



SEREMBAN ENGINEERING BERHAD
(Company No. 45332X)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	As at 30.06.2018 Unaudited RM'000	As at 30.06.2017 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	51,092	51,835
Current assets		
Inventories	13,193	16,594
Trade and other receivables	19,973	30,236
Amount due from contract customer	3,461	12,128
Deposit, cash and bank balances	332	490
Current tax assets	1,041	1,114
	38,000	60,562
TOTAL ASSETS	89,092	112,397
EQUITY AND LIABILITIES		
Equity		
Share capital	40,000	40,000
Treasury shares	(157)	(157)
Reserves	(14,736)	(9,801)
Equity attributable to owners of the parent	25,107	30,042
Non-controlling interest	-	-
Total equity	25,107	30,042
Non-current liabilities		
Bank borrowings	11,766	13,486
Hire purchases and lease payables	1,292	774
	13,058	14,260
Current liabilities		
Trade and other payables	15,586	32,943
Amount due to Holding	3,393	4,837
Amount due to Associate	285	285
Bank borrowings	31,185	29,640
Hire purchases and lease payables	478	390
	50,927	68,095
TOTAL LIABILITIES	63,985	82,355
TOTAL EQUITY AND LIABILITIES	89,092	112,397
Net Asset per share attributable to owners of the parent (RM)	0.32	0.38

The Condensed Interim Financial Statements should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 30th June 2017 with the accompanying explanatory notes attached to the financial statements.



SEREMBAN ENGINEERING BERHAD
(Company No.45332X)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Current Quarter Ended 30.06.2018 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2017 RM'000	Financial Year Ended 30.06.2018 RM'000	Preceding Year Corresponding Financial Year Ended 30.06.2017 RM'000
Revenue	13,328	25,246	70,728	90,688
Operating (Loss)/Profit	(5,330)	1,819	(2,312)	9,162
Interest expense	(649)	(654)	(2,612)	(2,464)
Interest income	1	1	5	91
Share of Loss of Associate	-	(2)	-	-
(Loss)/Profit before taxation	<u>(5,978)</u>	<u>1,164</u>	<u>(4,919)</u>	<u>6,789</u>
Tax	-	-	(16)	(261)
(Loss)/Profit after taxation	<u>(5,978)</u>	<u>1,164</u>	<u>(4,935)</u>	<u>6,528</u>
Total Comprehensive (loss)/Income for the period	<u>(5,978)</u>	<u>1,164</u>	<u>(4,935)</u>	<u>6,528</u>
(Loss)/Profit after taxation attributable to :				
Owners of the Company	(5,978)	1,164	(4,935)	4,523
Non-Controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,005</u>
	<u>(5,978)</u>	<u>1,164</u>	<u>(4,935)</u>	<u>6,528</u>
Total Comprehensive (Loss)/Income attributable to :				
Owners of the Company	(5,978)	1,164	(4,935)	4,523
Non-Controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,005</u>
	<u>(5,978)</u>	<u>1,164</u>	<u>(4,935)</u>	<u>6,528</u>
Basic (Loss)/Earnings per share (sen)	(7.50)	1.46	(6.19)	5.68

The unaudited Condensed Interim Financial Statements should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 30th June 2017 with the accompanying explanatory notes attached to the financial statements.



SEREMBAN ENGINEERING BERHAD
(Company No.45332X)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	← Attributable to Owners of the Company →						Non-Controlling Interests	Total Equity
	Share Capital	← Non-distributable →		Distributable	Total	RM'000		
		Share Premium	Treasury Shares	Retained Profit				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1st July 2017	40,000	5,584	(157)	(15,385)	30,042	-	30,042	
Total Comprehensive Income for the period	-	-	-	(4,935)	(4,935)	-	(4,935)	
As at 30th June 2018	40,000	5,584	(157)	(20,320)	25,107	-	25,107	
As at 1st July 2016	40,000	5,584	(157)	(19,907)	25,520	385	25,905	
Total comprehensive income for the period	-	-	-	4,522	4,522	2,005	6,527	
Disposal of investment in subsidiary	-	(654)	-	-	-	(2,048)	(2,048)	
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	(342)	(342)	
Total transactions with owners	-	-	-	-	-	(2,390)	(2,390)	
As at 30th June 2017	40,000	5,584	(157)	(15,385)	30,042	-	30,042	

The unaudited Condensed Interim Financial Statements should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 30th June 2017 with the accompanying explanatory notes attached to the financial statements.

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Financial Year Ended 30.06.2018 Unaudited RM'000	Preceding Year Financial Year Ended 30.06.2017 Audited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(4,935)	6,789
Adjustment for:-		
Unrealised gain on foreign exchange	27	83
Allowance for impairment loss on trade receivables	-	120
Reversal of impairment loss on trade receivables	(2,440)	(5,722)
Depreciation on plant, property and equipment	2,105	2,121
Depreciation on investment property	-	3
Impairment loss of property, plant and equipment	-	391
Inventories written down	-	558
Gain on disposal of property, plant and equipment	-	(405)
Gain on disposal of associate	-	(95)
Loss on disposal of subsidiary	-	536
Property, plant and equipment written off	-	11
Interest expenses	2,612	2,464
Interest income	(5)	(91)
	<u>(2,636)</u>	<u>6,763</u>
Changes in working capital		
Inventories	3,401	7,459
Amount due to contract customers	8,384	(14,452)
Trade and other receivables	12,703	5,966
Trade and other payables	(17,076)	3,827
	<u>4,776</u>	<u>9,563</u>
Cash generated from operations		
Interest paid	(2,612)	(2,464)
Interest received	5	91
Tax refund	76	(182)
Tax paid	(3)	15
	<u>2,242</u>	<u>7,023</u>
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend paid by subsidiary to NCI	-	(342)
Net cash outflow on disposal of subsidiary	-	(3,908)
Proceeds from disposal of property, plant and equipment	127	792
Proceeds from disposal of investment properties	-	180
Purchase of property, plant and equipment	(1,490)	(1,804)
	<u>(1,363)</u>	<u>(5,082)</u>
Net cash generated from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment to)/advance from immediate holding company	(1,444)	(4,728)
Net increase in fixed deposits pledged	(3)	(3)
Drawdown from hire purchase and lease payables	1,709	-
Drawdown from Term Loan	-	6,840
Net movement in short-term borrowings	(4,113)	(4,297)
Repayment of hire purchase and lease payables	(1,102)	(630)
Repayment of term loans and revolving credit	(2,007)	(3,723)
	<u>(6,960)</u>	<u>(6,541)</u>
Net cash generated/(used) in financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,081)	(4,600)
EFFECT OF EXCHANGE RATE CHANGES	(25)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>5</u>	<u>4,605</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>(6,101)</u>	<u>5</u>
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Short term deposit placed with licensed banks	111	108
Cash and bank balances	221	382
	<u>332</u>	<u>490</u>
Less : FD pledged with licensed bank	(106)	(103)
	<u>226</u>	<u>387</u>
Bank overdraft	(6,327)	(382)
Cash and cash equivalents	<u>(6,101)</u>	<u>5</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 30th June 2017 with the accompanying explanatory notes attached to the financial statements.



NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER ENDED 30 JUNE 2018

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 2018, 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 financial year ended 30 June 2017.

The financial information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 30 June 2017 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 30 June 2017 except as described below.

During the financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

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

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements.

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:-



A1. Basis of preparation (cont'd)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
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 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014- 2016 Cycles:	
– Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
– Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

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.

A2. Qualification of financial statements

The preceding year annual audited financial statements were not subject to any qualification.

A3. 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 2018. However, the process equipment’s business operation result is depend on the status of work in progress and timing of completion of each project.



A4. 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 2018.

A5. Changes in accounting estimates

There were no changes in accounting estimates that have a material effect in the current quarter results.

A6. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale or repayments of debt and equity securities during the quarter ended 30 June 2018.

As at 30 June 2018, the number of treasury shares held was 319,200 SEB Shares as treasury shares out of its 80,000,000 SEB Shares.

A7. Dividend Paid

There were no dividends paid for the financial period ended 30 June 2018.

A8. 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:-

	12 months' year ended	
	30.06.2018	30.06.2017
	<u>RM'000</u>	<u>RM'000</u>
Revenue		
— Domestic	26,711	39,903
— Overseas	44,017	51,785
	<u>70,728</u>	<u>90,688</u>

A9. Capital Commitment

There were no capital commitment approved and contracted for during the current period ended 30 June 2018.

A10. Material events subsequent to the end of the interim

There were no material events subsequent to the end of the quarter under review.



A11. Changes in the composition of the Group

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

A12. Changes in contingent liabilities and contingent assets

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.

A13. Significant related party transactions

There were no significant related party transactions during the financial period under review.



**PART B : OTHER INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD
MAIN MARKET LISTING REQUIREMENTS**

B1. Review of performance

The Group recorded its revenue of RM13.33 million and loss after tax of RM5.98 million for the current financial quarter ended 30 June 2018 as compared to a revenue of RM25.25 million and profit after tax of RM1.16 million in its preceding year's corresponding quarter ended 30 June 2017.

Revenue for the current quarter was posted approximately 47% lower than its preceding year's corresponding quarters. It was mainly due to lower order book secured during the quarter couple with lower completion of work progress. The low revenue recognition in the current quarter is one of the key contributor to the quarter operating loss. The other reasons for the operating loss incurred during the current quarter was also due to additional unexpected cost incurred resulted in cost overrun in several projects. On the other hand, the Company's preceding year's corresponding quarter ended 30 June 2017 was posted profit after tax of 1.16 million and it was mainly due to the reversal of impairment loss for trade receivables.

On year to date basis, the Group achieved its revenue and loss after tax of RM70.73 million and RM4.67 million respectively for the 12 month year ended 30 June 2018 as compared with the revenue of RM90.69 million and profit after tax of RM6.53 million for the last corresponding financial year.

Due to lower order book secured during the financial year, the Group's revenue was posted lower by 22% as compared to the previous financial year. The loss after tax for the current financial year was mainly due to lower revenue, unexpected additional cost incurred of certain projects. The profit after tax registered for the previous financial year ended 30 June 2017 was mainly due to other income resulted from the reversal of impairment loss of trade receivables and profit attributable to non-controlling interest.

B2. Comparison with immediate preceding quarter's results

The Group revenue for the current quarter ended 30 June 2018 posted RM13.33 million which represented an approximately 30% decline as compared with the immediate preceding quarter. Meanwhile, loss after tax for the current quarter and the immediate preceding quarter was recorded as RM5.98 million and RM1.66 million respectively. The higher losses were mainly due to lower revenue recognition during the quarter, recognised of several cost overrun projects and provision for back charged.

B3. Prospects

The Board anticipated that the prospects for financial year ending 2019 will continue to be challenging. However, the management is focusing on its efforts to broaden its products and market and explore turnkey project. The Company is also aiming to improve its project management, productivity and efficiency to mitigate project losses and streamline the company's overhead. With these efforts, the Board is confident that the Group's performance will improve in the year ahead.

B4. Profit forecast or profit guarantee

This is not applicable to the Group.



B5. Tax expense

	3 months ended 30.06.2018 RM'000	3 months ended 30.06.2017 RM'000	12 months ended 30.06.2018 RM'000	12 months ended 30.06.2017 RM'000
Income tax	-	-	(16)	-

There were no provision of tax is required as the company has sufficient unabsorbed tax losses brought forward. The income tax expenses incurred during the quarter were related to non- business income from the Group.

B6. Notes to the Statements of Comprehensive Income

	Individual Period 3 months ended 30.06.2018 RM'000	Individual Period 3 months ended 30.06.2017 RM'000	Cumulative 12 months year ended 30.06.2018 RM'000	Cumulative 12 months year ended 30.06.2017 RM'000
Interest income	(1)	(1)	(5)	(91)
Interest expense	649	654	2,612	2,464
Depreciation	517	513	2,105	2,006
(Gain)/Loss on foreign exchange	7	(16)	99	(384)
Gain on disposal of PPE	(34)	(88)	(34)	(405)
Reversal of impairment losses on trade receivable	-	(1,000)	(2,440)	(5,722)
Other income	(242)	(167)	(1,242)	(836)

B7. Group Borrowings

The Group's borrowings as at 30 June 2018 were as follows:-

	Current Secured RM'000	Non-Current Secured RM'000	Total RM'000
Term loan	1,705	11,766	13,471
Hire Purchase	478	1,292	1,770
Bank overdraft	6,327	-	6,327
Trade bills and other short term borrowings	23,153	-	23,153
Total	31,663	13,058	44,721

All the borrowings are denominated in Ringgit Malaysia (RM)

B8. Status of Corporate Proposals

There are no corporate proposals pending during the quarter under review.



B9. Material litigation updates

Save as disclosed below, there were no material litigation pending or changes to the status of material litigations since the last annual balance sheet date up to the date of this report.

Seremban High Court Suit No: NA-22NCVC-31-05/2017

Seremban Engineering Berhad (“Plaintiff” or “SEB”) vs. Aarykin Special Steel Sdn Bhd (“Defendant”)

On 6 July 2018, SEB had received notice from the Defendant’s Solicitor that the Defendant was ordered to be wound up on 30 May 2018 by Shah Alam High Court Petition no. BA-28NCC-641-12/2017. On 9 July 2018, the Seremban High Court (“the Court”) has fixed the matter for case management on 15 August 2018 for further updates.

On 15 August 2018, SEB had received notice from the Insolvency Department of Shah Alam that the Defendant was wound up on 30 May 2018 by the Shah Alam High Court. The Insolvency Department had further requested for time to verify the shareholders of the Defendant on whether to proceed with the counterclaim.

The Court had adjourned the matter to 19 September 2018 for case management.

In the event of the Insolvency Department withdrawals the counterclaim, we will also withdraw our suit and proceed to file Proof of Debts.

B10. Dividends

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

B11. Earnings per ordinary share

(a) Basic

The 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 financial year ended 30 June 2018, computed as follow:-

	Individual Period 3 months ended 30.06.2018	Individual Period 3 months ended 30.06.2017	Cumulative Period 12 months ended 30.06.18	Cumulative Period 12 months ended 30.06.17
Net profit attributable to the owners of the Company (RM’000)	(5,978)	1,164	(4,935)	4,523
Weighted average number of ordinary shares in issue (‘000)	79,681	79,681	79,681	79,681
Basic earnings per share (Sen)	(7.50)	1.46	(6.19)	5.68

(b) Diluted

The diluted earnings per share of the Group were not presented as there were no dilutive potential ordinary shares during the financial period.



This interim financial report is dated 29 August 2018.

By Order of the Board

Wong Wai Hung
Executive Director