



SERBA DINAMIK HOLDINGS BERHAD
(COMPANY NO: 1167905-P)
INCORPORATED IN MALAYSIA

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED
31 MARCH 2018**

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

1. **Condensed Consolidated Statement of Profit or Loss and Comprehensive Income for the First Quarter (three-Month Period) ended 31 March 2018**

a. Consolidated Profit or loss and Comprehensive Income

	Individual Quarter		Changes %	Cumulative Quarter		Changes %
	Quarter Ended 31/3/18	Quarter Ended 31/3/17		Period Ended 31/3/18	Period Ended 31/3/17	
	RM'000	RM'000		RM'000	RM'000	
Revenue	730,825	612,423	19.3	730,825	612,423	19.3
Cost operation	(600,632)	(504,890)		(600,632)	(504,890)	
Gross profit	130,193	107,533	21.1	130,193	107,533	21.1
Other operating income	334	348		334	348	
Administrative expenses	(27,669)	(17,926)		(27,669)	(17,926)	
Result from operating income	102,858	89,955	14.3	102,858	89,955	14.3
Finance income	1,261	103		1,261	103	
Finance costs	(8,461)	(8,419)		(8,461)	(8,419)	
Net finance costs	(7,200)	(8,316)	(13.4)	(7,200)	(8,316)	(13.4)
Share of results of equity accounted associates	860	(429)		860	(429)	
Profit before tax	96,518	81,210	18.8	96,518	81,210	18.8
Tax expense	(3,784)	(3,885)		(3,784)	(3,885)	
Profit for the period	92,734	77,325	19.9	92,734	77,325	19.9
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	(36,826)	6,815		(36,826)	6,815	
Total comprehensive income for the period	55,908	84,140	(33.6)	55,908	84,140	(33.6)
Profit/(loss) for the period attributable to:						
Owner of the company	92,648	78,329		92,648	78,329	
Non-controlling interest	86	(1,004)		86	(1,004)	
Total profit for the period	92,734	77,325	19.9	92,734	77,325	19.9
Total comprehensive income/(loss) for the period attributable to:						
Owner of the company	56,137	85,030		56,137	85,030	
Non-controlling interest	(229)	(890)		(229)	(890)	
Total profit for the period	55,908	84,140	(33.6)	55,908	84,140	(33.6)

b. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31/3/18	Quarter Ended 31/3/17	Period Ended 31/3/18	Period Ended 31/3/17
Basic/Diluted (sen)	6.51	6.43	6.51	6.43

2. **Condensed Consolidated Statement of Financial Position as at 31 March 2018**

	Unaudited	Audited
	At	At
	31/3/18	31/12/17
	RM'000	RM'000
Assets		
Property, plant and equipment	685,236	658,126
Investment in associates	64,273	44,128
Other investments	306	307
Intangible assets	7,564	6,987
Deferred tax assets	1,345	2,810
Total non-current assets	758,724	712,358
Inventories	624,360	577,762
Trade and other receivables	853,825	880,334
Deposit and prepayments	52,019	40,230
Current tax assets	3,217	487
Other Investments	46,273	48,469
Cash and cash equivalents	555,542	300,778
Total current assets	2,135,236	1,848,060
Total assets	2,893,960	2,560,418
Equity		
Share capital	1,348,322	928,194
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	(17,246)	19,265
Other reserves	45,269	45,269
Retained earnings	894,986	825,833
Total equity attributable to owners of the company	1,836,622	1,383,852
Non-controlling interest	3,648	3,877
Total equity	1,840,270	1,387,729
Liabilities		
Deferred tax liabilities	15,731	15,636
Loans and borrowings	22,206	24,758
Employee benefits	583	592
Total non-current liabilities	38,520	40,986
Trade and other payables	333,689	423,366
Loan and borrowings	643,207	681,284
Current tax payable	38,274	27,053
Total current liabilities	1,015,170	1,131,703
Total liabilities	1,053,690	1,172,689
Total equity and liabilities	2,893,960	2,560,418
Net assets per share (RM)	1.25	1.04

3. **Condensed Consolidated Statement of Cash Flows for the First Quarter (Three-Month Period) ended 31 March 2018**

	Unaudited	Audited
	31/3/18	31/12/17
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	96,518	346,071
Adjustment for :		
Depreciation of property, plant and equipment	18,472	69,026
Unrealised foreign exchange loss	1,501	14,320
Share of (profit)/loss in associate	(860)	2,092
Finance income	(1,261)	(3,135)
Finance costs	8,461	37,071
Post-employment benefits	(9)	100
Operating profit before changes in working capital	122,822	465,545
Changes in working capital:		
Inventories	(46,598)	(117,456)
Trade and other receivables	18,792	(184,334)
Trade and other payables	(80,359)	(59,982)
Cash generated from operations	14,657	103,773
Interest paid	(91)	(581)
Tax paid	(3,050)	(17,854)
Net cash from operating activities	11,516	85,338
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(55,011)	(256,530)
Acquisition of subsidiaries	(4,004)	-
Interest received	1,261	3,135
Changes in term deposits pledged to banks	(1,003)	(7,840)
Decrease / (Increase) in other investments	2,197	3,977
Acquisition of intangible assets	(578)	(3,151)
Purchase of share in associates	(19,286)	(34,000)
Advance to an associate	-	(59,700)
Net cash used in investing activities	(76,424)	(354,109)
Cash flow from financing activities		
Interest paid	(8,438)	(36,490)
Proceeds from issuance of ordinary shares	420,128	396,394
Net (repayment) / proceeds from loans and borrowings	(65,315)	96,735
Dividend Paid to the shareholders of the company	(23,496)	(69,420)
Net cash from financing activities	322,879	387,219
Net increase in cash and cash equivalent	257,971	118,448
Effect of exchange rate fluctuation on cash held	(1)	(3,710)
Cash and cash equivalents at beginning of year	158,469	43,731
Cash and cash equivalents at end of year	416,439	158,469
Term deposits placed with licensed banks	149,596	148,661
Cash and bank balances	405,946	152,117
	555,542	300,778
Less: Bank overdrafts	(7,092)	(11,301)
Less: Deposits pledged	(132,011)	(131,008)
	416,439	158,469

4. **Condensed Consolidated Statement of Changes in Equity for the First Quarter (three-Month Period) ended 31 March 2018**

	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	
At 31 December 2017	928,194	(434,709)	19,265	45,269	825,833	1,383,852	3,877	1,387,729
Issue of ordinary share	420,128	-	-	-	-	420,128	-	420,128
Foreign currency translation differences for foreign operations	-	-	(36,511)	-	-	(36,511)	(315)	(36,826)
Profit/ (Loss) for the period	-	-	-	-	92,648	92,648	86	92,734
Total comprehensive income for the period	-	-	(36,511)	-	92,648	56,137	(229)	55,908
Dividend to owner of the company	-	-	-	-	(23,495)	(23,495)	-	(23,495)
Transfer to other reserve	-	-	-	-	-	-	-	-
At 31 March 2018	1,348,322	(434,709)	(17,246)	45,269	894,986	1,836,622	3,648	1,840,270

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 year ended 31 December 2017.

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 year ended 31 December 2017 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 2018: -

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (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:

MFRS/ Amendment/ Interpretation	Effective date
MFRS 16, <i>Leases</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 9, <i>Financial Instruments – Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits – Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investment in Associates and Joint Ventures – Long term interest in Associates & Joint Ventures</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty Over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 2, <i>Share-based Payment</i>	1 January 2020
Amendments to MFRS 3, <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
Amendments to MFRS 14, <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134, <i>Interim Financial Reporting</i>	1 January 2020

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

A2. Changes in accounting policies (Cont'd)

MFRS/ Amendment/ Interpretation	Effective date
Amendments to MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendments to MFRS 138, <i>Intangible Assets</i>	1 January 2020
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

The Group plans to apply:

- 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, except for Amendments to MFRS 11 which is assessed as presently not applicable to the Group.
- From the annual period beginning on 1 January 2020 for the accounting standard that its effective for annual periods beginning on or after 1 January 2020, except for Amendments to MFRS 6, which is assessed as presently not applicable to the Group.

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 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 MFRSs 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.



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

A2. Changes in accounting policies (Cont'd)

(c) Use of estimates and judgements (cont'd)

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 year ended 31 December 2017.

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.

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

- i) On 30 January 2018, the Company has completed Private Placement exercise which the Company has issued 133.5 million new shares with an issue price of RM3.20 per placement shares.
- ii) On 5 February 2018, Serba Dinamik Group Berhad ("SDGB"), a wholly owned subsidiary of the Company entered into a Memorandum of Agreement ("MOA") with Maju Holdings Sdn. Bhd. For the acquisition of 40% equity stake held in Maju Renewable Energy Sdn Bhd, Maju RE (Talang) Sdn Bhd and Maju RE (Temenggor) Sdn Bhd with purchase consideration of RM24,853,941.00.



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

A8. Significant and subsequent events (Cont'd)

- iii) On 14 February 2018, SDGB, a wholly owned subsidiary of the Company entered into a conditional Share Sale Agreement to acquire 1,000,000 ordinary shares in KB Engineering which represent 100% of the issued share capital of KB Engineering for a total cash consideration of RM2,000,000.
- iv) On 11 April 2018, Serba Dinamik International Limited ("SDIL"), a wholly owned subsidiary of the Company entered into a Share Purchase Agreement to acquire 1,470 shares of AED1,000 each representing 49% of equity stake in Al Sagar Engineering Group LLC and Al Sagar National Establishment ("Al Sagar") for a total cash consideration of approximately RM10,544,800.00.
- v) On 13 April 2018, SDIL, a wholly owned subsidiary of the Company entered into eight (8) Share Purchase Agreement to acquire 128,166,250 ordinary shares representing 24.84% of equity stake in CSE Global Limited ("CSE") for a total cash consideration of approximately RM170,567,490.49.
- vi) On 10 January 2018, SDIL, a wholly owned subsidiary of the Company has acquired 666,670 ordinary shares representing 40.0% of Sreem Serba Turbines Private Limited for a total cash consideration of approximately RM1,021,500.83

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 year ended 31 December 2017.

A11. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment as of 31st March 2018 are as follows: -

	RM'000
Land and Building	
Approved and contracted for	439,150

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

A12. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Period	
	Quarter Ended 31/3/18	Quarter Ended 31/3/17	Period Ended 31/3/18	Period Ended 31/3/17
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
Malaysian Taxation	4,000	3,914	4,000	3,914
Foreign Taxation	20	16	20	16
Total Current Taxation	4,020	3,930	4,020	3,930
Deferred Taxation	(236)	(45)	(236)	(45)
Total Taxation	3,784	3,885	3,784	3,885

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.

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

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 ("MRO") , inspection, repair and maintenance of static equipment and structure ("IRM"), 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.

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
	31/3/18	31/3/17	31/3/18	31/3/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	634,478	554,952	114,483	98,004	14.3	16.8
EPCC	94,364	56,472	15,225	9,319	67.1	63.4
Others	1,983	998	485	210	98.7	130.9
Group Revenue/ Operating Profit	730,825	612,422	130,193	107,533	19.3	21.1
Corporate Expenses and Elimination			(33,675)	(26,323)		27.9
Profit Before Tax			96,518	81,210		18.8

For the quarter ended 31 March 2018 ("Q1FY18"), the Group recorded revenue of RM730.8 million which was 19.3% higher than corresponding quarter of the preceding year ("Q1FY17") due to strong activities from both O&M and EPCC. The operating profit for the quarter stood at RM130.2 million or 17.8% of total revenue. The Group also recorded profit before taxation of RM96.5 million, 18.8% higher as compared to profit before taxation of RM81.2 million in Q1FY17.

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

B2. Review of Performance (Cont'd)

i) Current quarter vs Corresponding quarter of the preceding year (Cont'd)

O&M contribute 86.8% of revenue in Q1FY18 with an increase of RM79.5 million or 14.3% against Q1FY17. The increase was due to higher activity from our IRM activity in Middle East region as well as in Turkmenistan from new contract won while MRO activity also show some increase against Q1FY17. The segment recorded an improved operating profit of RM114.5 million or representing gross margin of 18.0% as compared to 17.7% in Q1FY17.

EPCC revenue recorded a total of RM94.4 million, higher by RM37.9 million against Q1FY17 and contributed 12.9% of the total revenue of the Group. EPCC activity was mainly derived from domestic activity which include our hydro power plant in Kota Marudu, Sabah as well as from United Arab Emirates ("UAE") through our contract with New Thunder Technical Services. The segment recorded operating profit of RM15.2 million yielding a gross margin of 16.1%.

Other product and services recorded revenue of RM2.0 million or 0.3% of the total revenue. This was mainly derived from the provision of IT related services and technical training through approved training programs.

ii) Current quarter vs immediate preceding quarter

	Revenue		Operating profit		Variance	
	Quarter Ended		Quarter Ended		Revenue	Operating Profit
	31/3/18	31/12/17	31/3/18	31/12/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	634,478	671,892	114,483	121,520	(5.6)	(5.8)
EPCC	94,364	123,469	15,225	20,390	(23.6)	(25.3)
Others	1,983	2,011	485	385	(1.4)	26.0
Group revenue/ operating profit	730,825	797,372	130,193	142,295	(8.3)	(8.5)
Corporate Expenses and Elimination			(33,675)	(36,423)		(7.5)
Profit before tax			96,518	105,872		(8.8)

For quarter ended 31 March 2018, the Group recorded a decrease in revenue of 8.3% from immediate preceding quarter ("Q4FY17") with all segment showing a decline of revenue. This mainly due to the seasonality as fourth quarter of each year activity are at the highest. Overall Operating profit stood at RM130.2 million, RM12.1 million or 8.5% lower against Q4FY17 inline with overall drop in revenue.

O&M revenue drop RM37.4 million or 6% lower than Q4FY17 as most country showing a reduction of activity notably Malaysia and Bahrain. Operating profit also drop inline with revenue while GP margin at stable at 18.0% against Q4FY17.

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 (Cont'd)

EPCC segment also recorded a decrease of RM29.1 million against Q4FY17 or 23.6% lower against from both the domestic market as well as in UAE. Operating profit also drop RM20.4 million to RM15.2 million or 16.1% gross profit margin.

Other product and services recorded slight reduction of revenue but some improvement on the operating profit mainly due to better margin from our IT related services.

iii) Current period vs Corresponding period of the preceding year

	Revenue		Operating profit		Variance	
	Period Ended		Period Ended		Revenue	Operating Profit
	31/3/18	31/3/17	31/3/18	31/3/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	634,478	554,952	114,483	98,004	14.3	16.8
EPCC	94,364	56,472	15,225	9,319	67.1	63.4
Others	1,983	998	485	210	98.7	130.9
Group revenue/ operating profit	730,825	612,422	130,193	107,533	19.3	21.1
Corporate Expenses and Elimination			(33,675)	(26,323)		27.9
Profit before tax			96,518	81,210		18.8

The group year to date ("YTD") revenue recorded a total of RM730.8 million with operating profit at RM130.2 million or 17.8% of total revenue. All segments are showing an improved operating profit against the corresponding period of the preceding year. The group cumulative profit before tax improved to RM96.5 million, RM15.3 million higher than the corresponding period of the preceding year.

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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)

iv) Segmental Revenue by countries

	Individual Quarter		Cumulative Quarter	
	31/3/18	31/3/17	31/3/18	31/3/17
	RM'000	RM'000	RM'000	RM'000
Malaysia	200,705	193,803	200,705	193,803
Indonesia	4,106	18,822	4,106	18,822
Turkmenistan	44,218	-	44,218	-
India	-	-	-	-
Bahrain	51,949	94,489	51,949	94,489
UAE	163,992	32,334	163,992	32,334
Qatar	157,279	129,662	157,279	129,662
Oman	17,713	30,585	17,713	30,585
Kingdom of Saudi Arabia	77,850	93,942	77,850	93,942
Kuwait	12,497	18,371	12,497	18,371
United Kingdom	516	415	516	415
Total	730,825	612,423	730,825	612,423

On geographical segmentation, Malaysia remained as the biggest revenue contributor by country recording a total of RM200.7 million for Q1FY17 or 27.5% of total revenue recording some slight improvement against Q1FY17.

The Middle East region continue to be the highest contributor of revenue for the group on a regional level. Middle East contributed 65.9% of the overall revenue for the quarter or RM481.3 million, an increase of RM81.9 million against Q1FY17. The increase mainly from higher activity in UAE from additional new contracts as well as Qatar due to higher call up activity. The Majority of the revenue from Middle East region is from O&M services.

Our Central Asia region also showing a growth mainly in Turkmenistan which contributed 6.1%, of revenue for the quarter respectively, or RM44.2 million. Indonesia contributed 0.6% of total revenue for the quarter or RM4.1 million and Europe contributed RM0.5 million of revenue from our two subsidiaries in United Kingdom namely Quantum Offshore Limited and Serba Dinamik International Limited.

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

B3. (a) Commentary on prospects

4Q2017 Malaysia GDP growth recorded at 5.9% with slightly lower than 3Q2017 of 6.2% while bringing the full year growth of 2017 at 5.9%. Private sector spending continued to be the main driver of growth. Global economic activity continued to expand at a strong pace as most major and emerging market economies registered growth rates which are close to the performance seen in the third quarter of 2017.

For 2018, growth is expected to remain favourable with domestic demand continuing to be the key driver of growth. This is also supported by continuing growth in the global market expected in 2018. IMF in their recent report are forecasting global growth to be at 3.9%, an increase of 0.2% for both 2018 and 2019.

On the Oil and Gas front, oil prices have been gaining momentum with the Brent Crude price are traded at USD75.49/bbl as at 7 May 2018. The increase was pushed up by a deepening economic crisis in Venezuela and assumption that United States will re-impose sanctions against Iran. The increase is not expected to continue as markets expect the price to gradually decline and stabilise around USD60/bbl.

With the positive outlook for 2018, the Group is expected to grow in tandem with the overall growth of the market domestically as well as internationally.

The Group recent acquisitions of companies are part of the Group intention to grow the business and adding value to our existing business operations. The companies acquired are complement or expansion of our product offerings as well as provide us with access into new segments and geographical market.

The acquisition of 49% stake in Al-Sagar Engineering Group LLC ("Al-Sagar") would enable the Group to firm-up our foothold in UAE by utilising the existing licenses available by the Company in both Oil & Gas sector as well as in Water & Utilities sector in UAE. It also enables the Group to gain access to the existing facility of the company in Mussafah, Abu Dhabi, UAE which specialised Pump Performance Testing.

The acquisition of 24.8% equity stake in CSE Global Limited ("CSE"), a company listed in Singapore Exchange (SGX) would provide the Group with an immediate stream of income as well as expanding our geographical footprint. CSE is a total integrated industrial automation, telecommunications and environmental solution mainly providing solution in oil & gas sector as well as in mining and infrastructure industries. The Company operates in 17 countries across the globe especially in countries which the Group are currently eyeing namely USA, Australia and New Zealand. This would enable the Group to expand our business in new territory through collaborations with the Company and pursue our vision to be a Global Integrated Engineering Service Provider.

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

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

Both acquisitions are expected to enhance the Group's financial position as well as profitability.

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 in future.

Sources:

- *BNM Quarterly Bulletin, Bank Negara Malaysia;*
- *OPEC Monthly Oil Market Report, OPEC;*
- *World Economic Outlook Update, IMF;*
- *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 Initial Public Offering on 8 February 2017

The gross proceeds from the Initial 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>Actual Utilisation</u>	
		<u>RM '000</u>	<u>%</u>	<u>RM '000</u>	<u>% Utilised</u>
Expansion of business and operational facilities	Within 12 to 36 months	300,000	73.7	147,545	49.2
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
Total gross proceeds		407,100	100.0	254,645	62.6

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

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)

(i) Utilisation of Proceeds from Initial Public Offering on 8 February 2017 (Cont'd)

Post Listing, we have utilised a total of RM254.6 million of the IPO proceeds out of which RM147.5 million was used for expansion of our business which among others:-

- i. Approximately RM70.0 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 RM30 million was utilised for acquiring our corporate office building in Selangor, Malaysia
- v. Approximately RM12.5 million was utilised for investment and acquisition

(ii) Utilisation of Proceeds from Private Placement on 30 January 2018

The gross proceeds from the Private Placement of RM427.20 million shall be utilised in the following manner:

Details of utilisation of proceeds	Estimated timeframe for utilisation	RM '000	%	Actual Utilisation	
				RM '000	% Utilised
Partial Development of Pengerang eco Industrial Park	Within 24 months	270,486	63.3	-	-
Partial Development of Pengerang International Commercial Centre	Within 24 months	38,301	9.0	-	-
Working capital for the EPCC work in Tanzania	Within 24 months	111,113	26.0	-	-
Estimated private placement expenses	Immediately	7,300	1.7	7,300	100
Total gross proceeds		427,200	100.0	7,300	1.7

The utilisation of the proceeds as disclosed above should be read in conjunction with the Announcement made by the Company dated 9 January 2018.

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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)

(iii) 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. All applications have been made accordingly and are currently pending approval from the relevant authorities as detailed below:

No.	Details	Status
1.	Lot 973, Block 26 Kemena Land District, Kidurong Industrial Estate, Bintulu, Sarawak	Application was submitted on 10 October 2017 and approval is expected to be obtained within 12 to 24 months from date of application.
2.	Lot 5845, Block 5 Kuala Baram Land District, Kuala Baram/ Lutong Road, Miri, Sarawak	Application was submitted on 19 September 2017 and approval is expected to be obtained within 12 to 24 months from date of application.
3.	Service centre on Lot No. 3B (1R1/05), Rancharan Light Industrial Estate, off Jalan Rancharan, Federal Territory of Labuan	Application was submitted on 20 December 2017 and approval is expected to be obtained within 12 to 24 months from date of application.
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 on 19 September 2017. The successful conversion of the land use from agricultural use to commercial use is expected to be obtained within 12 to 24 months. The company is currently operating under a provisional approval to operate for five years effective from 11 January 2016.

B5. Other Operating Income

The Group's Other Operating income as at 31 March 2018 are as follows:

	Individual Quarter		Cumulative Quarter	
	31/3/18 RM'000	31/3/17 RM'000	31/3/18 RM'000	31/3/17 RM'000
Grants	-	206	-	206
Foreign Exchange gain	319	34	319	34
Rental Income	2	72	2	72
Others	12	36	12	36
Total	333	348	333	348

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

B6. Trade Receivables

The Group's Trade Receivables Ageing analysis as at 31 March 2018 are as follows:

In RM'000	31/3/18		31/12/17	
	Amount RM'000	%	Amount RM'000	%
Not past due	753,279	88.2	770,162	87.5
0 – 30 days past due	10,220	1.2	303	0.0
31 – 120 days past due	2,712	0.4	13,152	1.5
Past due more than 120 days	5,377	0.6	11,934	1.4
Total Trade Receivables	771,588	90.4	795,551	90.4
Other Receivables	82,237	9.6	84,783	9.6
Total Trade & Other Receivables	853,825	100.0	880,334	100.0

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 31 March 2018 are as follows:

In RM'000	As at 31 st March 2018					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM Currency	Foreign Currency	RM Currency	Foreign Currency	RM Currency
Secured	3,616	18,590	365,096	278,111	368,712	296,701
Unsecured	-	-	-	-	-	-
In RM'000	As at 31 st December 2017					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM Currency	Foreign Currency	RM Currency	Foreign Currency	RM Currency
Secured	4,233	20,525	398,707	282,577	402,940	303,102
Unsecured	-	-	-	-	-	-

Financing/ Borrowings denominated in foreign currency are as follows:

Currency	31/3/18 RM'000	31/12/17 RM'000
USD	362,771	396,411
IDR	5,941	6,529



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

B7. Financing/ Borrowings (Cont'd)

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 31 March 2018.

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 first interim single-tier tax-exempt dividend of 1.90 sen per ordinary share in respect of the financial year ended 31 December 2018, to be paid on 29 June 2018. The entitlement date for the dividend payment is 13 June 2018.

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 13 June 2018 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 financial year ended 31 December 2018 is 1.90 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 31 December 2018 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	
	31/3/18	31/3/17	31/3/18	31/3/17
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	92,648	78,329	92,648	78,329
Weighted average number of ordinary shares	1,424,000	1,217,393	1,424,000	1,217,393
Basic and diluted earnings per ordinary share (sen)	6.51	6.43	6.51	6.43

B13. Profit for the period

This is arrived after (charging)/crediting

	Individual	Cumulative
	quarter ended	period
	31/3/18	31/3/18
	RM'000	RM'000
Finance income	1,261	1,261
Finance expense	(8,461)	(8,461)
Depreciation and amortization	18,472	18,472

By order of the Board

Shah Alam, Selangor Darul Ehsan
 23rd May 2018