



**SEREMBAN ENGINEERING BERHAD (“SEB”)  
(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134  
 (“FRS 134”)**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in compliance with FRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

**A2. Significant Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standards (“FRS”), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2011.

**FRSs, Amendments to FRSs and Interpretations**

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2010)	Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131, FRS 132, FRS 134 and FRS 139

The following FRS has been issued by the MASB but is not yet effective, and has yet to be adopted by the Group:

Effective for annual periods commencing on or after 1 January 2012:

FRS 124	Related Party Disclosures
---------	---------------------------



**SEREMBAN ENGINEERING BERHAD (“SEB”)  
(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**A3. Qualification of Annual Financial Statements**

The latest audited consolidated financial statements of SEB for the financial year ended 31 December 2010 were not qualified.

**A4. Seasonal and cyclical factors**

The Group’s business operation results were not materially affected by any major seasonal or cyclical factors during the financial period ended 30 September 2011. However, the process equipment’s business operation result is very much dependent on the timing of completion of each project.

**A5. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows**

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 September 2011.

**A6. Changes in accounting estimates**

There were no changes in accounting estimates that have a material effect in the current quarter results.

**A7. Debt and Equity Securities**

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 September 2011 under review:

(a) Share Buy-Back

During the financial period for nine months ended 30 September 2011, the company:

- Repurchased 43,000 of its share capital from the open market at an average cost RM 0.51 per shares. The total consideration paid for the share buy-back of SEB shares during the financial period nine months ended 30 September 2011, including transaction costs was RM 22,048 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A Subsection 3(A) (b) of the Company Act, 1965.

As at 30 September 2011, the number of treasury shares held was 43,000 SEB Shares.

**A8. Dividend Paid**

During the financial period ended 30 September 2011, an interim dividend of 2% amounting to RM 0.8 million in respect of financial year ending 2011 was paid on 9 June 2011.



**SEREMBAN ENGINEERING BERHAD (“SEB”)  
(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**A9. Segment information**

The Group is principally engaged in the fabrication of process equipment and metal structure and the provision of maintenance, repair and shutdown works. Therefore, business segmental information has not been prepared as the Group’s revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and non-cash expenses are confined to one business segment and located in Malaysia.

Major segments analysed by geographical location of customers are as follows:-

	9 months period ended	
	30.09.2011	30.09.2010
	<u>RM</u>	<u>RM</u>
Revenue		
-Domestic	33,164,284	16,301,874
-Overseas	21,241,842	11,608,636
	<u>54,406,126</u>	<u>27,910,510</u>

**A10. Carrying Amount of Revalued Assets**

The Group did not revalue any of its property, plant and equipment for the current quarter under review and the valuation of property, plant and equipment have been brought forward without amendment from the audited consolidated financial statements of SEB for the financial year ended 31 December 2010.

**A11. Capital Commitments**

The amount of capital commitments are as follows:

	<u>RM</u>
Approved and contracted for:	
Purchase of property, plant and equipment	760,000

**A12. Material events subsequent to the end of the interim**

Save as disclosed under Note 8 of Part B below, there were no material events subsequent to the end of the current quarter under review.

**A13. Changes in the composition of the Group**

On 28 September 2011, The Company had acquired the remaining 50% equity interest in ACE Standard International Limited (“ACE”) from Carsten Ranico & Partners (M) Sdn Bhd (722616-P) (“Vendor”), comprising 5,000 registered shares of USD1.00 each (“Sale Shares”) for a total consideration of USD1.00 (equivalent to RM3.20) (“Acquisition of ACE”). Following the Acquisition of ACE, ACE is now a wholly-owned subsidiary of SEB.

Save as disclosed above, there were no changes in the composition of the Group during the current quarter under review.

**A14. Changes in contingent liabilities and contingent assets**

As at the date of this announcement, there were no material contingent liabilities and contingent assets incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.



**SEREMBAN ENGINEERING BERHAD (“SEB”)  
(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. Review of performance**

The current quarter results showed a Group revenue of RM19.24 million and a profit before taxation (“PBT”) of RM1.61 million as compared to a revenue of RM11.68 million and profit before tax of RM 0.11 million in the corresponding period in the previous financial year.

The current year results showed a Group revenue of RM 54.41 million and a profit before tax (“PBT”) of RM 3.01 million for nine months financial period ended 30 September 2011 as compared to a revenue of RM 27.11 million and PBT of RM 0.80 million in the corresponding period in the previous financial year.

The Group recorded a higher PBT for current quarter and current financial period ended 30 September 2011 as compared to preceding year corresponding quarter and corresponding period, mainly attributable to higher sales and better profit margin.

**B2. Variation of results against preceding quarter**

The Group recorded a higher profit before taxation (“PBT”) of RM1.61 million for the current quarter as compared to preceding quarter of RM 1.32 million mainly due to better profit margin.

**B3. Prospects for the Current Financial Year**

With the increasing uncertainties surrounding the world economy, the Group expects the outlook of the process equipment industries to remain challenging. Nevertheless, the Group is continuously intensifying its effort in strengthening and expanding its customers’ base.

The Group aims to achieve positive results for this financial year.

**B4. Profit forecast or profit guarantee**

Not applicable as there was no profit forecast or profit guarantee issued by the Group.

**B5. Tax expense**

	<b>Quarter and Year-to-date ended</b>	
	<b>30.09.2011</b>	<b>30.09.2010</b>
	<b>RM</b>	<b>RM</b>
Income Tax	656,009	163,764
Deferred Tax	(5,221)	62,071
Total	<u>650,787</u>	<u>225,835</u>

The effective tax rate for the current quarter and financial year under review was lower than the statutory tax rate of 25% mainly due to the utilization of reinvestment allowances by the Company.



**SEREMBAN ENGINEERING BERHAD (“SEB”)  
(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**B6. Unquoted investments and/or properties**

The Group has not disposed of any unquoted investments and/or properties during the current quarter under review.

**B7. Quoted Securities**

There was no purchase or disposal of quoted securities during the financial year under review.

**B8. Corporate Proposals**

(a) Cooperation Agreement (CA)

Further to the Success Transformer Corporation Berhad (“STC”) announcements dated 17 September 2009, 17 December 2009, 24 February 2010, 24 May 2010 and SEB announcements dated 1 September 2010, 18 November 2010, 17 February 2011 and 17 August 2011 in relation to the CA between SEB and Affcom Resources Sdn. Bhd., there are no further developments on the said CA.

(b) Joint Venture Agreement (“JV Agreement”)

With regards to the JV agreement with Groupage Energy Sdn. Bhd. (“GESB”), there are no further developments on the said JV.

(c) Utilisation of Proceeds

As at the date of this report, the total gross proceeds of RM16.9 million arising from the Public Issue have been utilised in the following manner:

Details of the utilisation of proceeds	Estimated timeframe for utilisation from the date of listing	Proposed utilisation	Actual utilisation	Deviation	Balance
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of plant and machinery and extension/ upgrading of properties	Within 12 months	9,000	3,219	-	5,781
Repayment of borrowings *	Within 3 months	3,000	2,246	-	754
Working capital	Within 6 months	2,939	3,141	(202)	-
Defray estimated listing expenses #	Within 1 month	2,000	1,798	202	-
<b>Total gross proceeds :</b>		<b>16,939</b>	<b>10,404</b>	-	<b>6,535</b>

Note:

1. \*The time taken for repayment of borrowings is longer than the estimated timeframe initially planned mainly due to the on-going negotiation with a bank to reduce the penalty fee which is to be imposed on the early repayment of term loan.

2. #The actual utilisation for the listing expenses was lower than the estimated amount. Hence, the balance unutilised amount of RM202,000 was utilised for the Group’s working capital purposes as per the disclosure in the Company’s Prospectus dated 14 April 2010.



**SEREMBAN ENGINEERING BERHAD (“SEB”)**  
**(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**B9. Group Borrowings**

The Group’s borrowings as at 30 September 2011 were as follows:-

<b>Current</b>	<b><u>RM</u></b>
Secured – Bank overdraft	360,075
– Term loans	1,089,992
– Trade bills	13,421,000
– Hire Purchases	135,809
	<u>15,006,876</u>
<b>Non- current</b>	
Secured – Term loans	6,066,260
– Hire Purchases	300,229
	<u>6,366,489</u>
	<u><b>21,373,365</b></u>

**B10. Financial instruments**

Derivatives

The Group has entered into some forward foreign exchange currencies contracts to hedge its exposure to fluctuations in foreign currency arising from sales. The details of the open foreign exchange forward contracts are as follows:

	Amount in original currency	Average contract rate	Contract Value	Rate as at 30 September 2011	Changes in fair value
Less than 1 year	USD111,000	3.000	RM333,000	3.19083	(RM21,182.13)

The derivatives have been recorded on the Consolidated Statement of Financial Position for this reporting period in compliance with FRS 139.

The above instruments are executed with credit worthy financial institutions in Malaysia and as such credit and counterparties risks are minimal. There are no transaction costs at the inception of these contracts. The Group is exposed to minimal cash flow risk in view of its healthy cash position.



**SEREMBAN ENGINEERING BERHAD (“SEB”)  
(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**B11. Changes in material litigation**

The Group is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Group.

**B12. Dividends**

Save as disclosed in Note A8, the Board does not recommend any dividend in respect of current quarter under review.

**B13. Earnings per ordinary share (sen)  
(a) Basic**

The calculation of basic earnings per ordinary share for the current quarter and current year to date are based on the net profit attributable to ordinary shareholders of RM 2,479,749 and the weighted average number of ordinary shares outstanding during the quarter of 79,989,348

	Current quarter	Current year-to-date
<b>Basic earnings per share</b>	<b><u>RM</u></b>	<b><u>RM</u></b>
Net profit attributable to ordinary equity holders of the company	1,349,726	2,479,749
Weighted average number of ordinary shares in issue	79,989,348	79,989,348
Basic earnings per share (sen)	1.69	3.10

**(b) Diluted**

The diluted earnings per share of the Group were not presented as there were no dilutive potential ordinary shares during the financial year.



**SEREMBAN ENGINEERING BERHAD (“SEB”)**  
**(Company No: 45332-X)**

**Notes on the quarterly report – 30 September 2011**

**B14. Realised and unrealised profit / losses disclosure**

Pursuant to the Bursa Malaysia Securities Berhad’s (Bursa Securities) directives dated 25 March 2010 and 20 December 2010, the breakdown of the retained profits of the Group as at 30 September 2011, into realised and unrealised profits is as follows:

	<b>As At End of Current Quarter 30/09/2011 RM</b>	<b>As At End of Preceding Quarter 30/06/2011 RM</b>
Total retained profits / (losses) of the Company and the subsidiaries:-		
- Realised	11,375,428	10,143,320
- Unrealised	(2,493,814)	(2,525,170)
	<u>8,881,615</u>	<u>7,618,150</u>
Total share of accumulated losses from jointly controlled entities:-		
-Realised	(1,445)	(1,445)
-Unrealised	-	-
	<u>8,880,169</u>	<u>7,616,704</u>
Less: Consolidation adjustments	(415,937)	(490,624)
Total group retained profits as per statement of financial position	<u>8,464,232</u>	<u>7,126,080</u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1 “*Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*”, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By Order of the Board

Wong Chee Kian  
Managing Director