	065-006
ECM LIBRA INVESTMENT BANK BERHAD	71A & 73A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-288 1720	052-008
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No.: 06-337 1533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-292 1898	093-003
OSK INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No.: 06-282 5211	056-003
PM SECURITIES SDN BHD	No. 11 & 13 Jalan PM2 Plaza Mahkota 75000 Melaka Tel No.: 06-286 6008	064-006
RHB INVESTMENT BANK BERHAD	Lot 7-13 & 15, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Tel No.: 06-283 3622	087-002
PERAK DARUL RIDZUAN		
A.A. ANTHONY SECURITIES SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-623 2328	078-009

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
ALLIANCE INVESTMENT BANK BERHAD	No. 43 & 44, Ground Floor Taman Sentosa, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-691 0910	076-008
ECM LIBRA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-242 2828	052-002
ECM LIBRA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-622 2828	052-006
HONG LEONG INVESTMENT BANK BERHAD <i>(formerly known as HLG Securities Sdn Bhd)</i>	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-253 0888	066-003
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No.: 05-806 6688	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-255 9988	068-015
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No.: 05-241 9800	057-001
MAYBAN INVESTMENT BANK BERHAD <i>(formerly known as Aseambankers Malaysia Berhad)</i>	B-G-04 (Ground Floor) Level 1 & 2 No. 42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-245 3400	098-002
OSK INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-241 5100	056-002

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-623 6498	056-014
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-692 1228	056-016
OSK INVESTMENT BANK BERHAD	Ground Floor No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No.: 05-808 8229	056-034
OSK INVESTMENT BANK BERHAD	No. 72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No.: 05-465 1261	056-044
OSK INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No.: 05-717 0888	056-052
TA SECURITIES HOLDINGS BHD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No.: 05-253 1313	058-001
PULAU PINANG		
A.A. ANTHONY SECURITIES SDN BHD	1st, 2nd & 3rd Floor Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No.: 04-229 9318	078-002
A.A. ANTHONY SECURITIES SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-554 1388	078-003

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No. 25, Lebuhraya Light 10200 Penang Tel No.: 04-261 1688	076-015
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-226 1818	086-004
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-238 5900	065-003
ECM LIBRA INVESTMENT BANK BERHAD	No. 111, Jalan Macalister 10400 Pulau Pinang Tel No.: 04-228 1868	052-003
ECM LIBRA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-228 3355	052-010
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No.: 04-263 6996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-537 2882	068-006
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Tel No.: 04-269 0888	054-002
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-210 6666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel No.: 04-332 2123	093-001

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Pulau Pinang Tel No.: 04-263 9118	093-004
OSK INVESTMENT BANK BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Tel No.: 04-263 4222	056-004
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Tel No.: 04-390 0022	056-005
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-540 2888	056-015
OSK INVESTMENT BANK BERHAD	No. 834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No.: 04-583 1888	056-032
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No.: 04-640 4888	056-042
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-227 3000	064-004
PERLIS INDRA KAYANGAN		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Tel No.: 04-976 5200	076-003
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No.: 04-979 3388	056-061

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KEDAH DARUL AMAN		
A.A. ANTHONY SECURITIES SDN BHD	Lot 4, 5 & 5A 1 st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-732 2111	078-007
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No.: 04-731 7088	076-004
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-425 6666	068-011
OSK INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-420 4888	056-017
OSK INVESTMENT BANK BERHAD	35, Ground & 1st Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No.: 04-496 4888	056-019
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-720 9888	056-021
NEGERI SEMBILAN DARUL KHUSUS		
ECM LIBRA INVESTMENT BANK BERHAD	1 C-1 & 1 D-1, 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-765 5998	052-013
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-761 2288	068-007

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3188	068-013
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-764 1641	056-024
OSK INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No.: 06-442 1000	056-037
OSK INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 71200 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3014	056-040
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No.: 06-646 1234	056-046
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-762 3131	064-002
JOHOR DARUL TAKZIM		
A.A. ANTHONY SECURITIES SDN BHD	Level 6 & 7 Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-333 2000	078-001
A.A. ANTHONY SECURITIES SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No.: 07-663 6658	078-005
A.A. ANTHONY SECURITIES SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-351 3218	078-006

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
A.A. ANTHONY SECURITIES SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No.: 07-512 1633	078-008
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1 st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No.: 07-771 7922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-434 2282	086-002
AMINVESTMENT BANK BERHAD	18th Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-334 3855	086-006
ECM LIBRA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-953 2222	052-004
ECM LIBRA INVESTMENT BANK BERHAD	Ground Floor, No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No.: 06-467 8885	052-005
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 2692	068-004
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-223 1211	054-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-333 3600	073-004

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	No. 31, Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No.: 06-954 2711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-933 3515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No.: 07-777 1161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 2292	073-011
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17 Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-331 6992	093-005
MIMB INVESTMENT BANK BERHAD	Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 7388	061-002
OSK INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No.: 07-278 8821	056-006
OSK INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-438 0288	056-009
OSK INVESTMENT BANK BERHAD	No. 33-1, 1 st & 2 nd Floor, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-953 8262	056-025

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No.: 07-557 7628	056-029
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No.: 07-932 1543	056-030
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 17, Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No : 07-776 9655	056-031
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No.: 07-662 6288	056-035
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 7180	056-038
OSK INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4 Jalan Makmur, Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No.: 07-925 6881	056-039
OSK INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 1 & 1-01, Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-352 2293	056-043
PM SECURITIES SDN BHD	Suite 5.1, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-278 1813	064-005

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-433 3608	064-008
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No.: 09-566 0800	076-002
ECM LIBRA INVESTMENT BANK BERHAD	B62, Ground Floor Lorong Tun Ismail 8, Sri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No.: 09-513 3289	052-007
OSK INVESTMENT BANK BERHAD	B2 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No.: 09-517 3811	056-007
OSK INVESTMENT BANK BERHAD	Ground Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No.: 09-223 4943	056-022
OSK INVESTMENT BANK BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No.: 05-491 4913	056-041
KELANTAN DARUL NAIM		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No.: 09-743 0077	056-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bahru Kelantan Darul Naim Tel No.: 09-743 2288	058-004

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-631 7922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-623 8128	021-001
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor, 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No.: 09-858 3109	056-027
OSK INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-626 1816	056-055
SABAH		
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No.: 088-328 878	065-005
ECM LIBRA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-236 188	052-012
HWANGDBS INVESTMENT BERHAD	Suite 1-9-E1, 9th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No.: 088-311 688	068-008

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No.: 088-234 090	020-001
OSK INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No.: 088-269 788	056-010
OSK INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No.: 089-229 286	056-057
SARAWAK		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No.: 082-244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No.: 082-358 606	065-004
HWANGDBS INVESTMENT BANK BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Tel No.: 082-236 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-330 008	068-016
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No.: 085-435 577	073-002

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No.: 082-338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibul Sarawak Tel No.: 084-313 855	073-012
OSK INVESTMENT BANK BERHAD	Ground, & 1st Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Tel No.: 082-422 252	056-008
OSK INVESTMENT BANK BERHAD	Lot 1268, 1st & 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No.: 085-422 788	056-012
OSK INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibul Sarawak Tel No.: 084-329 100	056-013
OSK INVESTMENT BANK BERHAD	Ground Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No.: 084-654 100	056-050
OSK INVESTMENT BANK BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Tel No.: 086-311 770	056-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I, Jalan Kampung Datu 96000 Sibul Sarawak Tel No.: 084-319 998	058-002

19. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

Name	Address and telephone number	Broker code
TA SECURITIES HOLDINGS BERHAD	2 nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No.: 082-236 333	058-006