



**SERBA DINAMIK HOLDINGS BERHAD**

(COMPANY NO: 1167905-P)  
INCORPORATED IN MALAYSIA

**QUARTERLY REPORT ON THE  
CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED  
30 SEPTEMBER 2017**

*(The Figures in this Quarterly Report have not been Audited)*

1. **Condensed Consolidated Statement of Profit or Loss and Comprehensive Income for the Third Quarter (Nine-Month Period) ended 30 September 2017**

a. Consolidated Profit or loss and Comprehensive Income

	Individual Quarter		Changes %	Cumulative Quarter		Changes %
	Quarter Ended	Quarter Ended		Period Ended	Period Ended	
	30/9/17	30/9/16		30/9/17	25/05/16 - 30/09/16 <sup>(1)</sup>	
	RM'000	RM'000		RM'000	RM'000	
<b>Revenue</b>	<b>653,323</b>	<b>511,506</b>	<b>27.7</b>	<b>1,915,450</b>	<b>663,460</b>	<b>188.7</b>
Cost operation	(540,337)	(412,912)		(1,578,794)	(537,113)	
<b>Gross profit</b>	<b>112,986</b>	<b>98,594</b>	<b>14.6</b>	<b>336,656</b>	<b>126,347</b>	<b>166.5</b>
Other operating income	20	22		4,810	73	
Administrative expenses	(20,539)	(45,542)		(62,681)	(54,775)	
<b>Result from operating income</b>	<b>92,467</b>	<b>53,074</b>	<b>74.2</b>	<b>278,785</b>	<b>71,645</b>	<b>289.1</b>
Finance income	1,002	72		2,059	387	
Finance costs	(8,277)	(4,762)		(24,613)	(8,578)	
<b>Net finance costs</b>	<b>(7,275)</b>	<b>(4,690)</b>	<b>55.1</b>	<b>(22,554)</b>	<b>(8,191)</b>	<b>175.4</b>
Share of results of equity accounted associates	600	-		(915)	-	
<b>Profit before tax</b>	<b>85,792</b>	<b>48,384</b>	<b>77.3</b>	<b>255,316</b>	<b>63,454</b>	<b>302.4</b>
Tax expense	(18,783)	(2,633)		(28,105)	(4,025)	
<b>Profit for the period</b>	<b>67,009</b>	<b>45,751</b>	<b>46.5</b>	<b>227,211</b>	<b>59,429</b>	<b>282.3</b>
<b>Items that may be reclassified subsequently to profit and loss:</b>						
Foreign currency translation differences for foreign operations	(8,849)	(1,806)		(29,668)	(4,192)	
<b>Total comprehensive income for the period</b>	<b>58,160</b>	<b>43,945</b>	<b>32.3</b>	<b>197,543</b>	<b>55,237</b>	<b>257.6</b>
<b>Profit/(loss) for the period attributable to:</b>						
Owner of the company	68,028	44,959		229,516	58,607	
Non-controlling interest	(1,019)	792		(2,305)	822	
<b>Total profit for the period</b>	<b>67,009</b>	<b>45,751</b>	<b>46.5</b>	<b>227,211</b>	<b>59,429</b>	<b>282.3</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>						
Owner of the company	59,245	44,661		199,830	55,925	
Non-controlling interest	(1,085)	(716)		(2,287)	(688)	
<b>Total profit for the period</b>	<b>58,160</b>	<b>43,945</b>	<b>32.3</b>	<b>197,543</b>	<b>55,237</b>	<b>257.6</b>

b. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	30/9/17	30/9/16	30/9/17	25/5/16 - 30/9/16 <sup>(1)</sup>
<b>Basic/Diluted (sen)</b>	<b>5.10</b>	<b>4.23</b>	<b>17.69</b>	<b>5.51</b>

Note:

(1) Comparative figures for the preceding year are presented from the date the company commenced operations on 25/05/2016 after its acquisition which is detailed in note A8.

2. Condensed Consolidated Statement of Financial Position as at 30 September 2017

	Unaudited	Audited
	At	At
	30/9/17	31/12/16
	RM'000	RM'000
<b>Assets</b>		
Property, plant and equipment	605,235	490,173
Investment in associates	45,305	12,220
Other investments	306	306
Intangible assets	3,836	3,836
Deferred tax assets	2,270	703
<b>Total non-current assets</b>	<b>656,952</b>	<b>507,238</b>
Inventories	657,256	486,349
Trade and other receivables	741,036	741,194
Deposit and prepayments	27,610	11,321
Current tax assets	219	931
Other Investments	50,470	52,446
Cash and cash equivalents	257,395	187,353
<b>Total current assets</b>	<b>1,733,986</b>	<b>1,479,594</b>
<b>Total assets</b>	<b>2,390,938</b>	<b>1,986,832</b>
<b>Equity</b>		
Share capital	928,194	531,800
Merger Reserve	(434,710)	(434,710)
Foreign Currency Translation Reserve	50,002	79,688
Other reserves	45,270	45,258
Retained earnings	767,286	587,178
<b>Total equity attributable to owners of the company</b>	<b>1,356,042</b>	<b>809,214</b>
Non-controlling interest	5,641	7,929
<b>Total equity</b>	<b>1,361,683</b>	<b>817,143</b>
<b>Liabilities</b>		
Deferred tax liabilities	14,345	14,355
Loans and borrowings	86,697	16,228
Employee benefits	512	492
<b>Total non-current liabilities</b>	<b>101,554</b>	<b>31,075</b>
Trade and other payables	388,789	501,009
Loan and borrowings	513,903	623,432
Current tax payable	25,009	14,173
<b>Total current liabilities</b>	<b>927,701</b>	<b>1,138,614</b>
<b>Total liabilities</b>	<b>1,029,255</b>	<b>1,169,689</b>
<b>Total equity and liabilities</b>	<b>2,390,938</b>	<b>1,986,832</b>
<b>Net assets per share (sen)</b>	<b>102.0</b>	<b>76.8</b>

3. **Condensed Consolidated Statement of Cash Flows for the Third Quarter (Nine-Month Period) ended 30 September 2017**

	Unaudited	Audited
	30/9/17	31/12/16
	RM'000	RM'000
<b>Cash flow from operating activities</b>		
Profit before tax	<b>255,316</b>	<b>166,604</b>
Adjustment for :		
Depreciation of property, plant and equipment	50,634	32,952
Unrealised foreign exchange loss	(677)	(435)
Share of loss in associate	915	-
Finance income	(2,059)	(2,278)
Finance costs	24,613	19,790
Property, plant and equipment written off	-	16,205
Post-employment benefits	20	95
Operating profit before changes in working capital	328,762	232,933
<b>Changes in working capital:</b>		
Inventories	(177,492)	(186,570)
Trade and other receivables	34,444	(107,242)
Trade and other payables	(119,376)	118,300
<b>Cash generated from operations</b>	<b>66,338</b>	<b>57,421</b>
Interest paid	(152)	(609)
Tax paid	(18,134)	(401)
<b>Net cash from operating activities</b>	<b>48,052</b>	<b>56,411</b>
<b>Cash flow from investing activities:</b>		
Acquisition of property, plant and equipment	(179,188)	(109,527)
Acquisition of subsidiaries	-	64,312
Interest received	2,059	2,278
Changes in term deposits pledged to banks	1,154	(21,628)
Decrease / (Increase) in other investments	1,976	(10,889)
Purchase of share in associates	(34,000)	-
<b>Net cash used in investing activities</b>	<b>(207,999)</b>	<b>(75,454)</b>
<b>Cash flow from financing activities</b>		
Interest paid	(24,461)	(19,181)
Proceeds from issuance of ordinary shares	407,100	-
(Repayment of)/ Net proceeds from loans and borrowings	(37,208)	81,955
Dividend Paid to the shareholders of the company	(49,395)	-
Loan given to associate company	(57,700)	-
<b>Net cash from financing activities</b>	<b>238,336</b>	<b>62,774</b>
<b>Net increase in cash and cash equivalent</b>	<b>78,389</b>	<b>43,731</b>
Effect of exchange rate fluctuation on cash held	-	-
Cash and cash equivalents at beginning of period	43,731	-
<b>Cash and cash equivalents at end of period</b>	<b>122,120</b>	<b>43,731</b>
Term deposits placed with licensed banks	154,202	133,031
Cash and bank balances	103,193	54,322
	<b>257,395</b>	<b>187,353</b>
Less: Bank overdrafts	(3,398)	(10,591)
Less: Deposits pledged	(131,877)	(133,031)
	<b>122,120</b>	<b>43,731</b>

4. **Condensed Consolidated Statement of Changes in Equity for the Third Quarter (Nine-Month Period) ended 30 September 2017**

	Attributable to owners of the company						Non-controlling interest	Total equity
	←----- Non distributable ----->			-----> Distributable				
	Share capital	Merger reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 31 December 2016	531,800	(434,710)	79,688	45,258	587,178	809,214	7,929	817,143
Transfer in accordance with Section 618 (2) of Companies Act 2016	1,000	-	-	(1,000)	-	-	-	-
Issue of ordinary share	396,394	-	-	-	-	396,394	-	396,394
Foreign currency translation differences for foreign operations	-	-	(29,686)	-	-	(29,686)	17	(29,669)
Profit/ (Loss) for the period	-	-	-	-	229,515	229,515	(2,305)	227,210
Total comprehensive income for the period	-	-	(29,686)	-	229,515	199,829	(2,288)	197,541
Dividend to owner of the company	-	-	-	-	(49,395)	(49,395)	-	(49,395)
Transfer to other reserve	-	-	-	12	(12)	-	-	-
<b>At 30 September 2017</b>	<b>929,194</b>	<b>(434,710)</b>	<b>50,002</b>	<b>44,270</b>	<b>767,286</b>	<b>1,356,042</b>	<b>5,641</b>	<b>1,361,683</b>

Note:

The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134**

**A1. Basis of Preparation**

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial period ended 31 December 2016.

**A2. Changes in accounting policies**

The accounting policies adopted by the Group in this interim financial statement are consistent with those adopted in the most recent audited financial statements for the financial period ended 31 December 2016 except for the newly-issued Malaysian Financial Reporting Standard ("MFRS") and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2017: -

- Amendments to MFRS 107: Statement of Cash Flows - Disclosure Initiative
- Amendments to MFRS 112: Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRS 12: Disclosure of Interest in Other Entities (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

<b>MFRS/ Amendment/ Interpretation</b>	<b>Effective date</b>
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2, <i>Share-based Payment – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4, <i>Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140, <i>Investment Property – Transfers of Investment Property</i>	1 January 2018
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty Over Income Tax Treatments</i>	1 January 2019
MFRS17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be Confirmed

**PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134 (CONT'D)**

**A2. Changes in accounting policies (Cont'd)**

The Group plans to apply:

- from the annual period beginning on 1 January 2018 for MFRS 9, MFRS 15, Clarifications to MFRS 15, IC Interpretation 22 and Amendments to MFRS 128, which are effective for annual period beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application for the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group except as mentioned below:

**(i) MFRS 15, Revenue from Contract with Customers and Clarifications to MFRS 15, Revenue from Contract with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue-Barter Transactions Involving Advertising Services*. Upon adoption MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

**(ii) MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurements of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

**PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134 (CONT'D)**

**A2. Changes in accounting policies (Cont'd)**

**(iii) MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

**(a) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than disclosed in the report.

**(b) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

**(c) Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the financial statements.

**A3. Auditors' report**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial period ended 31 December 2016.

**A4. Seasonality and cyclicity of operations**

The Group's operations are not materially affected by any seasonal or cyclical factors.

**A5. Unusual items due to the nature, size and incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial period.





**PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134 (CONT'D)**

**A6. Changes in estimates**

There were no changes in estimates that have a material effect in the current financial period.

**A7. Debt and equity securities**

There were no unusual items affecting the debt and equity securities for the current financial period.

**A8. Significant and subsequent events**

**(a) Significant event**

On 25 May 2016, the Company entered into the Share Purchase Agreement with the shareholders of Serba Dinamik Group Berhad ("SDGB") ("Selling Shareholders") for the purchase by the Company from the Selling Shareholders of the entire issued and paid up share capital of SDGB comprising 73,978,860 ordinary share of RM1.00 each for total consideration of RM531,799,999 which was fully satisfied by the issuance of the total of 1,063,599,998 ordinary share of RM0.50 each in the Company to the Selling Shareholders in proportion to the shares in SDGB held by each of the Selling Shareholder. Since then, the Company became the holding company of SDGB.

**(b) Significant events during the year**

- i) On 8 February 2017, the Company was listed on Bursa Malaysia's main market. The listing exercise involved the issuance of 271.4 million shares in addition to an offer for sale by the existing shareholder of 118.0 million shares of the total enlarged capital of the company for a retail price of RM1.50 per share.
- ii) On 20 February 2017, Serba Dinamik Sdn. Bhd. ("SDSB"), a wholly owned subsidiary of Serba Dinamik Holdings Berhad entered into a Share Purchase Agreement for the acquisition of 400,000 ordinary shares in Konsortium Amanie Joint Venture ("KAJV") for a total cash consideration of RM 34,000,000

The acquired 400,000 ordinary shares represent 40% of the total issued share capital of Konsortium Amanie Joint Venture.

- iii) On 21 August 2017, Serba Dinamik Group Berhad ("SDGB"), a wholly owned subsidiary of Serba Dinamik Holdings Berhad entered into a Sale and Purchase Agreement with Almurisi Holding Sdn. Bhd. ("AHSB") to acquire 14,000 Ordinary Shares representing 30% Equity interest in Almurisi Development Sdn. Bhd. a total cash consideration of RM18,300,000.

**PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134 (CONT'D)**

**(b) Significant events during the year (cont'd)**

iv) On 23 October 2017, Serba Dinamik Group Berhad ("SDGB"), a wholly owned subsidiary of Serba Dinamik Holding Berhad entered into a Sale and Purchase Agreement with AFFIN Bank Berhad ("Affin") to acquire a 16-storey Office Building with a 4-storey Basement Carpark in Shah Alam for a total cash consideration of RM43,500,000

**A9. Changes in the composition of the Group**

There was no change in the composition of the Group during the current financial period other than that as disclosed in note A8.

**A10. Contingent assets and liabilities**

There were no material changes in contingent liabilities or contingent assets arising since the last audited financial statements for the financial period ended 31 December 2016.

**A11. Capital commitments**

Capital commitments of the Group in respect of property, plant and equipment as of 30<sup>th</sup> September 2017 are as follows: -

	RM'000
<b>Land</b>	
Approved and contracted for	9,781

**A12. Taxation**

Taxation comprises the following:

	Individual Quarter		Cumulative Period	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	30/9/17	30/9/16	30/9/17	25/05/16 - 30/09/16 <sup>(1)</sup>
	RM'000	RM'000	RM'000	RM'000
<b>Current Taxation:</b>				
Malaysian Taxation	19,129	116	27,893	185
Foreign Taxation	127	321	1,789	509
<b>Total Current Taxation</b>	<b>19,256</b>	<b>437</b>	<b>29,682</b>	<b>694</b>
Deferred Taxation	(473)	2,196	(1,577)	3,331
<b>Total Taxation</b>	<b>18,783</b>	<b>2,633</b>	<b>28,105</b>	<b>4,025</b>

Note:

(1) Comparative figures for the preceding year are presented from the date the company commenced operations on 25/05/2016 after its acquisition which is detailed in note A8.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**A12. Taxation (Cont'd)**

The Group are subject to income tax at the applicable statutory tax rates in Malaysia and overseas with foreign subsidiaries. Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions. Under the preferential tax treatments given to Labuan entities incorporated or registered under the Labuan Companies Act 1990, a subsidiary has qualified and elected to pay tax of RM 20,000 per annum. Income derived from sources outside Malaysia and received in Malaysia is exempt from Malaysian income tax by virtue of Subparagraph 28(1), Schedule 6 of the Income Tax Act 1967.

**B1. Segment Information**

The Group has three reportable segments, as described below which are the Group's strategic business units. For each of the strategic business units, the Group Chief Executive Officer, reviews internal management report quarterly. The following described the operations in each of the Group's reportable segments.

- O&M - Operation and maintenance which include maintenance, repair and overhaul of rotating equipment, inspection, repair and maintenance of static equipment and structure, maintenance of process control and instrumentation and other related services.
- EPCC - Engineering, procurement, construction and commissioning which include among others, piping systems, process control and instrumentation, equipment installation, power generation plant, gas compression plant, auxiliary power generation and firefighting system and other related services
- Others - Technical training, information, communication and technology ("ICT") solutions and supply of products and parts.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B2. Review of Performance**

**i) Current quarter vs Corresponding quarter of the preceding year**

	Revenue		Operating profit		Variance	
	Quarter Ended		Quarter Ended		Revenue	Operating Profit
	30/9/17	30/9/16	30/9/17	25/5/16 - 30/9/16 <sup>(1)</sup>		
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Business Segments:</b>						
O&M	567,881	468,825	99,122	90,367	21.1	9.6
EPCC	84,055	40,275	13,400	7,763	108.7	72.6
Others	1,387	2,406	464	464	(42.4)	0
<b>Group Revenue/ Operating Profit</b>	<b>653,323</b>	<b>511,506</b>	<b>112,986</b>	<b>98,594</b>	<b>27.7</b>	<b>14.6</b>
Corporate Expenses and Elimination			(27,194)	(50,210)		(45.8)
<b>Profit Before Tax</b>			<b>85,792</b>	<b>48,384</b>		<b>77.3</b>

Note:

(1) The preceding year figures are presented from the date the company assumed the role as holding company of the group on 25/05/2016 after the acquisition which is detailed in note A8.

For the quarter ended 30 September 2017 ("Q3FY17"), the Group recorded revenue of RM653.3 million which was 27.7% higher than corresponding quarter of the preceding year ("Q3FY16") due to strong activities from our O&M & EPCC Segment. The operating profit for the quarter stood at RM113 million or 17.3% of total revenue. The Group also recorded profit before taxation of RM85.8 million, 77.3% higher as compared to profit before taxation of RM48.4 million in Q3FY16.

O&M remained the major contributor of revenue with a total contribution of 86.9% of the total revenue or RM567.9 million. This is 21.1% higher against Q3FY17 mainly from South East Asia & Middle East region as well as increase in activity from Turkmenistan from additional contract. The segment recorded Operating profit of RM99.1 million or representing gross margin of 17.5%.

EPCC revenue up by RM43.8 million to RM84.1 million from Q3FY17 and contributed 12.9% of the total revenue of the Group. EPCC activity was mainly derived from the construction of water treatment plant in Terengganu, Malaysia via our associated company Konsortium Amanie JV Sdn Bhd, as well as from United Arab Emirates ("UAE") through our contract with New Thunder Technical Services. The segment recorded operating profit of RM13.4 million yielding a gross margin of 15.9%.

Other product and services recorded revenue of RM1.4 million or 0.2% of the total revenue. This was mainly derived from the provision of IT related services and technical training through approved training programs.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)

B2. Review of Performance (Cont'd)

ii) Current quarter vs immediate preceding quarter

	Revenue		Operating profit		Variance	
	Period Ended		Period Ended		Revenue	Operating Profit
	30/9/17	30/6/17	30/9/17	30/6/17		
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Business Segments:</b>						
O&M	567,881	538,475	99,122	95,826	5.5	3.4
EPCC	84,055	110,276	13,400	20,091	(23.8)	(33.3)
Others	1,387	953	464	220	45.5	110.9
<b>Group revenue/ operating profit</b>	<b>653,323</b>	<b>649,704</b>	<b>112,986</b>	<b>116,137</b>	<b>0.6</b>	<b>(2.7)</b>
Corporate Expenses and Elimination			(27,194)	(27,823)		(2.3)
<b>Profit before tax</b>			<b>85,792</b>	<b>88,314</b>		<b>(2.9)</b>

For quarter ended 30 September 2017, the Group recorded an increase in revenue of 0.6% higher than immediate preceding quarter ("Q2FY17") mainly due to an increase in the revenue from the O&M and other supporting services segments of RM29.8 million. However EPCC segment recorded a decrease of RM26.2 million against Q2FY17 mainly due to lower revenue from construction of hydro-power plant in Kota Marudu as well as slight drop in activity in UAE due to weather condition.

The operating profit for the quarter stood at RM113.0 million which was slightly lower than Q2FY17. The slight decline in the operating profit is attributed to the lower contribution from the EPCC segment that is offset with higher contribution generated locally, which typically yields lower margins as compared to revenue generated from the Middle East. This translated to a slightly lower profit before taxation of RM85.8 million, which was 2.9% lower than Q2FY17.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B2. Review of Performance (Cont'd)**

**iii) Current period vs Corresponding period of the preceding year**

	Revenue		Operating profit		Variance	
	Period Ended		Period Ended		Revenue	Operating Profit
	30/9/17	25/05/16 - 30/09/16 <sup>(1)</sup>	30/9/17	25/05/16 - 30/09/16 <sup>(1)</sup>		
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Business Segments:</b>						
O&M	1,661,309	604,769	292,952	117,242	174.7	149.9
EPCC	250,803	55,915	42,810	8,520	348.5	402.5
Others	3,338	2,776	894	585	20.2	52.8
<b>Group revenue/ operating profit</b>	<b>1,915,450</b>	<b>663,460</b>	<b>336,656</b>	<b>126,347</b>	<b>188.7</b>	<b>166.5</b>
Corporate Expenses and Elimination			(81,340)	(62,893)		29.3
<b>Profit before tax</b>			<b>255,316</b>	<b>63,454</b>		<b>302.4</b>

Note:

(1) The preceding year figures are presented from the date the company assumed the role as holding company of the group on 25/05/2016 after the acquisition which is detailed in note A8.

The group cumulative revenue recorded a total of RM1.9 billion with operating profit at RM336.7 million or 17.6% of total revenue. This is contributed by a strong operating profit from O&M segment which derive majority of the revenue from international market. The group cumulative profit before tax of RM255.3 million, RM191.9 million higher than the corresponding period of the preceding year.

**iv) Segmental Revenue by countries**

	Individual Quarter		Cumulative Quarter	
	30/9/17	30/9/16	30/9/17	25/5/16 - 30/9/16 <sup>(1)</sup>
	RM'000	RM'000	RM'000	RM'000
Malaysia	201,762	187,294	553,069	243,111
Indonesia	32,170	20,582	92,371	36,432
Turkmenistan	47,116	18,042	99,547	30,067
India	504	-	504	-
Bahrain	69,027	83,455	256,048	83,922
UAE	55,635	27,257	135,013	41,808
Qatar	150,906	92,792	396,727	121,905
Oman	20,186	11,418	95,181	11,418
Kingdom of Saudi Arabia	45,987	50,111	220,641	69,593
Kuwait	28,899	20,555	63,643	25,001
United Kingdom	1,131	-	2,706	203
<b>Total</b>	<b>653,323</b>	<b>511,506</b>	<b>1,915,450</b>	<b>663,460</b>



**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B2. Review of Performance (Cont'd)**

**iv) Segmental Revenue by countries (Cont'd)**

The Middle East region continue to be the highest contributor of revenue for the group on a regional level despite the slowdown of activities across the region. Middle East contributed 56.7% of the overall revenue for the quarter with strong activity from Qatar with a contribution of RM150.9 despite the ongoing Qatar-gulf crisis. Bahrain, UAE, and Saudi Arabia were also significant contributors with a combined revenue totalling RM170.7 million of the total revenue for the quarter, or 10.6%, 8.5%, and 7.0% respectively. The Majority of the revenue from Middle East region is from O&M services.

On a country level, Malaysia remained as the main contributor to the Group revenue for the quarter with a contribution of RM201.8 million or 28.9% which was derived mainly from the performance of O&M services and our water treatment plant EPCC contract in Kuala Terengganu.

Other revenue contributors include Turkmenistan and Indonesia which contributed 7.2%, and 4.9% of revenue for the quarter respectively, or RM47.1 million and RM32.2 million. The revenue recognised in Turkmenistan was mainly derived from our O&M contracts with Berk Hill E.S. and Taze Hill Economic Society. Europe contributed RM1.1 million of revenue from our two subsidiaries in United Kingdom namely Quantum Offshore Limited and Serba Dinamik International Limited.

**B3. (a) Commentary on prospects**

Malaysia recorded higher GDP growth in 2Q2017 at 5.8% (1Q2017: 5.6%) mainly driven by higher private consumption and private investment as well as strong demand in manufacturing and services sector. The global economy also continues to improve with US and Europe countries showing increase in their GDP quarter on quarter.

On the Oil and Gas front, oil prices have been gaining momentum with the Brent Crude price increase to reach the USD60/bbl mark. The increase was rooted from falling inventories and increase in demand. This will lead to increase in production in future to meet the growing demand.

The Management are positive about the future prospect of the company. Recent announcement for the establishment of a chlor-alkali plant in Tanzania would mark as our first step into Africa and the Company expect to further grow the business in the region. It also re-affirms our plan to grow our asset ownership business model which would lead to further enhance our EPCC & O&M capabilities.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B3. (a) Commentary on prospects (Cont'd)**

Apart from expanding our assets base, the Company also manage to secure various new contracts as well as manage to obtain renewal for some of the existing contracts for both our O&M and EPCC segment. With this, the Company is expected to get positive result in future. In order to ensure the company's continuous growth, the Group plans to leverage on its core competencies of operating within both the Oil & Gas, power generation industries as well as expanding into water treatment and utilities industries.

Overall, the management is optimistic about the future prospects of the company and also of the view that the Group will continue to generate positive result for 2017.

Sources:

- BNM Quarterly Bulletin, Bank Negara Malaysia;
- OPEC Monthly Oil Market Report, OPEC;
- Bloomberg and Reuters

**(b) Revenue or profit estimate, forecast, projection or internal targets**

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

**B4. Status of corporate proposals announced**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on Bursa Malaysia Securities Berhad, the following transactions were /are undertaken by the Company:

**(i) Utilisation of Proceeds from Public Issue**

The gross proceeds from the Public Issue of RM407.10 million shall be utilised in the following manner:

<u>Details of utilisation of proceeds</u>	<u>Estimated timeframe for utilisation</u>	<u>RM '000</u>	<u>%</u>	<u>Actual Utilisation RM '000</u>	<u>% Utilised</u>
Expansion of business and operational facilities	Within 12 to 36 months	300,000	73.7	109,167	36.4
Working capital	Within 36 months	29,300	7.2	29,300	100.0
Repayment of bank borrowings/financing	Within 12 months	60,000	14.7	60,000	100.0
Estimated listing expenses	Within 6 months	17,800	4.4	17,800	100.0
<b>Total gross proceeds</b>		<b>407,100</b>	<b>100.0</b>	<b>216,267</b>	<b>53.1</b>





**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B4. Status of corporate proposals announced (Cont'd)**

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 30 December 2016.

Post Listing, we have utilised a total of RM216.3 million of the IPO proceeds out of which RM109.2 million was used for expansion of our business which among others:-

- i. Approximately RM69.3 million was utilised for the establishment of the new MRO and IRM centre in Bintulu Sarawak
- ii. Approximately RM20 million was utilised for the establishment of a new facility and upgrading of existing facility in Johor Malaysia
- iii. Approximately RM15 million was utilised for upgrading our existing operational facilities in Malaysia and UAE
- iv. Approximately RM4.4 million was utilised for acquiring our corporate office building in Selangor, Malaysia

**(ii) Certificate of Completion and Compliance (“CCC”)**

As disclosed in the Prospectus dated 30 December 2016, for properties where application of CCC is required to be made within 12 months from the date of the Listing, the updates of the properties are as follows:

No.	Details	Status
1.	Lot 973, Block 26 Kemena Land District, Kidurong Industrial Estate, Bintulu, Sarawak	Application submitted and awaiting approval from the authorities
2.	Lot 5845, Block 5 Kuala Baram Land District, Kuala Baram/ Lutong Road, Miri, Sarawak	Application submitted and awaiting approval from the authorities
3.	Service centre on Lot No. 3B (1R1/05), Ranche-ranche Light Industrial Estate, off Jalan Ranche-ranche, Federal Territory of Labuan	Application submitted and awaiting approval from the authorities
4.	Service centre on Lot 9, Jalan Arsat, MPL Light Industrial Estate, Federal Territory of Labuan	CCC obtained

For Lot 5845, Block 5 Kuala Baram Land District, Kuala Baram/ Lutong Road, Miri, Sarawak, the Group has submitted the application for the conversion of the land status from agricultural status to industrial status. The company is currently operating under a provisional approval to operate for five years effective from 11 January 2016.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B5. Other Operating Income**

The Group's Other Operating income as at 30 September 2017 are as follows:

	Individual Quarter		Cumulative Quarter	
	30/9/17 RM'000	30/9/16 RM'000	30/9/17 RM'000	25/5/16 - 30/9/16 <sup>(1)</sup> RM'000
Grants	-	-	3,394	-
Foreign Exchange gain	-	-	765	-
Rental Income	20	20	90	71
Others	-	2	561	2
<b>Total</b>	<b>20</b>	<b>22</b>	<b>4,810</b>	<b>73</b>

**B6. Trade Receivables**

The Group's Trade Receivables Ageing analysis as at 30 September 2017 are as follows:

In RM'000	30/9/17		30/12/16	
	Amount RM'000	%	Amount RM'000	%
Not past due	615,584	83.1%	699,053	94.3%
0 – 30 days past due	8,288	1.1%	12,014	1.6%
31 – 120 days past due	38,100	5.1%	13,249	1.8%
Past due more than 120 days	10,234	1.4%	2,953	0.4%
Total Trade Receivables	672,206	90.7%	727,269	98.1%
Other Receivables	68,830	9.3%	13,925	1.9%
<b>Total Trade &amp; Other Receivables</b>	<b>741,036</b>	<b>100%</b>	<b>741,194</b>	<b>100%</b>

The Group normal credit period is between 30 to 90 days from the date of invoice. Other credit terms are assessed and approved on a case-by-case basis

**B7. Financing/ Borrowings**

The Group's financing/ borrowings as at 30 September 2017 are as follows:

In RM'000	As at 30 <sup>th</sup> September 2017					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM Currency	Foreign Currency	RM Currency	Foreign Currency	RM Currency
Secured	8,928	77,769	348,959	164,944	357,887	242,713
Unsecured	-	-	-	-	-	-
In RM'000	As at 31 <sup>st</sup> December 2016					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM Currency	Foreign Currency	RM Currency	Foreign Currency	RM Currency
Secured	1,213	15,015	371,254	252,178	372,467	267,193
Unsecured	-	-	-	-	-	-



**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B7. Financing/ Borrowings (Cont'd)**

Financing/ Borrowings denominated in foreign currency are as follows:

Currency	30/9/17 RM'000	31/12/16 RM'000
USD	350,865	370,538
IDR	7,022	1,929

Currently, the Group does not have any hedging policy for financing / borrowings denominated in foreign currency due to the financing / borrowings is used to finance the Group international business which is also denominated in foreign currency. Also, most of our financing / borrowings are short term in nature. The Group monitors the foreign currency movement and will take necessary steps to minimise the risk whenever deemed appropriate.

**B8. Foreign Exchange Exposure/Hedging Policy**

The Group revenue from overseas projects/contracts is typically denominated in USD. There is no hedging instrument being used in the Group daily operation. Any cash inflow in a USD denominated bank account where it will be used to settle the portion of cost of operations which are payable in USD. This provides a natural foreign currency hedge to the Group. Nonetheless, any unfavourable movements in the USD exchanges rate may adversely affect the Group profitability.

**B9. Material Impairment of Assets**

There is no material impairment of assets by the Group for the period ended 30 September 2017.

**B10. Material litigation**

As at the date of this report, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors have no knowledge of any proceeding pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial or business position of the Group.

**B11. Dividend**

The Board of Directors has declared a third interim single-tier tax-exempt dividend of 1.50 sen per ordinary share in respect of the financial year ending 31 December 2017, to be paid on 20 December 2017. The entitlement date for the dividend payment is 7 December 2017.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) Shares transferred to the depositor's securities account before 4.00pm on 7 December 2017 in respect of transfers; and
- (ii) Shares bought on Bursa Malaysia Securities Berhad cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The total dividends for the nine months ended 30 September 2017 is 5.20 sen per ordinary share

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B12. Earnings per ordinary share**

**Basic and diluted earnings per ordinary share**

The calculation of basic and diluted earnings per share at 30 September 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary share outstanding, calculated as follows:

	Individual Quarter		Cumulative Quarter	
	30/9/17	25/5/16 - 30/9/16 <sup>(1)</sup>	30/9/17	25/5/16 - 30/9/16 <sup>(1)</sup>
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	68,028	44,959	229,516	58,607
Weighted average number of ordinary shares	1,335,000	1,063,600	1,297,222	1,063,600
<b>Basic and diluted earnings per ordinary share (sen)</b>	<b>5.10</b>	<b>4.23</b>	<b>17.69</b>	<b>5.51</b>

**B13. Profit for the period**

This is arrived after (charging)/crediting

	Individual quarter ended	Cumulative period
	30/9/17	30/9/17
	RM'000	RM'000
Finance income	1,002	2,059
Finance expense	(8,277)	(24,613)
Depreciation and amortization	(17,696)	(50,634)

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)**

**B14. Breakdown of realised and unrealised profits or losses**

The breakdown of the retained earnings of the Group, into realised and unrealised earnings, is as follows:

	<b>30/9/17 RM'000</b>	<b>31/12/16 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
- Realised	789,420	641,751
- Unrealised	(12,075)	(14,629)
Less: Consolidated adjustments	(10,059)	(39,944)
<b>Retained earnings as per financial statements</b>	<b>767,286</b>	<b>587,178</b>

By order of the Board

Shah Alam, Selangor Darul Ehsan

21<sup>st</sup> November 2017