



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

Notes on the quarterly report – 31 December 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 December 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.

MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 (Revised) Employee Benefits
MFRS 127 Separate Financial Statements
MFRS 128 Investments in Associates and Joint Ventures
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to MFRSs 2009 – 2011 Cycle

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

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

| MFRSs and IC Interpretations (Including The Consequential Amendments) | Effective Date |
|--|-----------------------|
| MFRS 9 Financial Instruments | 1 January 2015 |
| Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures | 1 January 2015 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities | 1 January 2014 |
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets | 1 January 2014 |



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

Notes on the quarterly report – 31 December 2013

| | |
|--|----------------|
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IC Interpretation 21 Levies | 1 January 2014 |

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 December 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 December 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 20,000 of its issued ordinary shares of RM0.50 each (“SEB Shares”) from open market at an average price of approximately RM0.60 per share. The total consideration paid for the re-purchase including transaction cost was RM11,722.85. 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 31 December 2013, the number of treasury shares held was 318,200 SEB Shares as treasury shares out of its 80,000,000 SEB Shares.

A8. Dividend Paid

During the financial year ended 31 December 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.



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

Notes on the quarterly report – 31 December 2013

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:-

| | 12 months period ended | |
|----------------|------------------------|-------------------------|
| | 31.12.2013 | 31.12.2012 (Audited) |
| | <u>RM</u> | <u>RM</u> |
| Revenue | | |
| -Domestic | 58,839,455 | 43,051,177 |
| -Overseas | 46,958,680 | 58,636,494 |
| | <u>105,798,135</u> | <u>101,687,671</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 | 347,943.10 |

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.



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

Notes on the quarterly report – 31 December 2013

**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 30.06 million and lower net profit after taxation (PAT) after non-controlling interest of RM 1.02 million as compared to a revenue of RM 23.29 million and PAT after Non-controlling interest of RM 1.43 million in the corresponding quarter in the previous financial year resulted from lower gross profit margin and higher provision of tax which were partly offset by lower other operating expenses.

Meanwhile, the current year results also showed higher Group revenue of RM 105.80 million and lower net profit after taxation (PAT) after non-controlling interest of RM 6.25 million as compared to a revenue of RM 101.69 million and PAT after Non-controlling interest of RM 6.96 million in the corresponding quarter in the previous financial year mainly due to higher operating expenses and provision of tax in 2013 which were partly offset by lower other operating expenses as compared to 2012.

B2. Variation of results against preceding quarter

The Group recorded a lower profit before taxation (“PBT”) of RM 1.61 million for the current quarter as compared to preceding quarter of RM 1.87 million mainly due to lower gross profit margin.

B3. Prospects

While the outlook in the oil and gas sector in Malaysia is expected to be promising, the market condition in palm oil and other industries continue to remain challenging.

Barring unforeseen circumstances, the Board is aiming to achieve satisfactory performance in 2014.

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 31.12.2013 <u>RM000</u> | 12 Months Ended 31.12.2013 <u>RM000</u> |
|--------------|--|--|
| Income Tax | 295 | 2,265 |
| Deferred Tax | 158 | (104) |
| Total | <u>453</u> | <u>2,161</u> |

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



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

Notes on the quarterly report – 31 December 2013

B6. Notes to the Statements of Comprehensive Income

| | 12 months ended | | Year to date ended | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31.12.2013 <u>RM '000</u> | 31.12.2012 <u>RM '000</u> | 31.12.2013 <u>RM '000</u> | 31.12.2012 <u>RM '000</u> |
| Interest income | (13) | (18) | (25) | (197) |
| Interest expense | 520 | 355 | 1,653 | 1,205 |
| Depreciation | 578 | 507 | 2,277 | 1,914 |
| Allowance for specific debts and bad debts written off | - | 2,590 | - | 2,590 |
| (Gain)/Loss on disposal of property, plant and equipment | 95 | (7) | 94 | (7) |
| Total | <u>1,180</u> | <u>3,427</u> | <u>3,999</u> | <u>5,505</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 instructed solicitors to commence action to dissolve the Joint Venture Company, Groupage SEB Sdn Bhd and the Joint Venture Agreement will be terminated accordingly. The Court has fixed the matter for hearing on 04.03.2014.

B10. Group Borrowings

The Group’s borrowings as at 31 December 2013 were as follows:-

| | <u>RM'000</u> |
|--------------------------|---------------|
| Current | |
| Secured – Bank overdraft | 448 |
| – Term loans | 856 |
| – Trade bills | 28,308 |
| – Hire Purchases | 338 |
| | <u>29,950</u> |
| Non- current | |
| Secured – Term loans | 7,913 |
| – Hire Purchases | 689 |
| | <u>8,602</u> |
| | <u>38,552</u> |



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

Notes on the quarterly report – 31 December 2013

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 31 December 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 | 1,019,408 | 6,248,915 |
| Weighted average number of ordinary shares in issue | 79,700,521 | 79,700,521 |
| Basic earnings per share (sen) | 1.28 | 7.84 |

(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 – 31 December 2013

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 December 2013, into realised and unrealised profits is as follows:

| | As At End of Current Quarter 31.12.2013 RM | As At End of Preceding Quarter 30.09.2013 RM |
|---|---|---|
| Total retained profits / (losses) of the Company and the subsidiaries:- | | |
| - Realised | 27,688,417 | 26,238,330 |
| - Unrealised | <u>(2,431,557)</u> | <u>(2,317,176)</u> |
| | 25,256,860 | 23,921,154 |
| Total share of accumulated profit / (losses) from associate and jointly controlled entities:- | | |
| -Realised | (305,453) | (215,738) |
| -Unrealised | <u>-</u> | <u>-</u> |
| | 24,951,407 | 23,705,416 |
| Less: Consolidation adjustments | <u>(1,211,679)</u> | <u>(985,096)</u> |
| Total group retained profits as per statement of financial position | <u>23,739,728</u> | <u>22,720,320</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