



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

**Notes on the quarterly report – 30 June 2012**

**PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD ("MFRS") 134 INTERIM FINANCIAL REPORTING**

**A1. Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS1") has been applied.

The explanatory notes attached to these condensed consolidated 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 year ended 31 December 2011.

The date of transition to the MFRS framework is on 1 January 2011. At that transaction date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The transition from FRS to MFRS has not had a material financial impact on the financial statements of the Group and of the Company other than arising from the changes in accounting policies described in Note A2 below.

**A2. Significant Accounting Policies and Application of MFRS 1**

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

**Property, Plant and equipment**

Under FRSs, the Group measured its Property, Plant and Equipment other than freehold land and buildings at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at valuation less impairment losses recognized after date of revaluation. Freehold land is not depreciated. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognized after the date of the revaluation. Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 *Property, Plant and Equipment*. At the date of transition to MFRS, the Group elected to regard the revalued amounts of land and buildings as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM 3,793,484 (30 June 2011:RM 3,793,484 ; 31 December 2011:RM 3,793,484 ) was transferred to retained earnings on date of transition to MFRS.



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The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided as below:-

(i) Reconciliation of equity as at 1 January 2011

	<b>FRS as at 1.1.2011 RM'000</b>	<b>Adjustment RM'000</b>	<b>MFRS as at 1.1.2011 RM'000</b>
Other Reserves	9,377	(3,793)	5,584
Retained earnings	6,796	3,793	10,589

(ii) Reconciliation of equity as at 30 June 2011

	<b>FRS as at 30.06.2011 RM'000</b>	<b>Adjustment RM'000</b>	<b>MFRS as at 30.06.2011 RM'000</b>
Other reserves	9,377	(3,793)	5,584
Retained earnings	6,921	3,793	10,714

(iii) Reconciliation of equity as at 31 December 2011

	<b>FRS as at 31.12.2011 RM'000</b>	<b>Adjustment RM'000</b>	<b>MFRS as at 31.12.2011 RM'000</b>
Other reserves	9,377	(3,793)	5,584
Retained earnings	9,926	3,793	13,719

**A3. Qualification of Annual Financial Statements**

The latest audited consolidated financial statements of SEB for the financial year ended 31 December 2011 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 June 2012. However, the process equipment's business operation result is very much dependent on the timing of completion of each project.



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**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 June 2012.

**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 June 2012 under review:

**(a) Share Buy-Back**

During the financial period ended 30 June 2012, the company had repurchased 208,300 of its share capital from the open market at an average cost RM 0.48 per shares. The total consideration paid for the share buy-back of SEB shares during the financial period six months ended 30 June 2012, including transaction costs was RM 100,400 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 June 2012, the number of treasury shares held was 251,300 SEB Shares.

**A8. Dividend Paid**

During the financial period for six months ended 30 June 2012, an interim single-tier dividend of 4% amounting to approximately RM 1.6 million in respect of financial year ending 2012 was paid on 31 May 2012.

**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 analyzed by geographical location of customers are as follows:-



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	6 months period ended	
	30.06.2012	30.06.2011
	<u>RM</u>	<u>RM</u>
<b>Revenue</b>		
-Domestic	19,716,371	23,063,165
-Overseas	28,426,335	12,101,875
	<u>48,142,706</u>	<u>35,165,040</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 2011.

**A11. Capital Commitment**

The amount of capital commitment is as follows:

Approved and contracted for:	
Purchase of property, plant and equipment and investment	7,998,465

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

There was no material event subsequent to the end of the current quarter under review.

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

There was no change 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.



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

**B1. Review of performance**

The current quarter results showed higher Group revenue of RM 26.86 million and a net profit after taxation after MI ("PAT") of RM 1.49 million as compared to a revenue of RM 18.68 million and PAT after MI of RM 1.01 million in the corresponding quarter in the previous financial year. This was mainly due to higher sales recorded.

The current year results recorded much improved Group revenue of RM 48.14 million and a PAT after MI of RM 3.53 million as compared to RM 35.17 million and a PAT after MI of RM 1.13 million in the corresponding period in the previous financial year. These were mainly due to higher sales achieved and higher profit margin.

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

The Group recorded a lower profit before taxation ("PBT") of RM 2.15 million for the current quarter as compared to preceding quarter of RM 2.36 million mainly due to cost overrun of a project completed during the quarter.

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

In view of challenging Malaysian and global economy condition, the Board expects the process equipment industries remain competitive.

Barring any unforeseen circumstances, the Board is optimistic in achieving better result for this financial year in view of the improved and increasing activities which is expected in the Palm Oil refineries and Oil and Gas sector.

**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 Ended</b>	<b>6 Month Ended</b>
	<b>30.06.12</b>	<b>30.06.12</b>
	<b>RM'000</b>	<b>RM'000</b>
Income Tax	484	1,050
Deferred Tax	263	(25)
Total	<u>747</u>	<u>1,025</u>

The effective tax rate for the financial year under review was lower than the statutory tax rate of 25% mainly due to the utilization of reinvestment allowances by the Company. However, the current quarter tax rate was higher due to over recognition of deferred tax liabilities.



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**B6. Notes to the Statements of Comprehensive Income**

	3 months ended		Year to date ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Interest income	(49)	(79)	(149)	(158)
Interest expense	216	228	519	452
Depreciation	474	369	918	714
Allowance for doubtful debts and bad debts written off	-	-	-	-
(Gain)/ loss on disposal of property, plant and equipment	-	-	-	-
<b>Total</b>	<b>641</b>	<b>518</b>	<b>1,288</b>	<b>1,008</b>

**B7. Unquoted investments and/or properties**

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

**B8. Quoted Securities**

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

**B9. Corporate Proposals**

(a) 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.

(b) Utilization of Proceeds

As at the date of this report, the total gross proceeds of RM 16.9 million arising from the Public Issue have been utilized in the following manner:



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Details of the utilisation of proceeds	Estimated timeframe for utilisation from the date of listing	Proposed utilisation	Actual utilisation	Deviation	Balance
		RM'000	RM'000	RM'000	RM'000
Purchase of plant and machinery and extension/upgrading of properties	Within 12 months	9,000	7,861		1,139
Repayment of borrowings *	Within 3 months	3,000	2,625	375	
Working capital	Within 6 months	2,939	3,516	(577)	
Defray estimated listing expenses #	Within 1 month	2,000	1,798	202	
<b>Total gross proceeds :</b>		<b>16,939</b>	<b>15,800</b>	<b>-</b>	<b>1,139</b>

Note:

# The actual utilization for the listing expenses and repayment of borrowings were lower than the estimated amount. Hence, the balance unutilized amount of RM 577,000 was utilized for the Group's working capital purposes as per the disclosure in the Company's Prospectus dated 14 April 2010.

**B10. Group Borrowings**

The Group's borrowings as at 30 June 2012 were as follows:-

	<u>RM'000</u>
<b>Current</b>	
Secured – Bank overdraft	-
– Term loans	1,335
– Trade bills	25,094
– Hire Purchases	636
	<hr/> 27,065
<b>Non-current</b>	
Secured – Term loans	5,290
– Hire Purchases	-
	<hr/> 5,290
	<hr/> <b>32,355</b> <hr/>

**B11. Financial instruments**

The Group does not have any financial instruments with off balance sheet risk, the latest practicable date which is not earlier than 7 days from the date of this quarterly report.

**B12. Changes in material litigation**



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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.

**B13. Dividends**

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

**B14. Earnings per ordinary share (sen)**

**(a) Basic**

Basic earnings per ordinary share amounts are calculated by dividing profit for the period attributable to ordinary equity owners of the parent by the weighted average number of ordinary shares in issue during the finance quarter ended 30 June 2012 are computed as follow:-

	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	1,491,375	3,529,892
Weighted average number of ordinary shares in issue	79,837,805	79,837,805
Basic earnings per share (sen)	1.87	4.42

**(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.





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**B15. 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 June 2012, into realised and unrealised profits is as follows:

	As At End of Current Quarter 30/06/2012 RM	As At End of Preceding Quarter 31/03/2012 RM
Total retained profits / (losses) of the Company and the subsidiaries:-		
- Realised	18,751,307	18,630,350
- Unrealised	<u>(2,625,249)</u>	<u>(2,362,240)</u>
	16,126,058	16,268,110
Total share of accumulated profit / (losses) from associate and jointly controlled entities:-		
-Realised	(21,431)	4,646
-Unrealised	<u>-</u>	<u>-</u>
	16,104,627	16,272,756
Less: Consolidation adjustments	<u>(450,677)</u>	<u>(514,608)</u>
Total group retained profits as per statement of financial position	<u>15,653,950</u>	<u>15,758,148</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