



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

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS
FOR THE QUARTER AND PERIOD ENDED
30th June 2019**

(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 period ended 30th June 2019**

a. Consolidated Profit or loss and Comprehensive Income

	Individual quarter		Changes %	Cumulative quarter		Changes %
	Quarter ended 30/06/19	Quarter ended 30/06/18		Period ended 30/06/19	Period ended 30/06/18	
	RM'000	RM'000		RM'000	RM'000	
Revenue	1,138,621	804,129	41.6%	2,123,009	1,534,955	38.3%
Cost of sales/services	(941,070)	(664,353)		(1,747,081)	(1,264,985)	
Gross profit	197,551	139,776	41.3%	375,928	269,970	39.2%
Other operating income	806	3,216		3,334	3,550	
Administrative & other operating expenses	(29,843)	(27,105)		(65,174)	(54,775)	
Results from operating activities	168,514	115,887	45.4%	314,088	218,745	43.6%
Finance income	10,288	884		11,880	2,144	
Finance costs	(37,548)	(10,797)		(63,523)	(19,257)	
Net finance costs	(27,260)	(9,913)	175.0%	(51,643)	(17,113)	201.8%
Share of results of equity accounted associates	2,588	3,193		5,881	4,053	
Profit before tax	143,842	109,167	31.8%	268,326	205,685	30.5%
Tax expense	(12,689)	(5,359)		(24,795)	(9,143)	
Profit for the period	131,153	103,808	26.3%	243,531	196,542	23.9%
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	11,805	30,963		2,898	(5,861)	
Share of other comprehensive income of equity accounted associates	(583)	-		(3,750)	-	
Total comprehensive income for the period	142,375	134,771	5.6%	242,679	190,681	27.3%
Profit/(loss) for the period attributable to:						
Owners of the company	130,444	102,738		242,594	195,387	
Non-controlling interest	709	1,070		937	1,155	
Total profit for the period	131,153	103,808	26.3%	243,531	196,542	23.9%
Total comprehensive income/(loss) for the period attributable to:						
Owners of the company	141,590	133,642		241,684	189,781	
Non-controlling interest	785	1,129		995	900	
Total profit for the period	142,375	134,771	5.6%	242,679	190,681	27.3%

b. Earnings per share

	Individual quarter		Cumulative quarter	
	Quarter ended 30/06/19	Quarter ended 30/06/18	Period ended 30/06/19	Period ended 30/06/18
Basic/Diluted (sen)	8.88	7.00	16.52	13.50

2. Condensed Consolidated Statement of Financial Position as at 30th June 2019

	Unaudited	Audited
	At	At
	30/06/19	31/12/18
	RM'000	RM'000
Assets		
Property, plant and equipment	1,484,489	1,273,090
Investment in associates	307,580	305,911
Other investments	503	503
Intangible assets	5,262	6,404
Deferred tax assets	286	501
Total non-current assets	1,798,120	1,586,409
Inventories	892,525	848,250
Contract assets	171,163	61,177
Trade and other receivables	1,222,994	957,277
Deposit and prepayments	136,008	67,265
Current tax assets	4,073	3,634
Other investments	50,291	69,952
Cash and cash equivalents	1,024,278	760,791
	3,501,332	2,768,346
Asset classified as held for sale	16,000	16,000
Total current assets	3,517,332	2,784,346
Total assets	5,315,452	4,370,755
Equity		
Share capital	1,344,347	1,344,347
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	22,249	23,159
Other reserves	45,269	45,269
Retained earnings	1,285,153	1,110,109
Total equity attributable to owners of the company	2,262,309	2,088,175
Non-controlling interest	5,550	4,090
Total equity	2,267,859	2,092,265
Liabilities		
Trade and other payables	32,176	55,183
Deferred tax liabilities	26,256	30,707
Loans and borrowings	2,178,156	1,107,505
Employee benefits	653	643
Total non-current liabilities	2,237,241	1,194,038
Trade and other payables	454,479	426,509
Contract liabilities	12,451	18,559
Loan and borrowings	306,134	603,951
Current tax payable	37,288	35,433
Total current liabilities	810,352	1,084,452
Total liabilities	3,047,593	2,278,490
Total equity and liabilities	5,315,452	4,370,755
Net assets per share (RM)	1.54	1.42

3. **Condensed Consolidated Statement of Cash Flows for the period ended 30th June 2019**

	Unaudited 30/06/19 RM'000	Unaudited 30/06/18 RM'000
Cash flow from operating activities		
Profit before tax	268,326	205,685
Adjustment for :		
Depreciation of property, plant and equipment	62,323	39,348
Amortisation of intangible assets	1,142	-
Unrealised foreign exchange loss/(gain)	7,049	(1,057)
Share of (profit)/loss in associate	(5,882)	(4,053)
Finance income	(11,880)	(2,144)
Finance costs	63,523	19,257
Post-employment benefits	11	(7)
Loss on disposal of trade receivable	3,359	-
Share of other comprehensive income of associates	3,750	-
Operating profit before changes in working capital	391,721	257,029
Changes in working capital:		
Inventories	(44,424)	(65,719)
Trade and other receivables	(218,171)	(140,118)
Trade and other payables	75,551	(17,444)
Contract assets	(109,987)	-
Contract liabilities	(6,108)	-
Cash generated from operations	88,582	33,748
Interest paid	(1,187)	(142)
Tax paid	(27,551)	(4,968)
Net cash from operating activities	59,844	28,638
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(341,267)	(229,066)
Acquisition of subsidiaries	(342)	(2,004)
Interest received	5,810	2,144
Dividend received	5,762	-
Changes in term deposits pledged to banks	81,181	41,334
(Increase)/Decrease in other investments	(44,036)	(46,767)
Acquisition of intangible assets	-	(1,032)
Acquisition of associates	-	(205,598)
Advance to an associate	(54,758)	(3,600)
Net cash used in investing activities	(347,650)	(444,589)
Cash flow from financing activities		
Interest paid	(72,605)	(19,116)
Proceeds from issuance of ordinary shares	-	420,128
Net (repayment)/proceeds from loans and borrowings	(473,829)	253,817
Net proceed of Sukuk	1,253,453	-
Dividend paid to the shareholders of the company	(67,550)	(51,397)
Net cash (used in)/from financing activities	639,469	603,432
Net (decrease)/increase in cash and cash equivalents	351,663	187,481
Effect of exchange rate fluctuation on cash held	-	-
Cash and cash equivalents at beginning of year	631,514	158,469
Cash and cash equivalents at end of year	983,177	345,950
Term deposits placed with licensed banks	253,637	148,627
Cash and bank balances	770,641	293,704
	1,024,278	442,331
Less: Bank overdrafts	(7,643)	(6,706)
Less: Deposits pledged	(33,458)	(89,675)
	983,177	345,950

4. **Condensed Consolidated Statement of Changes in Equity for the period ended 30th June 2019**

	Attributable to owners of the company					Total	Non-controlling interest	Total equity
	Non distributable			Distributable				
	Share capital	Merger reserve	Foreign currency translation reserve	Other reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 31 st December 2017	928,194	(434,709)	19,265	45,269	825,833	1,383,852	3,877	1,387,729
Issue of ordinary share	427,200	-	-	-	-	427,200	-	427,200
Share issue expenses	(11,047)	-	-	-	-	(11,047)	-	(11,047)
Foreign currency translation differences for foreign operations	-	-	447	-	-	447	(189)	258
Share of other comprehensive income of an associate	-	-	3,447	-	-	3,447	-	3,447
Profit for the year	-	-	-	-	391,477	391,477	1,365	392,842
Total comprehensive income for the year	-	-	3,894	-	391,477	395,371	1,176	396,547
Dividend to owners of the company	-	-	-	-	(107,201)	(107,201)	-	(107,201)
Disposal of a subsidiary	-	-	-	-	-	-	(963)	(963)
At 31st December 2018	1,344,347	(434,709)	23,159	45,269	1,110,109	2,088,175	4,090	2,092,265
Foreign currency translation differences for foreign operations	-	-	2,840	-	-	2,840	58	2,898
Share of other comprehensive income of an associate	-	-	(3,750)	-	-	(3,750)	-	(3,750)
Profit for the period	-	-	-	-	242,594	242,594	937	243,531
Total comprehensive income for the period	-	-	(910)	-	242,594	241,684	995	242,679
Dividend to owners of the company	-	-	-	-	(67,550)	(67,550)	-	(67,550)
Changes in non-controlling interest in subsidiary	-	-	-	-	-	-	465	465
At 30th June 2019	1,344,347	(434,709)	22,249	45,269	1,285,153	2,262,309	5,550	2,267,859



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 2018.

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 2018 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 2019: -

- MFRS 16, *Leases*
- Amendments to MFRS 3, *Business Combinations*
- Amendments to MFRS 9, *Financial Instruments*
- Amendments to MFRS 11, *Joint Arrangements*
- Amendments to MFRS 112, *Income Taxes*
- Amendments to MFRS 119, *Employee Benefits*
- Amendments to MFRS 123, *Borrowing Costs*
- Amendments to MFRS 128, *Investments in Associates*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

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
Amendments to MFRS 3, <i>Business Combinations (Definition of a Business)</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material</i>	1 January 2020
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be Confirmed



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

A2. Changes in accounting policies (Cont'd)

The Group plans to apply from the annual period beginning on 1 January 2020 for the accounting standard that is effective for annual periods beginning on or after 1 January 2020. 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.

(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.

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.



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

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 2018.

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 other than disclosed in Note A8.

A8. Significant events during the financial year and subsequent events

On 9 May 2019, the Group has issued and finalized a Sukuk Wakalah programme, and raised approximately USD300 million for the purpose of general working capital and refinancing of existing debts with tenure of 3 years, payable semi-annually, and with maturity on 2022.

A9. Changes in the composition of the Group

- i) On 15 March 2019, the Group via SDSB, a wholly owned subsidiary of the Company has subscribed 1,000,000 ordinary shares representing 100% shareholding in SG Rek Sdn Bhd ("SGR") for a total cash consideration of approximately RM8,000,000.
- ii) On 5 April 2019, the Group via SDIT, a wholly owned subsidiary of the Company has subscribed 250,000 ordinary shares representing 100% shareholdings in SDIT International Ltd ("SDITIL") for a cash consideration of USD250,000.
- iii) On 8 July 2019, the Group via SDGB, a wholly owned subsidiary of the Company has incorporated a company known as Bintulu Oil & Gas City Sdn Bhd.
- iv) On 9 July 2019, the Group via SDIL, a wholly owned subsidiary of the Company has subscribed 13,111 ordinary shares representing 22.5% shareholding in Geppert Hydropower ("Geppert") for a total cash consideration of EUR5,000,000.



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 2018.

A11. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment as 30th June 2019 are as follows: -

	RM'000
Land and Building	
Approved and contracted for	542,271

A12. Taxation

Taxation comprises the following:

	Individual quarter		Cumulative quarter	
	Quarter ended 30/06/19	Quarter ended 30/06/18	Period ended 30/06/19	Period ended 30/06/18
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
Malaysian Taxation	17,408	4,334	28,952	8,335
Foreign Taxation	258	305	663	325
Total Current Taxation	17,666	4,639	29,615	8,660
Deferred Taxation	(4,977)	720	(4,820)	483
Total Taxation	12,689	5,359	24,795	9,143

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.

Based on recent Malaysian 2019 budget, the government has gazetted abolishment of election to pay tax of RM20,000 per annum effective 1 January 2019. The rate of tax imposed on Labuan business activities is 3% of net profits.

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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
	30/06/19	30/06/18	30/06/19	30/06/18		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	951,653	722,606	168,738	126,316	31.7	33.6
EPCC	147,183	79,539	22,005	12,720	85.0	73.0
Others	39,785	1,984	6,808	740	1,905.0	820.0
Group Revenue/ Operating Profit	1,138,621	804,129	197,551	139,776	41.6	41.3
Corporate Expenses and Elimination			(53,709)	(30,609)		75.5
Profit Before Tax			143,842	109,167		31.8

For the quarter ended 30 June 2019 ("Q2FY19"), the Group recorded revenue of RM1,138.6 million which was 41.6% higher than corresponding quarter of the preceding year ("Q2FY18") due to strong activities from O&M. The operating profit for the quarter stood at RM197.6 million or 17.4% of total revenue. The Group also recorded profit before taxation of RM143.8 million, 31.8% higher as compared to profit before taxation of RM109.2 million in Q2FY18.

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 contributed 83.6% of revenue in Q2FY19 with an increase of RM229.0 million or 31.7% against Q2FY18. The increase was due to higher activities from our MRO activity in Malaysia, Indonesia and middle east region such as Qatar, UAE & Bahrain while IRM activity showed some slight decline against Q2FY18. The segment recorded an improved operating profit of RM168.7 million which represents a gross margin of 17.7%.

EPCC revenue recorded a total of RM147.2 million, increased by RM67.6 million against Q2FY18 and contributed 12.9% of the total revenue of the Group. Increased revenue from EPCC segment was mainly derived from our chlor-alkali plant in Tanzania. The segment recorded an operating profit of RM22.0 million yielding a gross margin of 15.0%.

Other product and services recorded revenue of RM39.8 million or 3.5% of the total revenue. This was mainly derived from the provision of IT related services which relating to customize solutions involving software developments in country such as Qatar & India.

ii) Current quarter vs immediate preceding quarter

	Revenue		Operating profit		Variance	
	Quarter ended		Quarter ended		Revenue	Operating Profit
	30/06/19	31/03/19	30/06/19	31/03/19		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	951,653	858,731	168,738	157,809	10.8	6.9
EPCC	147,183	111,226	22,005	17,248	32.3	27.6
Others	39,785	14,430	6,808	3,319	175.7	105.1
Group revenue/ operating profit	1,138,621	984,387	197,551	178,376	15.7	10.8
Corporate Expenses and Elimination			(53,709)	(53,891)		(0.3)
Profit before tax			143,842	124,485		15.5

For quarter ended 30 June 2019, the Group recorded an increase of revenue of 15.7% from immediate preceding quarter ("Q1FY19") mainly due to increase revenue from other product and services and also EPCC revenue with higher contribution from our chlor-alkali plant project in Tanzania. Overall Operating profit stood at RM197.6 million, a difference of RM19.2 million or 10.8% higher against Q1FY19.

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 RM92.9 million or 10.8% higher than Q1FY19 as some countries showed a significant increase in activity, namely Qatar, Saudi Arabia, Bahrain & Malaysia. Operating profit increased in line with revenue however GP margin reduced by 0.7%.

EPCC revenue recorded an increase of RM36.0 million or 32.3% higher against Q1FY19 which is mainly derived from our contract with Msufini (T) Limited in Tanzania and One Power River Sdn. Bhd. in Malaysia. Operating profit also recorded an increase from RM17.2 million in Q1FY19 to RM22.0 million in Q2FY19 resulting in 15.0% of gross profit margin.

Other product and services recorded an improved in revenue and higher in operating profit mainly due to better margin from our IT related services.

iii) Current period vs Corresponding period of the preceding year

	Revenue		Operating profit		Variance	
	Period ended		Period ended		Revenue	Operating Profit
	30/06/19	30/06/18	30/06/19	30/06/18		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	1,810,385	1,357,085	326,547	240,798	33.4	35.6
EPCC	258,410	173,903	39,253	27,946	48.6	40.5
Others	54,214	3,967	10,128	1,226	1,266.5	726.2
Group revenue/ operating profit	2,123,009	1,534,955	375,928	269,970	38.3	39.2
Corporate Expenses and Elimination			(107,602)	(64,285)		67.4
Profit before tax			268,326	205,685		30.5

The group's year to date ("YTD") revenue recorded a total of RM2,123.0 million with operating profit at RM375.9 million or 17.7% of total revenue. This is an improvement against the same period last year with 38.3% and 39.2% for revenue and operating profit respectively. O&M have shown an increase in revenue of 33.4% mainly from middle east region, Malaysia as well as Indonesia. O&M operating profit also showed an increase of 35.6% against the corresponding period of the preceding year.

EPCC and other product & services also showed an increase in revenue of RM84.5 million and RM50.2 million or 48.6% and 1,266.5% respectively. The operating profit for both business segments also improved by RM11.3 million and RM8.9 or 40.5% and 726.2% increase against the corresponding period of the preceding year.

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 expenses and elimination year on year, the group's cumulative profit before tax improved to RM268.3 million, RM62.6 million higher than the corresponding period of the preceding year.

iv) Segmental Revenue by countries

	Individual quarter		Cumulative quarter	
	30/06/19	30/06/18	30/06/19	30/06/18
	RM'000	RM'000	RM'000	RM'000
Malaysia	338,479	234,600	645,365	435,306
Indonesia	53,356	11,593	99,033	15,699
Laos	3,194	-	10,928	-
South East Asia	395,029	246,193	755,326	451,005
Turkmenistan	20,613	58,890	58,300	103,108
India	10,732	-	14,004	-
Uzbekistan	916	-	916	-
Central Asia	32,261	58,890	73,220	103,108
Bahrain	96,408	69,520	179,819	121,470
UAE	193,717	177,907	410,042	341,900
Qatar	293,372	158,457	520,728	315,736
Oman	-	18,136	-	35,849
Kingdom of Saudi Arabia	76,655	73,652	130,899	151,501
Kuwait	12,494	37	12,494	12,533
Middle East	672,646	497,709	1,253,982	978,989
Tanzania	37,829	-	39,349	-
United Kingdom	856	1,337	1,132	1,853
Total	1,138,621	804,129	2,123,009	1,534,955

On geographical segmentation, Malaysia remained as the biggest revenue contributor by country, recording a total of RM338.5 million for Q2FY19 or 29.7% of total revenue recording an improvement against Q2FY18. The improvement in revenue is mainly contributed by higher call out works for O&M and EPCC activity.

The middle east region continued to be the highest revenue contributor for the group at regional level. Middle east contributed 59.1% of the overall revenue for the quarter or RM672.6 million, an increase of RM174.9 million against Q2FY18. The increase was mainly contributed by higher call out activity in Qatar, Bahrain & UAE.

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)

Our central asia region contributed RM32.3 million or 2.8% of total revenue for the Group, with the revenue recognised from Turkmenistan amounting to RM20.6 million during the quarter while India contributed RM10.7 million. The quarter also mark the first contribution from the country of Uzbekistan for central asia region worth of RM0.9 million. Indonesia contributed 4.7% of total revenue for the quarter or RM53.4 million and Europe contributed RM0.9 million of revenue.

South east asia region through Laos continue to contribute revenue of RM3.2 million to the Group or 0.3% of current quarter which derived from our EPCC contract for the development of 30MW hydropower plants in Huoaphan Province, Laos.

B3. (a) Commentary on prospects

Malaysia GDP recorded a moderate growth of 4.5% for 1Q2019 (4Q2018: 4.7%) driven mainly by the expansion in domestic demand. Domestic demand remained the key driver of growth driven by firm household spending amid weaker capital expenditure. The global economy expansion continued in the 1Q2019. With the exception of the US and the UK, many advanced and regional economies recorded a sustained or slower pace of expansion during the quarter.

IMF in their recent report global growth is forecast at 3.2% in 2019 and 3.5% in 2020, a decrease of 0.1% for both 2019 and 2020 compared to April's World Economic Outlook. United States further increased tariffs on certain Chinese imports and China retaliated by raising tariffs on a subset of US imports. Additional escalation was averted following the June G20 summit. Global technology supply chains were threatened by the prospect of US sanctions, Brexit-related uncertainty continued, and rising geopolitical tensions roiled energy prices.

On the Oil and Gas front, oil prices dropped further after the US announced plans to impose tariffs on imports from Mexico. Oil prices registered higher volatility, particularly in late May, fuelled by uncertainty about the world economy and the impact on global oil demand. Oil futures declined severely on signs of slowing economic growth and growing concerns about the global economic and oil demand outlook amid intensifying trade tensions between the US and China.

Despite the volatility in the market, the Company still believe that maintenance works are required especially on the mid and downstream sector. Thus, the Company has been actively engaging and participate in various bidding to capture more market in the maintenance space.

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

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

Another sector that the company are now actively involve is the chlorine & caustic soda industry. The global caustic soda market is expected to grow from 74.62 million metrics tons in 2017 to 89.19 million metrics tons by 2022 at CAGR of 3.63%. Caustic soda is produced by the electrolysis of sodium chloride solution; the process yields chlorine and hydrogen as by-products. The strong alkaline nature of caustic soda enables its extensive use in the chemical, pharma, pulp and paper, surfactant, water treatment, and other industries. In addition, it finds applications in the production of alumina and in the textiles, oil and gas, pharmaceutical, and other industries, owing to its alkalinity value.

While global chlorine market is also expected to grow from USD28,662.9 million in 2016 to USD36,055.2 million by 2021 at CAGR of 4.70% due to its increasing use in industries such as pharmaceuticals and water treatment. There is a significant growth in the demand for its use in several other industries such as paper and pulp, chemical, and plastic. In addition, the rising demand for PVC in the construction, automotive, and composite manufacturing applications is anticipated to propel the demand for chlorine.

In line with this, the Group has entered into another engineering, procurement, construction and commissioning ("EPCC") contract with Hazarasp Chlor-Alkali LLC FC for 90 ton per day chlorine processing plant at Hazarasp Free Economic, Khorezm Region in Republic of Uzbekistan & 26 MW steam turbine independent power plant with a contract value of approximately USD250.3 million (equivalent to approximately RM1.05 billion based on USD1.00:RM4.1845). The Group expect to continue to strengthen position in central asia region as well as strengthening its capability in EPCC works.

The Group still foresee O&M business segment will remain as major revenue contributor for the Group in light with various new contracts win and renewal of existing contracts in the first half of this year. EPCC will continue to contribute considerably to the Group with the additional contract in hand. Overall, the management is positive about our future results and prospects of the Group.

Sources:

- *BNM Quarterly Bulletin, Bank Negara Malaysia;*
- *World Economic Outlook, IMF;*
- *Regional Economic Outlook, IMF;*
- *OPEC Monthly Oil Market Report, OPEC*
- *Global Caustic Soda Market 2018-2022*
- *Global Chlorine Market 2017-2021*



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

B3. (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	230,000	76.7
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	337,100	82.8

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 RM304.1 million of the IPO proceeds out of which RM230.9 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 RM95.0 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:

<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>
Partial Development of Pengerang eco Industrial Park ("PeIP")	Within 24 months	270,486	63.3	124,161	45.9
Partial Development of Pengerang International Commercial Centre ("PiCC")	Within 24 months	38,301	9.0	17,581	45.9
Working capital for the EPCC work in Tanzania	Within 24 months	111,113	26.0	68,647	61.8
Estimated private placement expenses	Immediately	7,300	1.7	7,300	100.0
Total gross proceeds		427,200	100.0	217,689	51.0

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

(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), Ranca-ranca Light Industrial Estate, off Jalan Ranca-ranca, 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

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)

(iv) Certificate of Completion and Compliance (“CCC”) (Cont'd)

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 30th June 2019 are as follows:

	Individual quarter		Cumulative quarter	
	30/06/19 RM'000	30/06/18 RM'000	30/06/19 RM'000	30/06/18 RM'000
Foreign Exchange gain	-	1,011	863	1,331
Rental Income	522	947	1,075	950
Gain on disposal of subsidiaries	-	824	-	824
Others	338	434	1,396	445
Total	806	3,216	3,334	3,550

B6. Trade Receivables

The Group's Trade Receivables Ageing analysis as at 30th June 2019 are as follows:

In RM'000	30/06/19		31/12/18	
	Amount RM'000	%	Amount RM'000	%
Not past due	1,005,245	82.2	896,524	93.7
0 – 30 days past due	110,139	9.0	2,991	0.3
31 – 120 days past due	12,345	1.0	6,857	0.7
Past due more than 120 days	24,893	2.0	17,245	1.8
Total Trade Receivables	1,152,622	94.2	923,617	96.5
Other Receivables	70,372	5.8	33,660	3.5
Total Trade & Other Receivables	1,222,994	100.0	957,277	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.

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

B7. Financing/ Borrowings

The Group's financing/ borrowings as at 30th June 2019 are as follows:

In RM'000	As at 30th June 2019					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency
Secured	4,416	151,297	179,756	96,378	184,172	247,675
Unsecured	1,232,229	790,214	-	30,000	1,232,229	820,214
In RM'000	As at 31 st 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

Financing/ Borrowings denominated in foreign currency are as follows:

Currency	30/06/19 RM'000	31/12/18 RM'000
USD	1,412,447	678,225
IDR	3,954	5,292

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.

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

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	
	30/06/19 RM'000	30/06/18 RM'000
Contractor charges	-	4,987
Professional service charges	1,941	2,299
Revenue from operation and maintenance	(11)	(22)

(b) The following transactions were with associates

Nature of transaction	Cumulative quarter	
	30/06/19 RM'000	30/06/18 RM'000
Revenue from engineering, procurement, construction and commissioning project	(6,108)	-
Contract revenue	(67,645)	(41,345)

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.

B10. Material Impairment of Assets

There is no material impairment of assets by the Group for the period ended 30th June 2019.

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.



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

B12. Dividend

The Board of Directors have declared a second interim single-tier tax-exempt dividend of 2.70 sen per ordinary share in respect of the financial year ending 31 December 2019, to be paid on 30 September 2019. The entitlement date for the dividend payment is 17 September 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 17 September 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 2019 is 5.00 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 30th June 2019 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	
	30/06/19	30/06/18	30/06/19	30/06/18
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	130,444	102,738	242,594	195,387
Weighted average number of ordinary shares	1,468,500	1,468,500	1,468,500	1,447,110
Basic earnings per ordinary share (sen)	8.88	7.00	16.52	13.50

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.

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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
	30/06/19	30/06/19
	RM'000	RM'000
Finance income	10,288	11,880
Finance expense	(37,548)	(63,523)
Depreciation and amortization	(33,676)	(63,465)

By order of the Board

Shah Alam, Selangor Darul Ehsan

22nd August 2019