



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

**Notes on the quarterly report – 30 June 2014**

**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 2014, 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 2013. 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 financial information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 31 December 2013 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2013 except as described below.

As of 1 January 2014, the Group has adopted the following amendments to MFRSs and IC Interpretation which are effective for annual periods beginning on or after 1 January 2014.

Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*  
Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*  
Amendments to MFRS 127, *Consolidated and Separate Financial Statements: Investment Entities*  
Amendments to MFRS 132, *Offsetting Financial Assets and Financial Liabilities*  
Amendments to MFRS 136, *Recoverable Amount Disclosures for Non-financial Assets*  
Amendments to MFRS 139, *Novation of Derivatives and Continuation of Hedge Accounting*  
IC Interpretation 21, *Levies*

The adoption of the above amendments to MFRSs and IC Interpretation do not have material impact to the financial statements of the Group.

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:-

MFRS 9 (2009) Financial Instruments	)
MFRS 9 (2010) Financial Instruments	) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	) announced ) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	) )
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014



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**A3. Qualification of Annual Financial Statements**

The latest audited consolidated financial statements of SEB for the financial year ended 31 December 2013 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 2014. 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 2014.

**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 issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 June 2014.

**A8. Dividend Paid**

During the financial period for six months ended 30 June 2014, an interim single-tier dividend of 4% amounting to RM1,593,636 in respect of financial year ending 31 December 2014 was paid on 5 June 2014.

**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>6 months period ended</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b><u>RM</u></b>	<b><u>RM</u></b>
<b>Revenue</b>		
-Domestic	56,892,364	16,423,007
-Overseas	6,622,353	32,856,185
	<u>63,514,717</u>	<u>49,279,192</u>



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**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 2013.

**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	232,000

**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 33.90 million and lower net profit after taxation (PAT) after non-controlling interest of RM 1.15 million as compared to a revenue of RM 28.76 million and PAT after Non-controlling interest of RM 2.23 million in the corresponding quarter in the previous financial year.

Meanwhile, the current year results also showed improved Group revenue of RM 63.51 million and lower net profit after taxation (PAT) after non-controlling interest of RM 2.27 million as compared to a revenue of RM 49.28 million and PAT after Non-controlling interest of RM 3.77 million in the corresponding quarter in the previous financial year.

The results were mainly due to lower gross profit margin recorded.

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

The Group recorded a lower profit before taxation (“PBT”) of RM 1.36 million for the current quarter as compared to preceding quarter of RM 1.50 million mainly due to lower gross profit margin.

**B3. Prospects**

The Group expects the market outlook in the palm oil industry to remain competitive. Meanwhile, it has intensified its effort in expanding its market in the oil and gas and other industries.

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

**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 30.06.2014 RM'000</b>	<b>6 Months Ended 30.06.2014 RM'000</b>
Income Tax	305	790
Deferred Tax	(2)	(120)
Total	<u>303</u>	<u>670</u>

The effective tax rate for the current quarter under review was slightly 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	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	(6)	(3)	(20)	(9)
Interest expense	369	486	785	746
Depreciation	679	542	1,194	1,087
(Gain)/Loss on disposal of property, plant and equipment	(2)	(95)	(2)	(95)
Total	<u>1,040</u>	<u>930</u>	<u>1,957</u>	<u>1,729</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 05.09.2014.

**B10. Group Borrowings**

The Group’s borrowings as at 30 June 2014 were as follows:-

	<u>RM'000</u>
<b>Current</b>	
Secured – Bank overdraft	404
– Term loans	993
– Trade bills	29,857
– Hire Purchases	486
	<u>31,740</u>
<b>Non-current</b>	
Secured – Term loans	7,296
– Hire Purchases	1,539
	<u>8,835</u>
	<u>40,575</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**

During the financial period for six months ended 30 June 2014, an interim single-tier dividend of 4% amounting to RM1,593,636 in respect of financial year ending 31 December 2014 was declared on 15 April 2014 and paid on 5 June 2014.

**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 2014 are computed as follow:-

	<b>Current quarter</b>	<b>Current year-to-date</b>
<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	1,150,279	2,269,858
Weighted average number of ordinary shares in issue	79,681,800	79,681,800
Basic earnings per share (sen)	1.44	2.85

**(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 2014, 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>30.06.2014</b>	<b>31.03.2014</b>
	<b>RM</b>	<b>RM</b>
Total retained profits / (losses) of the Company and the subsidiaries:-		
- Realised	27,247,965	27,981,993
- Unrealised	(2,317,294)	(2,313,446)
	<u>24,930,671</u>	<u>25,668,547</u>
Total share of accumulated profit / (losses) from associate and jointly controlled entities:-		
-Realised	6,087	(93,863)
-Unrealised	-	-
	<u>24,936,758</u>	<u>25,574,684</u>
Less: Consolidation adjustments	(739,529)	(934,098)
Total group retained profits as per statement of financial position	<u>24,197,229</u>	<u>24,640,586</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