

# SEREMBAN ENGINEERING BERHAD

(45332-X)



UNLEASHING  
*our* POTENTIAL

ANNUAL REPORT 2018



SEREMBAN  
ENGINEERING  
BERHAD  
(45332-X)

# 39<sup>th</sup>

Annual General Meeting  
(AGM) of  
Seremban Engineering  
Berhad

Venue	Langkawi Room, Bukit Jalil Golf and Country Resort Jalan Jalil Perkasa 3, Bukit Jalil 57000 Kuala Lumpur
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Date	Monday, 03 December 2018
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Time	9.00 a.m.
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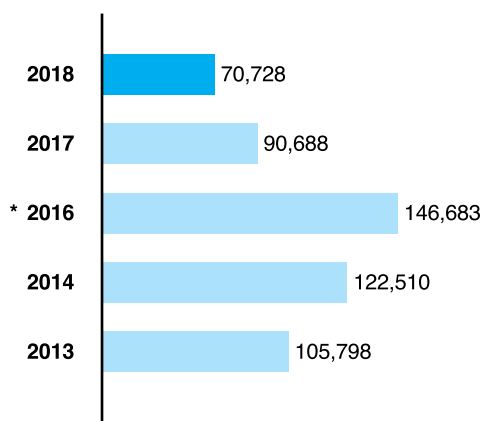


## 5 YEARS FINANCIAL HIGHLIGHTS

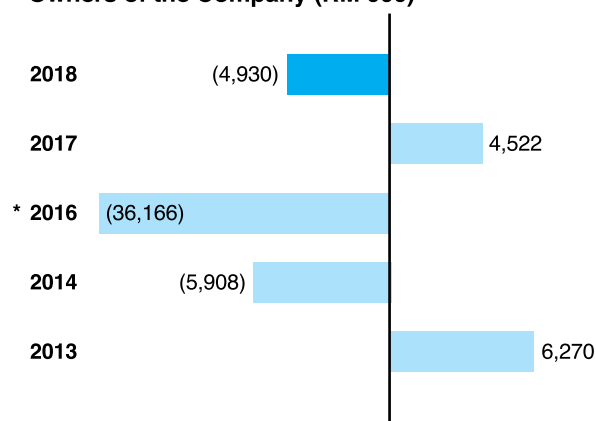
	30 Jun 2018 RM'000	30 Jun 2017 RM'000	*30 Jun 2016 RM'000	31 Dec 2014 RM'000	31 Dec 2013 RM'000
Revenue	70,728	90,688	146,683	122,510	105,798
(Loss)/Profit Before Tax	(4,930)	6,789	(36,980)	(7,866)	8,482
(Loss)/Profit After Tax					
Attributable to Owner of the Company	(4,930)	4,522	(36,166)	(5,908)	6,270
Shareholders' Equity	25,112	30,042	25,520	61,685	69,189
Basic (Loss)/Earnings Per Share (Sen)	(6)	6	(45)	(7)	8
Net Assets Per Share (RM)	0.32	0.38	0.32	0.77	0.87

\* The results consist of eighteen (18) months financial period ended 30 June 2016 due to the change of financial year ended from 31 December.

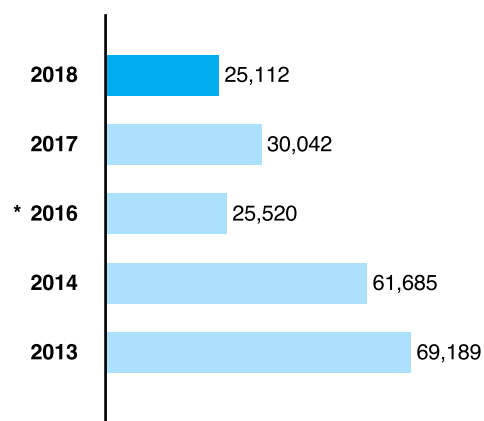
Revenue (RM'000)



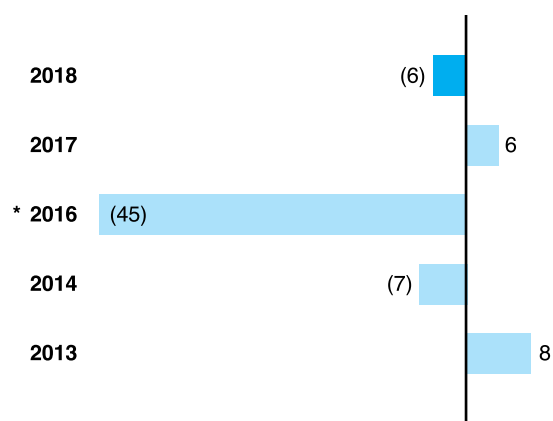
(Loss)/Profit after Tax Attributable to Owners of the Company (RM'000)



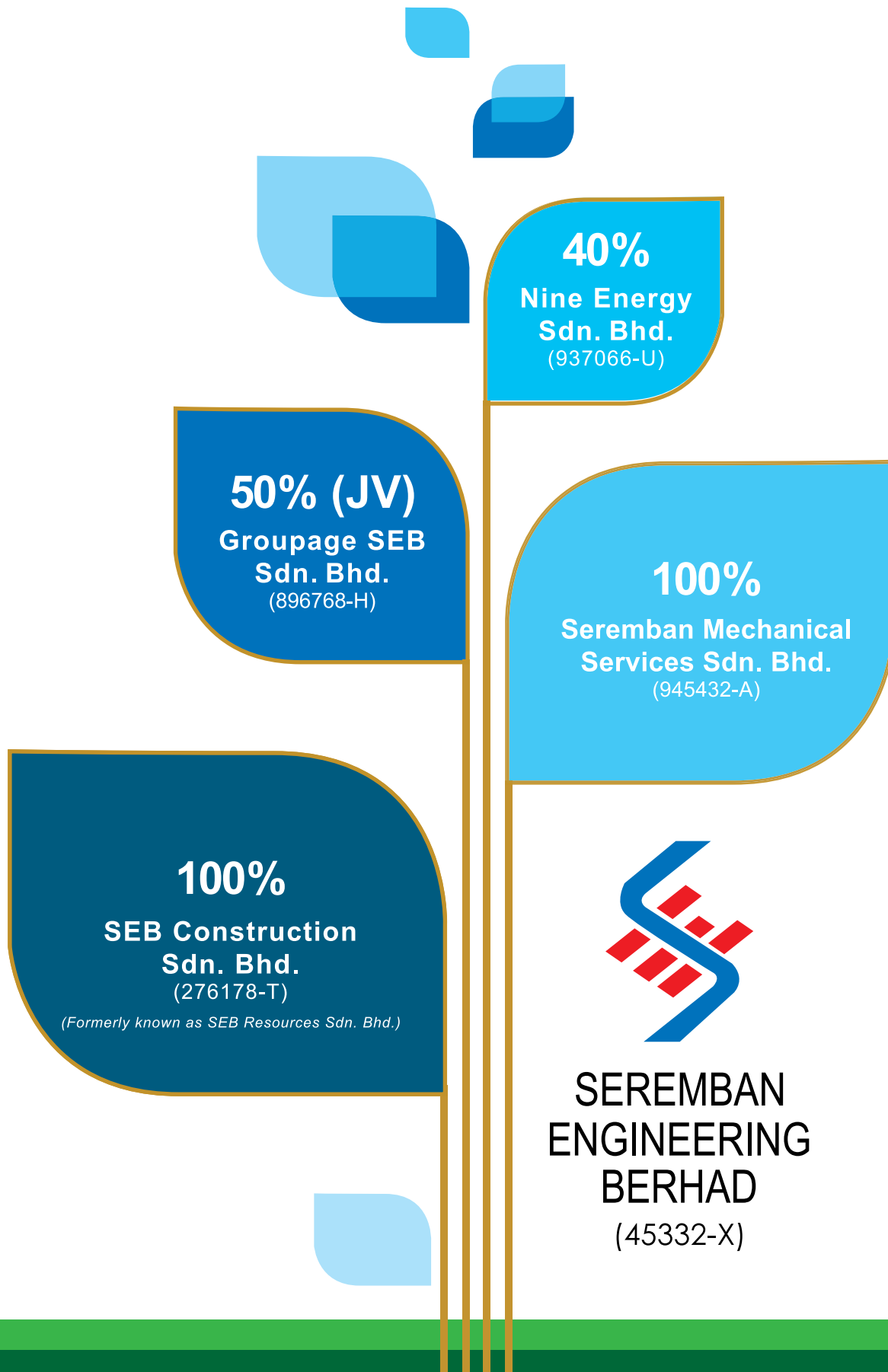
Shareholders' Equity (RM'000)



Basic (Loss)/Earnings Per Share (Sen)



## CORPORATE STRUCTURE





## CORPORATE INFORMATION

### DIRECTORS

**Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak**  
*Independent Non-Executive Director cum Chairman*

**Chan Foong Ping**  
*Independent Non-Executive Director*

**Wong Wai Hung**  
*Executive Director*

**Tan Ah Bah @ Tan Ah Ping**  
*Non-Independent Non-Executive Director*

**See Boon Chun**  
*Chief Executive Officer cum Executive Director*  
*(Appointed on 11 December 2017)*  
*(Re-designated as Chief Executive Officer cum Executive Director on 1 July 2018)*

COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Chairman	Chan Foong Ping	Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak
Member	Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	Chan Foong Ping	Chan Foong Ping
Member	Tan Ah Bah @ Tan Ah Ping	Tan Ah Bah @ Tan Ah Ping	Tan Ah Bah @ Tan Ah Ping

### COMPANY SECRETARY

Pang Kah Man (MIA 18831)

### REGISTERED OFFICE

37-2, 2nd Floor, Jalan Radin Bagus,  
Bandar Baru Sri Petaling,  
57000 Kuala Lumpur  
Tel: +603 9045 9311  
Fax: +603 9057 9989

### AUDITORS

**Crowe Malaysia**  
*(Formerly known as Crowe Horwath)*  
*(AF 1018)*  
8, Jalan Pesta 1/1,  
Taman Tun Dr. Ismail 1,  
Jalan Bakri, 84000 Muar,  
Johor, Malaysia  
Tel: +606 952 4328  
Fax: +606 952 7328

### SOLICITOR

**Manjit Singh Sachdev,  
Mohammad Radzi & Partners**  
11th floor, Wisma Havela Thakardas,  
No.1, Jalan Tiong Nam,  
Off Jalan Raja Laut,  
50350, Kuala Lumpur

### PRINCIPAL BANKERS

AmBank (M) Berhad  
Hong Leong Bank Berhad  
HSBC Bank (M) Berhad  
Standard Chartered Bank (M) Berhad

### SHARE REGISTRARS

**Tricor Investor & Issuing House Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur,  
Wilayah Persekutuan, Malaysia  
Tel: +603 2783 9299  
Fax: +603 2783 9222

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : SEB  
Stock Code : 5163



## SUSTAINABILITY STATEMENT

### OUR APPROACH

Sustainability has always been a pillar of the Group's culture as we strived to achieve continuing growth and profitability in a safe, caring and sustainable environment.

The Group understands that responsible corporate behaviour not only contributes to broad-based future benefits for the community and environment but can also enhance opportunities for business success for the Group as well as our stakeholders including, among others, our investors, customers and vendors. Hence, our mission as a responsible corporate citizen is to ensure high standards of governance across our business to promote responsible business practices, manage environmental impacts, and meet the social needs of the community in which we operate.

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, the Group's sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

This is the Group's first sustainability statement and is based on data gathering to help us understand where we are, what we have already done and to determine areas considered material to the Group and its stakeholders in order that we can identify further initiatives towards addressing sustainability risks and implementing sustainability opportunities.

### SUSTAINABILITY GOVERNANCE

The responsibility to promote and embed sustainability in the Group lies with the Board of Directors ("Board"). Among others, this responsibility includes overseeing the following:

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities

Sustainability governance in the Group are business driven and the processes in identifying, evaluating and managing significant risks facing the Group are embedded into its culture and operations. These processes are driven by the Executive Directors and are responsive to changes in the business environment and are clearly communicated by the Executive Directors to all levels, via periodic management meetings, formal and informal, and discussions.



**SUSTAINABILITY  
STATEMENT (CONT'D)****MATERIAL SUSTAINABILITY MATTERS****Economic**

Our shareholders are the ultimate owners of the Company and as such, they are entitled to timely and quality information on the Group's financial performance and position. Apart from the Annual General Meeting where shareholders are encouraged to ask questions to the Board and Executive Management on business operations, and the financial performance and position of the Group, the Group's corporate website at [www.seb.net.my](http://www.seb.net.my) also provide a link on investor relations where quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available.

The Group is committed to see that not only our shareholders' interests are taken of but also those of our customers and suppliers. In this regard, the Group values its customers as they are a major reason for its profitability. Our marketing and sales representatives schedule regular meetings, both formal and informal, with our customers to build a strong and conducive relationship. The objective of this is to promote a culture of open communication, trust and reliability.



For customers who purchased our products, they can be assured of quality as our products are recognised by internationally recognised bodies. Such as American Society of Mechanical Engineers (ASME) U and U2 stamp, CE mark certified by Lloyd's, R Stamp certified by the National Board and ISO 9001:2015 Quality Management System.

These two certifications delivering huge advantage and competitive edge to the Group as it is a breakthrough to SEB and it will enhance SEB's capability to fabricate higher specification of vessels as well as provides worldwide recognition and acceptance of our products.

We are committed to supply quality products and meeting customers' satisfactions through continual improvement in technology and processes. We also wish to be a responsive and reliable partner to our customers who purchase our products within their respective markets.

To our suppliers, the Group practises transparent and fair procurement policies so that they as our business partners know that they can depend on us.


**SUSTAINABILITY  
STATEMENT (CONT'D)**


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**MATERIAL SUSTAINABILITY MATTERS (Cont'd)**
**Environment****Production**

Our business is heavily regulated by the government authorities and although we generally do not generate any major environmental concerns because there are no emissions of very harmful noxious gases, the Group is conscious of complying with all applicable environmental laws, guidelines and regulations in relation to emission standards, noise level management and treatment of effluents and waste water.

We are committed to “green” operating practices and we have in place an Environmental Policy. Our operating practices for environment management include:

- (a) preserving, conserving, minimising waste of resources and ensuring that the work environment is free from pollution hazards;
- (b) complying with relevant environment, health and safety laws and regulations of the Department of Environment in relation to hazardous discharges in the production process;
- (c) periodic review of the policies, objectives and targets of our environmental management program; and
- (d) communicating clearly to all employees, customers and suppliers to instil in them the environmental awareness culture and values of the Group.
- (e) all mechanical equipment is serviced regularly to ensure optimal efficiency to minimize fuel wastage and to reduce environment pollution.

**Waste Management**

Our scheduled wastes such as used oil and contaminated chemical container are stored, treated, recovered in a proper manner and then delivered to prescribed premises for treatment, disposal and recovery. In this process, the scheduled wastes will be packaged, labelled and transported in accordance with the prescribed local guidelines and regulations.

Paper recycling initiatives are already in progress by encouraging the employees to prioritise electronic means to share and store documents, and to reduce printing or photocopying, otherwise, to use double sided printing. Additionally, other material such as furnishing and fixture are recycled or reused where possible.

**Energy Saving Initiatives**

Lighting has been identified as having low energy consumption. Nevertheless, action has been taken to reduce the overall energy consumed by lighting. Furthermore, management will be initiating the provision of reminders to switch off lighting when not in use.

All lights in and around our office and factory have been converted to energy saving NIKKON Light Emitting Diodes (“LED”) lighting system in stages. Where lighting in and around our office facilities need to be replaced, we have converted them to LED. LED is a practical replacement for HID or standard lights as they have a lower energy consumption, longer lifetime, improved brightness, smaller size, faster switching, and greater durability and reliability.

**Water Saving Initiatives**

Water is a limited resource, and as the world continues to advance and the global population continues to grow, an increasing strain is being placed on the supply of clean water. Water conservation is therefore an area that our Group is works hard on, both improving the efficiency with which we use our water, as well as working to educate our employees and the public about the need to conserve it.

**SUSTAINABILITY  
STATEMENT (CONT'D)****SOCIAL**

The Group believes that the safety and well-being of its employees is the foundation of its success. Hence, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations, such as application of Personal Protection Equipment.

Our Safety Officers are registered with Department of Occupational Safety and Health (“DOSH”). In this respect, the Group places utmost importance on continuous compliance with all relevant health and safety laws and regulations such as Occupational Safety and Health Act, 1994, as well as Safety & Health Policy approved by the Board of the Company.

Safety Induction Training were conducted for all of our newly joined employees. The programme is designed to train employees to become fully aware on the safety and health measures and to meet the DOSH’s guidelines. Workers are equipped with safety protective wear and equipment such as ear muffs for protection against noise pollution, goggles for protection against glare, dust, water and other particles, and gloves for handling of chemicals or other potentially hazardous materials. Notwithstanding the above, medical check-up and audiometric testing are conducted to our workers annually. Asides, safety briefing is compulsorily conducted to all factory visitors on the awareness of safety and health before entering to the factory.

Training programs for skill development and improvement are conducted for our employees so that they can execute their roles and responsibilities efficiently as well as for their personal career development. These trainings were also aimed at building mindfulness, visualisation and awareness observation techniques in order to be a successful and empathic leader at work, to be able to recognise stress levels among staff and to drive a motivated harmonious culture in the workplace.



## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL (Cont'd)

We will continue to focus on human capital development to nurture our employees to their full potential as they are our greatest asset. Every employee is given equal opportunity to rise up in their careers through hard work and dedication.

We also place great importance on hiring the right candidate for the right job. As part of our succession planning, we focus continuously on attracting quality talents who best fit our job requirements and complement our work culture.

Apart from safety, promoting good health, and motivation is an essential part of the Group's responsibility to our employees. In this context, we have our weekly badminton session where camaraderie is fostering at the same time. In addition to the day-to-day motivation measures, it is the Group's tradition to have an Annual Dinner for its employees and business associates to mingle and celebrate the year past, where all employees can meet as one big SEB family.

As we are deeply rooted in the community we operate, we actively engage in community outreach programmes and activities. In early 2018, the Group has organised blood donation event at our office. Helping these less fortunate members of our community is our way of giving back to society.

### OUR COMMITMENT

As a responsible corporate citizen, the Group shall endeavour to undertake sustainable and responsible practices to add value to sustainable business growth, environmental stewardship and social responsibility.





# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

### A. Company Profile

Seremban Engineering Berhad ("SEB" or the "Group") was incorporated in 1979 and over the years, SEB has grown to provide a host of engineering services including fabrication, engineering support, maintenance and shutdown works for oil and fats, palm oil refineries, water and waste treatment, food, chemical plants and oil & gas industries.

### B. Vision & Mission

The Group's vision is to aim higher and expand our core business by diversifying to various industries as well as to provide our client with quality products and services at competitive rate and on time delivery.

### C. Principal Activities

The Group offers a wide array of products and services, namely:

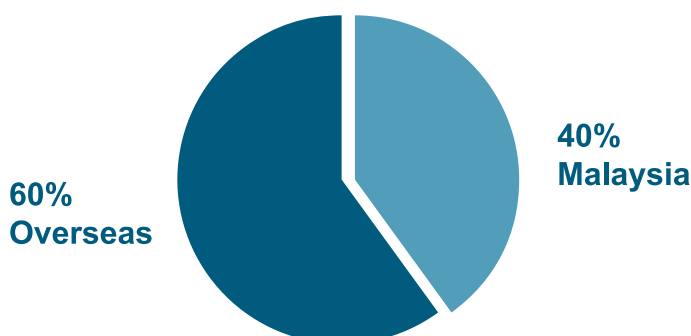
- Design, fabrication and installation of unfired pressure vessels, reactors, heat exchangers, deodorisers, receiver tanks, etc.
- Fabrication and erection of steel structure and platforms.
- Fabrication and installation of all kinds of piping works (Carbon steel, stainless steel and jacketed pipes)
- Fabrication and installation of storage tanks, mixing tanks, hoppers and silos. (Carbon steel and stainless steel)
- Design, fabrication, installation, test and commission of electro-deposition painting system, latex foam mattress and pillow plants.
- Fabrication of oil heaters (towers and columns) for oil and gas petrochemical industries in accordance with ASME Codes & Standard Sec. VIII (Div. 1)
- Maintenance, services and shutdown works for plants, machinery parts and equipment.

The Group possesses various stamps, marks & quality management system recognised by international body such as ASME U & U2 stamp, CE Mark certification by Lyold, the National Board R & S stamp and ISO 9001:2015 Quality Management System Standard certification.

These certifications obtained enables SEB to enhance its capability to fabricate higher specification vessels.

## SALES BY GEOGRAPHICAL AREA

The breakdown of revenue by key market for the Group for the financial year ended 30 June 2018 is as follows:



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### STRATEGIES IN CREATING VALUE

The Group aims to enhance corporate branding value via quality products and timely delivery as well as sustainable practices and innovation. It is also the Group's priority to enhance returns on invested capital through diversification of sustainable product portfolios as well as to enhance profitability and operational excellence with the Group's expertise and automated equipment. Furthermore, dependency of skilled and competence labour forces also a key factor to achieve production efficiency.

On business strategy wise, SEB is also intensively broadening its products range and market segment, such as exploring turnkey projects.

With the Group's strong corporate branding and extensive industries experience, we believe it attracts more positive business opportunities in coming year.

### FINANCIAL OVERVIEW

The financial performance of the Group in financial year ended ("FYE") 2018 as compared to the FYE 2017 is summarized below:

Statements of Profit or Loss and Other Comprehensive Income	FYE 2018 RM'000	FYE 2017 RM'000
Revenue	70,728	90,688
Operating (Loss)/Profit	(2,318)	9,452
(Loss)/Profit After Tax	(4,930)	6,528
(Loss)/Earnings Per Share (sen)	(6)	6
Statements of Financial Position	As at 30 June 2018	As at 30 June 2017
Total Assets	91,263	112,396
Total Liabilities	66,151	82,355
Borrowings	44,521	44,290
Shareholders' Equity (Net Assets)	25,112	30,042
Financial Indicators		
Debt-to-Equity Ratio	1.76	1.46
Net Assets Per Share (RM)	0.32	0.38

### REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

The Group recorded its revenue and loss after tax of RM70.7 million and RM4.9 million respectively for the FYE2018 as compared with the revenue of RM90.7 million and profit after tax of RM6.5 million for the FYE2017.

Revenue was posted lower by 22% as compare with last FYE 2017 mainly due to slower work progress recognised couple with low order booked secured during the financial year ("FY") 2018. The operating loss of RM2.3 million incurred during the FY2018 was mainly due to unexpected additional cost incurred for certain projects. Loss per shares for the FY2018 stood at 6 sen.

Total assets for the Group had reduced by RM22.1 million mainly due to the reduction in trade and other receivables, amount due from contract customer & inventories.

The Group's total borrowings increased marginally from RM44.3 million as at 30 June 2017 to RM44.5 million as at 30 June 2018. It was mainly due to additional hire purchase for the purchase of production equipments during the financial year under review. Due to the loss incurred during the current financial year, the debt-to-equity ratio has increased from 1.46 to 1.76 as at 30 June 2018. The net assets per share stood at 32 sen as at 30 June 2018.

**MANAGEMENT DISCUSSION  
AND ANALYSIS (CONT'D)**

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**REVIEW OF OPERATING ACTIVITIES****1. Penetration into New Markets**

With our expertise, advanced and automated equipment, the Group has continued penetrating into new opportunities to diversify into different industries and broaden its customers' base.

**2. Strengthening Production and Project Management**

In order to mitigate cost overrun in project and to ensure production operated in more efficient manner, regular projects meetings chaired by executive management has been put in place. It also to monitor the efficiency and effectiveness of the in house workforce and subcontractors in ensuring production progress and products quality meeting project delivery schedule and customers' expectation.

**3. Investing in Human Capital**

The Group has and will always treasure its most valuable assets; the people while intensifying in recruiting new expertise and professionals. The Group has continuously sent our employees for multiple trainings to strengthen business operations and processes in order to improve overall productivity, effective project management and performance. We believe that by training, retraining and to retain is the best way for our valued employees to continuously give their best to the company.

**RISK MANAGEMENT****Competition Risk**

The market continues to fluctuate but the Group has identified various initiatives:

- Stay relevant in a more competitive environment;
- Diversification of products and services;
- Leverage our strength and infrastructure to capture new opportunities; and
- New certifications to support competitiveness and diversification of new products.

**Credit Risk**

Credit risk arises from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flows and funding. The Group minimises such exposures by assessing the creditworthiness of potential customers, close monitoring of collections and overdue debts, and effective credit controls to keep leverage at a comfortable level.

**Foreign Currency Exchange Risk**

The Company is exposed to foreign exchange fluctuations as some of the cost of raw materials and imported goods are denominated in foreign currencies. As such, the foreign exchange may have material effects to the costing of our products.

For imported goods, foreign currency exchange risk is partially managed through a natural hedge between revenue and purchases in the same currencies. Management will hedge, if required, the remaining un-hedged portion to mitigate currency risk.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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### RISK MANAGEMENT (Cont'd)

#### Operational Risk

Operational risk arises from the execution of a company's business including risks of failure to meet customer quality requirement, delivery deadline and inadequate skilled workforce. The Group adheres to policies, procedures, quality controls and best practices and strong project management to ensure product quality and delivery deadline are met. The Group also implemented comparable remuneration schemes and conducive working environment to attract and retain its skilled workforce to meet existing and future needs.

### OUTLOOK AND PROSPECTS

The Board anticipated that the prospect for the 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 projects. 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 years ahead.



## PROFILE OF DIRECTORS

### TAN SRI DATO' AHMAD FUZI HAJI ABDUL RAZAK

Independent Non-Executive Director cum Chairman

Age 69, Malaysian

Appointed on 3 September 2009

Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak ("Tan Sri Fuzi"), aged 69, a Malaysian, male, was appointed to the Board on 3 September 2009. He is an Independent Non-Executive Director of the Company. He is the Chairman of both Nomination Committee and Remuneration Committee and a member of the Audit Committee of the Company.

Tan Sri Fuzi was previously the Secretary-General of the Ministry of Foreign Affairs Malaysia. He joined the Malaysian Diplomatic and Administrative Service in 1972 and served in various capacities at the Ministry of Foreign Affairs until 2009. He also served at the Malaysian Missions abroad in Moscow, the Hague, Canberra, Washington and Dhaka.

His tenor as Secretary-General saw him deeply involved in leading the Malaysian Senior Official delegation to various bilateral, regional and international conferences as well as in successfully organising the NAM Summit and the OIC Summit in 2003 and the ASEAN Summit plus East Asia Summit and Related Summits in 2005 in Kuala Lumpur.

Tan Sri Fuzi has previously also served as Director General, Institute of Diplomacy and Foreign Relations Malaysia; Deputy Secretary General 1, Ambassador-at-Large and Malaysia's Representative to the ASEAN High Level Task Force (HLTF) on the Drafting of the ASEAN Charter and Malaysia's Representative to the High Level Panel (HLP) on the Drafting of the Terms of Reference of the ASEAN Human Rights Body.

Tan Sri Fuzi is currently, Secretary-General of the World Islamic Economic Forum Foundation (WIEF). He joined the corporate world as Chairman; Seremban Engineering Berhad; Syarikat Takaful Malaysia Bhd; ConnectCounty Holdings Bhd and Apex Equity Holdings Bhd. He is also on the Board of Puncak Niaga Holdings Bhd.

Tan Sri Fuzi is currently also Chairman of Theatre Management Associates Sdn Bhd; Optima Capital Sdn Bhd; Sofgen (Malaysia) Sdn Bhd, ACE Holdings Sdn Bhd, ACE Investment Bank ; IMAN Research Consulting Sdn Bhd and TAERG International Sdn Bhd.

He is also on the Board of the Management Development Institute of Singapore ( MDIS ) Malaysia Sdn Bhd; MDIS Unicampus Malaysia Sdn Bhd; Alstar Solutions Sdn Bhd; Lejadi Medimax Sdn Bhd and WEROS Technology Sdn Bhd.

Tan Sri Fuzi is a Distinguished Fellow, Institute of Strategic and International Studies (ISIS) and Institute of Diplomacy and Foreign Relations ( IDFR ); Deputy Chairman, Malaysian Member Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP Malaysia); Member, Board of Trustee, MERCY Malaysia; Perdana Global Peace Foundation (PGPF); Yayasan Sarana Pendidikan Malaysia (YSPM) and Institute of Advanced Islamic Studies (IAIS) and Patron, Malaysia - China Culture Association.

He is also an Advisor, Tripfez Sdn Bhd; Asia Pacific Entrepreneurship Award (APEA); Malaysia-Myanmar Chamber of Commerce and High School Bukit Mertajam Alumni Malaysia.

Tan Sri Fuzi was appointed to the Board of Governors of Meritus University on 11 October 2016. In recognition of his services to the nation, he was awarded the AMN (1979), the JSM (1999), the DSPN (1999), the DMPN (2002) the PSM (2003) and the DSLJ (Brunei).

He attended all six (6) Board Meetings held in the financial year ended 30 June 2018.


**PROFILE OF  
DIRECTORS  
(CONT'D)**


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**SEE BOON CHUN**

Chief Executive Officer cum Executive Director  
Age 47, Malaysian  
Appointed on 11 December 2017

Mr. See Boon Chun, aged 47, a Malaysian, male, was appointed to the Board of the Company on 11 December 2017 as the Executive Director and subsequently on 1 July 2018, he was redesignated to the Chief Executive Officer.

Mr See's major portfolio is focusing on marketing and business development and also involving in the strategic and operational issues and decision making of these various departments. He obtained his honor Degree in Social Science & majoring in Anthropology and Sociology from National University of Malaysia in year 1995. He started his career as a Human Resources Executive with Hong Leong Group in year 1995.

In 2000, he joined YKK as a Human Resources Manager. In year 2005, he joined Success Electronics & Transformer Manufacturer Sdn. Bhd. as a Human Resources Manager. In year 2009, he was assigned and promoted as a Director of Omega Metal Industries Sdn. Bhd. (a subsidiary of Success Transformer Corporation Berhad) and running the entire company. Omega Metal principally involving in the fabrication of metal enclosure and any other steel fabrication works. In year 2014, he returned to Success Electronics & Transformer Manufacturer Sdn Bhd involving in the operation of production and its related department and in the capacity of General Manager. On 1 January 2016, Mr. See was appointed to SEB as the Marketing Director and subsequently redesignated as Deputy Chief Operating Officer. Currently, he assumes as the Chief Executive Officer of SEB.

He attended three (3) Board Meetings held in the financial year ended 30 June 2018.

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**WONG WAI HUNG**

Executive Director  
Age 51, Malaysian  
Appointed on 9 July 2015

Mr. Wong Wai Hung, aged 51, a Malaysian, male, was appointed to the Board of the Company on 9 July 2015 as the Executive Director.

Mr. Wong heads the finance, estimation, purchasing, and production departments involving in the strategic and operational issues and decision making of these various departments. He obtained his Diploma in Commerce majoring in Management Accounting from Tunku Abdul Rahman College in 1991. He has been an Associate Member of Chartered Management Accountants in 1997.

He was also admitted as an Associate Member of the Malaysian Institute of Accountants in 2001. In 2004, he obtained his Master of Business Administration in Electronic Commerce from Charles Stuart University, Australia. He started his career as an Audit Trainee with Ong & Wong. In 1991, he joined Chong Kee Ling & Son as an Accounts Assistant. He joined EAC Rubber Industries (M) Sdn Bhd later that same year as an Accounts Supervisor. He subsequently joined NKK International (M) Sdn Bhd as an Assistant Accountant in 1993. He then joined Cahaya Kelang Construction Sdn Bhd as an Accountant in 1995. He joined Success Electronic & Transformer Manufacturer (SETM) in 1998 as the Finance Manager, and has been promoted the position as Group Finance Manager of Success Transformer Corporation Berhad from 2010 to August 2014. Later he joined EcoTower Sdn Bhd as General Manager (Finance) until May 2015. Currently, he assumes as Chief Operating Officer cum Executive Director of SEB.

He attended all six (6) Board Meetings held in the financial year ended 30 June 2018.

PROFILE OF  
DIRECTORS  
(CONT'D)

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**CHAN FOONG PING**

Independent Non-Executive Director

Age 47, Malaysian

Appointed on 22 April 2016

Ms. Chan Foong Ping, aged 47, a Malaysian, female, was appointed to the Board of the Company on 22 April 2016 as an Independent Non-Executive Director. She is the Chairman of the Audit Committee and member of Nomination Committee and Remuneration Committee.

She obtained her Bachelor of Accountancy from Universiti Putra Malaysia ("UPM") in 1995. She is a Chartered Accountant and member of Malaysian Institute of Accountants since 1998.

After graduation from UPM, she joined the audit and assurance division of Deloitte Touche Tohmatsu Kuala Lumpur in 1995. In 1998, she left the firm and joined Sepang Education Center Sdn Bhd as accounting manager. In 2000, she left Sepang Education Center Sdn Bhd and joined Phillips Seafood (East Malaysia) Sdn Bhd ("Phillips Malaysia") as financial controller. Subsequently in 2006, she was promoted to be the Executive Director of Phillips Foods International (Hong Kong) Limited ("Phillips HK"). Both Phillips Malaysia and Phillips HK are subsidiaries of Phillips Foods Inc (USA). As an Executive Director of Phillips HK, she was responsible for overseeing the regional financial system of its 14 seafood processing plants covering 10 different countries. She was responsible for setting up and overseeing shared service centres located in Indonesia and India for the financial reporting of Phillips HK operations. She left Phillips HK in 2011.

Subsequently in 2011, she joined Resource Holding Management Limited ("RHML"), a public company then listed on the AIM Market of the London Stock Exchange, as Group Finance Director. After leaving RHML in 2014, she was appointed as corporate advisor of Swiss Biological Medicine Group Ltd ("SBMG") pursuing for a potential listing at LSE. In 2016, SBMG became a subsidiary of Huapont Life Science which is listed at Shenzhen Exchange Board. Presently, Ms Chan is an Independent Non-Executive Director of Success Transformer Corporation Berhad and Wegmans Holdings Berhad.

She attended all six (6) Board Meetings held in the financial year ended 30 June 2018.

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**TAN AH BAH @ TAN AH PING**

Non-Independent Non-Executive Director

Age 67, Malaysian

Appointed on 1 March 2007

Mr. Tan Ah Bah @ Tan Ah Ping ("Mr. Tan"), aged 67, a Malaysian, male, was appointed to the Board on 1 March 2007 as an Non- Independent Non-Executive Director. He is also the member of Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Tan is the founder of Success Transformer Manufacturer Group and he is a representative of Success Transformer Corporation Berhad ("STC"), the holding company of SEB. He is a Managing Director of STC who responsible for the overall management, strategic business planning and development, decision making and technical advisory of the STC Group. He also assumes the role of Director in most of STC's subsidiaries.

He attended all six (6) Board Meetings held in the financial year ended 30 June 2018.

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**Additional Information:**

None of the Directors has:

- (i) Any family relationship with any Directors of the Company;
- (ii) Any conflict of interest in any business arrangement involving the Company; and
- (iii) Been convicted of any offence within the past five (5) years other than traffic offences if any.

## PROFILE OF KEY SENIOR MANAGEMENT

### CHUA SWEE NYAP

*Senior General Manager, Age 43, Male, Malaysian*

Mr. Chua Swee Nyap was appointed as the Senior General Manager of Seremban Engineering Berhad ("SEB") on 8 May 2017. His main portfolio is overseeing the Company's Project & Production Department.

Mr. Chua graduated from Michigan Technological University in the United State of America, major in Civil/Structural Engineering in year 1999. He has more than 15 years experience in fabrication and construction field. Throughout his career, he was a Construction Manager, Project Manager and offshore Project Lead in several engineering company in Oil and Gas industry.

### LIM YONG HWA

*General Manager, Finance, Age 47, Male, Malaysian*

Mr. Lim Yong Hwa was appointed as the General Manager, Finance and the Chief Risk Officer of SEB on 24 April 2017. He is now overseeing the SEB's finance, store operation & information technologies related matters. He is a fellow member of the Association of Chartered Certified Accountants (FCCA) and a member of Malaysian Institute of Accountants (MIA).

Mr. Lim started his career as in a public accounting firm in 1994 before he moved to commercial sector which involved various industries, ie, plantation, property development, trading & building materials segment and held various capacities ranging from finance, project operation and business development.

### NU FUI CHEE

*General Manager, Marketing, Age 33, Male, Malaysian*

Mr. Nu Fui Chee was appointed as Marketing Executive on 10 Dec 2012 and subsequently promoted to the General Manager, Marketing on 1 July 2016. He is heading the marketing department of SEB in managing sales related activities.

Mr. Nu was graduated from Universiti of Tunku Abdul Rahman as Bachelor of Business Administration (Hons) in year 2008. He started his career with PK Agro-Industrial Products (M) Sdn Bhd (formally known as Charoen Pokphand Malaysia) in Year 2008 as Purchaser & Trader which involving in major raw-material procurement activities for 3 factories in Malaysia. Besides, he was also handling major raw-materials trading activities for intra company during his tenant of the CP Group. Before he joined Seremban Engineering Berhad, he was appointed as the Assistant General Manager of Future Group of Companies to overseeing the operations which including forwarding, logistics, warehousing, and cargo handling business.

#### Additional Information:

None of the Key Senior Management has:

- (i) hold directorship of any public companies;
- (ii) any family relationship with any Director and/or major shareholder of the Company;
- (iii) any conflict of interest with the Company;
- (iv) any conviction for any offences, other than traffic offences (if any), within the past five (5) years.



## CORPORATE GOVERNANCE (“CG”) OVERVIEW STATEMENT

The Board of Directors (“Board”) of Seremban Engineering Berhad (“the Company” or “SEB”) presents this Statement to provide shareholders and investors with an overview of the CG practices of the Company and the subsidiaries (“Group” or “SEB Group”) during the financial year ended 30 June (“FY”) 2018. This overview takes guidance from the key CG principles set out in the new Malaysian Code on Corporate Governance (“Code”).

This Statement is prepared in compliance with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and is to be read in conjunction with the CG Report 2018 (“CG Report”) which is available on the Company’s website at [www.seb.net.my](http://www.seb.net.my).

The CG Report provides the explanations on how the Group applied each Practice or provided suitable alternative approach and deferred some to the following year(s) set out in the Code during FY2018.

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### (a) Board Responsibilities

The Board acknowledges and fully supports the importance of CG in directing and managing the businesses and affairs of the Group, and to safeguard and enhance shareholders’ value and performance of the Group on a sustainable and long-term basis.

The Board determines the Group’s strategic objectives and ensures that required resources are in place for the Group to meet its objectives and to guide the Group on its short- and long-term goals, providing advice, stewardship and directions on the management and business development of the Group. The Board also set the Group’s values and standards and ensure that its obligations to the shareholders and other stakeholders are understood and fulfilled.

The key roles and responsibilities of the Board are formalised in the Board Charter. The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group. More information on the Board Charter can be found on the Company’s website.

In furtherance of the above and to ensure orderly and effective discharge of its functions and responsibilities, the Board has established the following Board committees:

- Audit Committee (“AC”)
- Nomination Committee (“NC”)
- Remuneration Committee (“RC”)

In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer (“CEO”) are strictly separated. This is to maintain effective supervision and accountability of the Board and Executive Management. The Chairman is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner while the CEO takes on the primary responsibility of managing the Group’s businesses and resources as well as overseeing and managing the day-to-day operations of the Group.

The Board has formalised a Code of Conduct which reflects the Group’s vision and core values of integrity, respect and trust. The core areas concerned include the following:

- compliance with laws
- fair dealing
- confidentiality and protection of company assets
- conflict of interest
- knowing your customer and proper documentation
- occupational, health, safety and environment

The Code of Conduct governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are breaches of the same. The Code of Conduct is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.


**CG**  
 OVERVIEW STATEMENT  
 (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)**
**(a) Board Responsibilities (Cont'd)**

To maintain the highest standards of ethical conduct, the Group has a formal Whistle-blowing Policy and Procedures. As prescribed in this policy, the Board gave their assurance that employees' and third parties' identities will be kept confidential and whistle-blowers will not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith.

All concerns raised will be investigated and whistle-blowers can report through telephone or via e-mail to the CEO. If this is considered inappropriate, reports can be made to the Chairperson of the AC.

The Code of Conduct and Whistle-blowing Policy and Procedures can be viewed on the Company's website.

The Group recognises that effective succession planning is integral to the delivery of its strategic plans. It is essential to ensure a continuous level of quality in Executive Management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.

Given the current state of the Group's business and lifecycle, there is an informal succession plan for Executive Management put in place by the CEO. Going forward and at the relevant and appropriate time, the CEO will look into a structured approach to the said plan with the Board.

The Board members have full and unrestricted access to the Company Secretary who is Competent and suitably qualified to act as company secretary under Section 235 of the Companies Act 2016 ("the Act"). In addition to her corporate secretarial administrative responsibilities, she also advises the Board on its key roles and responsibilities, corporate disclosures and compliance, CG developments and practices. These include obligation of Directors relating to disclosure of interest and disclosure of any conflicts of interest with the SEB group.

The Directors also received updates from time to time on relevant new laws and regulations. Visits by the Non-Executive Directors to the Group's businesses were also arranged for enhancement of their knowledge in respect of the Group's businesses as well as better awareness of the risks associated with the Group's operations.

The Board is fully aware that continuous training for the Directors is vital for them in discharging their duties effectively. Hence, all Directors are encouraged to attend appropriate external training programmes to supplement their knowledge in the latest developments and issues relevant to the Group, especially Listing Requirements and in the areas of CG and regulatory requirements.

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FY2018 were as follows:

Name of Directors	Training Programmes/Seminars/Conferences
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	<ul style="list-style-type: none"> <li>• INPUMA Malaysia</li> <li>• Audit Committee Institute Breakfast Roundtable on KPMG Report on Non-Executive Directors Remuneration</li> <li>• MIRA Workshop: Corporate Liability Provision: "Exposure of Directors, Partners &amp; Management on Offences Committed by Employees or others"</li> <li>• WIRF Global Discourse on Quantum Computing</li> <li>• PGPF Dialogue on Yemen Crisis</li> </ul>
Mr. Wong Wai Hung	<ul style="list-style-type: none"> <li>• An Anatomy on Income Tax, GST, Company Law Implications Riding on Budget Proposal.</li> <li>• Global Marketing Summit 2017</li> <li>• Bursa Malaysia - CG Briefing Session</li> </ul>
Mr. See Boon Chun	<ul style="list-style-type: none"> <li>• Mandatory Accreditation programme</li> </ul>

CG  
OVERVIEW STATEMENT  
(CONT'D)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)****(a) Board Responsibilities (Cont'd)**

Name of Directors	Training Programmes/Seminars/Conferences
Mr. Tan Ah Bah @ Tan Ah Ping	<ul style="list-style-type: none"> <li>• 2018 Investment Strategy Seminar</li> </ul>
Ms. Chan Foong Ping	<ul style="list-style-type: none"> <li>• MIA-SC Workshop on Malaysian Code on Corporate Governance</li> <li>• Big Data Analytics Towards A Data Driven Organisation</li> <li>• Crowdfunding and E-Money - Users perspective</li> </ul>

The Board (via the NC and with assistance of the Company Secretary) shall continue to evaluate and determine the training needs of the Directors to build their knowledge so that they can be up-to-date with the development of the Group's business and industry that may affect their roles and responsibilities.

**(b) Board Composition**

The Group is led by an experienced diversified and yet sleek Board which comprises professionals from various fields to bring together a balance of skills, mix of experience and expertise in area relevant to enhance the growth of Group's business. The Directors collectively bring with their wide and varied technical, financial, corporate, and engineering experience to enable the Board to lead and control the Group effectively.

The Board (via the NC) evaluates the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director. This evaluation which is done annually is facilitated by the Company Secretary and conducted using the AC evaluation questionnaire, Board members' self and peer evaluation form, Independent Directors evaluation form, Directors' evaluation form, Board and Board committee evaluation form.

Completed evaluation forms and the results of the evaluations are collated into a report and deliberated on by the NC and subsequently by the Board and key issues arising thereon, if any are identified for further action by the Executive Management.

Based on the evaluation carried out for FY2018, the NC has informed the Board that it was satisfied with the effectiveness of the Board and Board committees and the contribution and performance of each individual Director.

The Company currently has five (5) members on the Board, of which two (2) are Independent Directors. This is a departure from the Practice 4.1 of the Code which stipulates that at least half of the Board comprises Independent Directors. Although increasing number in Independent Directors can help to ensure more fresh ideas and viewpoints available to the Board, the Board is of the view that the existing representation of high calibre Independent Non-Executive Directors has provided the necessary balance and the current composition and size have constituted an effective Board to SEB Group. Having said that, the Board (via the NC) shall identify and evaluate suitable candidates as Independent Director(s) from time to time.

The Board currently has one (1) female only among its five (5) members. The Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold as stipulated in Practice 4.5 for Large Companies.

Nevertheless, the Board supports the initiative to include female representation on the Board to achieve a more gender diversified Board. Henceforth, the Board is on the outlook for potential female candidates shall be appointed as additional female Director(s) as and when suitable candidate(s) is/are identified. No timeframe has been set for the search concerned.

Diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. The Board's policy on diversity is committed to provide fair and equal opportunities and nurturing diversity in the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally during recruitment and promotion. The Board is also committed to workplace diversity ensuring that we value and respect our differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.


**CG**  
 OVERVIEW STATEMENT  
 (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)**
**(b) Board Composition (Cont'd)**

The NC is responsible for the appointment of Directors and Executive Management and delegated the role of screening and conducting an initial selection, which includes an external search, before making any recommendation to the Board for approval.

**(c) Remuneration**

The Board (via the RC) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of the Directors. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his or her own remuneration. The RC is guided by their year of experience when making recommendations for the compensation and benefits of Directors.

The RC's recommended remuneration for Executive Directors is subject to Board's approval as it is the ultimate responsibility of the Board to approve the remuneration of such Directors. In relation to the fees and allowances for Directors, it will be presented at the annual general meeting ("AGM") for shareholders' approval.

The Board has currently yet to formalise the Remuneration Policy and Procedures of Directors and Executive Management as stipulated by Practice 6.1 of the Code. Nevertheless, the Board shall formalise the said policy by FY2019.

The number of Directors of the Company whose income falls within the following bands are set out as follows:

Range of Remuneration	Number of Directors	
	Executive Director	Non-Executive Director
RM50,000 to RM100,000	-	3
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM 450,000	-	-
RM450,001 to RM500,000	-	-
RM550,001 to RM 600,000	1	-

The aggregate remuneration paid or payable to all Directors are further categorised into the following components:

Group & the Company	Salaries & other emoluments		Benefits-in-kind	Total
	Fees * RM'000	RM'000	RM'000	
Executive	94	757	18	869
Non-executive	216	-	3	220

\* Subject to the approval of shareholders



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**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****(a) AC**

The AC currently comprises three (3) members, majority of whom are Independent Directors. The AC Chairperson is Ms. Chan Foong Ping. Although none of the current members of the AC is a former key audit partner involved in auditing the Group, the Company does not have the policy as stipulated in Practice 8.2 of the Code that the said key audit partner observed a cooling-off period of at least two (2) years before being appointed a member of the AC. Nevertheless, the Board shall incorporate the said policy into the terms of reference of the AC by FY2019.

The AC's policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors. Prior to the commencement of the annual audit, the AC shall seek confirmation from the external auditors as to their independence. This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.

Further details on the work performed by AC in furtherance of its oversight role are set out in the AC Report on pages 23 to 26 of this Annual Report.

**(b) Risk Management and Internal Control Framework**

The Board fulfils its responsibilities in the risk governance and oversight functions via a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group's risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives.

As for the adequacy and effectiveness of the system of internal control, it is reviewed by the AC with assistance from the internal auditors. The internal audit function is outsourced to an independent assurance provider to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group. The internal auditors' independence is maintained by reporting functionally to the Board through the AC and administratively to Executive Management. Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements. In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.

Based on the above, the Board is of the view that the risk management process and system of internal control were in place during FY2018 for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

Further details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control on pages 27 to 29 of this Annual Report.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS****(a) Communication with Stakeholders**

The Board is committed to ensuring that communications to stakeholders and the investing public in general is timely and factual and are available on an equal basis. The Board is also aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares.

The release of announcements and information by the Group to Bursa Securities, is handled by the General Manager, Finance, the Executive Directors and/or the Company Secretary within the prescribed requirements of the Listing Requirement.

**CG**  
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(CONT'D)

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**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)****(a) Communication with Stakeholders (Cont'd)**

The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly via annual reports, circulars or statements to shareholders, quarterly financial statements and annual audited financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only released after having reviewed by the Executive Directors and/or the Board where necessary.

The Company's website also provides all relevant information to stakeholders and the investing community. Quarterly financial statement and annual audited financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the Company's website for investors and the public.

Any shareholders' queries or concerns relating to the Group may be conveyed to the CEO at the principal place of business as detailed below:

Lot 1A – 1C, Lorong Bunga Tanjung 1/3,  
Senawang Industrial Park, 70400 Seremban,  
Negeri Sembilan Darul Khusus, Malaysia.  
Tel: (606) 677 5898  
Fax: (606) 677 5162  
Email: see.bc@seb.net.my

AC Chairperson is designated by the Board to be the contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the CEO. She too can be contacted at the above address.

**(b) Conduct of General Meetings**

The AGM serves as a principal forum for the Group's dialogue with shareholders. All shareholders are encouraged to attend the AGM, during which they can participate and given the opportunity to ask questions and vote on important matters affecting the Group, including the election/re-election of Directors, business operations, and the financial performance and position of the Group.

Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 39th AGM to address any shareholders' queries at the meeting. The external auditors will also be present at the forthcoming 39th AGM to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.

In line with Practice 12.1 of the Code, the Company's Notice of the forthcoming 39th AGM shall be given to shareholders at least twenty-eight (28) days prior to the said meeting.

This CG Overview Statement is made in accordance with a resolution of the Board on 11 October 2018.



## AUDIT COMMITTEE (“AC”) REPORT

### 1. COMPOSITION OF AUDIT COMMITTEE

The AC of Seremban Engineering Berhad (“the Company” or “SEB”) comprises three (3) members, all of whom are Non-Executive Directors with a majority of them being Independent. This meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). Should there be a vacancy in the AC resulting in the non-compliance of Paragraphs 15.09 (1) and 15.10 of the Listing Requirements, the Company must fill up the vacancy within three (3) months thereof.

The Board, through the Nomination Committee (“NC”) will review annually the terms of office of AC members and assesses the performance of AC through an annual AC effectiveness evaluation. The Board is satisfied that during the financial year ended 30 June (“FY” or “FYE”) 2018, the AC and its members have been able to discharge their functions, duties and responsibilities in accordance with the terms of reference (“ToR”) which is set out at SEB’s corporate website [www.seb.net.my](http://www.seb.net.my), thereby supporting the Board in ensuring appropriate corporate governance (“CG”) standards within the Company and the subsidiaries (“Group” or “SEB Group”). The AC members are outlined in the Corporate Information on page 3 of this Annual Report.

### 2. MEETINGS & MINUTES

A total of five (5) AC meetings were held during the financial year under review and the attendance records are as follows:

Name of member	Designation	Attendance
Chan Foong Ping	Chairman	5/5 (100%)
Tan Sri Dato’ Ahmad Fuzi Haji Abdul Razak	Member	5/5 (100%)
Tan Ah Bah @ Tan Ah Ping	Member	5/5 (100%)

The AC invited all the Executive Directors to attend all the AC meetings to provide clarification on the audit and risk related issues and to report on the overall operations of the Group while Executive Management of the relevant operations also attended as and when required by the AC.

The lead audit engagement partners of the external auditors, Messrs. Crowe Malaysia (“Crowe”) responsible for the Group attended three (3) AC meetings held on 24 August 2017, 10 October 2017 and 25 May 2018 respectively. Matters discussed included audit review in relation to their annual audit matters, areas of audit focus and key audit matters, auditor’s independence and next financial year audit planning as well as to raise any matter they considered important for the AC’s attention. The lead audit engagement partner had declared their independence to the Group and their compliance with By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. The AC Chairperson also obtained confirmation from the external auditors that the Executive Management had given its full support and unrestricted access to information as required by the external auditors to perform their duties.

The AC had two (2) private sessions with external auditors where the external auditors were given opportunities to raise any matters without the presence of Management staff and the Executive Directors. There were no other areas of concern considered important that had not been raised by external auditors with the AC and/or needed to be escalated to the Board.

The AC was satisfied with the suitability of Crowe as external auditors and quality of services provided after having considered the adequacy of experience and resources of the firm and the professional staff assigned to the audit, level of audit and non-audit services to be rendered to the Company and had on 11 October 2018 recommended to the Board and the Board has accepted the resolution on the re-appointment of Crowe as the external auditors of SEB for FY2019 for the shareholders’ approval at the forthcoming annual general meeting.

## 2. MEETINGS & MINUTES (Cont'd)

The AC also assisted the Board to facilitate the establishment of the risk management framework. During the financial year under review, the AC reviewed the key corporate risk profiles, risk assessment of core business processes, operational risks reported by the operation level Risk Management Committee ("RMC") which comprises the Chief Executive Officer cum Executive Director and the relevant Head of Departments ("HoDs"). The RMC held three (3) meetings in FY2018 and reviewed the findings consolidated and prioritised by the divisions and/ or departments on the risks evaluated under their purview, prior to reporting to the AC for further deliberation. From there, the RMC formalised the processes for identifying, evaluating, and managing risk as to ensure that the risk management process and culture are embedded throughout the Group as well as carried out the continual review of risks and effectiveness of mitigation strategies and report to the AC on a quarterly basis. Minutes of the RMC meetings which recorded these deliberations were presented to the AC for notation.

The AC also reviewed the related party transactions entered into by the Group in a quarterly basis as to ensure that they were conducted on the Group's normal commercial terms and adequate internal procedures had been deployed in the Group in relation to such transactions to monitor compliance with the Listing Requirements and to ascertain that the transactions entered into were not prejudicial to the interest of the non-controlling shareholders.

If any matter reported by the AC to the Board that has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the AC shall promptly report such matter to Bursa Securities.

Deliberations during the AC meetings, including the issues tabled and rationale adopted for decisions, were duly recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation. The Company Secretary shall be responsible for keeping the minutes of AC meetings and distribution to all members of the Board.

## 3. AUTHORITY

The AC is authorised to investigate any activity of the Company within its ToR. The ToR will be reviewed periodically or as and when required by the AC and recommendation on any revision will be made to the Board for approval.

All employees shall be directed to co-operate with any request made by the AC. The AC shall have unrestricted access to any information pertaining to the Company and have direct communication channels with both the external and internal auditors at any time should they become aware of incidents or matters during the course of their audits or reviews, when applicable and to the Executive Management of the Group.

## 4. SUMMARY OF WORK

During the financial year, the main activities undertaken by the AC were as follows:

### Activities with regards to External Audit:

- a) Reviewed the Group's unaudited quarterly consolidated financial results and recommended to the Board for approval;
- b) Discussed and recommended the Audit Planning Memorandum for FY2018 for the Board's notation;
- c) Reviewed and recommended the Audit Review Memorandum for FY2017 and the response from the Management and recommended the same for the Board's notation;
- d) Reviewed and evaluated factors relating to the independence of the external auditors. The AC worked closely with the external auditors in establishing procedures in assessing the suitability and independence of the external auditors, in confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants;
- e) considered and recommended to the Board for approval of the audit fees and non-audit fees payable to the external auditors; and
- f) Reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services and recommended to the Board for approval on the re-appointment of external auditors.



#### 4. SUMMARY OF WORK (Cont'd)

##### Activities with regards to Internal Audit:

- a) Discussed and recommended the internal audit (or "IA") reports together with the recommendations and Management's responses as tabled by the internal auditors for the Board's notation;
- b) Suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement and ensured improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with the Management Team in a separate forum as well as the implementation of these recommendations through follow-up IA reports;
- c) Discussed and reviewed the annual internal audit plan for FY2019 ("Annual IA Plan") and programs as tabled by the internal auditors for the Board's notation;
- d) Assessed and reviewed the internal audit function for its adequacy and independency;
- e) Reviewed the performance and competency of the internal auditors and approved on the re-appointment of internal auditors; and
- f) Reviewed the whistle-blowing policy for adoption by the Board.

##### Activities with regards to Financial Statements:

- a) Reviewed the quarterly unaudited financial results and Bursa announcements before recommending to the Board for approval focusing particularly on:
  - any change in accounting policies and practices
  - significant adjustments arising from the audit
  - the going concern assumption
  - compliance with applicable financial reporting standards and other legal requirements as well as the provisions of the Companies Act 2016 ("the Act")
- b) Reviewed the annual Audited Financial Statements of the Company and the Group for the FYE2017 and to recommend to the Board's approval prior to submission to the Board for approval. This was to ensure compliance of the financial statements with the provisions of the Act and the applicable approved accounting standards as per the Malaysian Accounting Standards Board;
- c) Reviewed the Company and the Group's compliance with the Listing Requirements, Malaysia Finance Reporting Standards and other relevant legal and regulatory requirements; and
- d) Reviewed and discussed the Company's Budget for FY2018 and recommended to the Board for notation.

##### Activities with regards to Internal Control and Risk Management:

- a) Reviewed and monitored principal risks which may affect the Group directly or indirectly, and if deemed necessary, recommended additional course(s) of action to mitigate such risks;
- b) Monitored and communicated the risk assessment results to the Board on a quarterly basis;
- c) Assessed the actual and potential impact of any failure or weakness of the internal controls in place; and
- d) Facilitated the establishment of the risk management framework and reviewed adequacy and effectiveness thereof from time to time.

##### Other Activities:

- a) Reviewed its ToR periodically and recommended to the Board on revision, if necessary;
- b) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question of Management's integrity;
- c) Discussed and recommended acquisition, disposal and corporate exercise of the Company to the Board for approval;
- d) Reviewed application of CG principles and the extent of the Group's compliance with the best practices set out under with the new Malaysian Code for Corporate Governance;
- e) Reviewed the AC Report and the Statement on Internal Control and Risk Management for adoption by the Board; and
- f) Discussed summary of assessment on the performance and effectiveness of AC and its members made by the NC.

**AC  
REPORT  
(CONT'D)**

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**5. INTERNAL AUDIT FUNCTION**

The internal audit function is essential to assist the Board in obtaining the assurance of the system of internal control maintained by the Management. To achieve this objective, the Company outsourced its internal audit function to NGL Tricor Governance Sdn Bhd (“NGL Tricor”), an independent assurance provider which reports directly to the AC.

The internal auditors were present at two (2) AC meetings during the financial year under review. The internal auditors presented its internal audit reports to the AC highlighting the weaknesses and proposed improvement in relation to the Company’s GST accounting and inventory management functions. The relevant HoDs of the audit subjects were also invited to brief the AC on specific issues arising from the relevant IA reports. In addition, the Annual IA Plan was also being discussed and approved. From there, the AC updated the Board on significant issues for the Board’s attention.

The relevant HoDs of the specific audit subject was made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframe. Internal auditors also conducted follow-up audits to ensure that Management’s corrective actions were implemented appropriately. In this respect, the internal audit has added value by improving the control processes within the Group. The total cost incurred for the internal audit function for FYE2018 was RM 37,172.20.

The Statement on Risk Management and Internal Control set out on pages 27 to 29 of this Annual Report contains further details on the principal responsibilities of and activities undertaken by the internal auditors in FY2018 and up to date of this Statement.

To ensure that the responsibilities of internal auditors are fully discharged, the AC reviewed the adequacy of the scope, functions and resources as well as the competency of the internal auditors. Having satisfied with the performance of NGL Tricor and feedback by the Management Team, the AC is of the view that NGL Tricor is free from any relationships or conflicts of interest with those involved and is capable of carrying out the internal audit reviews. Accordingly, the AC approved for the Group to continuously outsource the internal audit function to NGL Tricor in providing an independent appraisal on the adequacy, efficiency and effectiveness of the Group’s internal control system for FY2019.



# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

## INTRODUCTION

The Board of Directors of Seremban Engineering Berhad ("the Company" or "SEB") ("Board") is pleased to provide the following Statement on Risk Management and Internal Control ("Statement") pursuant to Paragraph 15.26 (b) of Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Principle B(II) of the new Malaysian Code on Corporate Governance.

The Statement outlines the nature and scope of risk management and internal control of the Company and its subsidiaries ("the Group") for the financial year ended 30 June ("FYE") 2018 and up to the date of this Statement.

## BOARD'S RESPONSIBILITIES

The Board is committed to maintain a sound system of internal control. In addition, the Board is also responsible for the Group's risk management and to review the adequacy, integrity and effectiveness of these systems to safeguard shareholders' investments and Group's assets.

The system of internal control is reviewed by the Board in accordance with the guidelines for Directors of *listed issuers* on the Statement on *Risk Management and Internal Control* ("Guidelines"). Due to inherent limitations in any system of internal control, such system can only manage, rather than eliminate risk of failure in achieving the Group's business objectives and to provide reasonable, but not provide absolute assurance against material misstatement or loss.

The adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") in relation to the internal audits conducted by an independent assurance provider, NGL Tricor Governance Sdn Bhd (or "internal auditors") during the financial year under review. Audit issues and actions taken by Management to address the issues tabled by internal auditors were deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

## THE SYSTEM OF INTERNAL CONTROL

The principal elements of the Group's system of internal controls are summarised as follows:

1. A documented hierarchical organisation structure defining the line of management responsibility, authority and appropriate reporting structure;
2. Appropriate authority limits are established for the approval process, therefore minimising the risk of unauthorised transactions;
3. Internal control policies, procedures and manuals are updated from time to time. These policies, procedures and manual are further strengthened with the implementation of ISO 9001:2015 Quality Management System;
4. An integrated Code of Conduct and whistle-blowing policy and procedures are in place and available at the Company's website to set the pace of upholding integrity and ethical values within the Group;
5. Financial statements and management information are provided to the AC and the Board on a quarterly basis for review. These reviews help the AC and the Board members to complement its understanding of the system of internal control and risk management in the Group;
6. Annual budget system is in place. A quarterly review of the annual budget, status of order books, sales, work-in-progress and key operational performance indicators is undertaken by Management to identify and where appropriate, to address significant variances from the budget. The Executive Summary entailing the comparison between the actual and budgeted results will be tabled together with the quarterly financial results to the AC and the Board for deliberation and approval;
7. Management and operational meetings are held to monitor and review the operational performance and changes in the business environments. These meetings are led by the Executive Directors and attended by the Executive Management;

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

### THE SYSTEM OF INTERNAL CONTROL (Cont'd)

The principal elements of the Group's system of internal controls are summarised as follows: (Cont'd)

8. Significant corporate matters and its status discussed at the Management meetings, if any are brought to the Board meetings for further deliberation and reviewed by the Board members;
9. Appointment of staff is based on the required level of qualification, experience and competency to fulfill their responsibilities. Trainings and development programs are provided as part of the management succession plan for selected staff to further enhance their skill and capability; and
10. Independent appraisals by internal auditors to ensure on-going compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls.

### RISK MANAGEMENT FRAMEWORK

The Board is aware that an effective risk management system is an integral part of the daily operation of the Group and acknowledge its responsibility to put in place an on-going process for identifying, evaluating and managing the significant risks faced by the Group.

During the financial year under review, the Board maintains a database of risks specific to the Group together with their corresponding controls, which are categorised as follows:

- Project, which are risks that affect the overall project implementation function of the Group;
- Operational, which are risks that impact the division operation and management operation of the Group; and
- People, which are risks that affect efficiency, productivity, retention and promotion of employees.

The Group set up an operation working group, the Risk Management Committee ("RMC") to facilitate the establishment of an Enterprise Risk Management framework. The RMC comprising the Chief Operating Officer ("COO") cum Executive Director and the respective Heads of Department ("HoDs"), are tasked to discuss, evaluate and report to the AC on those significant risk identified and the corresponding internal controls implemented as to mitigate such risks.

The RMC will report to the AC on quarterly basis, of the status of risk mitigation actions, new risks identified and whether those significant risk identified are properly monitored, managed, and mitigated to an acceptable level. Minutes of the RMC meetings which recorded these deliberations were presented to the AC.

Up to the date of this Statement, the RMC met four (4) times wherein discussions were on the key principal risks faced by the Group and the action plans proposed.

The Chief Executive Officer ("CEO") and COO also report to the Board on significant changes in the business and the external environment which may affect the operations. Financial information, key performance and risk indicators are also reported on a quarterly basis to the Board.

### INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent assurance provider, NGL Tricor Governance Sdn Bhd to review the adequacy and effectiveness of the internal control systems of the business units. The total cost incurred for the internal audit function for FYE2018 was RM 37,172.20.

The internal auditors adopted a risk-based approach in accordance with the International Professional Practices Framework and COSO Framework and prepared the audit strategy and plan based on the risk profiles of the business units of the Group. Audits were carried out according to the annual audit plan approved by the AC. The internal audit reports from the annual audits undertaken are presented to the AC at its regular meetings for review, discussion, and direct actions on matters pertaining to reports, which among other matter, include findings relating to the adequacy and effectiveness of the internal control system of the Group.



STATEMENT ON  
RISK MANAGEMENT & INTERNAL CONTROL  
(CONT'D)

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#### INTERNAL AUDIT FUNCTION (Cont'd)

After the AC had deliberated on the internal audit findings, the same were then forwarded to the relevant HoDs of the specific audit subject for attention and necessary actions. The relevant HoDs are responsible for ensuring recommended corrective actions on reported weaknesses were taken within the required time frame.

A matrix which covers the overall audit ratings, nature of work and scope, and audit issues and its priorities have been developed by the internal auditors as a template to guide the conduct of the follow up audit. For FYE2018, based on the assessment of the Enterprise Risk Management framework for the Group and feedback from the RMC and internal auditors, the AC is satisfied that there were no major gaps in respect to the minimum internal controls as determined by the Group.

The AC Report set out on pages 23 to 26 of this Annual Report contains further details on the principal responsibilities of and activities undertaken by the internal auditors in FYE 2018 and up to the date of this Statement.

#### REVIEW OF STATEMENT BY EXTERNAL AUDITOR

In accordance with Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement and reported that nothing has come to their attention that causes them to believe that the contents of this Statement is inconsistent with their understanding of the actual processes adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management. The total cost incurred for the internal audit function for FYE2018 was RM 37,172.20.

#### CONCLUSION

The Board acknowledges its overall responsibility for ensuring a sound and effective system of risk management and internal control is maintained throughout the Group to safeguards shareholders' investment and Group's assets. The Board has received assurance from the CEO and COO cum Executive Director that regular review of its effectiveness and adequacy of the Group's internal controls will be in place to ensure that risk management and internal control system are operating adequately and satisfactorily, in all material aspects, based on the risk management and internal control system of the Group.

The risks taken are at an acceptable level within the context of the business environment throughout the Group and there were no significant internal control deficiencies or weaknesses resulting in material losses, contingencies or uncertainties during the financial year and up to the date of issuance of the financial statements that would require separate disclosure in this Annual Report.

With the Enterprise Risk Management framework and setting up of the RMC, the Board continues to take pertinent measures to maintain a sound system of internal control and will strive for continuous improvement where necessary to further enhance the Group's risk management system and system of internal control in meeting the Group's strategic objectives.

This Statement was approved by the Board on 11 October 2018.

## OTHER COMPLIANCE INFORMATION

### 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any proposal during the financial year.

### 2. AUDIT AND NON-AUDIT FEES

The fees payable to the external auditors, Messrs Crowe Malaysia in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 30 June 2018 are as follows:

	The Company RM	The Group RM
Audit fees	105,000	109,000
Non-audit fees	5,000	5,000

### 3. MATERIAL CONTRACTS

Neither the Company nor any of its subsidiary companies have entered into any material contract which involved the Directors' and/or major shareholders' interest, which were still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

### 4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

There were no recurrent related party transactions undertaken during the financial year.



## DIRECTORS' RESPONSIBILITY STATEMENT

### FOR THE ANNUAL AUDITED FINANCIAL STATEMENTS

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The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Act in Malaysia and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

The Board, after due consideration, is satisfied that the financial statements for the financial year ended 30 June 2018 has been prepared adopting appropriate accounting policies and applied them consistently and made judgement and estimation that are reasonable and prudent. The Board also considers that relevant approved accounting standards have been followed and confirms that the financial statements have been prepared on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the Act. The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

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## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown works. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	The Group RM	The Company RM
Loss after tax for the financial year	(4,929,864)	(4,926,876)
Attributable to: Owners of the Company	(4,929,864)	(4,926,876)

### DIVIDENDS

No dividend was recommended by the directors for the financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

### ISSUES OF SHARES AND DEBENTURES

During the financial year:

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

### TREASURY SHARES

As at 30 June 2018, the Company held as treasury shares a total of 319,200 of its 80,000,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM 157,426. The details on the treasury shares are disclosed in Note 16 to the financial statements.

### OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

**DIRECTORS'  
REPORT  
(CONT'D)**

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**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

**CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

**VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**DIRECTORS'  
REPORT  
(CONT'D)****DIRECTORS**

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:

See Boon Chun (Appointed on 11 December 2017)  
Wong Wai Hung  
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak  
Tan Ah Bah @ Tan Ah Ping  
Chan Foong Ping (f)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

Chiam Tak Soon (Resigned on 29 December 2017)  
Ong Ying Li (f) (Resigned on 29 December 2017)  
Tan Chung Ling (f)  
Tan Wei Neng

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

**The Company**

		At	Number of Ordinary Shares		At
		01.07.2017	Bought	Sold	30.06.2018
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	– Direct	50,000	-	-	50,000
Tan Ah Bah @ Tan Ah Ping	– Direct	56,533	-	-	56,533
	– Indirect *	55,493,219	-	-	55,493,219

\* Deemed interest by virtue of his spouse's and daughter's direct interests in the Company and his substantial interests in OASB and Success Transformer Corporation Berhad.

**Ultimate Holding Company – Omega Attraction Sdn. Bhd. ("OASB")**

		At	Number of Ordinary Shares		At
		01.07.2017	Bought	Sold	30.06.2018
Tan Ah Bah @ Tan Ah Ping	– Direct	51,000	-	-	51,000
	– Indirect #	49,000	-	-	49,000

# Deemed interest by virtue of his spouse's direct interest in OASB.

By virtue of his interests in the shares of OASB, Mr. Tan Ah Bah @ Tan Ah Ping is deemed to have an interest in shares of the Company and its related corporations during the financial year to the extent that OASB has an interest.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

**DIRECTORS'  
REPORT  
(CONT'D)**

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**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 28 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DIRECTORS' REMUNERATION**

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 22 to the financial statements.

**INDEMNITY AND INSURANCE COST**

The Company maintains a Directors' and Officers' Liability Insurance Policy on a group basis. During the financial year, the amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Group were RM 5,000,000 and RM 9,250 respectively. No indemnity was given to or insurance effected for auditors of the Company.

**SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

**HOLDING COMPANIES**

The immediate and ultimate holding companies are Success Transformer Corporation Berhad and Omega Attraction Sdn. Bhd. respectively. Both the aforesaid holding companies are incorporated in Malaysia.

**AUDITORS**

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed in accordance with a resolution of the directors dated 11 October 2018

**See Boon Chun**

**Wong Wai Hung**



## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, See Boon Chun and Wong Wai Hung, being two of the directors of Seremban Engineering Berhad, state that, in the opinion of the directors, the financial statements set out on pages 41 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2018 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 11 October 2018

**See Boon Chun**

**Wong Wai Hung**

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Lim Yong Hwa, MIA Membership Number: 20241, being the officer primarily responsible for the financial management of Seremban Engineering Berhad, do solemnly and sincerely declare that the financial statements set out on pages 41 to 92 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Lim Yong Hwa at Muar in the State of Johor Darul Takzim  
on this 11 October 2018

**Lim Yong Hwa**

Before me

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SEREMBAN ENGINEERING BERHAD

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Seremban Engineering Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 92.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

#### Revenue recognition for construction contracts

Refer to Note 12 in the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Contract revenue is recognised base on the stage of completion method.</p> <p>The stage of completion method is determined based on the proportion of project costs incurred for work performed to-date compared to the estimated total project costs. This requires the management to exercise significant judgement in estimating the total costs to complete.</p> <p>In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations and claims. The total cost to complete may be incorrectly estimated due to unforeseen events occur before completion.</p>	<p>The following audit procedures have been undertaken:</p> <ul style="list-style-type: none"> <li>(i) Testing the costs incurred to-date and reviewing the management's assessment in identification of costs which are attributable to and therefore allocated to each respective project.</li> <li>(ii) Inspecting documentation to support cost estimates made for selected sample projects.</li> <li>(iii) Enquiring about variances, if any, to the contract revenue and estimated costs in respect of ongoing or completed projects.</li> </ul>



**INDEPENDENT AUDITORS'  
REPORT  
TO THE MEMBERS OF SEREMBAN ENGINEERING BERHAD  
(CONT'D)**

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**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the other sections of the 2018 Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**INDEPENDENT AUDITORS'**  
REPORT  
TO THE MEMBERS OF SEREMBAN ENGINEERING BERHAD  
(CONT'D)

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**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Malaysia**  
Firm No.: AF 1018  
Chartered Accountants

**Ng Kim Hian**  
Approval No.: 02506/04/2019 J  
Chartered Accountant

Date: 11 October 2018

Muar, Johor Darul Takzim



# STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	The Group 2018 RM	2017 RM	The Company 2018 RM	2017 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	6	38,866,763	51,834,675	43,477,360	56,445,272
Investment properties	7	12,225,347	-	12,225,347	-
Investments in subsidiaries	8	-	-	-	-
Investments in associate	9	-	-	-	-
Investments in joint venture	10	-	-	-	-
		51,092,110	51,834,675	55,702,707	56,445,272
<b>CURRENT ASSETS</b>					
Inventories	11	13,192,799	16,594,109	13,192,799	16,594,109
Amount due from contract customers	12	4,113,894	12,127,874	4,113,894	12,127,874
Trade and other receivables	13	21,472,143	30,236,038	21,469,970	30,234,273
Current tax assets		1,052,700	1,113,701	1,052,700	1,052,524
Deposits, bank and cash balances	14	338,893	489,969	288,411	446,412
		40,170,429	60,561,691	40,117,774	60,455,192
<b>TOTAL ASSETS</b>		91,262,539	112,396,366	95,820,481	116,900,464
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	15	40,000,000	40,000,000	40,000,000	40,000,000
Treasury shares	16	(157,426)	(157,426)	(157,426)	(157,426)
Reserves	17	(14,730,737)	(9,800,873)	(10,142,681)	(5,215,805)
<b>TOTAL EQUITY</b>		25,111,837	30,041,701	29,699,893	34,626,769
<b>NON-CURRENT LIABILITIES</b>					
Bank borrowings	18	11,793,843	13,486,355	11,793,843	13,486,355
Hire purchase payables	19	1,141,248	773,718	1,141,248	773,718
		12,935,091	14,260,073	12,935,091	14,260,073
<b>CURRENT LIABILITIES</b>					
Trade and other payables	20	20,976,921	37,782,204	20,946,807	37,701,234
Amount due to contract customers	12	652,425	282,875	652,425	282,875
Bank borrowings	18	31,157,330	29,639,950	31,157,330	29,639,950
Hire purchase payables	19	428,935	389,563	428,935	389,563
		53,215,611	68,094,592	53,185,497	68,013,622
<b>TOTAL LIABILITIES</b>		66,150,702	82,354,665	66,120,588	82,273,695
<b>TOTAL EQUITY AND LIABILITIES</b>		91,262,539	112,396,366	95,820,481	116,900,464

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
REVENUE	21	70,728,104	90,688,466	70,728,104	88,546,716
COST OF SALES		(68,860,893)	(80,792,972)	(68,860,893)	(79,835,018)
GROSS PROFIT		1,867,211	9,895,494	1,867,211	8,711,698
OTHER INCOME		3,725,562	8,038,258	3,725,562	10,387,710
ADMINISTRATIVE EXPENSES		(7,796,543)	(7,875,390)	(7,784,797)	(6,767,533)
OTHER EXPENSES		(114,635)	(606,299)	(114,635)	(606,299)
FINANCE COSTS	23	(2,611,663)	(2,663,261)	(2,611,663)	(2,562,463)
(LOSS)/PROFIT BEFORE TAX	24	(4,930,068)	6,788,802	(4,918,322)	9,163,113
INCOME TAX EXPENSE	25	204	(261,238)	(8,554)	(176,304)
(LOSS)/PROFIT AFTER TAX AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE FINANCIAL YEAR		(4,929,864)	6,527,564	(4,926,876)	8,986,809
<b>(LOSS)/PROFIT AFTER TAX ATTRIBUTABLE TO:</b>					
Owners of the Company		(4,929,864)	4,521,825	(4,926,876)	8,986,809
Non-controlling interests		-	2,005,739	-	-
		(4,929,864)	6,527,564	(4,926,876)	8,986,809
<b>TOTAL COMPREHENSIVE (EXPENSE)/ INCOME ATTRIBUTABLE TO:</b>					
Owners of the Company		(4,929,864)	4,521,825	(4,926,876)	8,986,809
Non-controlling interests		-	2,005,739	-	-
		(4,929,864)	6,527,564	(4,926,876)	8,986,809
<b>(LOSS)/EARNINGS PER ORDINARY SHARE (SEN)</b>					
Basic	26	(6)	6		

The annexed notes form an integral part of these financial statements.



# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The Group	Non-Distributable					Distributable		Total equity RM
	Share capital RM	Treasury shares RM	Share premium RM	Accumulated losses RM	Attributable to owners of the Company RM	Non-controlling interests RM		
Balance at 1 July 2016	40,000,000	(157,426)	5,583,931	(19,906,629)	25,519,876	384,907	25,904,783	
Profit after tax and total comprehensive income for the financial year	-	-	-	4,521,825	4,521,825	2,005,739	6,527,564	
Contributions by and distributions to owners of the Company:								
– Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	(342,000)	(342,000)	
– Disposal of subsidiary	-	-	-	-	-	(2,048,646)	(2,048,646)	
Total transactions with owners	-	-	-	-	-	(2,390,646)	(2,390,646)	
Balance at 30 June 2017/1 July 2017	40,000,000	(157,426)	5,583,931	(15,384,804)	30,041,701	-	30,041,701	
Loss after tax and total comprehensive expense for the financial year	-	-	-	(4,929,864)	(4,929,864)	-	(4,929,864)	
Balance at 30 June 2018	40,000,000	(157,426)	5,583,931	(20,314,668)	25,111,837	-	25,111,837	

The annexed notes form an integral part of these financial statements.

STATEMENTS OF  
**CHANGES IN EQUITY**  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
 (CONT'D)

The Company	Non-Distributable		Distributable		Total Equity RM
	Share capital RM	Treasury shares RM	Share premium RM	Accumulated losses RM	
Balance at 1 July 2016	40,000,000	(157,426)	5,583,931	(19,786,545)	25,639,960
Profit after tax and total comprehensive income for the financial year	-	-	-	8,986,809	8,986,809
Balance at 30 June 2017/1 July 2017	40,000,000	(157,426)	5,583,931	(10,799,736)	34,626,769
Loss after tax and total comprehensive expense for the financial year	-	-	-	(4,926,876)	(4,926,876)
Balance at 30 June 2018	40,000,000	(157,426)	5,583,931	(15,726,612)	29,699,893

The annexed notes form an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before tax	(4,930,068)	6,788,802	(4,918,322)	9,163,113
Adjustments for:				
Allowance for impairment losses on receivables	16,048	120,401	16,048	120,401
Depreciation on property, plant and equipment	2,105,105	2,120,923	2,105,105	2,003,254
Depreciation on investment properties	-	2,862	-	2,862
Gain on disposal of property, plant and equipment	(33,999)	(405,412)	(33,999)	(1,864)
Gain on disposal of investment properties	-	(94,969)	-	(498,520)
Impairment loss on investment	-	-	-	1
Impairment loss on property, plant and equipment	-	391,393	-	391,393
Inventories written down	839,493	557,693	839,493	557,693
Loss/(Gain) on disposal of subsidiary	-	535,969	-	(2,297,000)
Property, plant and equipment written off	-	11,402	-	11,402
Reversal of allowance for impairment losses on receivables	(2,444,870)	(5,721,868)	(2,444,870)	(5,350,746)
Unrealised loss on foreign exchange	26,504	83,103	26,504	83,103
Interest expenses	2,441,597	2,464,271	2,441,597	2,365,868
Interest income	(4,925)	(91,475)	(4,925)	(27,088)
Operating (loss)/profit before working capital changes	(1,985,115)	6,763,095	(1,973,369)	6,523,872
Inventories	2,561,817	7,459,270	2,561,817	8,169,460
Amount due from/to contract customers	8,383,530	(14,451,585)	8,383,530	(12,019,095)
Trade and other receivables	11,192,386	5,965,502	11,192,794	2,467,165
Trade and other payables	(14,772,150)	3,826,683	(14,721,294)	(420,564)
<b>CASH FROM OPERATIONS</b>	5,380,468	9,562,965	5,443,478	4,720,838
Interest paid	(2,441,597)	(2,464,271)	(2,441,597)	(2,365,868)
Interest received	4,925	91,475	4,925	27,088
Tax paid	(19,140)	(182,438)	(8,730)	(178,828)
Tax refund	80,345	15,060	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	3,005,001	7,022,791	2,998,076	2,203,230

The annexed notes form an integral part of these financial statements.

STATEMENTS OF  
**CASH FLOWS**  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
 (CONT'D)

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>					
Dividend paid by subsidiary to non-controlling interests		-	(342,000)	-	-
Disposal of subsidiary, net of cash and cash equivalents		-	(3,908,444)	-	2,537,000
Proceeds from disposal of property, plant and equipment		161,357	792,076	161,357	141,133
Proceeds from disposal of investment properties		-	180,000	-	830,943
Purchase of property, plant and equipment	6(c)	(778,232)	(1,803,936)	(778,232)	(10,353,196)
<b>NET CASH FOR INVESTING ACTIVITIES</b>		(616,875)	(5,082,304)	(616,875)	(6,844,120)
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>					
Net repayment to immediate holding company		(1,443,540)	(4,728,090)	(1,443,540)	(4,728,090)
Net increase in short-term deposits pledged		(2,663)	(2,833)	(2,663)	(2,833)
Net movements in short-term borrowings		(4,112,715)	(4,297,172)	(4,112,715)	199,828
Drawdown of term loan		-	6,840,000	-	6,840,000
Repayment of term loans		(2,006,917)	(3,722,475)	(2,006,917)	(1,500,966)
Repayment of hire purchase payables		(676,810)	(630,186)	(676,810)	(576,871)
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>		(8,242,645)	(6,540,756)	(8,242,645)	231,068
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(5,854,519)	(4,600,269)	(5,861,444)	(4,409,822)
<b>EFFECT OF FOREIGN EXCHANGE TRANSLATION</b>		(243,720)	-	(243,720)	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		4,494	4,604,763	(39,063)	4,370,759
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	27(b)	(6,093,745)	4,494	(6,144,227)	(39,063)

The annexed notes form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:

Registered office	: 3-2, 3rd Mile Square No. 151, Jalan Kelang Lama Batu 3 ½, 58100 Kuala Lumpur Wilayah Persekutuan
Principal place of business	: Lot 1A – 1C Lorong Bunga Tanjung 1/3 Senawang Industrial Park 70400 Seremban Negeri Sembilan

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 11 October 2018.

## 2. HOLDING COMPANIES

The immediate and ultimate holding companies are Success Transformer Corporation Berhad and Omega Attraction Sdn. Bhd. respectively. Both the aforesaid holding companies are incorporated in Malaysia.

## 3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown works. The principal activities of the subsidiaries are set out in Note 8. There have been no significant changes in the nature of these activities during the financial year.

## 4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### 4.1 Going concern

The financial statements have been prepared on the assumption that the Group and the Company will continue to operate as going concern as the Company and its subsidiaries have received an undertaking of unconditional financial support from the holding company, Success Transformer Corporation Berhad.

### 4.2 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):

#### **MFRSs and/or IC Interpretations (including the Consequential Amendments)**

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles:

- Amendments to MFRS 12: Clarification of the Scope of the Standard

NOTES TO THE  
**FINANCIAL STATEMENTS**  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
 (CONT'D)

#### 4. BASIS OF PREPARATION (Cont'd)

##### 4.2 Cont'd

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 27(a).

- 4.3 The Group has not applied in advance the following accounting standards and/or 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 year:

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 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 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 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 MFRS 140: Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
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
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019



NOTES TO THE  
**FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
(CONT'D)

#### 4. BASIS OF PREPARATION (Cont'd)

##### 4.3 Cont'd

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:

##### (a) MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 as issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

The initial application of MFRS 9 is not expected to have any material impact to the financial statements of the Group and of the Company for the current financial year and prior periods as the Group and the Company will apply the standard retrospectively from 1 July 2018 with the practical expedients permitted under the standard, and that the comparatives (i.e. current period financial information) will not be restated.

##### *Impairment of Financial Assets*

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes.

The new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

In addition, the Group and the Company will apply the simplified approach prescribed by MFRS 9 and record lifetime ECLs on trade receivables and contract assets.

The Group and the Company has determined that, based on its assessment on the market information currently available and the reputation and past credit history of the counterparties with which the Group and the Company transacted with, the impacts of ECL on trade and other receivables (including related party balances) are insignificant upon the initial application of MFRS 9.

The analysis above are based on the assessments undertaken to date and maybe subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group and the Company in the future.

NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
(CONT'D)

#### 4. BASIS OF PREPARATION (Cont'd)

##### 4.3 Cont'd

##### (b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Based on the assessment completed to date, the Group and the Company has identified the following areas which are expected to be affected:

- Construction of process equipment – Currently, the Group and the Company recognises revenue from the construction activities using the percentage of completion method. Taking into account the contract terms, the Group's and the Company's business practice and the legal and regulatory environment of Malaysia, the Group and the Company has assessed that its construction contracts will not meet the criteria for recognising revenue over time and therefore construction revenue will be recognised upon completion, which is the point in time the customer has the ability to direct the use of the process equipment and obtain substantially all of the remaining benefits of the process equipment. This may result in revenue being recognised later than at present.

The initial application of MFRS 15 is not expected to have any material impact to the financial statements of the Group and the Company for the current financial year and prior periods as the Group and the Company will apply the standard 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 (i.e. current period financial information) will not be restated.

The expected impacts from the initial application of MFRS 15 in the next financial year are as below:

##### Statements of Financial Position

	As Reported At 30 June 2018 RM	Estimated Adjustments on the Adoption of MFRS 15 RM	Estimated Adjusted Opening Balance At 1 July 2018 RM
<b>The Group</b>			
Inventories	13,192,799	4,631,360	17,824,159
Contract assets	4,113,894	(2,445,095)	1,668,799
Other payables	(13,571,738)	(3,254,930)	(16,826,668)
Contract liabilities	(652,425)	260,325	(392,100)
Accumulated losses	20,314,668	808,340	21,123,008
<b>The Company</b>			
Inventories	13,192,799	4,631,360	17,824,159
Contract assets	4,113,894	(2,445,095)	1,668,799
Other payables	(13,541,624)	(3,254,930)	(16,796,554)
Contract liabilities	(652,425)	260,325	(392,100)
Accumulated losses	15,726,612	808,340	16,534,952

The analysis above are based on the assessments undertaken to date and maybe subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group and the Company in the future.



NOTES TO THE  
**FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
(CONT'D)

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Critical Accounting Estimates and Judgements

#### Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

#### (a) *Depreciation of Property, Plant and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### (b) *Impairment of Property, Plant and Equipment and Investment Properties*

The Group determines whether its property, plant and equipment and investment properties are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

#### (c) *Write-down of Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

#### (d) *Impairment of Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

#### (e) *Construction Contracts*

Significant judgement is required in determining the stage of completion of a construction contract, the extent of the construction costs incurred, the estimation of the variation works and total budgeted construction costs, as well as the recoverability of the construction project. In making the judgement, management evaluates based on experience and by relying the works of specialists.

#### (f) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

NOTES TO THE  
**FINANCIAL STATEMENTS**  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
 (CONT'D)

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.1 Critical Accounting Estimates and Judgements (Cont'd)

#### **Critical Judgements Made in Applying Accounting Policies**

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:

#### ***Classification of Leasehold Land***

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

### 5.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

#### **(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.



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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.2 Basis of Consolidation (Cont'd)

#### *(b) Non-controlling Interests*

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### *(c) Changes in Ownership Interests in Subsidiaries Without Change of Control*

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

#### *(d) Loss of Control*

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 5.3 Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

### 5.4 Investments in Associates

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.



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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.4 Investments in Associates (Cont'd)

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 30 June 2018. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

### 5.5 Joint Arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

Investments in joint ventures are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to 30 June 2018. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.



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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.5 Joint Arrangements (Cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

### 5.6 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Factory buildings	50 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 10 years
Plant and machinery	10 years

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.7 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties when they are available for occupy. The estimated useful lives of the investment properties are 93 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

### 5.8 Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statements of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or investment properties, where appropriate.

### 5.9 Impairment

#### (a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.



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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.9 Impairment (Cont'd)

#### (a) Impairment of Financial Assets (Cont'd)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### (b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments at the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

### 5.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out or weighted average basis, where applicable, and comprises the purchase price, production costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs to completion and the estimated costs necessary to make the sale.

### 5.11 Amount Due from/(to) Contract Customers

Amount due from/(to) contract customers on fixed price contracts is stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes all direct costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in payables as amount due to contract customers. Where aggregate amount due from contract customers plus attributable profits less foreseeable losses exceed progress billings, the net debit balance on all such contracts is shown in receivables as amount due from contract customers.

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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.12 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

#### (a) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

##### (i) *Financial assets at fair value through profit or loss*

As at the end of the reporting period, there were no financial assets classified under this category.

##### (ii) *Held-to-maturity investments*

As at the end of the reporting period, there were no financial assets classified under this category.

##### (iii) *Loans and receivables financial assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

##### (iv) *Available-for-sale financial assets*

As at the end of the reporting period, there were no financial assets classified under this category.



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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.12 Financial Instruments (Cont'd)

#### (b) *Financial Liabilities*

##### (i) *Financial liabilities at fair value through profit or loss*

As at the end of the reporting period, there were no financial liabilities classified under this category.

##### (ii) *Other financial liabilities*

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, as shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### (c) *Equity Instruments*

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

##### (i) *Ordinary shares*

Ordinary shares are classified as equity and recorded at the proceed received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

##### (ii) *Treasury shares*

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

#### (d) *Derecognition*

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.13 Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 5.14 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 5.15 Income Taxes

#### (a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

#### (b) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

### 5.16 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.



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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.17 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### 5.18 Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

#### (a) *Construction Contracts*

Revenue from construction contracts is recognised on the percentage of completion method for projects supported by contracts, and/or where specific progress claims can be clearly identified against the stage of completion of contracts or when there is continuous transfer of control and risks and rewards of ownership. When these characteristics cannot be identified, the delivery and acceptance basis shall be adopted.

The stage of completion is measured by reference to the proportion that contract costs incurred for contract work performed to-date that reflect work performed bear to the total estimated contract costs.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and the contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the profit or loss.

#### (b) *Sale of Goods*

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

#### (c) *Services*

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to the services performed to-date as a percentage of total services to be performed. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

#### (d) *Interest Income*

Interest income is recognised on an accrual basis using the effective interest method.

#### (e) *Rental Income*

Rental income is recognised on accrual basis unless collectability is in doubt, in which case the recognition of such income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

#### (f) *Dividend Income*

Dividend income from investment is recognised when the right to receive dividend payment is established.



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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 5.19 Employee Benefits

#### (a) *Short-term Benefits*

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

#### (b) *Defined Contribution Plans*

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

### 5.20 Functional and Foreign Currencies

#### (a) *Functional and Presentation Currency*

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

#### (b) *Foreign Currency Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

### 5.21 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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## 6. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM	Leasehold land RM	Factory buildings RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Plant and machinery RM	Total RM
<b>At cost</b>							
At 1 July 2017	10,656,624	5,066,670	33,088,389	2,514,570	1,842,836	14,765,259	67,934,348
Additions	-	-	166,340	431,060	760,733	131,765	1,489,898
Disposals	-	-	-	-	(164,000)	(750,000)	(914,000)
Write off	-	-	-	-	-	(44,110)	(44,110)
Transfer to investment properties (Note 7)	-	(5,066,670)	(7,502,533)	-	-	-	(12,569,203)
At 30 June 2018	10,656,624	-	25,752,196	2,945,630	2,439,569	14,102,914	55,896,933
<b>Less : Accumulated depreciation</b>							
At 1 July 2017	-	-	3,091,227	1,884,641	1,442,154	8,946,402	15,364,424
Charge for the financial year	-	-	534,504	199,547	292,286	1,078,768	2,105,105
Disposals	-	-	-	-	(163,999)	(231,250)	(395,249)
Write off	-	-	-	-	-	(44,110)	(44,110)
At 30 June 2018	-	-	3,625,731	2,084,188	1,570,441	9,749,810	17,030,170
<b>Less : Accumulated impairment losses</b>							
At 1 July 2017	-	-	343,856	-	-	391,393	735,249
Disposals	-	-	-	-	-	(391,393)	(391,393)
Transfer to investment properties (Note 7)	-	-	(343,856)	-	-	-	(343,856)
At 30 June 2018	-	-	-	-	-	-	-
<b>Carrying amount</b>							
At 30 June 2018	10,656,624	-	22,126,465	861,442	869,128	4,353,104	38,866,763

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6. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group	Freehold land RM	Leasehold land RM	Factory buildings RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Plant and machinery RM	Total RM
<b>At cost</b>							
At 1 July 2016	10,656,624	5,266,670	32,564,786	2,696,446	2,869,754	15,823,919	69,878,199
Additions	-	-	1,259,254	65,111	-	1,351,751	2,676,116
Disposals	-	(200,000)	(92,996)	-	(715,660)	-	(1,008,656)
Disposal of subsidiary	-	-	(642,655)	(246,987)	(190,350)	(2,345,967)	(3,425,959)
Write off	-	-	-	-	(120,908)	(64,444)	(185,352)
At 30 June 2017	10,656,624	5,066,670	33,088,389	2,514,570	1,842,836	14,765,259	67,934,348
<b>Less : Accumulated depreciation</b>							
At 1 July 2016	-	24,434	2,631,258	1,771,404	2,090,936	8,891,779	15,409,811
Charge for the financial year	-	-	481,136	238,278	224,442	1,177,067	2,120,923
Disposals	-	(24,434)	(21,167)	-	(576,391)	-	(621,992)
Disposal of subsidiary	-	-	-	(125,041)	(188,530)	(1,095,239)	(1,408,810)
Write off	-	-	-	-	(108,303)	(27,205)	(135,508)
At 30 June 2017	-	-	3,091,227	1,884,641	1,442,154	8,946,402	15,364,424
<b>Less : Accumulated impairment losses</b>							
At 1 July 2016	-	-	343,856	-	1,203	37,239	382,298
Additions	-	-	-	-	-	391,393	391,393
Write off	-	-	-	-	(1,203)	(37,239)	(38,442)
At 30 June 2017	-	-	343,856	-	-	391,393	735,249
<b>Carrying amount</b>							
At 30 June 2017	10,656,624	5,066,670	29,653,306	629,929	400,682	5,427,464	51,834,675



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## 6. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Company	Freehold land RM	Leasehold land RM	Factory buildings RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Plant and machinery RM	Total RM
<b>At cost</b>							
At 1 July 2017	13,981,257	5,066,670	34,120,284	2,514,571	1,818,638	14,721,149	72,222,569
Additions	-	-	166,340	431,060	760,733	131,765	1,489,898
Disposals	-	-	-	-	(164,000)	(750,000)	(914,000)
Transfer to investment properties (Note 7)	-	(5,066,670)	(7,502,533)	-	-	-	(12,569,203)
At 30 June 2018	13,981,257	-	26,784,091	2,945,631	2,415,371	14,102,914	60,229,264
<b>Less : Accumulated depreciation</b>							
At 1 July 2017	-	-	2,838,033	1,884,645	1,417,080	8,902,290	15,042,048
Charge for the financial year	-	-	534,504	199,547	292,286	1,078,768	2,105,105
Disposals	-	-	-	-	(163,999)	(231,250)	(395,249)
At 30 June 2018	-	-	3,372,537	2,084,192	1,545,367	9,749,808	16,751,904
<b>Less : Accumulated impairment losses</b>							
At 1 July 2017	-	-	343,856	-	-	391,393	735,249
Disposals	-	-	-	-	-	(391,393)	(391,393)
Transfer to investment properties (Note 7)	-	-	(343,856)	-	-	-	(343,856)
At 30 June 2018	-	-	-	-	-	-	-
<b>Carrying amount</b>							
At 30 June 2018	13,981,257	-	23,411,554	861,439	870,004	4,353,106	43,477,360

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6. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Company	Freehold land RM	Leasehold land RM	Factory buildings RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Plant and machinery RM	Total RM
<b>At cost</b>							
At 1 July 2016	8,981,257	5,066,670	29,311,030	2,450,200	2,591,309	13,369,398	61,769,864
Additions	5,000,000	-	4,809,254	64,371	-	1,351,751	11,225,376
Disposals	-	-	-	-	(715,660)	-	(715,660)
Write off	-	-	-	-	(57,011)	-	(57,011)
At 30 June 2017	13,981,257	5,066,670	34,120,284	2,514,571	1,818,638	14,721,149	72,222,569
<b>Less : Accumulated depreciation</b>							
At 1 July 2016	-	-	2,361,093	1,660,894	1,815,834	7,822,973	13,660,794
Charge for the financial year	-	-	476,940	223,751	223,246	1,079,317	2,003,254
Disposals	-	-	-	-	(576,391)	-	(576,391)
Write off	-	-	-	-	(45,609)	-	(45,609)
At 30 June 2017	-	-	2,838,033	1,884,645	1,417,080	8,902,290	15,042,048
<b>Less : Accumulated impairment losses</b>							
At 1 July 2016	-	-	343,856	-	-	-	343,856
Additions	-	-	-	-	-	391,393	391,393
At 30 June 2017	-	-	343,856	-	-	391,393	735,249
<b>Carrying amount</b>							
At 30 June 2017	13,981,257	5,066,670	30,938,395	629,926	401,558	5,427,466	56,445,272



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**6. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

- (a) The following property, plant and equipment of the Group and of the Company have been pledged to licensed banks as security for banking facilities granted to the Group and the Company (Note 18(a)):

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Carrying amount</b>				
Freehold land	10,656,624	10,656,624	13,981,257	13,981,257
Leasehold land	-	5,066,670	-	5,066,670
Factory buildings	22,126,465	29,653,306	23,411,554	30,938,395
	<b>32,783,089</b>	<b>45,376,600</b>	<b>37,392,811</b>	<b>49,986,322</b>

- (b) The following property, plant and equipment of the Group and of the Company were acquired under hire purchase instalment plans (Note 19(a)):

	<b>The Group and The Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>Carrying amount</b>		
Plant and machinery	1,272,667	853,825
Motor vehicles	686,097	380,174
	<b>1,958,764</b>	<b>1,233,999</b>

These leased assets have been pledged as security for the related finance lease liabilities of the Group and of the Company.

- (c) The cash disbursed for the purchase of property, plant and equipment are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cost of property, plant and equipment purchased	1,489,898	2,676,116	1,489,898	11,225,376
Amount financed through hire purchase	(1,083,712)	(215,180)	(1,083,712)	(215,180)
Unpaid balance included under sundry payables (Note 20(d))	(284,954)	(657,000)	(284,954)	(657,000)
Cash paid in respect of acquisition in previous financial year	657,000	-	657,000	-
Cash disbursed for purchase of property, plant and equipment	<b>778,232</b>	<b>1,803,936</b>	<b>778,232</b>	<b>10,353,196</b>

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## 7. INVESTMENT PROPERTIES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>At cost</b>				
At 1 July	-	97,000	-	389,996
Disposals	-	(97,000)	-	(389,996)
Transfer from property, plant and equipment (Note 6)	12,569,203	-	12,569,203	-
At 30 June	12,569,203	-	12,569,203	-
<b>Less : Accumulated depreciation</b>				
At 1 July	-	9,107	-	54,711
Charge for the financial year	-	2,862	-	2,862
Disposals	-	(11,969)	-	(57,573)
At 30 June	-	-	-	-
<b>Less : Accumulated impairment losses</b>				
At 1 July	-	-	-	-
Transfer from property, plant and equipment (Note 6)	343,856	-	343,856	-
At 30 June	343,856	-	343,856	-
<b>Carrying amount</b>	12,225,347	-	12,225,347	-
<b>Included in the above are:</b>				
Leasehold land and factory building	12,225,347	-	12,225,347	-

- (a) The leasehold land and factory building have been pledged to a licensed bank as security for banking facilities granted to the Group and the Company (Note 18(a)).
- (b) The estimated fair value of the investment properties as at the end of the reporting period approximate RM 12,250,000 (2017 : RM Nil).

## 8. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2018 RM	2017 RM
Unquoted shares, at cost	1,291,681	1,309,584
Accumulated impairment losses	(1,291,681)	(1,309,584)
	-	-



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## 8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent		Principle activity
		2018 %	2017 %	
SEB Construction Sdn. Bhd. (formerly known as SEB Resources Sdn. Bhd.)	Malaysia	100	100	Dormant.
Seremban Mechanical Services Sdn. Bhd.	Malaysia	100	100	Dormant.

## 9. INVESTMENTS IN ASSOCIATE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost	388,922	388,922	300,000	300,000
Share of post-acquisition losses	(373,492)	(373,492)	-	-
Accumulated impairment losses	15,430	15,430	300,000	300,000
Transfer to amount owing to associate (Note 20)	(300,000)	(300,000)	(300,000)	(300,000)
	284,570	284,570	-	-
At 30 June	-	-	-	-

(a) The details of the associate are as follows:

Name of associate	Principal place of business	Effective equity interest		Principle activity
		2018 %	2017 %	
Nine Energy Sdn. Bhd.	Malaysia	40	40	Dormant.

(b) Summarised financial information has not been presented as the associate is not material to the Group.

The Group has not recognised losses relating to the associate, where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was RM 11,537 (2017 : RM 2,794), of which RM 8,743 (2017 : RM 2,794) was the share of the current financial year's losses. The Group has no obligation in respect of these losses.

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## 10. INVESTMENTS IN JOINT VENTURE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost	-	-	1	1
Accumulated impairment losses	-	-	(1)	(1)
	-	-	-	-

The details of the joint venture are as follows:

Name of joint venture	Principal place of business	Effective equity interest		Principle activity
		2018 %	2017 %	
Groupage SEB Sdn. Bhd.	Malaysia	50	50	Dormant.

## 11. INVENTORIES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Raw materials	5,061,087	6,825,278	5,061,087	6,825,278
Consumable stores	855,908	874,665	855,908	874,665
Work-in-progress	7,275,804	8,894,166	7,275,804	8,894,166
	13,192,799	16,594,109	13,192,799	16,594,109
<b>Recognised in profit or loss:</b>				
Inventories recognised as cost of sales	68,860,893	80,792,972	68,860,893	79,835,018
Amount written down to net realisable value	839,493	557,693	839,493	557,693

## 12. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group and The Company	
	2018 RM	2017 RM
Aggregate costs incurred to-date	45,649,902	83,570,141
Add : Attributable profits	3,696,502	9,636,439
	49,346,404	93,206,580
Less : Progress billings	(45,884,935)	(80,725,981)
Less : Foreseeable losses	-	(635,600)
	3,461,469	11,844,999
<b>Breakdown into:</b>		
Amount due from contract customers	4,113,894	12,127,874
Amount due to contract customers	(652,425)	(282,875)
	3,461,469	11,844,999



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### 13. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade receivables</b>				
Other trade receivables	18,080,257	28,116,625	18,080,257	28,116,625
Retention sums	2,205,112	2,014,628	2,205,112	2,014,628
	20,285,369	30,131,253	20,285,369	30,131,253
Allowance for impairment losses	(444,932)	(2,868,884)	(444,932)	(2,868,884)
	19,840,437	27,262,369	19,840,437	27,262,369
<b>Other receivables</b>				
Amount owing by associate	21,523	2,385	21,523	2,385
Amount owing by joint venture	81,586	76,670	81,586	76,670
Deposits	101,975	81,619	101,975	81,619
Prepayments	356,613	512,815	356,613	512,815
Goods and services tax recoverable	984,516	947,744	982,343	945,979
Sundry receivables	503,984	1,775,797	503,984	1,775,797
	2,050,197	3,397,030	2,048,024	3,395,265
Allowance for impairment losses	(418,491)	(423,361)	(418,491)	(423,361)
	1,631,706	2,973,669	1,629,533	2,971,904
	21,472,143	30,236,038	21,469,970	30,234,273
<b>Allowance for impairment losses</b>				
At 1 July	3,292,245	8,942,009	3,292,245	8,522,590
Addition	16,048	120,401	16,048	120,401
Reversal	(2,444,870)	(5,721,868)	(2,444,870)	(5,350,746)
Write off	-	(48,297)	-	-
At 30 June	863,423	3,292,245	863,423	3,292,245

- (a) The Group's and the Company's normal credit terms for trade receivables range from 7 to 60 days (2017 : 7 to 60 days) whilst credit terms for retention sums are generally up to 365 days (2017 : 365 days).
- (b) The amounts owing by associate and joint venture are unsecured, interest free, repayable on demand and to be settled in cash.

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#### 14. DEPOSITS, BANK AND CASH BALANCES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	227,875	381,749	177,393	338,192
Short-term deposits with licensed banks	111,018	108,220	111,018	108,220
	338,893	489,969	288,411	446,412

- (a) The short-term deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates at 2.9% (2017 : 2.8%) per annum. The short-term deposits have maturity periods of 30 days (2017 : 30 days) for the Group and the Company.
- (b) Included in the short-term deposits with licensed banks of the Group and of the Company at the end of the reporting period was an amount of RM 105,766 (2017 : RM 103,103) which has been pledged to a licensed bank as security for banking facilities granted to the Group and the Company (Note 18(a)).

#### 15. SHARE CAPITAL

	2018 Number of Shares	The Group and The Company		2017
		2017 RM	2018 Number of Shares	RM
<b>Issued and fully paid-up</b>				
Ordinary shares with no par value	80,000,000	40,000,000	80,000,000	40,000,000

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

#### 16. TREASURY SHARES

Of the total 80,000,000 (2017 : 80,000,000) issued and fully paid-up ordinary shares at the end of the reporting period, 319,200 (2017 : 319,200) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

#### 17. RESERVES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-distributable</b>				
Share premium	5,583,931	5,583,931	5,583,931	5,583,931
<b>Distributable</b>				
Accumulated losses	(20,314,668)	(15,384,804)	(15,726,612)	(10,799,736)
	(14,730,737)	(9,800,873)	(10,142,681)	(5,215,805)

##### Share Premium

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company has not consolidated the share premium into share capital until the expiry of the transitional period.



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## 18. BANK BORROWINGS

		<b>The Group and The Company</b>	
		<b>2018</b>	<b>2017</b>
		<b>RM</b>	<b>RM</b>
<b>Current</b>			
Secured	– Bank overdrafts	6,326,872	382,372
	– Revolving credit	9,000,000	9,000,000
	– Term loans	1,677,463	1,991,868
	– Trade bills	14,152,995	18,265,710
		31,157,330	29,639,950
<b>Non-current</b>			
Secured	– Term loans	11,793,843	13,486,355
		42,951,173	43,126,305
<b>Total bank borrowings</b>			
Secured	– Bank overdrafts	6,326,872	382,372
	– Revolving credit	9,000,000	9,000,000
	– Term loans	13,471,306	15,478,223
	– Trade bills	14,152,995	18,265,710
		42,951,173	43,126,305

(a) The bank borrowings of the Group and of the Company are secured by the following:

- (i) Freehold land and factory buildings held as property, plant and equipment (Note 6(a));
- (ii) Leasehold land and factory building held as investment properties (Note 7(a));
- (iii) By lien over the short-term deposits with licensed bank (Note 14(b)); and
- (iv) Corporate guarantee provided by immediate holding company.

(b) The effective interest rate (% per annum) at the end of the reporting period for bank borrowings are as follows:

		<b>The Group and The Company</b>	
		<b>2018</b>	<b>2017</b>
		<b>%</b>	<b>%</b>
Bank overdrafts		7.5 - 8.7	7.2 - 8.4
Revolving credit		5.3 - 5.6	4.7
Term loans		4.8 - 6.7	4.5 - 6.3
Trade bills		3.5 - 7.7	3.1 - 7.2

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## 19. HIRE PURCHASE PAYABLES

	The Group and The Company	
	2018 RM	2017 RM
<b>Minimum hire purchase payments</b>		
Not later than one year	503,792	447,927
Later than one year and not later than five years	1,235,659	833,897
	1,739,451	1,281,824
Less : Future finance charges	(169,268)	(118,543)
Present value of hire purchase payables	1,570,183	1,163,281
<b>Analysed by:</b>		
Current liabilities	428,935	389,563
Non-current liabilities	1,141,248	773,718
	1,570,183	1,163,281

- (a) The hire purchase payables of the Group and of the Company are secured against certain motor vehicles and plant and machinery under finance leases (Note 6(b)). The hire purchase arrangements are expiring from 1 to 5 years (2017 : 2 to 5 years).
- (b) The hire purchase payables of the Group and of the Company at the end of the reporting period bore effective interest rates at 4.0% - 6.4% (2017 : 4.5% - 6.8%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

## 20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade payables</b>	7,405,183	19,488,742	7,405,183	19,488,742
<b>Other payables</b>				
Amount owing to immediate holding company	3,393,237	4,836,777	3,393,237	4,836,777
Amount owing to subsidiaries	-	-	264,856	210,000
Amount owing to associate (Note 9)	284,570	284,570	-	-
Amount owing to related companies	200,008	14,875	200,008	14,875
Advance from customers	4,530,025	7,817,306	4,530,025	7,817,306
Accruals	3,611,916	4,935,319	3,601,516	4,928,919
Deposit payable	19,000	15,900	19,000	15,900
Sundry payables	1,532,982	388,715	1,532,982	388,715
	13,571,738	18,293,462	13,541,624	18,212,492
	20,976,921	37,782,204	20,946,807	37,701,234

- (a) The normal credit terms granted to the Group and the Company range from 30 to 120 days (2017 : 30 to 120 days).
- (b) The amount owing to immediate holding company is unsecured, repayable on demand and to be settled in cash with interest bearing at 4.9% (2017 : 4.9%) per annum at the end of the reporting period.



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## 20. TRADE AND OTHER PAYABLES (Cont'd)

- (c) The amounts owing to subsidiaries, associate and related companies are unsecured, interest free, repayable on demand and to be settled in cash.
- (d) Included in payables of the Group and of the Company is an amount of RM 284,954 (2017 : RM 657,000) payable for purchase of certain property, plant and equipment (Note 6(c)).

## 21. REVENUE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net invoiced value of process equipment sold	44,403,377	41,159,297	44,403,377	39,017,547
Net invoiced value of maintenance and shutdown services	2,733,982	753,735	2,733,982	753,735
Contract revenue	23,590,745	48,775,434	23,590,745	48,775,434
	70,728,104	90,688,466	70,728,104	88,546,716

## 22. DIRECTORS' REMUNERATION

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Executive directors of the Company</b>				
Fee	93,500	40,000	93,500	40,000
Salaries, bonuses and other benefits	681,855	423,349	681,855	423,349
Defined contribution plan	75,660	56,272	75,660	56,272
	851,015	519,621	851,015	519,621
Benefits-in-kind (cash)	1,815	-	1,815	-
Benefits-in-kind (non-cash)	15,725	-	15,725	-
	868,555	519,621	868,555	519,621
<b>Non-executive directors of the Company</b>				
Fee	216,000	132,000	216,000	132,000
Benefits-in-kind (non-cash)	3,500	5,300	3,500	5,300
	219,500	137,300	219,500	137,300
	1,088,055	656,921	1,088,055	656,921
<b>Executive directors of subsidiary</b>				
Salaries, bonuses and other benefits	-	120,443	-	-
Defined contribution plan	-	14,400	-	-
	-	134,843	-	-
<b>Total directors' remuneration</b>	<b>1,088,055</b>	<b>791,764</b>	<b>1,088,055</b>	<b>656,921</b>

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## 23. FINANCE COSTS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Interest expense on financial liabilities that are not at fair value through profit or loss:</b>				
Advance from immediate holding company	156,460	526,829	156,460	526,829
Bank overdrafts	163,938	31,788	163,938	17,354
Hire purchase	85,811	76,271	85,811	75,332
Revolving credit	446,200	491,500	446,200	491,500
Term loans	783,391	576,638	783,391	538,629
Trade bills	805,797	761,245	805,797	716,224
	2,441,597	2,464,271	2,441,597	2,365,868
Bank charges	170,066	198,990	170,066	196,595
	2,611,663	2,663,261	2,611,663	2,562,463

## 24. (LOSS)/PROFIT BEFORE TAX

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>This is arrived at after charging:</b>				
Allowance for impairment losses on receivables	16,048	120,401	16,048	120,401
Auditors' remuneration				
– audit fee:				
– current financial year	109,000	95,000	105,000	91,000
– under/(over) provision in prior years	14,000	(22,000)	14,000	(22,000)
– non-audit fee:				
– auditors of the Company	5,000	3,000	5,000	3,000
Inventories written down	839,493	557,693	839,493	557,693
Impairment loss on investment	-	-	-	1
Impairment loss on property, plant and equipment	-	391,393	-	391,393
Loss on disposal of subsidiary	-	535,969	-	-
Property, plant and equipment written off	-	11,402	-	11,402
Realised loss on foreign exchange	72,083	-	72,083	-
Staff costs (including key management personnel as disclosed in Note 28(c))				
– short-term employee benefits	17,012,425	12,804,889	17,012,425	12,391,124
– defined contribution plan	1,260,458	1,140,636	1,260,458	1,090,215
– others	802,547	652,344	802,547	652,344
Unrealised loss on foreign exchange	26,504	83,103	26,504	83,103
<b>And crediting:</b>				
Dividend income from subsidiary	-	-	-	(513,000)
Gain on disposal of investment properties	-	(94,969)	-	(498,520)
Gain on disposal of property, plant and equipment	(33,999)	(405,412)	(33,999)	(1,864)
Gain on disposal of subsidiary	-	-	-	(2,297,000)
Realised gain on foreign exchange	-	(384,147)	-	(376,147)
Rental income from investment properties	(204,000)	-	(204,000)	-
Reversal of allowance for impairment losses on receivables	(2,444,870)	(5,721,868)	(2,444,870)	(5,350,746)
Total interest income of financial assets that are not at fair value through profit or loss	(4,925)	(91,475)	(4,925)	(27,088)

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## 25. INCOME TAX EXPENSE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax				
– (Over)/Under provision in prior years	(2,728)	-	6,030	-
Deferred tax				
– Under provision in prior years	-	84,934	-	-
Real property gains tax	2,524	176,304	2,524	176,304
	(204)	261,238	8,554	176,304

A reconciliation of income tax expense applicable to the (loss)/profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit before tax	(4,930,068)	6,788,802	(4,918,322)	9,163,113
Tax at the statutory tax rate	(1,183,000)	1,629,000	(1,180,000)	2,199,000
Tax effects of non-deductible expenses	438,000	941,000	435,000	327,000
Tax effects of non-taxable income	(679,000)	(1,880,000)	(679,000)	(1,836,000)
Deferred tax assets not recognised during the financial year	1,424,000	-	1,424,000	-
Utilisation of deferred tax assets previously not recognised	-	(690,000)	-	(690,000)
Real property gains tax	2,524	176,304	2,524	176,304
(Over)/Under provision in prior years:				
– income tax	(2,728)	-	6,030	-
– deferred tax	-	84,934	-	-
	(204)	261,238	8,554	176,304

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 : 24%) of the estimated assessable profit for the financial year.

At the end of the reporting period, the Group and the Company have the following items to offset against future taxable profits:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unused tax losses	29,221,000	25,669,000	28,714,000	25,162,000
Unabsorbed capital allowances	3,246,000	1,182,000	3,124,000	1,060,000
	32,467,000	26,851,000	31,838,000	26,222,000

No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. The unused tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits are subject to no substantial changes in shareholdings under the Income Tax Act 1967 and guidelines issued by the tax authority.

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## 26. (LOSS)/EARNINGS PER ORDINARY SHARE

### (a) Basic (Loss)/Earnings per Ordinary Share

	The Group	
	2018 RM	2017 RM
(Loss)/Profit attributable to owners of the Company	(4,929,864)	4,521,825
	2018 Units	2017 Units
Weighted average number of ordinary shares in issue	79,680,800	79,680,800
Basic (loss)/earnings per ordinary share (sen)	(6)	6

### (b) Diluted (Loss)/Earnings per Ordinary Share

The Group has not issued any dilutive potential ordinary shares and hence, the diluted (loss)/earnings per ordinary share is equal to the basic (loss)/earnings per ordinary share.

## 27. CASH FLOWS INFORMATION

### (a) The reconciliations of liabilities arising from financing activities are as follows:

	Revolving credit RM	Term loans RM	Trade bills RM	Hire purchase RM	Amount owing to immediate holding company RM	Total RM
<b>The Group and The Company 2018</b>						
At 1 July	9,000,000	15,478,223	18,265,710	1,163,281	4,836,777	48,743,991
<u>Changes in financing cash flows</u>						
Proceeds from drawdown	-	-	38,977,283	-	-	38,977,283
Repayment of borrowing principal	-	(2,006,917)	(43,089,998)	(676,810)	-	(45,773,725)
Repayment of borrowing interests	(446,200)	(783,391)	(805,797)	(85,811)	-	(2,121,199)
Repayment to immediate holding company	-	-	-	-	(1,600,000)	(1,600,000)
	(446,200)	(2,790,308)	(4,918,512)	(762,621)	(1,600,000)	(10,517,641)
<u>Non-cash changes</u>						
New hire purchase	-	-	-	1,083,712	-	1,083,712
Finance charges recognised in profit or loss	446,200	783,391	805,797	85,811	156,460	2,277,659
	446,200	783,391	805,797	1,169,523	156,460	3,361,371
At 30 June	9,000,000	13,471,306	14,152,995	1,570,183	3,393,237	41,587,721



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## 27. CASH FLOWS INFORMATION (Cont'd)

(b) The cash and cash equivalents comprise the following:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits, bank and cash balances	338,893	489,969	288,411	446,412
Bank overdrafts	(6,326,872)	(382,372)	(6,326,872)	(382,372)
	(5,987,979)	107,597	(6,038,461)	64,040
Less : Deposit pledged to licensed bank	(105,766)	(103,103)	(105,766)	(103,103)
	(6,093,745)	4,494	(6,144,227)	(39,063)

## 28. RELATED PARTY DISCLOSURES

### (a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, immediate holding company, key management personnel and entities within the same group of companies.

### (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Immediate holding company</b>				
– Interest expense	156,460	526,829	156,460	526,829
<b>Subsidiaries</b>				
– Supply of labour services	-	-	-	173,580
– Advance from	-	-	(54,856)	(210,000)
<b>Related companies</b>				
– Sale of goods	-	(131,100)	-	(131,100)
– Purchase of property, plant and equipment	273,189	-	273,189	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

No expense was recognised during the financial year for bad or doubtful debts in respect of the amounts owed by the related parties.

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## 28. RELATED PARTY DISCLOSURES (Cont'd)

### (c) Key Management Personnel Compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' remuneration excluding benefits-in-kind (Note 22)	1,067,015	786,464	1,067,015	651,621
<b>Other key management personnel</b>				
Salaries, bonuses and other benefits	1,897,762	1,569,745	1,897,762	1,569,745
Defined contribution plan	216,799	180,257	216,799	180,257
	2,114,561	1,750,002	2,114,561	1,750,002
	3,181,576	2,536,466	3,181,576	2,401,623

## 29. OPERATING SEGMENTS

### (a) Business Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown works.

### (b) Geographical Information

In presenting the information on the basis of geographical segments, segmental information on non-current assets is not presented, as all non-current assets are located in Malaysia. Segmental revenue is presented based on the geographical location of customers as follows:

	The Group	
	2018 RM	2017 RM
Africa	1,866,773	-
Asia (excluding Malaysia)	36,638,163	47,525,155
Europe	-	82,731
Malaysia	28,695,231	41,100,721
North America	3,527,937	1,979,859
	70,728,104	90,688,466



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## 29. OPERATING SEGMENTS (Cont'd)

### (c) Major Customers

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:

	Revenue	
	2018 RM	2017 RM
Customer A	30,365,154	24,001,842
Customer B	-	15,631,800
Customer C	7,719,820	-
	38,084,974	39,633,642

## 30. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 30.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:

#### (a) Market Risk

##### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR") and Japanese Yen ("JPY"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

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**30. FINANCIAL INSTRUMENTS (Cont'd)**  
**30.1 Financial Risk Management Policies (Cont'd)**

**(a) Market Risk (Cont'd)**

**(i) Foreign Currency Risk (Cont'd)**

Foreign Currency Exposure

The Group	USD RM	SGD RM	EUR RM	JPY RM	Others RM	RM RM	Total RM
<b>2018</b>							
<u>Financial assets</u>							
Trade and other receivables (N1)	531,906	360,100	500,127	-	-	18,636,906	20,029,039
Deposits, bank and cash balances	66,260	67,524	19,266	2,307	11,097	172,439	338,893
	598,166	427,624	519,393	2,307	11,097	18,809,345	20,367,932
<u>Financial liabilities</u>							
Trade and other payables (N2)	(113,140)	(368,730)	-	-	-	(15,946,026)	(16,427,896)
Bank borrowings	-	-	-	(184,995)	-	(42,766,178)	(42,951,173)
Hire purchase payables	-	-	-	-	-	(1,570,183)	(1,570,183)
	(113,140)	(368,730)	-	(184,995)	-	(60,282,387)	(60,949,252)
<b>Net financial assets/(liabilities)</b>	485,026	58,894	519,393	(182,688)	11,097	(41,473,042)	(40,581,320)
<b>Less : Net financial liabilities denominated in the respective entities' functional currencies</b>	-	-	-	-	-	41,473,042	41,473,042
<b>Currency exposure</b>	485,026	58,894	519,393	(182,688)	11,097	-	891,722

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### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.1 Financial Risk Management Policies (Cont'd)

##### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### Foreign Currency Exposure (Cont'd)

The Group	USD RM	SGD RM	EUR RM	JPY RM	Others RM	RM RM	Total RM
<b>2017</b>							
<u>Financial assets</u>							
Trade and other receivables (N1)	121,154	39,075	365,180	-	-	28,168,451	28,693,860
Deposits, bank and cash balances	178,839	47,414	4,222	2,307	11,097	246,090	489,969
	299,993	86,489	369,402	2,307	11,097	28,414,541	29,183,829
<u>Financial liabilities</u>							
Trade and other payables (N2)	(81,156)	(178,980)	(3)	-	(16,024)	(29,672,835)	(29,948,998)
Bank borrowings	-	-	-	-	-	(43,126,305)	(43,126,305)
Hire purchase payables	-	-	-	-	-	(1,163,281)	(1,163,281)
	(81,156)	(178,980)	(3)	-	(16,024)	(73,962,421)	(74,238,584)
<b>Net financial assets/(liabilities)</b>	218,837	(92,491)	369,399	2,307	(4,927)	(45,547,880)	(45,054,755)
Less : Net financial liabilities denominated in the respective entities' functional currencies	-	-	-	-	-	45,547,880	45,547,880
<b>Currency exposure</b>	218,837	(92,491)	369,399	2,307	(4,927)	-	493,125

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**30. FINANCIAL INSTRUMENTS (Cont'd)**

**30.1 Financial Risk Management Policies (Cont'd)**

**(a) Market Risk (Cont'd)**

*(i) Foreign Currency Risk (Cont'd)*

Foreign Currency Exposure (Cont'd)

The Company	USD RM	SGD RM	EUR RM	JPY RM	Others RM	RM RM	Total RM
<b>2018</b>							
<u>Financial assets</u>							
Trade and other receivables (N1)	531,906	360,100	500,127	-	-	18,636,906	20,029,039
Deposits, bank and cash balances	66,260	67,524	19,266	2,307	11,097	121,957	288,411
	598,166	427,624	519,393	2,307	11,097	18,758,863	20,317,450
<u>Financial liabilities</u>							
Trade and other payables (N2)	(113,140)	(368,730)	-	-	-	(15,915,912)	(16,397,782)
Bank borrowings	-	-	-	(184,995)	-	(42,766,178)	(42,951,173)
Hire purchase payables	-	-	-	-	-	(1,570,183)	(1,570,183)
	(113,140)	(368,730)	-	(184,995)	-	(60,252,273)	(60,919,138)
<u>Net financial assets/(liabilities)</u>	485,026	58,894	519,393	(182,688)	11,097	(41,493,410)	(40,601,688)
Less : Net financial liabilities denominated in the Company's functional currency	-	-	-	-	-	41,493,410	41,493,410
<b>Currency exposure</b>	485,026	58,894	519,393	(182,688)	11,097	-	891,722

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### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.1 Financial Risk Management Policies (Cont'd)

##### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### Foreign Currency Exposure (Cont'd)

The Company	USD RM	SGD RM	EUR RM	JPY RM	Others RM	RM RM	Total RM
<b>2017</b>							
<u>Financial assets</u>							
Trade and other receivables (N1)	121,154	39,075	365,180	-	-	28,168,451	28,693,860
Deposits, bank and cash balances	178,839	47,414	4,222	2,307	11,097	202,533	446,412
	299,993	86,489	369,402	2,307	11,097	28,370,984	29,140,272
<u>Financial liabilities</u>							
Trade and other payables (N2)	(81,156)	(178,980)	(3)	-	(16,024)	(29,591,865)	(29,868,028)
Bank borrowings	-	-	-	-	-	(43,126,305)	(43,126,305)
Hire purchase payables	-	-	-	-	-	(1,163,281)	(1,163,281)
	(81,156)	(178,980)	(3)	-	(16,024)	(73,881,451)	(74,157,614)
<u>Net financial assets/(liabilities)</u>							
Less : Net financial liabilities denominated in the Company's functional currency	218,837	(92,491)	369,399	2,307	(4,927)	(45,510,467)	(45,017,342)
<b>Currency exposure</b>	218,837	(92,491)	369,399	2,307	(4,927)	-	493,125

N1 - Excluding deposits, prepayments and certain receivables

N2 - Excluding certain payables

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### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.1 Financial Risk Management Policies (Cont'd)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

##### Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Effects on (loss)/profit after tax</b>				
USD/RM				
– strengthened by 1%	3,686	1,663	3,686	1,663
– weakened by 1%	(3,686)	(1,663)	(3,686)	(1,663)
SGD/RM				
– strengthened by 1%	448	(703)	448	(703)
– weakened by 1%	(448)	703	(448)	703
EUR/RM				
– strengthened by 1%	3,947	2,807	3,947	2,807
– weakened by 1%	(3,947)	(2,807)	(3,947)	(2,807)
JPY/RM				
– strengthened by 1%	(1,388)	18	(1,388)	18
– weakened by 1%	1,388	(18)	1,388	(18)

##### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 18.

##### Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the (loss)/profit after tax of the Group and of the Company and hence, no sensitivity analysis is presented.

##### (iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.



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### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.1 Financial Risk Management Policies (Cont'd)

##### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including deposits, bank and cash balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

##### (i) Credit Risk Concentration Profile

The Group's and the Company's major concentration of credit risk relates to the amounts owing by 2 (2017 : 3) customers which constituted approximately 41% (2017 : 47%) of its trade receivables at the end of the reporting period.

##### (ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

##### (iii) Ageing Analysis

The ageing analysis of trade receivables is as follows:

	Gross amount RM	Individual impairment RM	Carrying amount RM
<b>The Group and The Company 2018</b>			
Not past due	15,263,487	-	15,263,487
Past due:			
– less than 30 days	674,067	-	674,067
– 31 to 60 days	639,984	-	639,984
– 61 to 90 days	400,314	-	400,314
– over 91 days	3,307,517	(444,932)	2,862,585
	20,285,369	(444,932)	19,840,437

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### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.1 Financial Risk Management Policies (Cont'd)

##### (b) Credit Risk (Cont'd)

##### (iii) Ageing Analysis (Cont'd)

	Gross amount RM	Individual impairment RM	Carrying amount RM
<b>The Group and The Company 2017</b>			
Not past due	12,844,203	-	12,844,203
Past due:			
– less than 30 days	6,366,357	-	6,366,357
– 31 to 60 days	1,618,814	-	1,618,814
– 61 to 90 days	703,176	-	703,176
– over 91 days	8,598,703	(2,868,884)	5,729,819
	30,131,253	(2,868,884)	27,262,369

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

##### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The Group maintains sufficient cash balances to support its daily operations. In addition, the immediate holding company has undertaken to provide continued financial support to meet the Group's obligations as and when they fall due.

NOTES TO THE  
**FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
(CONT'D)

### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.1 Financial Risk Management Policies (Cont'd)

##### (c) Liquidity Risk (Cont'd)

###### Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

The Group	Effective Interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
<b>2018</b>						
<u>Non-derivative financial liabilities</u>						
Trade and other payables (N1)	-	16,427,896	16,427,896	16,427,896	-	-
Bank borrowings						
– Bank overdrafts	7.5 - 8.7	6,326,872	6,326,872	6,326,872	-	-
– Revolving credit	5.3 - 5.6	9,000,000	9,000,000	9,000,000	-	-
– Term loans	4.8 - 6.7	13,471,306	17,602,982	2,396,061	7,977,964	7,228,957
– Trade bills	3.5 - 7.7	14,152,995	14,152,995	14,152,995	-	-
Hire purchase payables	4.0 - 6.4	1,570,183	1,739,451	503,792	1,235,659	-
		60,949,252	65,250,196	48,807,616	9,213,623	7,228,957
<b>2017</b>						
<u>Non-derivative financial liabilities</u>						
Trade and other payables (N1)	-	29,948,998	29,948,998	29,948,998	-	-
Bank borrowings						
– Bank overdrafts	7.2 - 8.4	382,372	382,372	382,372	-	-
– Revolving credit	4.7	9,000,000	9,000,000	9,000,000	-	-
– Term loans	4.5 - 6.3	15,478,223	16,910,055	2,348,499	7,122,718	7,438,838
– Trade bills	3.1 - 7.2	18,265,710	18,265,710	18,265,710	-	-
Hire purchase payables	4.5 - 6.8	1,163,281	1,281,824	447,927	833,897	-
		74,238,584	75,788,959	60,393,506	7,956,615	7,438,838

NOTES TO THE  
**FINANCIAL STATEMENTS**  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
 (CONT'D)

**30. FINANCIAL INSTRUMENTS (Cont'd)**  
**30.1 Financial Risk Management Policies (Cont'd)**

**(c) Liquidity Risk (Cont'd)**

*Maturity Analysis (Cont'd)*

The Company	Effective Interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
<b>2018</b>						
<u>Non-derivative financial liabilities</u>						
Trade and other payables (N1)	-	16,397,782	16,397,782	16,397,782	-	-
Bank borrowings						
– Bank overdrafts	7.5 - 8.7	6,326,872	6,326,872	6,326,872	-	-
– Revolving credit	5.3 - 5.6	9,000,000	9,000,000	9,000,000	-	-
– Term loans	4.8 - 6.7	13,471,306	17,602,982	2,396,061	7,977,964	7,228,957
– Trade bills	3.5 - 7.7	14,152,995	14,152,995	14,152,995	-	-
Hire purchase payables	4.0 - 6.4	1,570,183	1,739,451	503,792	1,235,659	-
		60,919,138	65,220,082	48,777,502	9,213,623	7,228,957
<b>2017</b>						
<u>Non-derivative financial liabilities</u>						
Trade and other payables (N1)	-	29,868,028	29,868,028	29,868,028	-	-
Bank borrowings						
– Bank overdrafts	7.2 - 8.4	382,372	382,372	382,372	-	-
– Revolving credit	4.7	9,000,000	9,000,000	9,000,000	-	-
– Term loans	4.5 - 6.3	15,478,223	16,910,055	2,348,499	7,122,718	7,438,838
– Trade bills	3.1 - 7.2	18,265,710	18,265,710	18,265,710	-	-
Hire purchase payables	4.5 - 6.8	1,163,281	1,281,824	447,927	833,897	-
		74,157,614	75,707,989	60,312,536	7,956,615	7,438,838

N1 – Excluding certain payables



NOTES TO THE  
**FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
(CONT'D)

### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Bank borrowings	42,951,173	43,126,305
Hire purchase payables	1,570,183	1,163,281
	44,521,356	44,289,586
Less : Deposits, bank and cash balances	(338,893)	(489,969)
Net debt	44,182,463	43,799,617
Total equity	25,111,837	30,041,701
Debt-to-equity ratio	1.76	1.46

There was no change in the Group's approach to capital management during the financial year.

#### 30.3 Classification of Financial Instruments

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial assets</b>				
<u>Loans and receivables financial assets</u>				
Trade and other receivables (N1)	20,029,039	28,693,860	20,029,039	28,693,860
Deposits, bank and cash balances	338,893	489,969	288,411	446,412
	20,367,932	29,183,829	20,317,450	29,140,272
<b>Financial liabilities</b>				
<u>Other financial liabilities</u>				
Trade and other payables (N2)	16,427,896	29,948,998	16,397,782	29,868,028
Bank borrowings	42,951,173	43,126,305	42,951,173	43,126,305
Hire purchase payables	1,570,183	1,163,281	1,570,183	1,163,281
	60,949,252	74,238,584	60,919,138	74,157,614

N1 – Excluding deposits, prepayments and certain receivables

N2 – Excluding certain payables

NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
(CONT'D)

### 30. FINANCIAL INSTRUMENTS (Cont'd)

#### 30.4 Gains or Losses Arising from Financial Instruments

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Financial assets</b>				
<u>Loans and receivables financial assets</u>				
Net gains recognised in profit or loss	2,189,696	5,609,839	2,189,696	5,174,330
<b>Financial liabilities</b>				
<u>Other financial liabilities</u>				
Net losses recognised in profit or loss	(2,224,050)	(2,464,271)	(2,224,050)	(2,365,868)

#### 30.5 Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms. The fair values of term loans approximate their carrying amounts as they are repriced to market interest rates on or near the reporting date.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:

	Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>The Group and The Company</b>					
<b>2018</b>					
<u>Financial liability</u>					
Hire purchase payables	-	1,564,452	-	1,564,452	1,570,183
<b>2017</b>					
<u>Financial liability</u>					
Hire purchase payables	-	1,136,481	-	1,136,481	1,163,281

#### Fair Value of Financial Instruments Not Carried at Fair Value

The fair values of hire purchase payables, which are for disclosure purposes are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates (per annum) used to discount the estimated cash flows are as follows:

	The Group and The Company	
	2018 %	2017 %
Hire purchase payables	4.7 - 6.2	7.2 - 7.3



## LIST OF PROPERTIES

The summary of the information on the landed properties of the SEB Group is as follows:

Location/Postal address	Description/Existing use	Land Area/ Build up area	Tenure (years)	Age of building	Net book values as at 30.06.2018 RM'000	Date of Revaluation/ Acquisition
<p>Title No. H.S.(D) 75500 &amp; 122098, P.T. 14711 &amp; 1286 (Lot No. 32563), Pekan Senawang District of Seremban, State of Negeri Sembilan</p> <p><i>Address</i></p> <p>Lot 1A &amp; 1B, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan</p>	Industrial premises comprising a 3-storey office with an attached single storey open-sided factory annexed together with a guardhouse	14,144 square metres/ 7,272.82 square metres	Freehold	22	2,260 (Land) 7,168 (Building)	22 July 2009
<p>Title No. H.S.(D) 122097, P.T. 1285 (Lot No. 32564), Pekan Senawang District of Seremban, State of Negeri Sembilan</p> <p><i>Address</i></p> <p>Lot 1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan</p>	Industrial premises comprising two single storey detached factories with mezzanine floor office and a single storey store	8,786 square metres/ 5,030.71 square metres	Freehold	11	1,490 (Land) 4,425 (Building)	22 July 2009
<p>Title No. H.S.(D) 64702, (Lot No. 1666, GRN 162852), Pekan Senawang District of Seremban, State of Negeri Sembilan</p> <p><i>Address</i></p> <p>Lot 6A, Lorong Bunga Tanjung 1/2, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan</p>	Industrial premises with an attached single storey open-sided factory annexed together with a guardhouse	10,565 square metres/ 2,445.63 square metres	Freehold	10	1,610 (Land) 3,510 (Building)	22 July 2009

Location/Postal address	Description/ Existing use	Land Area/ Build up area	Tenure (years)	Age of building	Net book values as at 30.06.2018 RM'000	Date of Revaluation/ Acquisition
Title No. H.S.(D) 100408, (Lot No. 32554, GRN114865), Pekan Senawang District of Seremban, State of Negeri Sembilan	Industrial premises with an attached single storey open-sided factory (Fasa 1) annexed together with a guardhouse	16,664 square metres/ 6,271 square metres	Freehold	7	3,621 (Land) 4,598 (Building)	28 February 2011
<i>Address</i>						
75 & 76, Persiaran Bunga Tanjung 2, Kawasan Perindustrian Senawang, 70400 Seremban, Negeri Sembilan						
PN 296071 Lot 15516 Mukim Lumut Daerah Manjung Negeri Perak	Industrial premises with an attached single storey open-sided factory together with a manual blast yard, painting chamber, compressor room and store	28,430 square metres/ 7,089.12 square metres	Leasehold interest for 99 years expiring on 09 July 2105, leaving an unexpired term of about 87 years	6	12,225 (Land and Building)	17 December 2012
<i>Address</i>						
Lot 15516, (PT 10441/ Plot F1), L/K Kawasan Perusahaan Kampung Acheh, 32000 Sitiawan, Perak Darul Ridzuan						
Geran 85454, Lot 19731, Mukim Bandar Kundang, Daerah Gombak	A single-storey detached factory together with a canteen/surau/ toilet block, a guard house and a refuse chamber	6,801 square metres/ 2,972.90 square metres	Freehold	8	1,675 (Land) 2,425 (Building)	28 October 2010
<i>Address</i>						
Lot 243, Jalan KPK, Kawasan Perindustrian Kundang, Kundang Jaya, 48020 Rawang						



# ANALYSIS OF SHAREHOLDINGS

AS AT 3 OCTOBER 2018

Class of Shares : Ordinary Shares  
Voting Right : One vote per Ordinary Share

## A) DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	25	1.710	1,115	0.001
100 to 1,000	519	35.499	317,690	0.399
1,001 to 10,000	577	39.466	2,834,674	3.558
10,001 to 100,000	302	20.658	10,861,330	13.632
100,001 to less than 5% of issued shares	38	2.599	13,665,991	17.150
5% and above of issued shares	1	0.068	52,000,000	65.260
<b>TOTAL :</b>	<b>1,462</b>	<b>100.000</b>	<b>79,680,800</b>	<b>100.000</b>

## B) LIST OF SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Success Transformer Corporation Berhad ("STC")	52,000,000	65.26	-	-
2. Tan Ah Bah @ Tan Ah Ping	56,533	0.07	55,493,219 <sup>(1)</sup>	69.64
3. Pan Kim Foon	11,533	0.01	55,538,219 <sup>(2)</sup>	69.70
4. Tan Chung Ling	50,000	0.06	55,499,752 <sup>(3)</sup>	69.65

### Notes:

- <sup>(1)</sup> Deemed interested by virtue of his substantial interest in Omega Attraction Sdn Bhd ("OASB") and STC, his spouse, Pan Kim Foon's and daughter, Tan Chung Ling's direct interests in the Company.
- <sup>(2)</sup> Deemed interested by virtue of her substantial interest in OASB and STC, her spouse, Tan Ah Bah @ Tan Ah Ping's and daughter, Tan Chung Ling's direct interests in the Company.
- <sup>(3)</sup> Deemed interested by virtue of her parents, Tan Ah Bah @ Tan Ah Ping and Pan Kim Foon's substantial interests in OASB and STC and their direct interests in the Company.

## C) DIRECTORS' SHAREHOLDINGS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Tan Ah Bah @ Tan Ah Ping	56,533	0.07	55,493,219 <sup>(1)</sup>	69.64
2. Tan Sri Ahmad Fuzi Haji Abdul Razak	50,000	0.06	-	-
3. Wong Wai Hung	-	-	-	-
4. Chan Foong Ping	-	-	-	-
5. See Boon Chun	-	-	-	-

### Note:

- <sup>(1)</sup> Deemed interested by virtue of his substantial interest in OASB and STC, and his spouse's and daughter's direct interests in the Company.

ANALYSIS OF  
**SHAREHOLDINGS**  
 (CONT'D)  
 AS AT 3 OCTOBER 2018

### THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Success Transformer Corporation Berhad	52,000,000	65.260
2.	Omega Attraction Sdn. Bhd.	3,431,686	4.306
3.	Lipico Bioenergy Pte. Ltd.	1,200,000	1.506
4.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Koh Kin Lip</i>	756,000	0.948
5.	Tengku Ab Malek Bin Tengku Mohamed	601,000	0.754
6.	Casa Wonder Sdn. Bhd.	600,033	0.753
7.	Yow Yee Mooi	588,200	0.738
8.	Fizwah Pembinaan Sdn Bhd	477,500	0.599
9.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Liau Thai Min</i>	448,900	0.563
10.	Liau Thai Min	355,000	0.445
11.	Yeoh Kean Beng	334,000	0.419
12.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong King Seng</i>	320,400	0.402
13.	Maybank Nominees (Tempatan) Sdn Bhd <i>Ho Fook Seng @ Ho Pock Seng</i>	253,600	0.318
14.	Tan Ya Ling	245,000	0.307
15.	Eng Watt Ya @ Eng Watt Ying	241,200	0.302
16.	L.T.M Holdings Sdn Bhd	240,600	0.301
17.	Tsai Koh Khian	215,200	0.270
18.	Liau Choon Hwa & Sons Sdn Bhd	198,400	0.248
19.	Swissound Organization Sdn Bhd	186,300	0.233
20.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Mah May Kwan (M12058)</i>	165,300	0.207
21.	Choo Wai Kit	153,400	0.192
22.	Fong Yit Sin	151,900	0.190
23.	Lai Thiam Poh	150,500	0.188
24.	Au Yoke Thien	148,000	0.185
25.	Lee Su Yin Gabrielle	145,000	0.181
26.	Ho Chin Sing	143,000	0.179
27.	JF Apex Nominees (Tempatan) Sdn Bhd <i>AISB for Tan Chye Lai (STA 3)</i>	143,000	0.179
28.	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Rickoh Corporation Sdn Bhd (MY0507)</i>	141,733	0.177
29.	The Siew Kim	135,000	0.169
30.	Au Yoke Thien	134,000	0.168
<b>Total</b>		<b>64,303,852</b>	<b>80.701</b>



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty-Ninth Annual General Meeting of the Company will be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Monday, 03 December 2018 at 9.00 a.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of Directors and Auditors thereon.
2. To approve the shortfall of Directors' fees of RM33,500.00 for the financial year ended 30 June 2018. **Ordinary Resolution 1**
3. To approve the payment of Directors' fees and allowances up to RM340,800.00 for the financial year ending 30 June 2019 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **Ordinary Resolution 2**
4. To re-elect Mr Wong Wai Hung who retires in accordance with Article 95 of the Constitution of the Company. **Ordinary Resolution 3**
5. To re-elect Mr See Boon Chun who retires in accordance with Article 103 of the Constitution of the Company. **Ordinary Resolution 4**
6. To approve the re-appointment of the retiring Auditors, Messrs Crowe Malaysia (formerly known as Crowe Horwath) as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without any modifications:

7. **Authority for Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016 ("the Act")** **Ordinary Resolution 6**  
  
"THAT, subject always to the Act, the Constitution of the Company and the approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be hereby empowered pursuant to the Act to allot and issue new ordinary shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital (excluding treasury shares) for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."
8. **Proposed retention of Independent Director** **Ordinary Resolution 7**  
  
"THAT, approval be hereby given to Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance."



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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9. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

**PANG KAH MAN (MIA 18831)**  
Company Secretary

Kuala Lumpur  
31 October 2018

### NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 21 November 2018 shall be regarded as members and be entitled to attend, participate, speak and vote at the Thirty-Ninth Annual General Meeting ("AGM").
2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at 37-2, 2nd Floor, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Thirty-Ninth AGM to vote by poll.

### EXPLANATORY NOTES TO THE AGENDA

#### 7. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 ("the Act") does not require a formal approval of the shareholders and hence, is not put forward for voting.

#### 8. Item 3 of the Agenda – Ordinary Resolution no. 2

##### Approval of Directors' fees and allowances for the financial year ending 30 June 2019

Directors' fees approved for the financial year ended 30 June 2018 was RM276,000.00. The Directors' fees and meeting attendance allowances proposed for the financial year ending 30 June 2019 are calculated based on the number of scheduled Board and Committee Meetings for 2019 and assuming that all Non-Executive Directors will hold office until the conclusion of the next annual general meeting.

This resolution is to facilitate payment of Directors' fees and meeting attendance allowances on current financial year basis. In the event the Directors' fees and meeting attendance allowances proposed are insufficient (e.g. due to more meetings), approval will be sought at the next annual general meeting for additional fees to meet the shortfall.



NOTICE OF  
ANNUAL GENERAL MEETING  
(CONT'D)

**NOTES: (Cont'd)**

**9. Item 7 of the Agenda – Ordinary Resolution no. 6  
Authority to Issue Shares pursuant to the Companies Act 2016**

- (a) *The proposed resolution, if passed, will grant a mandate ("General Mandate") empowering the Directors of the Company, from the date of the Thirty-Ninth Annual General Meeting to allot and issue new ordinary shares in the Company up to an amount not exceeding in total of ten percent (10%) of the issued capital of the Company (excluding treasury shares, if any) for the time being for such purposes as they may think fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, shall continue to be in full force until the conclusion of the next annual general meeting of the Company.*
- (b) *The General Mandate is a renewal from the previous mandate obtained at the last annual general meeting held on 04 December 2017 which will expire at the conclusion of the Thirty-Ninth Annual General Meeting of the Company.*
- (c) *As at the date of this Notice, the Company did not issue any new ordinary shares based on the previous mandate obtained at the last annual general meeting.*
- (d) *The General Mandate, if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for purpose of funding current and/or future investment project(s), working capital and/or payment of bank borrowings and acquisition.*

**10. Item 8 of the Agenda – Ordinary Resolution no. 7  
Proposed Retention of Independent Director**

*The Board has assessed the independence of the Director, Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-*

- (i) *He has fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), and thus, he will be able to function as check and balance, provide a broader view and bring an element of objectivity to the Board;*
- (ii) *During his tenure in office, he has not developed, established or maintained any significant relationship which would impair his independence as Independent Director with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as Independent Non-Executive Director and Chairman of the Board Committees;*
- (iii) *During his tenure in office, he has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries ("the Group"), within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;*
- (iv) *He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group;*
- (v) *Other than Director's fees and allowances paid in accordance with the industry norm and within the acceptable market rates which have been duly disclosed in the Annual Report 2018, there are no other incentives or benefits of whatsoever nature that have been paid to him by the Company during his tenure in office;*
- (vi) *His qualifications, high caliber, vast knowledge and experience enable him to continue providing objectivity in decision making of the Board and the Board committees; and*
- (vii) *He has performed his duties diligently and in the best interest of the Company and provide a broader view, independent and balanced assessment of proposals from the management.*

**11. ANNUAL REPORT**

*The Annual Report for the financial year ended 30 June 2018 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholders upon request soonest possible from the date of receipt of the written request. The Annual Report can also be downloaded at the Company's corporate website, [www.seb.net.my](http://www.seb.net.my).*

*Shareholders who wish to receive the printed Annual Report and/or require assistance in viewing the CD-ROM, kindly fax to Tricor Investor & Issuing House Services Sdn Bhd at fax no. 03-27839222 or email your request to [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)*



## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

### DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

No individual is seeking election as a Director at the Thirty-Ninth Annual General Meeting of the Company.



# SEREMBAN ENGINEERING BERHAD

(45332-X)

## PROXY FORM

I/We .....

of .....  
(Full Address)

being (a) Member(s) of SEREMBAN ENGINEERING BERHAD hereby appoint(s) .....

of .....

or failing him/her .....

of .....

or failing him/her\*, the CHAIRMAN OF THIS MEETING as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Ninth Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Monday, 03 December 2018 at 9.00 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1	Approval of shortfall of Directors' fees of RM33,500.00 for the financial year ended 30 June 2018		
2	Approval of Directors' fees and allowances for the financial year ending 30 June 2019		
3	Re-election of Mr Wong Wai Hung as Director		
4	Re-election of Mr See Boon Chun as Director		
5	Re-appointment of Messrs Crowe Malaysia as Auditors		
6	Authority to issue Shares pursuant to the Companies Act 2016		
7	Retention of Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak as Independent Director		

Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote if no instruction is given, this form will be taken to authorise the proxy to vote at his/ her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

CDS Account No.	
Number of Ordinary Shares Held	

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Signature of Shareholder(s) or Common Seal

Signed this ..... day of ..... 2018

**Notes:**

1. Only depositors whose names appear in the Record of Depositors as at 21 November 2018 shall be regarded as members and be entitled to attend, participate, speak and vote at the Thirty-Ninth Annual General Meeting ("AGM").
2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at 37-2, 2nd Floor, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Thirty-Ninth AGM to vote by poll.

**Personal Data Privacy**

By submitting the proxy form, the member or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the Thirty-Ninth AGM (including any adjournment thereof).

Please fold along this line (1)

POSTAGE  
STAMP

The Company Secretary

**SEREMBAN ENGINEERING BERHAD (45332-X)**  
37-2, 2nd Floor, Jalan Radin Bagus  
Bandar Baru Sri Petaling  
57000 Kuala Lumpur

Please fold along this line (2)