



SERBA DINAMIK HOLDINGS BERHAD

(COMPANY NO: 1167905-P)

INCORPORATED IN MALAYSIA

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED
30 SEPTEMBER 2018**

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

1. Condensed Consolidated Statement of Profit or Loss and Comprehensive Income for the Quarter and Year-To-Date ended 30 September 2018

a. Consolidated Profit or loss and Comprehensive Income

	Individual quarter		Changes %	Cumulative quarter		Changes %
	Quarter ended 30/9/18	Quarter ended 30/9/17		Period ended 30/9/18	Period ended 30/9/17	
	RM'000	RM'000		RM'000	RM'000	
Revenue	770,222	653,323	17.9%	2,305,176	1,915,450	20.3%
Cost of sales/services	(638,150)	(540,337)		(1,903,134)	(1,578,794)	
Gross profit	132,072	112,986	16.9%	402,042	336,656	19.4%
Other operating income	2,130	20		5,679	4,810	
Administrative expenses	(22,215)	(20,540)		(76,989)	(62,681)	
Results from operating activities	111,987	92,466	21.1%	330,732	278,785	18.6%
Finance income	898	1,002		3,042	2,059	
Finance costs	(19,010)	(8,276)		(38,267)	(24,613)	
Net finance costs	(18,112)	(7,274)	149.0%	(35,225)	(22,554)	56.2%
Share of results of equity accounted associates	3,236	600		7,288	(915)	
Profit before tax	97,111	85,792	13.2%	302,795	255,316	18.6%
Tax expense	(14,700)	(18,783)		(23,842)	(28,106)	
Profit for the period	82,411	67,009	23.0%	278,953	227,210	22.8%
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	19,607	(8,849)		13,746	(29,668)	
Total comprehensive income for the period	102,018	58,160	75.4%	292,699	197,542	48.2%
Profit/(loss) for the period attributable to:						
Owners of the company	83,225	68,028		278,611	229,515	
Non-controlling interest	(814)	(1,019)		342	(2,305)	
Total profit for the period	82,411	67,009	23.0%	278,953	227,210	22.8%
Total comprehensive income/(loss) for the period attributable to:						
Owners of the company	102,859	59,244		292,639	199,830	
Non-controlling interest	(841)	(1,084)		60	(2,287)	
Total profit for the period	102,018	58,160	75.4%	292,699	197,543	48.2%

b. Earnings per share

	Individual quarter		Cumulative quarter	
	Quarter ended 30/9/18	Quarter ended 30/9/17	Period ended 30/9/18	Period ended 30/9/17
Basic/Diluted (sen)	5.67	5.10	19.16	17.71

2. Condensed Consolidated Statement of Financial Position as at 30 September 2018

	Unaudited	Audited
	At	At
	30/9/18	31/12/17
	RM'000	RM'000
Assets		
Property, plant and equipment	965,067	658,126
Investment in associates	287,202	44,128
Other investments	306	307
Intangible assets	7,256	6,987
Deferred tax assets	647	2,810
Total non-current assets	1,260,478	712,358
Inventories	947,588	577,762
Trade and other receivables	1,031,876	880,334
Deposit and prepayments	81,519	40,230
Current tax assets	3,535	487
Other investments	69,849	48,469
Cash and cash equivalents	347,428	300,778
Total current assets	2,481,795	1,848,060
Total assets	3,742,273	2,560,418
Equity		
Share capital	1,348,322	928,194
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	33,293	19,265
Other reserves	45,269	45,269
Retained earnings	1,021,474	825,833
Total equity attributable to owners of the company	2,013,649	1,383,852
Non-controlling interest	2,975	3,877
Total equity	2,016,624	1,387,729
Liabilities		
Deferred tax liabilities	23,707	15,636
Loans and borrowings	295,809	24,758
Employee benefits	577	592
Total non-current liabilities	320,093	40,986
Trade and other payables	614,175	423,366
Loan and borrowings	758,774	681,284
Current tax payable	32,607	27,053
Total current liabilities	1,405,556	1,131,703
Total liabilities	1,725,649	1,172,689
Total equity and liabilities	3,742,273	2,560,418
Net assets per share (RM)	1.37	1.04

3. **Condensed Consolidated Statement of Cash Flows for the Year-to-date ended 30 September 2018**

	Unaudited 30/9/18 RM'000	Unaudited 30/9/17 RM'000
Cash flow from operating activities		
Profit before tax	302,796	255,316
Adjustment for :		
Depreciation of property, plant and equipment	62,733	50,634
Unrealised foreign exchange loss	1,974	(677)
Share of (profit)/loss in associate	(7,288)	915
Finance income	(3,042)	(2,059)
Finance costs	38,267	24,613
Post-employment benefits	(15)	20
Operating profit before changes in working capital	395,425	328,762
Changes in working capital:		
Inventories	(366,990)	(177,492)
Trade and other receivables	(145,303)	34,444
Trade and other payables	191,686	(119,376)
Cash generated from operations	74,818	66,338
Interest paid	(253)	(152)
Tax paid	(11,103)	(18,134)
Net cash from operating activities	63,462	48,052
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(382,283)	(179,188)
Acquisition of subsidiaries	(2,004)	-
Interest received	3,042	2,059
Dividends received	10,415	-
Changes in term deposits pledged to banks	79,722	1,154
Decrease / (Increase) in other investments	(48,380)	1,976
Acquisition of intangible assets	(270)	-
Acquisition of associates	(246,201)	(34,000)
Advance to an associate	-	(57,700)
Net cash used in investing activities	(585,959)	(265,699)
Cash flow from financing activities		
Interest paid	(38,015)	(24,461)
Proceeds from issuance of ordinary shares	420,128	407,100
Net proceeds from loans and borrowings	354,402	(37,208)
Dividend paid to the shareholders of the company	(82,970)	(49,395)
Net cash from financing activities	653,545	296,036
Net increase in cash and cash equivalent	131,048	78,389
Effect of exchange rate fluctuation on cash held	0	0
Cash and cash equivalents at beginning of year	158,469	43,731
Cash and cash equivalents at end of year	289,517	122,120
Term deposits placed with licensed banks	112,164	154,202
Cash and bank balances	235,264	103,193
	347,428	257,395
Less: Bank overdrafts	(6,625)	(3,398)
Less: Deposits pledged	(51,286)	(131,877)
	289,517	122,120

4. **Condensed Consolidated Statement of Changes in Equity for the Year-to-date ended 30 September 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	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	-	-	14,028	-	-	14,028	(282)	13,746
Profit/ (Loss) for the period	-	-	-	-	278,611	278,611	342	278,953
Total comprehensive income for the period	-	-	14,028	-	278,611	292,639	60	292,699
Dividend to owners of the company	-	-	-	-	(82,970)	(82,970)	-	(82,970)
Disposal of a subsidiary	-	-	-	-	-	-	(962)	(962)
Transfer to other reserve	-	-	-	-	-	-	-	-
At 30 September 2018	1,348,322	(434,709)	33,293	45,269	1,021,474	2,013,649	2,975	2,016,624
At 31 December 2016	531,800	(434,709)	79,688	45,257	587,178	809,214	7,929	817,143
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 owners of the company	-	-	-	-	(49,395)	(49,395)	-	(49,395)
Transfer to other reserve	-	-	-	12	(12)	-	-	-
At 30 September 2017	928,194	(434,709)	50,002	45,269	767,286	1,356,042	5,641	1,361,683

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
Amendments to IC Interpretation 12, <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendments to IC Interpretation 20, <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
Amendments to IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020
Amendments to IC Interpretation 132, <i>Intangible Assets – Web Site Costs</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:

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.



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

A2. Changes in accounting policies (Cont'd)

(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.

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 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.



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

A8. Significant and subsequent events (Cont'd)

- ii) 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.
- iii) 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.
- iv) 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 100.0% of the issued share capital of KB Engineering for a total cash consideration of RM2,000,000.
- v) 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 49.0% 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.
- vi) 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.
- vii) On 19 July 2018, SDIL, a wholly owned subsidiary of the Company has acquired 51,806,000 ordinary shares representing 15.0% of Green & Smart Holdings PLC for a total cash consideration of approximately RM16,995,024.00.
- viii) On 10 August 2018, Serba Dinamik Holdings Berhad ("SDHB") has incorporated EMCO Holdings SA ("EH") as a company limited by shares. SDIL, a wholly owned subsidiary of the Company has subscribed 100 ordinary shares representing 100.0% of EMCO Holdings SA ("EH") for a total cash consideration of approximately RM401,349.00. EH has acquired 200 ordinary shares representing 20.0% of La Rapida SA for a total cash consideration of approximately RM6,020,230.00.
- ix) On 7 September 2018, Serba Dinamik International Limited ("SDIL"), a wholly owned subsidiary of the Company entered into a Share Purchase Agreement to acquire 450 and 6,000 ordinary shares representing 25% and 100% equity interest in Psicon BV and Psicon AVV for a total cash consideration of approximately RM1,929,400.00 and RM4,560,050.00 respectively.



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

A8. Significant and subsequent events (Cont'd)

- x) As at 2 October 2018, the Group has issued and finalized a Sukuk Wakalah programme, and raised approximately RM800 million for the purpose of general working capital and refinancing of existing debts with tenure of 5 and 10 years, payable semi-annually, and with maturity on 2023 and 2028 respectively.
- xi) On 16 October 2018, Serba Dinamik International Limited ("SDIL"), a wholly owned subsidiary of the Company entered into a Share Purchase Agreement to acquire 49% equity interest in OHP Ventures Incorporated for a total cash consideration of approximately RM3,325,200.00.
- xii) On 31 October 2018, Serba Dinamik Sdn Bhd ("SDSB") a wholly owned subsidiary of the Company entered into a Subscription Agreement to subscribe 366,013 ordinary shares of RM43.71 each representing approximately 42.26% equity interest in E&E Gas Sdn Bhd for a consideration of RM15,998,428.23. SDSB also subscribe 10,445,000 redeemable convertible preference shares of RM1.00 each for a consideration of RM10,445,000.00.

A9. Changes in the composition of the Group

On 24 August 2018, PT Kubic Gasco, subsidiaries of SDIL has:

- i) disposed 82% equity interest in PT Muaro Jambi Energi representing 8,200 shares to Nugroho Widiyantoro for consideration of IDR8,200,000,000.
- ii) dissolved of PT Delta Conusa Gas which is currently pending completion with respect to the court trial of company dissolution.

There were no other changes in the composition of the Group during the current financial period other than disclosed as above and 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 30th September 2018 are as follows: -

	RM'000
Land and Building	
Approved and contracted for	400,000

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 quarter	
	Quarter ended 30/9/18	Quarter ended 30/9/17	Period ended 30/9/18	Period ended 30/9/17
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
Malaysian Taxation	7,047	19,129	15,382	27,893
Foreign Taxation	177	127	502	1,789
Total Current Taxation	7,224	19,256	15,884	29,682
Deferred Taxation	7,476	(473)	7,959	(1,577)
Total Taxation	14,700	18,784	23,843	28,105

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 24.0% 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.

Based on recent Malaysian 2019 budget, the government has proposed abolishment of RM20,000 fixed amount of tax effective 1 January 2019. The Group is in the midst of assessing any potential impact of the new proposed regulation.

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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
	30/9/18	30/9/17	30/9/18	30/9/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	698,146	567,881	120,242	99,122	22.9	21.3
EPCC	69,159	84,055	11,152	13,400	(17.7)	(16.8)
Others	2,917	1,387	678	464	110.3	46.1
Group Revenue/ Operating Profit	770,222	653,323	132,072	112,986	17.9	16.9
Corporate Expenses and Elimination			(34,961)	(27,194)		28.6
Profit Before Tax			97,111	85,792		13.2

For the quarter ended 30 September 2018 ("Q3FY18"), the Group recorded revenue of RM770.2 million which was 17.9% higher than corresponding quarter of the preceding year ("Q3FY17") due to strong activities from O&M. The operating profit for the quarter stood at RM132.1 million or 17.1% of total revenue. The Group also recorded profit before taxation of RM97.1 million, 13.2% higher as compared to profit before taxation of RM85.8 million in Q3FY17.

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 90.6% of revenue in Q3FY18 with an increase of RM130.3 million or 22.9% against Q3FY17. The increase was due to higher activities from our MRO activity in Middle East region while IRM activity also showed some increase against Q3FY17. The segment recorded an improved operating profit of RM121.0 million or representing gross margin of 17.1%.

EPCC revenue recorded a total of RM69.2 million, lower by RM14.9 million against Q3FY17 and contributed 9.0% of the total revenue of the Group. EPCC activity was mainly derived from our water treatment plant project in Kuala Terengganu, hydro-power plant project in Kota Marudu Sabah as well as the chlor-alkali plant project in Tanzania. The segment recorded operating profit of RM11.2 million yielding a gross margin of 16.1%.

Other product and services recorded revenue of RM2.9 million or 0.4% 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
	30/9/18	30/6/18	30/9/18	30/6/18		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	698,146	722,606	120,242	126,316	(3.4)	(4.8)
EPCC	69,159	79,539	11,152	12,720	(13.1)	(12.3)
Others	2,917	1,984	678	740	47.0	(8.4)
Group revenue/ operating profit	770,222	804,129	132,072	139,776	(4.2)	(5.5)
Corporate Expenses and Elimination			(34,961)	(30,609)		14.2
Profit before tax			97,111	109,167		(11.0)

For quarter ended 30 September 2018, the Group recorded a decrease of revenue of 4.2% from immediate preceding quarter ("Q2FY18") mainly due to lower revenue O&M activity mainly from Middle East region due to seasonality factor and Central Asia region. Overall Operating profit stood at RM132.1 million, RM7.7 million or 5.5% lower against Q2FY18 in line with overall decrease in revenue.

O&M revenue decrease RM24.5 million or 3.4% lower than Q2FY18 as most countries showing a decrease of activity in Saudi Arabia, Qatar, Oman & Turkmenistan. Operating profit also decrease in line with revenue while GP margin reduced by 0.3%.

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 recorded a decrease of RM10.4 million or 13.0% lower against Q2FY18 from UAE activity through contract with New Thunder Technical Services. Operating profit also drop RM12.7 million to RM11.2 million or 16.1% gross profit margin.

Other product and services recorded improvement in revenue but showing lower operating profit mainly due to higher cost incurred 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
	30/9/18	30/9/17	30/9/18	30/9/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	2,055,229	1,661,309	361,039	292,952	23.7	23.2
EPCC	243,062	250,803	39,097	42,810	(3.1)	(8.7)
Others	6,885	3,338	1,904	894	106.3	113.0
Group revenue/ operating profit	2,305,176	1,915,450	402,042	336,656	20.3	19.4
Corporate Expenses and Elimination			(99,246)	(81,340)		22.0
Profit before tax			302,795	255,316		18.6

The group year to date ("YTD") revenue recorded a total of RM2,305.2 million with operating profit at RM402.0 million or 17.4% of total revenue. This is an improvement against same period last year of 20.3% and 19.4% for revenue and operating profit respectively. O&M and others segments are showing an improved operating profit against the corresponding period of the preceding year. The group cumulative profit before tax improved to RM302.8million, RM47.5 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	
	30/9/18	30/9/17	30/9/18	30/9/17
	RM'000	RM'000	RM'000	RM'000
Malaysia	219,608	201,762	641,589	553,070
Indonesia	33,920	32,170	49,618	92,371
Turkmenistan	37,989	47,116	141,098	99,547
India	-	504	-	504
Bahrain	103,944	69,027	225,414	256,048
UAE	171,321	55,635	513,221	135,012
Qatar	130,188	150,906	445,924	396,727
Oman	10,363	20,186	46,212	95,181
Kingdom of Saudi Arabia	54,504	45,987	219,329	220,641
Kuwait	164	28,899	12,697	63,643
Tanzania	7,282	-	7,282	-
United Kingdom	939	1,131	2,792	2,706
Total	770,222	653,323	2,305,176	1,915,450

On geographical segmentation, Malaysia remained as the biggest revenue contributor by country recording a total of RM219.6 million for Q2FY18 or 28.5% of total revenue recording improvement against Q3FY17.

The Middle East region continue to be the highest contributor of revenue for the group on a regional level. Middle East contributed 61.1% of the overall revenue for the quarter or RM470.5 million, an increase of RM99.8 million against Q3FY17. The increase mainly from higher activity in UAE from servicing more contracts as well as Bahrain due to higher call up activity. The Majority of the revenue from Middle East region is from O&M services.

Our Central Asia region contributed RM38.0 million in Turkmenistan which contributed 4.9%, of revenue for the quarter respectively. Indonesia contributed 4.4% of total revenue for the quarter or RM33.9 million and Europe contributed RM1.0 million of revenue from our two subsidiaries in United Kingdom namely Quantum Offshore Limited and Serba Dinamik International Limited.

During the quarter, Africa region through Tanzania also contributed RM7.3 million to the Group or 0.9% of current quarter revenue. This is coming from our EPCC contract for the development of 45 mtpd Chlor-Alkali plant in Kibaha District Coast Region in Tanzania.

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

B3. (a) Commentary on prospects

2Q2018 Malaysia GDP growth was lower at 4.5% (1Q2018 : 5.4%) due to commodity-specific shocks. Growth was slower on account of supply disruptions in the mining sector and lower agriculture production. The latter is due to supply constraints and adverse weather conditions. We have seen continued expansion in private sector activity and across major economic sectors.

IMF in their recent report forecasted global growth to be at 3.7%, a decrease of 0.2% for both 2018 and 2019. The revision was due to change in US trade measures against China, slower growth projections in Europe, as well as some emerging market and developing countries such as Argentina, Brazil, Iran and Turkey, reflecting tighter financial condition and geopolitical tensions.

On the Oil and Gas front, oil prices have declined with the Brent Crude price being traded at USD73.84/bbl. The decline was mainly due to concern on the ongoing global trade disputes would lower oil demand, the strengthening of US dollar, US stock builds and reported supply increases.

Global primary energy consumption grew strongly in 2017, led by natural gas and renewables, with coal's share of the energy mix continuing to decline. Natural gas consumption rose by 96 billion cubic metres (bcm), or 3%, the fastest since 2010. Consumption growth was driven by China (31 bcm), and the Middle East (28bcm). Global natural gas production increased by 131 bcm, or 4%, almost double the 10-year average growth rate.

Malaysia is the world's third-largest exporter of liquefied natural gas ("LNG"), the second-largest oil and natural gas producer in Southeast Asia, and strategically located amid important routes for seaborne energy trade. Petroleum and other liquids and natural gas are the primary energy sources consumed in Malaysia, with estimated consumption of 40% and 36%, respectively, in 2014. 82% of the country's natural gas demand is from Peninsular Malaysia. Natural gas is certainly a cleaner and more efficient alternative for industrial and electricity generation as compared to coal and heavy oil.

On 31 October 2018, the Group has acquired 42.26% equity stake in E&E Gas Sdn Bhd ("E&E") that would enable the Group to expand its asset ownership business model into the gas industry. The development of the LNG Terminal in Lumut, Perak will provide alternative solution for the distribution of gas in Peninsular Malaysia. Through the acquisitions, the Group are expected to grow domestically and internationally as well as to enhance the financial position and profitability.

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

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

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 results in future.

Sources:

- *BNM Quarterly Bulletin, Bank Negara Malaysia;*
- *OPEC Monthly Oil Market Report, OPEC;*
- *World Economic Outlook Update, IMF;*
- *Bloomberg and Reuters*
- *BP Statistical Review of World Energy June 2018*
- *Energy Information Administration*

(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>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	168,440	56.1
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	275,540	67.7

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)

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 RM275.5 million of the IPO proceeds out of which RM164.8 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 RM20.0 million was utilised for the establishment of a new facility and upgrading of existing facility in Johor Malaysia
- iii. Approximately RM15.0 million was utilised for upgrading our existing operational facilities in Malaysia and UAE
- iv. Approximately RM30.0 million was utilised for acquiring our corporate office building in Selangor, Malaysia
- v. Approximately RM33.4 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		% Utilised
			RM '000	%	
Partial Development of Pengerang eco Industrial Park	Within 24 months	270,486	63.3	29,879	11.0
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	25,624	23.1
Estimated private placement expenses	Immediately	7,300	1.7	7,300	100.0
Total gross proceeds		427,200	100.0	62,803	14.7

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

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)

(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. 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	CCC obtained
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 30 September 2018 are as follows:

	Individual quarter		Cumulative quarter	
	30/9/18 RM'000	30/9/17 RM'000	30/9/18 RM'000	30/9/17 RM'000
Foreign Exchange gain/(loss)	991	-	2,322	995
Rental Income	719	20	1,668	3,650
Gain on disposal of subsidiaries	-	-	818	-
Others	420	-	871	165
Total	2,130	20	5,679	4,810

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 30 September 2018 are as follows:

In RM'000	30/9/18		31/12/17	
	Amount RM'000	%	Amount RM'000	%
Not past due	900,035	87.2	770,162	87.5
0 – 30 days past due	11,794	1.1	303	0.0
31 – 120 days past due	3,653	0.4	13,152	1.5
Past due more than 120 days	14,415	1.4	11,934	1.4
Total Trade Receivables	929,897	90.1	795,551	90.4
Other Receivables	101,979	9.9	84,783	9.6
Total Trade & Other Receivables	1,031,876	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 30 September 2018 are as follows:

In RM'000	As at 30 th September 2018					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency
Secured	186,665	109,145	520,422	238,352	707,087	347,497
Unsecured	-	-	-	-	-	-
In RM'000	As at 31 st December 2017					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 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	30/9/18 RM'000	31/12/17 RM'000
USD	702,840	396,411
IDR	4,247	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. Significant related party transactions

(a) The following transactions were with companies/corporations in which certain directors have or are deemed to have substantial interest

Nature of transaction	Cumulative quarter	
	30/9/18 RM'000	30/9/17 RM'000
Contractor charges	8,262	4,537
Professional service charges	7,175	1,170
Revenue from operation and maintenance	162	(33)

(b) The following transactions were with associates

Nature of transaction	Cumulative quarter	
	30/9/18 RM'000	30/9/17 RM'000
Revenue from engineering, procurement, construction and commissioning project	(23,298)	(52,728)
Contract revenue	(47,778)	(42,906)

B9. 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.

B10. Material Impairment of Assets

There is no material impairment of assets by the Group for the period ended 30 September 2018.

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

B11. 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.

B12. Dividend

The Board of Directors has declared a second interim single-tier tax-exempt dividend of 1.65 sen per ordinary share in respect of the financial year ending 31 December 2018, to be paid on 27 December 2018. The entitlement date for the dividend payment is 13 December 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 December 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 ending 31 December 2018 is 5.70 sen per ordinary share.

B13. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per share at 30 September 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	
	30/9/18	30/9/17	30/9/18	30/9/17
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	83,225	68,028	278,611	229,515
Weighted average number of ordinary shares	1,468,500	1,335,000	1,454,319	1,296,229
Basic earnings per ordinary share (sen)	5.67	5.10	19.16	17.71

The Group has no potential dilutive ordinary shares in issue as at the end of the financial period and therefore, diluted earnings per share has not been presented.

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

B14. Profit for the period

This is arrived after (charging)/crediting

	Individual quarter ended	Cumulative quarter
	30/9/18	30/9/18
	RM'000	RM'000
Finance income	898	3,042
Finance expense	(19,010)	(38,267)
Depreciation and amortization	(23,386)	(62,733)

By order of the Board

Shah Alam, Selangor Darul Ehsan

27th November 2018