



SEREMBAN ENGINEERING BERHAD
(Company No. 45332X)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	As at 30.06.2019	As at 30.06.2018
	Unaudited	Audited
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,176	38,867
Investment properties	20,812	12,225
Investment in Associate & Jointly Controlled Company	-	-
	48,988	51,092
Current assets		
Inventories	8,860	13,193
Trade and other receivables	12,877	21,472
Amount due from contract customer	6,046	4,114
Deposit, cash and bank balances	1,829	339
Current tax assets	4	1,053
	29,616	40,171
TOTAL ASSETS	<u>78,604</u>	<u>91,263</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	45,584	40,000
Treasury shares	(157)	(157)
Reserves	(25,014)	(14,731)
Equity attributable to owners of the parent	20,413	25,112
Non-controlling interest	-	-
Total equity	20,413	25,112
Non-current liabilities		
Bank borrowings	11,844	11,794
Hire purchases and lease payables	1,027	1,141
Deferred tax liabilities	-	-
	12,871	12,935
Current liabilities		
Trade and other payables	13,519	17,952
Amount due to Holding	9,607	3,393
Amount due to Associate	285	285
Bank borrowings	21,414	31,157
Hire purchases and lease payables	495	429
	45,320	53,216
TOTAL LIABILITIES	58,191	66,151
TOTAL EQUITY AND LIABILITIES	<u>78,604</u>	<u>91,263</u>
Net Asset per share attributable to owners of the parent (RM)	0.26	0.32

The Condensed Interim Financial Statements should be read in conjunction with SEB's audited consolidated financial statements for the financial year ended 30th June 2018 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 2019

	Current Quarter Ended 30.06.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2018 RM'000	Current Financial Period to-date Ended 30.06.2019 RM'000	Preceding Year Corresponding Financial Period to-date Ended 30.06.2018 RM'000
As at 30th June 2018				
Revenue	13,056	13,328	60,482	70,728
Operating Loss	(1,695)	(5,330)	(1,959)	(2,312)
Interest expense	(625)	(649)	(2,726)	(2,612)
Interest income	2	1	9	5
Share of Loss of Associate	-	-	-	-
Loss before taxation	<u>(2,318)</u>	<u>(5,978)</u>	<u>(4,676)</u>	<u>(4,919)</u>
Tax	-	-	(23)	(16)
Loss after taxation	<u>(2,318)</u>	<u>(5,978)</u>	<u>(4,699)</u>	<u>(4,935)</u>
Total Comprehensive Loss for the period	<u>(2,318)</u>	<u>(5,978)</u>	<u>(4,699)</u>	<u>(4,935)</u>
Loss after taxation attributable to :				
Owners of the Company	(2,318)	(5,978)	(4,699)	(4,935)
Non-Controlling Interests	-	-	-	-
	<u>(2,318)</u>	<u>(5,978)</u>	<u>(4,699)</u>	<u>(4,935)</u>
Total Comprehensive Loss attributable to :				
Owners of the Company	(2,318)	(5,978)	(4,699)	(4,935)
Non-Controlling Interests	-	-	-	-
	<u>(2,318)</u>	<u>(5,978)</u>	<u>(4,699)</u>	<u>(4,935)</u>
Basic Earnings per share (sen)	(2.91)	(7.50)	(5.90)	(6.19)

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 2018 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 2019

	← Attributable to Owners of the Company →						Non-Controlling Interests	Total Equity
	Share Capital	← Non-distributable →		Retained Profit	Total	RM'000		
		Share Premium	Treasury Shares					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 30th June 2018	40,000	5,584	(157)	(20,315)	25,112	-	25,112	
Adjusted loss on the adoption of MFRS 15	-	-	-	(808)	(808)	-	(808)	
As at 1st July 2018	40,000	5,584	(157)	(21,123)	24,304	-	24,304	
Total Comprehensive Income for the period	-	-	-	(4,699)	(4,699)	-	(4,699)	
Adjusted income on the adoption of MFRS 15	-	-	-	808	808	-	808	
As restated Transfer pursuant to S618(2) of CA 2016 *	5,584	(5,584)	-	-	-	-	-	
As at 30th June 2019	45,584	-	(157)	(25,014)	20,413	-	20,413	
As at 1st July 2017	40,000	5,584	(157)	(15,385)	30,042	-	30,042	
Total comprehensive income for the period	-	-	-	(4,930)	(4,930)	-	(4,930)	
As at 30th June 2018	40,000	5,584	(157)	(20,315)	25,112	-	25,112	

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 2018 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 2019

	Financial Year Ended 30.06.2019 Unaudited RM'000	Preceding Year Financial Year Ended 30.06.2018 Audited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(4,676)	(4,930)
As at 30th June 2019		
Bad Debt Written off	16	-
Unrealised loss/(gain) on foreign exchange	(17)	27
Allowance for impairment loss on trade receivables	395	16
Reversal of impairment loss on trade receivables	-	(2,445)
Loss on revaluation property, plant and equipment	412	-
Depreciation on plant, property and equipment	1,884	2,105
Depreciation on investment property	235	-
Inventories written down	-	839
Gain on disposal of property, plant and equipment	(63)	(34)
Interest expenses	2,726	2,442
Interest income	(9)	(5)
Operating (loss)/profit before working capital changes	<u>903</u>	<u>(1,985)</u>
Changes in working capital		
Inventories	4,333	2,562
Amount due to contract customers	(2,582)	8,384
Trade and other receivables	6,684	11,192
Trade and other payables	<u>(2,108)</u>	<u>(14,772)</u>
Cash generated from operations	7,230	5,381
Interest paid	(2,726)	(2,442)
Interest received	9	5
Tax refund	1,054	(19)
Tax paid	<u>(5)</u>	<u>80</u>
Net cash generated from operating activities	<u>5,562</u>	<u>3,005</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	141	161
Purchase of property, plant and equipment	<u>(247)</u>	<u>(778)</u>
Net cash generated from investing activities	<u>(106)</u>	<u>(617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment to)/advance from immediate holding company	6,214	(1,444)
Net increase in fixed deposits pledged	(3)	(3)
Drawdown from hire purchase and lease payables	259	-
Drawdown from Term Loan	2,000	-
Net movement in short-term borrowings	(5,600)	(4,112)
Repayment of hire purchase and lease payables	(766)	(676)
Repayment of term loans and revolving credit	<u>235</u>	<u>(2,007)</u>
Net cash generated/(used) in financing activities	<u>2,339</u>	<u>(8,242)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,795	(5,854)
EFFECT OF EXCHANGE RATE CHANGES	19	(244)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>(6,094)</u>	<u>4</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>1,720</u>	<u>(6,094)</u>
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Short term deposit placed with licensed banks	115	111
Cash and bank balances	1,714	228
	<u>1,829</u>	<u>339</u>
Less : FD pledged with licensed bank	<u>(109)</u>	<u>(106)</u>
	1,720	233
Bank overdraft	-	(6,327)
Cash and cash equivalents	<u>1,720</u>	<u>(6,094)</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 2018 with the accompanying explanatory notes attached to the financial statements.



NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

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 2019, 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 2018.

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 2018 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 2018 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 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’

Amendments to MFRS 140: Transfers of Investment Property

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

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 except as follows:



MFRS 9 and Amendments to MFRS 128 (Annual Improvements 2014- 2016 Cycle)

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the ‘incurred loss’ model in MFRS 139 with the ‘expected credit loss’ model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

MFRS 15 – Revenue from Contracts with Customers

MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS 15 to deal with specific scenarios.

The Group apply MFRS 15 using the modified retrospective approach by recognising its cumulative effect of the adoption to the retained profits as at 1 July 2018 on contracts which were on-going before 1 July 2018, and that the comparatives will not be restated. The impacts from the adoption of MFRS 15 in the current financial period has been demonstrated in the Condensed Interim Statement of Changes in Equity.

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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
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 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015- 2017 Cycles	1 January 2019

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 2019. 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 2019.

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 financial period ended 30 June 2019.

As at 30 June 2019, 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 2019.

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 period ended	
	30.06.2019	30.06.2018
	<u>RM’000</u>	<u>RM’000</u>
Revenue		
— Domestic	30,899	26,711
— Overseas	29,583	44,017
	<u>60,482</u>	<u>70,728</u>

A9. Capital Commitment

There were no capital commitments approved and contacted for during the financial period ended 30 June 2019.

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 posted revenue of RM 13.06 million and loss after tax of RM 2.32 million for the 3 months period ended 30 June 2019 (“Current Quarter” or “Q4FY19”) as compared to the revenue of RM 13.33 million and loss after tax of RM 5.98 million in the preceding year’s corresponding quarter ended 30 June 2018 (“Q4FY18”).

The revenue recorded in the Current Quarter was approximately 2% or RM 0.27 million lower as compared with Q4FY18. The lower revenue was mainly due to inconsistent order books received resulting in lower sales and completion of work progress. The loss incurred during the Current Quarter was mainly due to lower sales and completion of work progress during the quarter. Nevertheless, the result improved as compared to previous year correspondence quarter mainly due to improved profit margin recorded in the projects.

On year to year basis, the Group posted its revenue and loss after tax at RM 60.48 million and RM 4.70 million respectively for the financial year ended 30 June 2019 as compared with the revenue of RM 70.73 million and loss after tax of RM 4.94 million for the preceding financial year. Although the revenue recorded was 14.5% lower than last financial year, this was partly offset by the improved margin arising from cost reduction of labour cost and overhead.

B2. Comparison with immediate preceding quarter’s results

The Group registered revenue and loss after tax for the Current Quarter at RM 13.06 million and RM 2.32 million respectively as compared with the immediate preceding quarter ended 31 March 2019 (“Q3FY19”) of revenue and loss after tax of RM 14.76 million and RM 2.23 million respectively mainly due to inconsistent order books received resulting in lower sales and completion of work progress.

B3. Prospects

The prospects for the next financial year will continue to be challenging. Nevertheless, there is sign of improvement in market sentiments and increase of incoming orders from regular clients especially in the palm oil refinery industry. Moving forward, the Board anticipates that with improved and efficient project management and stringent on-going cost improvement exercise, the Group will remain resilient in meeting increasingly challenging business environment.

B4. Profit forecast or profit guarantee

This is not applicable to the Group.

B5. Tax expense

	3 months ended 30.06.2019 RM’000	3 months ended 30.06.2018 RM’000	12 months ended 30.06.2019 RM’000	12 months ended 30.06.2018 RM’000
Income tax	-	-	(23)	(16)

The above income tax provision 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 30.06.2019 RM'000	Individual Period 3 months ended 30.06.2018 RM'000	Cumulative 12 months year ended 30.06.2019 RM'000	Cumulative 12 months year ended 30.06.2018 RM'000
Interest income	(2)	(1)	(9)	(5)
Interest expense	625	649	2,726	2,612
Depreciation	515	517	2,119	2,105
(Gain)/Loss on foreign exchange	(16)	7	(128)	99
Gain on disposal of PPE	(39)	(34)	(63)	(34)
Impairment loss on PPE	(412)	-	(412)	-
Impairment on trade & others receivable	(480)	-	(480)	-
Reversal of impairment losses on trade receivable	-	-	-	(2,440)
Other income	(239)	(242)	(1,067)	(1,242)

B7. Group Borrowings

The Group's borrowings as at 30 June 2019 were as follows:-

	Current Secured RM'000	Non-Current Secured RM'000	Total RM'000
Term loan	1,859	11,844	13,703
Hire Purchase	495	1,027	1,522
Trade bills and other short term borrowings	19,555	-	19,555
Total	21,909	12,871	34,780

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 19 September 2018, the Court has stuck out SEB's claim and the Defendants' counterclaim as the Defendant has been wound up on 30 May 2018 by the Shah Alam high Court in Petition No. BA-28NCC-641-12/2017. SEB had filed Proof of Debt with Insolvency Department, Selangor and as at to date, the liquidator informs that there has been no declaration of dividend to all creditors who have filed Proof of Debts. Lawyer is of the view that from the SSM search, there are no substantial assets of the company that may be liquidated for dividend.



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 period ended as computed as follow:-

	Individual Period 3 months ended 30.06.2019	Individual Period 3 months ended 30.06.2018	Cumulative Period 12 months ended 30.06.2019	Cumulative Period 12 months ended 30.06.2018
Net profit attributable to the owners of the Company (RM'000)	(2,318)	(5,978)	(4,699)	(4,935)
Weighted average number of ordinary shares in issue ('000)	79,681	79,681	79,681	79,681
Basic earnings per share (Sen)	(2.91)	(7.50)	(5.90)	(6.19)

(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 30 August 2019.