



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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

	Unaudited as at 30.06.2016 RM	Audited as at 31.12.2014 RM
ASSETS		
Non-current assets		
Property, plant and equipment	54,086,964	51,933,378
Other receivables	435,000	765,000
Deferred Tax Asset	84,934	90,700
Investment properties	87,893	90,352
Investment in Associate & Jointly Controlled Company	-	9,069,419
	<u>54,694,791</u>	<u>61,948,849</u>
Current assets		
Inventories	25,638,309	31,423,484
Trade and other receivables	32,730,349	47,457,570
Deposit, cash and bank balances	5,441,905	14,628,489
	<u>63,810,563</u>	<u>93,509,543</u>
TOTAL ASSETS	<u>118,505,354</u>	<u>155,458,392</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	40,000,000	40,000,000
Treasury Shares	(157,426)	(157,426)
Other Reserves	5,583,931	5,583,931
Reserves	(19,737,648)	16,258,892
Equity attributable to owners of the parent	<u>25,688,857</u>	<u>61,685,397</u>
Non-controlling interest	384,907	838,506
Total equity	<u>26,073,764</u>	<u>62,523,903</u>
Non-current liabilities		
Bank borrowings	10,823,042	6,786,220
Hire purchases and lease payables	1,055,367	1,357,955
Deferred tax liabilities	-	353,002
	<u>11,878,409</u>	<u>8,497,177</u>
Current liabilities		
Trade and other payables	45,224,769	33,500,275
Amount due to Associates	284,956	-
Bank borrowings	34,520,536	50,424,796
Hire purchases and lease payables	522,920	512,241
	<u>80,553,181</u>	<u>84,437,312</u>
TOTAL LIABILITIES	92,431,590	92,934,489
TOTAL EQUITY AND LIABILITIES	<u>118,505,354</u>	<u>155,458,392</u>
Net Asset per share attributable to owners of the parent (RM)	0.32	0.77

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 31st December 2014 with the accompanying explanatory notes attached to the financial statements.



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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30TH JUNE 2016

	← Attributable to Owners of the Company →						Non-Controlling Interests	Total Equity
	← Non-distributable →			Distributable		Total		
	Share Capital	Share Premium	Treasury Shares	Retained (Loss) / Profit	Total			
RM	RM	RM	RM	RM	RM	RM	RM	
As at 1st January 2015	40,000,000	5,583,931	(157,426)	16,258,892	61,685,397	838,506	62,523,903	
Total comprehensive income / (expense) for the period	-	-	-	(36,377,740)	(36,377,740)	(453,599)	(36,831,339)	
Disposal of Investment in Associate				381,200	381,200	-	381,200	
As at 30th June 2016	40,000,000	5,583,931	(157,426)	(19,737,648)	25,688,857	384,907	26,073,764	
As at 1st January 2014	40,000,000	5,583,931	(155,934)	23,761,006	69,189,003	753,719	69,942,722	
Dividend paid	-	-	-	(1,593,636)	(1,593,636)	-	(1,593,636)	
Total comprehensive income for the period	-	-	-	(5,908,478)	(5,908,478)	84,787	(5,823,691)	
Share buy back	-	-	(1,492)	-	(1,492)	-	(1,492)	
As at 31st December 2014	40,000,000	5,583,931	(157,426)	16,258,892	61,685,397	838,506	62,523,903	



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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30TH JUNE 2016**

	Current quarter 30.06.2016	Comparative quarter 30.06.2015	Cumulative (18 months) 30.06.2016	Comparative (18 months) 30.06.2015
	RM	RM	RM	RM
Revenue	11,746,168	23,068,056	146,683,355	N/A
Operating (Loss)/Profit	(16,410,925)	1,320,075	(32,231,051)	N/A
Interest Expense	(940,514)	(518,543)	(4,741,804)	N/A
Interest Income	3,263	1,140	67,350	N/A
Share of Profit / (Loss) of Associates	52,312	(10,064)	(335,573)	N/A
(Loss)/Profit before tax	<u>(17,295,864)</u>	<u>792,608</u>	<u>(37,241,078)</u>	<u>N/A</u>
Tax Credit	382,736	(185,402)	409,739	N/A
(Loss)/Profit after taxation	<u>(16,913,128)</u>	<u>607,206</u>	<u>(36,831,339)</u>	<u>N/A</u>
Total Comprehensive Expense for the period	<u>(16,913,128)</u>	<u>607,206</u>	<u>(36,831,339)</u>	<u>N/A</u>
(Loss)/Profit after taxation attributable to :				
Owners of the Company	(16,624,976)	639,519	(36,377,740)	N/A
Non-Controlling Interest	<u>(288,152)</u>	<u>(32,313)</u>	<u>(453,599)</u>	<u>N/A</u>
	<u>(16,913,128)</u>	<u>607,206</u>	<u>(36,831,339)</u>	<u>N/A</u>
Total Comprehensive Expense attributable to :				
Owners of the Company	(16,624,976)	639,519	(36,377,740)	N/A
Non-Controlling Interest	<u>(288,152)</u>	<u>(32,313)</u>	<u>(453,599)</u>	<u>N/A</u>
	<u>(16,913,128)</u>	<u>607,206</u>	<u>(36,831,339)</u>	<u>N/A</u>
Basic (Loss)/Profit per share (sen)	(20.86)	0.80	(45.65)	N/A

Due to the change in the current financial year end from 31st December 2015 to 30th June 2016, there were no comparative financial information available for the 18-month financial period ended 30th June 2016.

The unaudited Condensed Interim Financial Statements should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 31st December 2014 with the accompanying explanatory notes attached to the financial statements.



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

Unaudited
18 months
30.06.2016
RM

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before tax	(37,241,078)
Adjustment for:-	
Impairment losses on trade receivables	8,269,881
Unrealised gain on foreign exchange	(21,863)
Depreciation on plant, property and equipment	3,739,831
Depreciation on investment property	2,459
Impairment loss of property, plant and equipment	382,298
Impairment of investment in associate	300,000
Gain on disposal of property, plant and equipment	(451,308)
Gain on disposal of associate	(900,000)
Property, Plant & Equipment Written Off	78,748
Share of results in associates	335,573
Reversal of impairment losses on trade receivables	(136,171)
Interest expenses	4,741,804
Interest income	(67,350)
Reversal of accrued interest	104,147
	<hr/>
	(20,863,029)
Changes in working capital	
Inventories	5,785,175
Amount due from contract customers	18,506,310
Trade and other receivables, prepayment and other assets	(10,355,394)
Trade and other payables	209,967
	<hr/>
Cash used in operations	(6,716,971)
Interest paid	(4,741,804)
Interest received	67,350
Tax refund	715,650
	<hr/>
Net cash used in operating activities	<hr/> (10,675,775) <hr/>

CASH FLOWS FOR INVESTING ACTIVITIES

Proceeds from disposal of property, plant and equipment	1,557,872
Proceeds from disposal of associate	10,000,000
Purchase of property, plant and equipment	(7,474,202)
	<hr/>
Net cash from investing activities	<hr/> 4,083,670 <hr/>

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 31st December 2014 with the accompanying explanatory notes attached to the financial statements.



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

	Unaudited 18 months 30.06.2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES	
Amount due to ultimate holding company	9,564,867
Drawdown from Term Loan	6,243,127
Net (increase) in fixed deposits pledged	(100,271)
Net movement in trade bills	(16,136,244)
Repayment of hire purchase and lease payables	(291,909)
Repayment of term loans	(1,686,813)
Net cash used in financing activities	<u>(2,407,243)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,999,348)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>13,604,111</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u><u>4,604,763</u></u>
CASH AND CASH EQUIVALENTS COMPRISE OF:	
Short term deposit placed with licensed banks	3,839
Cash and bank balances	<u>5,337,795</u>
	5,341,634
Bank overdraft	<u>(736,871)</u>
	<u><u>4,604,763</u></u>

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 31st December 2014 with the accompanying explanatory notes attached to the financial statements.



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

Notes to the quarterly report – 30th June 2016

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 30th June 2016, 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 31st December 2014.

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 2014 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 2014 except as described below.

As of 1 January 2015, the Group has adopted the following amendments to MFRSs and IC Interpretation which are effective for annual periods beginning on or after 1 January 2015.

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle

- Amendments to MFRS 2 “Share-based Payment”
- Amendment to MFRS 3 “Business Combinations”
- Amendment to MFRS 8 “Operating Segments”
- Amendment to MFRS 13 “Fair Value Measurement”
- Amendment to MFRS 116 “Property, Plant and Equipment”
- Amendment to MFRS 124 “Related Party Disclosures”

Annual Improvements to MFRSs 2011 – 2013 Cycle

- Amendments to MFRS 3
- Amendments to MFRS 13
- Amendment to MFRS 140 “Investment Property”

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



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

Notes to the quarterly report – 30th June 2016

A2. Significant Accounting Policies (cont)

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/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above mentioned accounting standards and interpretations (including the consequential amendments) do not have any financial impact on the Group’s financial statements upon their initial application.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of SEB for the financial year ended 31st December 2014 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 30th June 2016. However, the process equipment’s business operation result is very much dependent on the timing of completion of each project.



**SEREMBAN ENGINEERING BERHAD (“SEB”)
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Notes to the quarterly report – 30th June 2016

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 30th June 2016.

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 or repayments of debt and equity securities during the quarter ended 30th June 2016.

As at 30th June 2016, the number of treasury shares held was 319,200 SEB Shares as treasury shares out of its 80,000,000 SEB Shares.

A8. Dividend Paid

There were no dividends paid for the financial period ended 30th June 2016.

A9. Segmental 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 analysed by geographical location of customers are as follows:-

	Period ended	
	18 months 30.06.2016 <u>RM</u>	12 months 31.12.2014 <u>RM</u>
Revenue		
— Domestic	99,732,085	96,681,366
— Overseas	46,951,270	25,828,970
	<u>146,683,355</u>	<u>122,510,336</u>

A10. Capital Commitment

There were no capital commitment approved and contracted for during the current period ended 30th June 2016.



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

Notes to the quarterly report – 30th June 2016

A11. Material events subsequent to the end of the interim

There were no material events subsequent to the end of the interim reporting period other than the corporate exercise as disclosed in Note B8.

A12. Changes in the composition of the Group

There was no change in the composition of the Group during the current quarter under review.

A13. 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.

A14. Change in financial year end

The Group had changed the financial year end from 31 December to 30 June.

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

B1. Review of performance

The current quarter results showed Group revenue of RM11.75 million and a net loss after taxation after non-controlling interest of RM16.62 million as compared to a revenue of RM23.07 million and profit after tax after non-controlling interest of RM0.64 million in the corresponding quarter in the previous financial year, mainly due to impairment of SAMUR project trade receivables, further provision for Kencana projects’ cost and lower sales achieved due to lower order books obtained in second half of 2015.

Meanwhile, for the financial period ended 30th June 2016, which covers a 18 months period, the current year results showed Group revenue of RM146.68 million and a net loss after taxation after non-controlling interest of RM36.38 million.

The results were mainly due to cost overrun on SAMUR project, impairment of SAMUR project trade receivables and further provision for Kencana projects’ cost recognised during the financial period ended 30th June 2016.

B2. Variation of results against preceding quarter

The Group recorded loss before taxation of RM17.30 million for the current quarter as compared to preceding quarter’s loss before tax of RM0.92 million due to impairment of SAMUR project trade receivables, further provision for Kencana projects’ cost and lower sales achieved due to lower order books obtained in second half of 2015.



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

Notes to the quarterly report – 30th June 2016

B3. Prospects

Despite economic outlook remain challenging, the company is stepping up its effort to focus on its core business in fabrication of pressure vessels and process equipment for oil and fats industries, chemical, downstream petrochemical, water treatment and power plants.

With the Company marketing strategy in broadening the customer base and products especially in steel structure and piping works coupled with encouraging order books obtained thus far, the Board aim to streamline the operations so to generate positive results for the Company in the next financial year.

B4. Profit forecast or profit guarantee

The Group did not disclose or announce any profit forecast or projection in a public document in the current quarter or prior financial period.

B5. Tax expense

	3 months ended		Period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income Tax	-	-	-	N/A
Deferred Tax	383	(185)	410	N/A
Total	<u>383</u>	<u>(185)</u>	<u>410</u>	<u>N/A</u>

No provision of tax is required as the company suffered losses for the financial year.

B6. Notes to the Statements of Comprehensive Income

	3 months ended		Period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	(3)	(1)	(67)	N/A
Interest expense	940	518	4,742	N/A
Depreciation	414	778	3,742	N/A



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

Notes to the quarterly report – 30th June 2016

B7. Group Borrowings

The Group’s borrowings were as follows:-

		Period Ended	
		30.06.2016	31.12.2014
		RM’000	RM’000
<u>Current</u>			
Secured	— Trade bills and other short term borrowings	32,246	48,382
	— Bank Overdraft	737	1,024
	— Term Loan	1,538	1,018
	— Hire Purchase	523	512
		<u>35,044</u>	<u>50,936</u>
<u>Non-current</u>			
Secured	— Term Loan	10,823	6,786
	— Hire Purchase	1,055	1,358
		<u>11,878</u>	<u>8,144</u>
		<u>46,922</u>	<u>59,080</u>

B8. Status of Corporate Proposals

The Group had on 5 August 2016, announced that it had entered into a Sale and Purchase Agreement with Sepen Engineering Sdn Bhd (831242-H) (“SEPEN”) for the acquisition of a piece of land measuring in area approximately 73,205 square feet held under the Title Geran 85454, Lot 19731, Bandar Kundang, Daerah Gombak, Selangor Darul Ehsan, together with a single storey factory erected thereon bearing postal address No. 17, Jalan KPK 4/5, Kawasan Perindustrian Kundang, Kundang Jaya, 48020 Rawang, Selangor Darul Ehsan by SEB from SEPEN, a 60%-owned subsidiary of SEB for a cash consideration of RM8,550,000 (Ringgit Malaysia Eight Million Five Hundred Fifty Thousand).

The proposed acquisition is expected to be completed by fourth quarter of year 2016.

The Group had on 12 August 2016, announced that it had entered into a Share Sale Agreement with Wong Kah Poh and Wong Kee Pen for the disposal of 600,000 ordinary shares of RM1.00 each in SEPEN, representing 60% equity interest of SEPEN for a cash consideration of RM2,537,000 (Ringgit Malaysia Two Million Five Hundred Thirty Seven Thousand).

The proposed disposal is expected to be completed by fourth quarter of year 2016.

B9. 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.



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

Notes to the quarterly report – 30th June 2016

B10. Dividends

The Board does not recommend any dividend in respect of current quarter under review.

B11. Loss per ordinary share

(a) Basic

The basic loss per ordinary share amounts are calculated by dividing loss for the period attributable to ordinary equity owners of the parent by the weighted average number of ordinary shares in issue during the financial period ended 30th June 2016, computed as follow:-

<u>Basic loss per share</u>	Current quarter <u>RM</u>	Current period to date <u>RM</u>
Net loss attributable to the owners of the company	(16,624,976)	(36,377,740)
Weighted average number of ordinary shares in issue	79,680,800	79,680,800
Basic loss per share (sen)	(20.86)	(45.65)

(b) Diluted

The diluted loss 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 to the quarterly report – 30th June 2016

B12. Realised and unrealised profit / (losses) disclosure

The breakdown of the accumulated losses of the Group into realised and unrealised profit / (losses) are presented pursuant to the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with 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 (Bursa Securities), as follows:

	As at <u>30.06.2016</u>	As at <u>31.03.2016</u>
Accumulated losses of the Company and its subsidiaries:-		
— Realised	(21,015,920)	(1,567,484)
— Unrealised	106,797	(297,802)
	<u>(20,909,123)</u>	<u>(1,865,286)</u>
Share of accumulated losses from associate and jointly controlled entities:-		
— Realised	50,347	(718,466)
	<u>(20,858,776)</u>	<u>(2,583,752)</u>
Less: Consolidation adjustments	1,121,128	(910,119)
Total Group accumulated losses as per Statement of Financial Position	<u>(19,737,648)</u>	<u>(3,493,871)</u>

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 Wai Hung
Executive Director