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 31st December 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 31st December 2018

a. Consolidated Profit or loss and Comprehensive Income

	Individual quarter			Cumulative quarter		
	Quarter ended 31/12/18 RM'000	Quarter ended 31/12/17 RM'000	Changes %	Period ended 31/12/18 RM'000	Period ended 31/12/17 RM'000	Changes %
Revenue	**977,998**	**806,868**	**21.2%**	**3,283,174**	**2,722,318**	**20.6%**
Cost of sales/services	(797,716)	(659,591)		(2,700,850)	(2,238,385)	
Gross profit	**180,282**	**147,277**	**22.4%**	**582,324**	**483,933**	**20.3%**
Other operating income	2,187	3,771		7,867	4,074	
Administrative expenses	(39,869)	(47,734)		(116,858)	(105,908)	
Results from operating activities	**142,600**	**103,314**	**38.0%**	**473,333**	**382,099**	**23.9%**
Finance income	9,492	1,076		12,535	3,135	
Finance costs	(23,855)	(12,458)		(62,122)	(37,071)	
Net finance costs	**(14,363)**	**(11,382)**	**26.2%**	**(49,587)**	**(33,936)**	**46.1%**
Share of results of equity accounted associates	3,018	(1,177)		10,306	(2,092)	
Profit before tax	**131,255**	**90,755**	**44.6%**	**434,052**	**346,071**	**25.4%**
Tax expense	(20,940)	(13,173)		(44,783)	(41,279)	
Profit for the period	**110,315**	**77,582**	**42.2%**	**389,269**	**304,792**	**27.7%**
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	97	(31,512)		13,844	(61,180)	
Total comprehensive income for the period	**110,412**	**46,070**	**139.7%**	**403,113**	**243,612**	**65.5%**
Profit/(loss) for the period attributable to:						
Owners of the company	109,292	78,572		387,904	308,087	
Non-controlling interest	1,023	(990)		1,365	(3,295)	
Total profit for the period	**110,315**	**77,582**	**42.2%**	**389,269**	**304,792**	**27.7%**
Total comprehensive income/(loss) for the period attributable to:						
Owners of the company	109,297	47,835		401,938	247,664	
Non-controlling interest	1,115	(1,765)		1,175	(4,052)	
Total profit for the period	**110,412**	**46,070**	**139.7%**	**403,113**	**243,612**	**65.5%**

b. Earnings per share

	Individual quarter		Cumulative quarter	
	Quarter ended 31/12/18	Quarter ended 31/12/17	Period ended 31/12/18	Period ended 31/12/17
Basic/Diluted (sen)	**7.44**	**5.89**	**26.61**	**23.59**

2. Condensed Consolidated Statement of Financial Position as at 31st December 2018

	Unaudited	Audited
	At 31/12/18	At 31/12/17
	RM'000	RM'000
Assets		
Property, plant and equipment	1,146,513	658,126
Investment in associates	314,648	44,128
Other investments	503	307
Intangible assets	6,404	6,987
Deferred tax assets	501	2,810
Total non-current assets	**1,468,569**	**712,358**
Inventories	848,250	577,762
Trade and other receivables	1,018,454	880,334
Deposit and prepayments	69,269	40,230
Current tax assets	3,634	487
Other investments	69,952	48,469
Cash and cash equivalents	760,791	300,778
Total current assets	**2,770,350**	**1,848,060**
Total assets	**4,238,919**	**2,560,418**
Equity		
Share capital	1,344,347	928,194
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	33,298	19,265
Other reserves	45,269	45,269
Retained earnings	1,106,536	825,833
Total equity attributable to owners of the company	**2,094,741**	**1,383,852**
Non-controlling interest	4,090	3,877
Total equity	**2,098,831**	**1,387,729**
Liabilities		
Deferred tax liabilities	32,879	15,636
Loans and borrowings	1,107,505	24,758
Employee benefits	643	592
Total non-current liabilities	**1,141,027**	**40,986**
Trade and other payables	359,678	423,366
Loan and borrowings	603,951	681,284
Current tax payable	35,432	27,053
Total current liabilities	**999,061**	**1,131,703**
Total liabilities	**2,140,088**	**1,172,689**
Total equity and liabilities	**4,238,919**	**2,560,418**
Net assets per share (RM)	**1.43**	**1.04**

3. Condensed Consolidated Statement of Cash Flows for the Year-to-date ended 31st December 2018

	Unaudited 31/12/18 RM'000	Audited 31/12/17 RM'000
Cash flow from operating activities		
Profit before tax	**434,051**	**346,071**
Adjustment for :		
Depreciation of property, plant and equipment	89,922	69,026
Unrealised foreign exchange (gain)/loss	(425)	14,320
Share of (profit)/loss in associate	(10,306)	2,092
Finance income	(12,535)	(3,135)
Finance costs	62,122	37,071
Post-employment benefits	51	100
Operating profit before changes in working capital	562,880	465,545
Changes in working capital:		
Inventories	(267,746)	(117,456)
Trade and other receivables	(113,510)	(184,334)
Trade and other payables	(63,486)	(59,982)
Cash generated from operations	**118,138**	**103,773**
Interest paid	(1,032)	(581)
Tax paid	(19,999)	(17,854)
Net cash from operating activities	**97,107**	**85,338**
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(586,686)	(256,530)
Interest received	12,535	3,135
Dividends received	10,539	-
Changes in term deposits pledged to banks	20,344	(7,840)
(Increase)/Decrease in other investments	(59,962)	3,977
Acquisition of intangible assets	583	(3,151)
Acquisition of associates	(270,753)	(34,000)
Advance to an associate	-	(59,700)
Net cash used in investing activities	**(873,400)**	**(354,109)**
Cash flow from financing activities		
Interest paid	(61,091)	(36,490)
Proceeds from issuance of ordinary shares	416,153	396,394
Net proceeds from loans and borrowings	206,463	96,735
Net proceeds from sukuk	798,990	-
Dividend paid to the shareholders of the company	(107,201)	(69,420)
Net cash from financing activities	**1,253,314**	**387,219**
Net increase in cash and cash equivalent	477,021	118,448
Effect of exchange rate fluctuation on cash held	-	(3,710)
Cash and cash equivalents at beginning of year	158,469	43,731
Cash and cash equivalents at end of year	**635,490**	**158,469**
Term deposits placed with licensed banks	232,632	148,661
Cash and bank balances	528,160	152,117
	760,792	300,778
Less: Bank overdrafts	(14,638)	(11,301)
Less: Deposits pledged	(110,664)	(131,008)
	635,490	**158,469**

4. Condensed Consolidated Statement of Changes in Equity for the Year-to-date ended 31st December 2018

	Attributable to owners of the company							
	Non distributable				Distributable			
	Share capital	**Merger reserve**	**Foreign currency translation reserve**	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31st 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	-	-	(60,423)	-	-	(60,423)	(757)	(61,180)
Profit/ (Loss) for the period	-	-	-	-	308,087	308,087	(3,295)	304,792
Total comprehensive income for the period	-	-	(60,423)	-	308,087	247,664	(4,052)	243,612
Dividend to owners of the company	-	-	-	-	(69,420)	(69,420)	-	(69,420)
Transfer to other reserve	-	-	-	12	(12)	-	-	-
At 31st December 2017	**928,194**	**(434,709)**	**19,265**	**45,269**	**825,833**	**1,383,852**	**3,877**	**1,387,729**
At 31st December 2017	928,194	(434,709)	19,265	45,269	825,833	1,383,852	3,877	1,387,729
Issue of ordinary share	416,153	-	-	-	-	416,153	-	416,153
Foreign currency translation differences for foreign operations	-	-	14,033	-	-	14,033	(190)	13,843
Profit/ (Loss) for the period	-	-	-	-	387,904	387,904	1,365	389,269
Total comprehensive income for the period	-	-	14,033	-	387,904	401,937	1,175	403,112
Dividend to owners of the company	-	-	-	-	(107,201)	(107,201)	-	(107,201)
Disposal of a subsidiary	-	-	-	-	-	-	(962)	(962)
Transfer to other reserve	-	-	-	-	-	-	-	-
At 31st December 2018	**1,344,347**	**(434,709)**	**33,298**	**45,269**	**1,106,536**	**2,094,741**	**4,090**	**2,098,831**

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, *Leases*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investment in Associates and Joint Ventures – Long term interest in Associates & Joint Ventures*	1 January 2019
IC Interpretation 23, *Uncertainty Over Income Tax Treatments*	1 January 2019
MFRS17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 10, *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*	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 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. The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is 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*.

MFRS 16 introduces a single on-balance sheet lease accounting model for leases. A lease recognises a right-of-use asset representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating 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.

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.

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)

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 cyclicality 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 other than disclosed in Note A8.

A8. Significant events during the financial year 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.

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.

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

A8. Significant events during the financial year and subsequent events (Cont'd)

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. Subsequently, on 22 November 2018, Serba Dinamik Group Bhd ("SDGB") a wholly owned subsidiary of the Company entered into a Share Sale Agreement to subscribe 34,537,581 ordinary shares representing approximately 10.00% equity interest in Green & Smart Holdings PLC for a consideration of RM13,000,000.00.

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 events during the financial year 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.

xiii) On 23 November 2018, Telegistics Asia Sdn Bhd ("TASB") a wholly owned subsidiary of the Company entered into a Share Sale Agreement to subscribe 175,000 ordinary shares representing approximately 70.00% equity interest in Materials Technology Education Sdn Bhd for a consideration of RM480,000.00.

xiv) On 5 December 2018, Serba Dinamik IT Solutions Sdn Bhd ("SDIT") a wholly owned subsidiary of the Company entered into a Share Sale Agreement to subscribe 251,152 ordinary shares representing approximately 30.00% equity interest in eNoah iSolution India Pvt. Ltd. for a consideration of approximately RM14,940,000.00.

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.

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

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 December 2018 are as follows: -

	RM'000
Land and Building	
Approved and contracted for	748,145

A12. Taxation

Taxation comprises the following:

	Individual quarter		Cumulative quarter	
	Quarter ended 31/12/18	**Quarter ended 31/12/17**	**Period ended 31/12/18**	**Period ended 31/12/17**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current Taxation:				
Malaysian Taxation	11,438	12,414	26,820	40,307
Foreign Taxation	334	(1,601)	836	188
Total Current Taxation	**11,772**	**10,813**	**27,656**	**40,495**
Deferred Taxation	9,168	2,360	17,127	784
Total Taxation	**20,940**	**13,173**	**44,783**	**41,279**

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.

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
	31/12/18	31/12/17	31/12/18	31/12/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	873,321	681,388	163,280	126,660	28.2	28.9
EPCC	103,750	123,469	16,803	20,233	(16.0)	(16.9)
Others	927	2,011	199	384	(53.9)	(48.2)
Group Revenue/ Operating Profit	**977,998**	**806,868**	**180,282**	**147,277**	**21.2**	**22.4**
Corporate Expenses and Elimination			(49,027)	(56,522)		(13.3)
Profit Before Tax			**131,255**	**90,755**		**44.6**

For the quarter ended 31 December 2018 ("**Q4FY18**"), the Group recorded revenue of RM978.0 million which was 21.2% higher than corresponding quarter of the preceding year ("**Q4FY17**") due to strong activities from O&M. The operating profit for the quarter stood at RM180.3 million or 18.4% of total revenue. The Group also recorded profit before taxation of RM131.3 million, 44.6% higher as compared to profit before taxation of RM90.8 million in Q4FY17.

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 89.3% of revenue in Q4FY18 with an increase of RM191.9 million or 28.2% against Q4FY17. The increase was due to higher activities from our MRO activity in middle east region such as Qatar, UAE & Bahrain while IRM activity also showed some slight decline against Q4FY17. The segment recorded an improved operating profit of RM163.3 million which represents a gross margin of 18.7%.

EPCC revenue recorded a total of RM103.8 million, lower by RM19.7 million against Q4FY17 and contributed 10.6% of the total revenue of the Group. Declined in EPCC activity was mainly due to lesser call out for project with New Thunder Technical Services in UAE, Konsortium Amanie JV Sdn Bhd and Sarawak Shell Berhad in Malaysia. The decline in EPCC revenue was partially offsetted by an increased in revenue from Chlor-Alkali plant project in Tanzania. Nevertheless, the segment still recorded an operating profit of RM16.8 million yielding a gross margin of 16.2%.

Other product and services recorded revenue of RM0.9 million or 0.1% 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**
	31/12/18	**30/9/18**	**31/12/18**	**30/9/18**		
	RM'000	**RM'000**	**RM'000**	**RM'000**	**%**	**%**
Business Segments:						
O&M	873,321	698,146	163,280	120,242	25.1	35.8
EPCC	103,750	69,159	16,803	11,152	50.0	50.7
Others	927	2,917	199	678	(68.2)	(70.6)
Group revenue/ operating profit	**977,998**	**770,222**	**180,282**	**132,072**	**27.0**	**36.5**
Corporate Expenses and Elimination			(49,027)	(34,961)		40.2
Profit before tax			**131,255**	**97,111**		**35.2**

For quarter ended 31 December 2018, the Group recorded an increased of revenue of 27.0% from immediate preceding quarter ("Q3FY18") mainly due to higher revenue O&M activity mainly from middle east, central asia, and south east asia region due to higher call out. Overall Operating profit stood at RM180.3 million, a difference of RM48.2 million or 36.5% higher against Q3FY18 in line with the overall increased in revenue.

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)

O&M revenue increased by RM175.2 million or 25.1% higher than Q3FY18 as some countries showed a significant increased in activity, namely Qatar, Turkmenistan & Malaysia. Operating profit also increased in line with revenue and GP margin improved by 1.5%.

EPCC revenue recorded an increase of RM34.6 million or 50.0% higher against Q3FY18 which is mainly derived from our contract with New Thunder Technical Services in UAE and Sufini Holdings Ltd in Tanzania. Operating profit also recorded an increase from RM11.1 million in Q3FY18 to RM16.8 million in Q4FY18 resulting in 16.2% increase in gross profit margin.

Other product and services recorded a reduction in revenue and slight decrease in operating profit mainly due to higher costs 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**
	31/12/18	**31/12/17**	**31/12/18**	**31/12/17**		
	RM'000	**RM'000**	**RM'000**	**RM'000**	**%**	**%**
Business Segments:						
O&M	2,928,551	2,342,698	524,320	419,613	25.0	25.0
EPCC	346,811	374,271	55,901	63,042	(7.3)	(11.3)
Others	7,812	5,349	2,103	1,278	46.0	64.6
Group revenue/ operating profit	**3,283,174**	**2,722,318**	**582,324**	**483,933**	**20.6**	**20.3**
Corporate Expenses and Elimination			(148,272)	(137,862)		7.6
Profit before tax			**434,052**	**346,071**		**25.4**

The group's year to date ("YTD") revenue recorded a total of RM3,283.2 million with operating profit at RM582.3 million or 17.7% of total revenue. This is an improvement against the same period last year with 20.6% and 20.3% for revenue and operating profit respectively. O&M have shown a revenue increase of 25.0% mainly from the middle east region as well as from central asia region. O&M operating profit also showed an increase of 25.0% against the corresponding period of the preceding year.

Other product & services also showed a revenue increase of RM2.5 million or 46.0% while operating profit improved by RM0.8 million or 64.6% increase against the corresponding period of the preceding year. However EPCC's revenue declined due to slower activity in Malaysia and UAE but was partially offsetted against higher revenue from the development of chlor-alkali plant in Tanzania.

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 (Cont'd)

Despite the increase in the corporate expense and elimination year on year, the group's cumulative profit before tax improved to RM434.1 million, RM88.0 million higher than the corresponding period of the preceding year.

iv) Segmental Revenue by countries

	Individual quarter		Cumulative quarter	
	31/12/18	**31/12/17**	**31/12/18**	**31/12/17**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	278,660	316,020	920,250	869,095
Indonesia	20,780	8,702	70,399	101,073
Turkmenistan	98,416	40,375	239,514	139,923
Kazakhstan	1,789	-	1,789	-
India	-	-	-	499
Bahrain	101,790	85,163	327,204	341,211
UAE	161,699	154,651	674,919	289,663
Qatar	235,320	93,951	681,244	491,372
Oman	552	23,204	46,764	118,385
Kingdom of Saudi Arabia	55,669	83,027	274,998	303,668
Kuwait	152	-	12,848	62,949
Tanzania	22,539	-	29,821	-
United Kingdom	632	1,775	3,424	4,480
Total	**977,998**	**806,868**	**3,283,174**	**2,722,318**

On geographical segmentation, Malaysia remained as the biggest revenue contributor by country, recording a total of RM278.7 million for Q4FY18 or 28.5% of total revenue despite recording a fall against Q4FY17. The fall in revenue is mainly contributed by lesser call out works for O&M and a slow down in EPCC activity.

The middle east region continued to be the highest revenue contributor for the group at regional level. Middle east contributed 56.8% of the overall revenue for the quarter or RM555.2 million, an increase of RM115.2 million against Q4FY17. The increase was mainly contributed by higher call out activity in Qatar, Bahrain and UAE. However slower activity in Kingdom of Saudi Arabia, Oman and Kuwait resulted in lower revenue as compared to their middle east counter parts.

Our central asia region contributed RM100.2 million or 10.2% of total revenue for the Group, with the first revenue recognised from Kazakhstan amounting to RM1.8 million during the quarter while Turkmenistan contributed the balance. Indonesia contributed 2.1% of total revenue for the quarter or RM20.8 million and europe contributed RM0.6 million of revenue.

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)

Africa region through Tanzania contributed RM22.5 million to the Group or 2.3% of current quarter revenue. The revenue is derived from our EPCC contract for the development of 45 mtpd Chlor-Alkali plant in Kibaha District Coast region in Tanzania.

B3. (a) Commentary on prospects

Malaysia GDP recorded a sustained growth of 4.4% for 3Q2018 (2Q2018: 4.5%) supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, while public sector expenditure turned around to register a positive growth. The global economy continued to expand, but at a more moderate pace in the 3Q2018. While the US and UK GDP accelerated, most emerging economies recorded more moderate growth.

IMF in their recent report projected global growth to be at 3.5% in 2019 and 3.6% in 2020, a decrease of 0.2% and 0.1% for both 2019 and 2020. The revision was due to effects of tariff increases enacted in the United States and China, Germany following the introduction of new automobile fuel emission standards, Italy where concerns about sovereign and financial risks have weighted on domestic demand also weakening financial market sentiment as well as a contraction in Turkey now projected to be deeper than anticipated. Based on above facts, the economy in countries which the Group are focusing is still reasonably bullish.

On the Oil and Gas front, oil prices have declined with the Brent Crude price being traded at USD65.95/bbl. The decline was mainly due to weaker market fundamentals as the market focused on global oil supply, which rose faster than expected. Slowing global economic momentum amid US-China trade tensions and the prospect of lower global oil demand growth also weighed on oil prices.

Volatility of the oil price is expected to persist in 2019. However, global oil and gas development activities are expected to increase in the coming years, with operators aiming to move forward to develop new offshore fields, particularly those located in deep waters. This development brings about significant opportunities for Oil & Gas Services and Equipment ("OGSE") companies, in particular subsea, drilling, and **maintenance, repair and overhaul** (MRO) players.

On the domestic front, activities are expected to pick up in 2019, as seen in the PETRONAS Activity Outlook Report for 2019-2021. The report projects a rise in some segments of upstream oil and gas, such as drilling rigs and supporting services, as well as base activities in maintenance for both onshore and offshore facilities. Malaysia also has a considerable number of assets that have been operating beyond 40 years. This presents interesting growth opportunities for OGSE players in the year ahead.

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

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

In addition, market anticipate that more OGSE companies will look for opportunities to diversify into the downstream sector mainly in the MRO segment with the completion of PETRONAS' Pengerang Integrated Complex (PIC) in southern Johor.

For 2019, the Company is expecting to strengthen its position in middle east, south east asia and central asia region which have contributed to the company's earnings for the past years. With the penetration into Lao People's Democratic Republic ("Lao PDR"), more contribution is expected from the south east asia in 2019. 2018 has seen the Company expand to Africa in Tanzania and central asia in countries such as Turkmenistan, Kazakhstan and future growth in Uzbekistan. More contribution from these 2 regions is expected for 2019 as the Company looks to expand the presence in the market.

The Group is also looking into the prospect of Industry 4.0 by leveraging on technology and digitalisation. Our collaboration with Microsoft as well as acquisition of 30% stake in eNoah iSolution India Private Limited is expected to enhance our IT capabilities and moving towards Industry 4.0.

The Group is working towards becoming a one-stop solution service provider. Some of the acquisition made in 2018 was part of our initiative to achieve the goal. This include purchasing companies which can manufacture parts or equipment which is essential in providing engineering services. The Group are looking into turning this acquisition into a fruitful investment in future.

Overall, the management is optimistic about the prospects of the Group and of the view that the Group will continue to generate positive results in future.

Sources:

- *BNM Quarterly Bulletin, Bank Negara Malaysia;*
- *World Economic Outlook Update, IMF;*
- *OPEC Monthly Oil Market Report, OPEC;*
- *Malaysia Petroleum Resources Corporation FY2017*

(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.

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

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:

Details of utilisation of proceeds	Estimated timeframe for utilisation	RM '000	%	Actual Utilisation RM '000	% Utilised
Expansion of business and operational facilities	Within 12 to 36 months	300,000	73.7	196,828	65.6
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**	**303,928**	**74.7**

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 RM303.9 million of the IPO proceeds out of which RM196.8 million was used for expansion of our business as follows:-

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 RM61.8 million was utilised for investment and acquisition.

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) 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 ("PeIP")	Within 24 months	270,486	63.3	67,499	25.0
Partial Development of Pengerang International Commercial Centre ("PiCC")	Within 24 months	38,301	9.0	8,887	23.2
Working capital for the EPCC work in Tanzania	Within 24 months	111,113	26.0	27,760	25.0
Estimated private placement expenses	Immediately	7,300	1.7	7,300	100.0
Total gross proceeds		**427,200**	**100.0**	**111,446**	**26.1**

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	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 the date of application.
3.	Service centre on Lot No. 3B (1R1/05), Rancha-rancha Light Industrial Estate, off Jalan Rancha-rancha, Federal Territory of Labuan	Application was submitted on 20 December 2017 and approval is expected to be obtained within 12 to 24 months from the 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 Group has successfully obtained the approval from State Planning Authority on 16 January 2019.

B5. Other Operating Income

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

	Individual quarter		**Cumulative quarter**	
	31/12/18 RM'000	**31/12/17 RM'000**	**31/12/18 RM'000**	**31/12/17 RM'000**
Grants	-	3,394	-	3,394
Foreign Exchange gain	1,050	-	3,372	47
Rental Income	609	-	2,277	92
Gain on disposal of subsidiaries	-	-	818	-
Others	528	377	1,400	541
Total	**2,187**	**3,771**	**7,867**	**4,074**

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 31st December 2018 are as follows:

In RM'000	31/12/18		31/12/17	
	Amount RM'000	%	Amount RM'000	%
Not past due	949,897	93.2	770,162	87.5
0 – 30 days past due	2,991	0.3	303	0.0
31 – 120 days past due	6,857	0.7	13,152	1.5
Past due more than 120 days	17,245	1.7	11,934	1.4
Total Trade Receivables	976,990	95.9	795,551	90.4
Other Receivables	41,464	4.1	84,783	9.6
Total Trade & Other Receivables	**1,018,454**	**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 31st December 2018 are as follows:

In RM'000	As at 31st December 2018					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency
Secured	186,888	131,627	496,629	97,322	683,517	228,949
Unsecured	-	788,990	-	10,000	-	798,990
In RM'000	**As at 31st 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	-	-	-	-	-	-

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	31/12/18 RM'000	31/12/17 RM'000
USD	678,225	396,411
IDR	5,292	6,529

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

	Cumulative quarter	
Nature of transaction	**31/12/18 RM'000**	**31/12/17 RM'000**
Contractor charges	12,827	8,101
Professional service charges	4,377	9,333
Revenue from operation and maintenance	(6,610)	(3,999)

(b) The following transactions were with associates

	Cumulative quarter	
Nature of transaction	**31/12/18 RM'000**	**31/12/17 RM'000**
Revenue from engineering, procurement, construction and commissioning project	(29,888)	(53,332)
Contract revenue	(54,718)	(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 cost of operations 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's profitability.

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

B10. Material Impairment of Assets

There is no material impairment of assets by the Group for the period ended 31st December 2018.

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 have declared a fourth interim single-tier tax-exempt dividend of 2.30 sen per ordinary share in respect of the financial year ending 31 December 2018, to be paid on 28 March 2019. The entitlement date for the dividend payment is 14 March 2019.

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 14 March 2019 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 8.00 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 31st 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**	
	31/12/18	**31/12/17**	**31/12/18**	**31/12/17**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profitable attributable to ordinary shareholders	109,292	78,572	387,904	308,087
Weighted average number of ordinary shares	1,468,500	1,335,000	1,457,893	1,306,001
Basic earnings per ordinary share (sen)	**7.44**	**5.89**	**26.61**	**23.59**

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**
	31/12/18	**31/12/18**
	RM'000	**RM'000**
Finance income	9,492	12,535
Finance expense	(23,855)	(62,122)
Depreciation and amortization	(27,189)	(89,922)

By order of the Board

Shah Alam, Selangor Darul Ehsan
27th February 2019