



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

**Notes on the quarterly report – 31 March 2013**

**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 31 March 2013, 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 and should be read in conjunction with the Group’s Audited Financial Statements for the year ended 31 December 2012. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

**A2. Significant Accounting Policies**

The Significant accounting policies and the methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statement for the financial year ended 31 December 2012.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2013 did not have significant impact on the unaudited condensed consolidated financial statements upon their initial application.

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>	<b>Effective for financial periods beginning on or after</b>	
MFRS 10	Consolidated Financial Statement	1 January 2013
MFRS 11	Joint Agreements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investment in Associated and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS1	First-time Adoption of MFRS – Government Loans	1 January 2013
Amendments to MFRS1	First-time Adoption of MFRS – (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS7	Disclosures- Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS10	Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS11	Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS12	Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS116	Property, Plant and Equipment – (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS132	Financial Instruments: Presentation (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS134	Interim Financial Reporting: (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013



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**MFRS and Amendments to MFRS that are applicable to the Group but not yet effective**

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these are effective for financial period beginning on or after 1 January 2014:

Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Liabilities	1 January 2014
MFRS 9	Financial Instruments (2009)	1 January 2015
MFRS 9	Financial Instruments (2010)	1 January 2015
Amendments to MFRS 7	Financial Instruments: Disclosure – Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015

**A3. Qualification of Annual Financial Statements**

The latest audited consolidated financial statements of SEB for the financial year ended 31 December 2012 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 31 March 2013. 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 31 March 2013.

**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**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 March 2013 under review:

As at 31 March 2013, the number of treasury shares held was 298,200 SEB Shares.

**A8. Dividend Paid**

During the financial period for three months ended 31 March 2013, no dividend has been paid.



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**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:-

	<b>3 months period ended</b>	
	<b>31.03.2013</b>	<b>31.03.2012</b>
	<b><u>RM</u></b>	<b><u>RM</u></b>
<b>Revenue</b>		
-Domestic	8,216,087	11,689,989
-Overseas	12,304,583	9,590,966
	<u>20,520,670</u>	<u>21,280,955</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 2012.

**A11. Capital Commitment**

The amount of capital commitment is as follow:

Approved and contracted for:	<b><u>RM</u></b>
Purchase of Property, Plant & Equipment and Investment	36,000

**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 lower Group revenue of RM 20.52 million and net profit after taxation (PAT) after non-controlling interest of RM 1.54 million as compared to a revenue of RM 21.28 million and PAT after Non-controlling interest of RM 2.04 million in the corresponding quarter in the previous financial year. These were due to lower sales recorded and higher administrative expenses mainly arising from increase of staff costs.

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

The Group recorded a higher profit before taxation (“PBT”) of RM 1.62 million for the current quarter as compared to preceding quarter of RM 0.91 million mainly due to higher other operating expenses arising from provision of specific debts in the preceding quarter.

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

While the market condition in the palm oil industry is expected to remain challenging, the Board is still optimistic in achieving satisfactory performance for this financial year by securing more new projects in view of encouraging enquiries from other industries such as oil and gas, power plant and petrochemical.

**B4. Profit forecast or profit guarantee**

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

**B5. Tax expense**

	Quarter and Year-to-date ended	
	31.03.13	31.03.12
	<u>RM'000</u>	<u>RM'000</u>
Income Tax	(511)	(566)
Deferred Tax	315	288
Total	<u>(196)</u>	<u>(278)</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.



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

	3 months ended		Year to date ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Interest income	(6)	(100)	(6)	(100)
Interest expense	261	303	261	303
Depreciation	542	444	542	444
Allowance for specific debts and bad debts written off		-		-
(Gain)/ loss on disposal of property, plant and equipment		-		-
Total	<u>797</u>	<u>647</u>	<u>797</u>	<u>647</u>

**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 fully 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
		<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	9,000		-
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>16,939</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 31 December 2012 were as follows:-

<b>Current</b>	<b><u>RM'000</u></b>
Secured – Bank overdraft	248
– Term loans	826
– Trade bills	23,357
– Hire Purchases	332
	<hr/>
	24,763
<b>Non-current</b>	
Secured – Term loans	8,831
– Hire Purchases	812
	<hr/>
	9,643
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	<b>34,406</b>

**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.



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**B12. 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.

**B13. Dividends**

In respect of financial year ending 2013, the Board of Directors had declared an interim single-tier dividend of RM0.02 per share on 79,701,800 ordinary shares amounting to RM1,594,036 on 15 April 2013 as compared to previous corresponding period of an interim single-tier dividend of RM 0.02 per share on 79,778,700 ordinary share amounting to RM1,595,574.

The entitlement to the interim dividend will be determined based on the shareholders registered in the record of depositors as at 21 May 2013 and the date of payment will be on 03 June 2013.

**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 31 March 2013 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	1,538,723	1,538,723
Weighted average number of ordinary shares in issue	79,701,800	79,701,800
Basic earnings per share (sen)	1.93	1.93

**(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 December 2010, the breakdown of the retained profits of the Group as at 31 March 2013, into realised and unrealised profits is as follows:

	<b>As At End of Current Quarter</b>	<b>As At End of Preceding Quarter</b>
	<b>31.03.13</b>	<b>31.12.12</b>
	<b>RM</b>	<b>RM</b>
Total retained profits / (losses) of the Company and the subsidiaries:-		
- Realised	23,747,982	22,492,845
- Unrealised	(2,264,269)	(2,702,928)
	<hr/> 21,483,713	<hr/> 19,789,917
Total share of accumulated profit / (losses) from associate and jointly controlled entities:-		
-Realised	(41,811)	(34,406)
-Unrealised	-	-
	<hr/> 21,441,902	<hr/> 19,755,511
Less: Consolidation adjustments	(818,330)	(573,867)
Total group retained profits as per statement of financial position	<hr/> 20,623,572	<hr/> 19,181,644

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