



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

Notes on the quarterly report – 30 June 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 30 June 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.

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for financial periods beginning on or after
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 MRFS 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 30 June 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 30 June 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

During the financial year, the Company re-purchased 2,000 of its issued ordinary shares of RM0.50 each (“SEB Shares”) from open market at an average price of approximately RM0.67 per share. The total consideration paid for the re-purchase including transaction cost was RM1,382.41. The shares re-purchased are held as treasury shares in accordance with section 67A of the Companies Act, 1965 and are presented as a deduction from total equity.

As at 30 June 2013, the number of treasury shares held was 300,200 SEB Shares as treasury shares out of its 80,000,000 SEB Shares.

A8. Dividend Paid

During the financial period for six months ended 30 June 2013, an interim single-tier dividend of 4% amounting to RM1,594,036 in respect of financial year ending 31 December 2013 was paid on 3 June 2013.



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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:-

	6 months period ended	
	30.06.2013	30.06.2012
	<u>RM</u>	<u>RM</u>
Revenue		
-Domestic	16,423,007	19,716,371
-Overseas	32,856,185	28,426,335
	<u>49,279,192</u>	<u>48,142,706</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:	<u>RM</u>
Purchase of Property, Plant & Equipment and Investment	206,000

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 higher Group revenue of RM 28.76 million and better net profit after taxation (PAT) after non-controlling interest of RM 2.23 million as compared to a revenue of RM 26.86 million and PAT after Non-controlling interest of RM 1.49 million in the corresponding quarter in the previous financial year.

Meanwhile, the current year results also showed improved Group revenue of RM 49.28 million and favourable net profit after taxation (PAT) after non-controlling interest of RM 3.77 million as compared to a revenue of RM 48.14 million and PAT after Non-controlling interest of RM 3.53 million in the corresponding quarter in the previous financial year.

The favourable results were mainly due to higher sales recorded coupled with cost savings resulting from effective project management.

B2. Variation of results against preceding quarter

The Group recorded a higher profit before taxation (“PBT”) of RM 3.35 million for the current quarter as compared to preceding quarter of RM 1.62 million mainly due to higher sales recorded during the quarter.

B3. Prospects for the Current Financial Year

The Company expects the market condition in the palm oil industry to remain challenging. In view of the encouraging order books and enquiries received from both the general and other industries including oil and gas, the Board is confident to achieve satisfactory performance 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

	Quarter Ended	6 Months Ended
	30.06.2013	30.06.2013
	<u>RM'000</u>	<u>RM'000</u>
Income Tax	969	1,480
Deferred Tax	44	(271)
Total	<u>1,013</u>	<u>1,209</u>

The effective tax rate for the current quarter and financial year under review was higher than the statutory tax rate of 25% mainly due to the under provision of previous year tax and adding back of non allowable expenses for the current year.



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B6. Notes to the Statements of Comprehensive Income

	6 months ended		Year to date ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Interest income	(3)	(49)	(9)	(149)
Interest expense	486	216	746	519
Depreciation	542	474	1,087	918
Total	<u>1,025</u>	<u>641</u>	<u>1,824</u>	<u>1,288</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

Joint Venture Agreement (“JV Agreement”)

The Group has decided not to proceed with the Joint Venture Agreement and appropriate actions will be taken to dissolve the Joint Venture Company.

B10. Group Borrowings

The Group’s borrowings as at 30 June 2013 were as follows:-

Current	<u>RM '000</u>
Secured – Bank overdraft	161
– Term loans	836
– Trade bills	24,535
– Hire Purchases	327
	<u>25,859</u>
Non-current	
Secured – Term loans	8,446
– Hire Purchases	734
	<u>9,180</u>
	<u>35,039</u>



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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

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 2013 are computed as follow:-

	Current quarter	Current year-to-date
Basic earnings per share	<u>RM</u>	<u>RM</u>
Net profit attributable to ordinary equity holders of the company	2,226,375	3,765,099
Weighted average number of ordinary shares in issue	79,701,701	79,701,701
Basic earnings per share (sen)	2.79	4.72

(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 30 June 2013, into realised and unrealised profits is as follows:

	30.06.2013	31.03.2013
	RM	RM
Total retained profits / (losses) of the Company and the subsidiaries:-		
- Realised	24,552,663	23,747,982
- Unrealised	<u>(2,309,040)</u>	<u>(2,264,269)</u>
	22,243,623	21,483,713
Total share of accumulated profit / (losses) from associate and jointly controlled entities:-		
-Realised	(72,992)	(41,811)
-Unrealised	<u>-</u>	<u>-</u>
	22,170,631	21,441,902
Less: Consolidation adjustments	<u>(914,719)</u>	<u>(818,330)</u>
Total group retained profits as per statement of financial position	<u>21,255,912</u>	<u>20,623,572</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