



SERBA DINAMIK HOLDINGS BERHAD

(COMPANY NO: 1167905-P)
INCORPORATED IN MALAYSIA

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

a. Consolidated Profit or loss and Comprehensive Income

	Individual quarter		Changes %	Cumulative quarter		Changes %
	Quarter ended 30/09/19	Quarter ended 30/09/18		Period ended 30/09/19	Period ended 30/09/18	
	RM'000	RM'000		RM'000	RM'000	
Revenue	1,045,063	770,222	35.7%	3,168,072	2,305,176	37.4%
Cost of sales/services	(865,062)	(638,150)		(2,612,143)	(1,903,134)	
Gross profit	180,001	132,072	36.3%	555,929	402,042	38.3%
Other operating income	2,752	2,130		6,086	5,679	
Administrative & other operating expenses	(27,243)	(22,215)		(92,417)	(76,989)	
Results from operating activities	155,510	111,987	38.9%	469,598	330,732	42.0%
Finance income	4,000	898		15,880	3,042	
Finance costs	(30,807)	(19,010)		(94,330)	(38,267)	
Net finance costs	(26,807)	(18,112)	48.0%	(78,450)	(35,225)	122.7%
Share of results of equity accounted associates	8,681	3,236		14,563	7,288	
Profit before tax	137,384	97,111	41.5%	405,711	302,795	34.0%
Tax expense	(23,180)	(14,700)		(47,975)	(23,842)	
Profit for the period	114,204	82,411	38.6%	357,736	278,953	28.2%
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	20,774	19,607		23,672	13,746	
Share of other comprehensive income of equity accounted associates	2,370	-		(1,380)	-	
Total comprehensive income for the period	137,348	102,018	34.6%	380,028	292,699	29.8%
Profit/(loss) for the period attributable to:						
Owners of the company	113,163	83,225		355,758	278,611	
Non-controlling interest	1,041	(814)		1,978	342	
Total profit for the period	114,204	82,411	38.6%	357,736	278,953	28.2%
Total comprehensive income/(loss) for the period attributable to:						
Owners of the company	136,276	102,859		377,962	292,639	
Non-controlling interest	1,072	(841)		2,066	60	
Total profit for the period	137,348	102,018	34.6%	380,028	292,699	29.8%

b. Earnings per share

	Individual quarter		Cumulative quarter	
	Quarter ended 30/09/19	Quarter ended 30/09/18	Period ended 30/09/19	Period ended 30/09/18
Basic/Diluted (sen)	7.71	5.67	24.23	19.16

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

	Unaudited	Audited
	At	At
	30/09/19	31/12/18
	RM'000	RM'000
Assets		
Property, plant and equipment	1,705,782	1,273,090
Investment in associates	371,512	305,911
Other investments	4,653	503
Intangible assets	6,700	6,404
Deferred tax assets	255	501
Total non-current assets	2,088,902	1,586,409
Inventories	1,021,209	848,250
Contract assets	218,283	61,177
Trade and other receivables	1,135,113	957,277
Deposit and prepayments	99,366	67,265
Current tax assets	2,107	3,634
Other investments	51,615	69,952
Cash and cash equivalents	841,448	760,791
	3,369,141	2,768,346
Asset classified as held for sale	-	16,000
Total current assets	3,369,141	2,784,346
Total assets	5,458,043	4,370,755
Equity		
Share capital	1,344,347	1,344,347
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	45,363	23,159
Other reserves	45,269	45,269
Retained earnings	1,358,667	1,110,109
Total equity attributable to owners of the company	2,358,937	2,088,175
Non-controlling interest	6,762	4,090
Total equity	2,365,699	2,092,265
Liabilities		
Trade and other payables	20,063	55,183
Deferred tax liabilities	24,923	30,707
Loans and borrowings	2,176,590	1,107,505
Employee benefits	691	643
Total non-current liabilities	2,222,267	1,194,038
Trade and other payables	390,123	426,509
Contract liabilities	35,734	18,559
Loan and borrowings	391,999	603,951
Current tax payable	52,221	35,433
Total current liabilities	870,077	1,084,452
Total liabilities	3,092,344	2,278,490
Total equity and liabilities	5,458,043	4,370,755
Net assets per share (RM)	1.61	1.42

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

	Unaudited	Unaudited
	30/09/19	30/09/18
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	405,710	302,796
Adjustment for :		
Depreciation of property, plant and equipment	99,782	62,733
Amortisation of intangible assets	1,142	-
Unrealised foreign exchange loss/(gain)	6,599	1,974
Share of (profit)/loss in associate	(14,563)	(7,288)
Finance income	(15,880)	(3,042)
Finance costs	94,330	38,267
Post-employment benefits	49	(15)
Loss on disposal of trade receivable	4,816	-
Share of other comprehensive income of associates	1,380	-
Operating profit before changes in working capital	583,365	395,425
Changes in working capital:		
Inventories	(168,930)	(366,990)
Trade and other receivables	(137,137)	(145,303)
Trade and other payables	9,096	191,686
Contract assets	(157,106)	-
Contract liabilities	17,175	-
Cash generated from operations	146,464	74,818
Profit or interest paid	(1,362)	(253)
Tax paid	(35,241)	(11,103)
Net cash from operating activities	109,861	63,462
Cash flow from investing activities:		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(8,201)	(2,004)
Acquisition of property, plant and equipment	(594,644)	(382,283)
Proceeds from issuance of new shares to non-controlling interests	606	-
Interest received	11,892	3,042
Dividend received	10,606	10,415
Changes in term deposits pledged to banks	79,811	79,722
(Increase)/Decrease in other investments	(14,469)	(48,380)
Acquisition of intangible assets	-	(270)
Acquisition of associates	(42,022)	(246,201)
Advance to an associate	(44,981)	-
Net cash used in investing activities	(601,366)	(585,959)
Cash flow from financing activities		
Profit or interest paid	(103,238)	(38,015)
Proceeds from issuance of ordinary shares	-	420,128
Net (repayment)/proceeds from loans and borrowings	(383,190)	354,402
Net proceed of Sukuk	1,253,188	-
Dividend paid to the shareholders of the company	(107,200)	(82,970)
Net cash (used in)/from financing activities	659,559	653,545
Net (decrease)/increase in cash and cash equivalents	168,054	131,048
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	799,568	289,517
Term deposits placed with licensed banks	255,871	112,164
Cash and bank balances	585,577	235,264
	841,448	347,428
Less: Bank overdrafts	(7,052)	(6,625)
Less: Deposits pledged	(34,828)	(51,286)
	799,568	289,517

4. **Condensed Consolidated Statement of Changes in Equity for the period ended 30th September 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	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	-	-	23,584	-	-	23,584	88	23,672
Share of other comprehensive income of an associate	-	-	(1,380)	-	-	(1,380)	-	(1,380)
Profit for the period	-	-	-	-	355,758	355,758	1,978	357,736
Total comprehensive income for the period	-	-	22,204	-	355,758	377,962	2,066	380,028
Dividend to owners of the company	-	-	-	-	(107,200)	(107,200)	-	(107,200)
Issuance of share by subsidiaries	-	-	-	-	-	-	606	606
At 30th September 2019	1,344,347	(434,709)	45,363	45,269	1,358,667	2,358,937	6,762	2,365,699

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
Amendments to MFRS 9 <i>Financial Instruments</i> , MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7 <i>Financial Instruments: Disclosure – Interest Rate Benchmark Reform</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.

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 cyclicality of operations

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



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

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

The following are the corporate proposals announced but not completed as at 25 November 2019.

On 30 August 2019, the Group has announced and proposed following exercise:

- I. share split involving a subdivision of every two existing ordinary shares held on an entitlement date to be determined by the Board of Directors and announced at a later date into three shares;
- II. bonus issue of up to 881,100,000 new shares on the basis of two bonus shares for every five subdivided shares held on the same entitlement date as the proposed share split; and
- III. issuance of up to 881,000,000 free warrants on the basis of two warrants for every five subdivided shares held on the same entitlement date as the proposed share split.

The Extraordinary General Meeting was held on 18 November 2019 and the shareholders approved the proposed exercise. The completion of the proposals is expected to be in December 2019.

A8. Significant events during the financial year and subsequent events

On 9 May 2019, the Group via Serba Dinamik International Ltd, a wholly owned subsidiary of the Company, 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.



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

A9. Changes in the composition of the Group

- i) On 15 March 2019, the Group via Serba Dinamik Sdn Bhd, 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 Serba Dinamik IT Solutions Sdn Bhd, 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 20 May 2019, the Group via Serba Dinamik International Ltd, a wholly owned subsidiary of the Company, has signed sale share agreement to subscribed 23,400 ordinary shares representing 30.0% shareholding in OMT S.r.l ("OMT") for a total cash consideration of EUR1,235,520.
- iv) On 8 July 2019, the Group via Serba Dinamik Group Bhd, a wholly owned subsidiary of the Company, has incorporated a company known as Bintulu Oil & Gas City Sdn Bhd.
- v) On 9 July 2019, the Group via Serba Dinamik International Ltd, 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.

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 September 2019 are as follows: -

	RM'000
Land and Building	
Approved and contracted for	485,364

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 30/09/19	Quarter ended 30/09/18	Period ended 30/09/19	Period ended 30/09/18
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
Malaysian Taxation	24,525	7,047	53,477	15,381
Foreign Taxation	737	177	1,400	502
Total Current Taxation	25,262	7,224	54,877	15,883
Deferred Taxation	(2,082)	7,476	(6,902)	7,959
Total Taxation	23,180	14,700	47,975	23,842

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
	30/09/19	30/09/18	30/09/19	30/09/18		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	925,770	698,146	161,622	120,242	32.6	34.4
EPCC	106,688	69,159	16,219	11,152	54.3	45.4
Others	12,605	2,917	2,160	678	332.1	218.6
Group Revenue/ Operating Profit	1,045,063	770,222	180,001	132,072	35.7	36.3
Corporate Expenses and Elimination			(42,617)	(34,961)		21.9
Profit Before Tax			137,384	97,111		41.5

For the quarter ended 30 September 2019 ("Q3FY19"), the Group recorded revenue of RM1,045.1 million which was 35.7% higher than corresponding quarter of the preceding year ("Q3FY18") due to strong activities from O&M. The operating profit for the quarter stood at RM180.0 million or 17.2% of total revenue. The Group also recorded profit before taxation of RM137.4 million, 41.5% higher as compared to profit before taxation of RM97.1 million in Q3FY18.

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 88.6% of revenue in Q3FY19 with an increase of RM227.6 million or 32.6% against Q3FY18. The increase was due to higher activities from our MRO activity in middle east region such as Qatar, UAE & Kuwait, and Malaysia. IRM activity also showed higher growth against Q3FY18. The segment recorded an improved operating profit of RM161.6 million which represents a gross margin of 17.5%.

EPCC revenue recorded a total of RM106.7 million, increased by RM37.5 million against Q3FY18 and contributed 10.2% of the total revenue of the Group. Increased revenue from EPCC segment was mainly derived from our chlor-alkali plant in Tanzania and activity with New Thunder in UAE. The segment recorded an operating profit of RM16.2 million yielding a gross margin of 15.2%.

Other product and services recorded revenue of RM12.6 million or 1.2% 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
	30/09/19	30/06/19	30/09/19	30/06/19		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	925,770	951,653	161,622	168,738	(2.7)	(4.2)
EPCC	106,688	147,183	16,219	22,005	(27.5)	(26.3)
Others	12,605	39,785	2,160	6,808	(68.3)	(68.3)
Group revenue/ operating profit	1,045,063	1,138,621	180,001	197,551	(8.2)	(8.9)
Corporate Expenses and Elimination			(42,617)	(53,709)		(20.7)
Profit before tax			137,384	143,842		(4.5)

For quarter ended 30 September 2019, the Group recorded slight decrease of revenue of 8.2% from immediate preceding quarter ("Q2FY19") mainly due to decrease revenue from other product and services and EPCC activity. Overall Operating profit stood at RM180.0 million, a difference of RM17.6 million or 8.9% lower against Q2FY19.

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 decreased by RM25.9 million or 2.7% lower than Q2FY19 as some countries showed a decrease in activity, namely Saudi Arabia & Malaysia mainly due to seasonality factor. Operating profit decreased in line with lower revenue and GP margin reduced by 0.2%.

EPCC revenue recorded a decrease of RM40.5 million or 27.5% lower against Q2FY19 mainly due to lesser activity with Msufini (T) Limited in Tanzania and New Thunder in UAE. Operating profit recorded a decrease from RM22.0 million in Q2FY19 to RM16.2 million in Q3FY19 resulting in 15.2% of gross profit margin.

Other product and services recorded lesser revenue and lower in operating profit mainly due to lesser activity 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
	30/09/19	30/09/18	30/09/19	30/09/18		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	2,736,155	2,055,229	488,169	361,039	33.1	35.2
EPCC	365,098	243,062	55,472	39,097	50.2	41.9
Others	66,819	6,885	12,288	1,904	870.5	545.3
Group revenue/ operating profit	3,168,072	2,305,176	555,929	402,042	37.4	38.3
Corporate Expenses and Elimination			(150,218)	(99,247)		51.4
Profit before tax			405,711	302,795		34.0

The group's year to date ("YTD") revenue recorded a total of RM3,168.1 million with operating profit at RM555.9 million or 17.5% of total revenue. This is an improvement against the same period last year with 37.4% and 38.3% for revenue and operating profit respectively. O&M have shown an increase in revenue of 33.1% mainly from middle east region, Malaysia as well as Indonesia. O&M operating profit also showed an increase of 35.2% against the corresponding period of the preceding year.

EPCC and other product & services also showed an increase in revenue of RM122.0 million and RM59.9 million or 50.2% and 870.5% respectively. The operating profit for both business segments also improved by RM16.4 million and RM10.4 million or 41.9% and 545.4% 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 RM405.7 million, RM102.9 million higher than the corresponding period of the preceding year.

iv) Segmental Revenue by countries

	Individual quarter		Cumulative quarter	
	30/09/19	30/09/18	30/09/19	30/09/18
	RM'000	RM'000	RM'000	RM'000
Malaysia	264,740	219,608	910,104	641,589
Indonesia	43,930	33,920	142,963	49,618
Laos	40	-	10,968	-
South East Asia	308,710	253,528	1,064,035	691,207
Turkmenistan	21,258	37,989	79,558	141,098
India	2,536	-	16,539	-
Uzbekistan	15,515	-	16,432	-
Central & South Asia	39,309	37,989	112,529	141,098
Bahrain	80,147	103,944	259,966	225,414
UAE	247,634	171,321	657,976	513,221
Qatar	295,473	130,188	816,201	445,924
Oman	-	10,363	-	46,212
Kingdom of Saudi Arabia	32,361	54,504	163,260	219,329
Kuwait	14,334	164	26,828	12,697
Middle East	669,949	470,484	1,923,931	1,462,797
Tanzania	26,158	7,282	65,507	7,282
United Kingdom	938	939	2,070	2,792
Total	1,045,063	770,222	3,168,072	2,305,176

On geographical segmentation, Malaysia remained as the biggest revenue contributor by country, recording a total of RM264.7 million for Q3FY19 or 25.3% of total revenue recording an improvement against Q3FY18. 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 64.1% of the overall revenue for the quarter or RM669.9 million, an increase of RM199.5 million against Q3FY18. The increase was mainly contributed by higher call out activity in Qatar & 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 and south asia region contributed RM39.3 million or 3.8% of total revenue for the Group, with the revenue recognised mainly from Turkmenistan and Uzbekistan amounting to RM21.3 million and RM15.5 million respectively during the quarter while India contributed RM2.5 million. Indonesia contributed 4.2% of total revenue for the quarter or RM43.9 million and Europe contributed RM0.9 million of revenue.

B3. (a) Commentary on prospects

Malaysia GDP recorded a higher growth of 4.9% for 2Q2019 (1Q2019: 4.5%) supported by continued expansion in domestic demand. Domestic demand expanded supported by firm household spending and slightly higher private investment. The global grew at a more moderate pace in the 2Q2019. Lower external demand led to weaker export performance in regional economies. Financial market volatility increased as trade tensions escalated in May 2019.

IMF in their recent report global growth is forecast at 3.0% in 2019 and 3.4% in 2020, a decrease of 0.3% and 0.2% for 2019 and 2020 respectively compared to April's World Economic Outlook. Momentum in manufacturing activity, in particular, has weakened substantially, to levels not seen since the global financial crisis. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade. A notable shift toward increased monetary policy accommodation through both action and communication has cushioned the impact of these tensions on financial market sentiment and activity, while a generally resilient service sector has supported employment growth.

On the Oil and Gas front, oil prices dropped after new import tariffs imposed by the US and China as of 1 September. The escalating trade dispute further jolted market confidence and negatively affected global financial markets. Weaker economic data from China, Germany and the US contributed to the bearish market sentiment and added to concerns about a slowdown in the economy and oil demand. The continued strengthening of the US dollar during August also kept crude oil prices under pressure

Despite current volatility economic and political conditions as above, The Group still managed to secure various new contracts as well as manage to obtain renewal for some of the existing contracts for O&M and new contracts for EPCC segment. This can be shown through our recent announcement in Bursa Malaysia's website which helps us to grow the Group's orderbook. The company will always continue to leverage on its core competencies of operating in Oil & Gas, power generation industries, water treatment and utilities industries.

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

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

Recently, the Group has managed to secure Master Service Agreement ("MSA") with Petroliam Nasional Berhad. The Group has been appointed as panel contractors for mechanical rotating equipment services and parts. This will help to strengthen our position in Malaysia as the MSA could potentially cover customers within Petronas Group of Companies. The Group also succeeded to secure contract with State Concern Turkmen gas to delivery supplementary equipment and automation (SCADA) of gas pipeline. As a result of this, the Group is able to continue present in central asia region. The Group was also awarded O&M contract with Revenue International LLC from country of Oman to do repair, overhaul and maintenance of pumps, compressors and other associated rotating equipments with manpower and spare parts.

The Group has been exploring prospects of Industry 4.0 quite intensely in the past years. Industry 4.0 involves data collection in digital format that can be used in data analytics which further help users to make necessary action or decision. The Group is aggressively looking for opportunities for smart maintenance project. The Group believed that the smart maintenance systems and applications would help asset owners to improve in terms of assets efficiency and productivity. The Group is also looking to expand that smart maintenance applications to other industries such as power generation and facility management.

The Group still foresee O&M business segment will remain as a major revenue contributor for the Group in light of various new contract wins and renewals of existing contract. 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*

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.



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:

<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 RM337.1 million of the IPO proceeds out of which RM230.0 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	206,007	76.2
Partial Development of Pengerang International Commercial Centre ("PiCC")	Within 24 months	38,301	9.0	29,171	76.2
Working capital for the EPCC work in Tanzania	Within 24 months	111,113	26.0	96,305	86.7
Estimated private placement expenses	Immediately	7,300	1.7	7,300	100.0
Total gross proceeds		427,200	100.0	338,783	79.3

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. The approval process is still ongoing, the Group has obtained extension for another 36 months to complete the approval process.
3.	Service centre on Lot No. 3B (1R1/05), Ranche-ranche Light Industrial Estate, off Jalan Ranche-ranche, 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 September 2019 are as follows:

	Individual quarter		Cumulative quarter	
	30/09/19 RM'000	30/09/18 RM'000	30/09/19 RM'000	30/09/18 RM'000
Foreign Exchange gain	356	991	1,219	2,322
Rental Income	1,667	719	2,743	1,668
Gain on disposal of subsidiaries	-	-	-	818
Others	729	420	2,124	871
Total	2,752	2,130	6,086	5,679

B6. Trade Receivables

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

In RM'000	30/09/19		31/12/18	
	Amount RM'000	%	Amount RM'000	%
Not past due	954,658	84.1	896,524	93.7
0 – 30 days past due	51,054	4.5	2,991	0.3
31 – 120 days past due	32,491	2.9	6,857	0.7
Past due more than 120 days	29,870	2.6	17,245	1.8
Total Trade Receivables	1,068,073	94.1	923,617	96.5
Other Receivables	67,040	5.9	33,660	3.5
Total Trade & Other Receivables	1,135,113	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 September 2019 are as follows:

In RM'000	As at 30th September 2019					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency
Secured	3,894	150,519	255,530	106,468	259,424	256,987
Unsecured	1,231,579	790,599	-	30,000	1,231,579	820,599
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	30/09/19 RM'000	31/12/18 RM'000
USD	1,486,701	678,225
IDR	4,302	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. 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	
	30/09/19 RM'000	30/09/18 RM'000
Contractor charges	750	8,262
Professional service charges	3,442	7,175
Revenue from operation and maintenance	(12)	162

(b) The following transactions were with associates

Nature of transaction	Cumulative quarter	
	30/09/19 RM'000	30/09/18 RM'000
Revenue from engineering, procurement, construction and commissioning project	(6,141)	(23,298)
Contract revenue	(88,621)	(47,778)

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 September 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 third interim single-tier tax-exempt dividend of 2.34 sen per ordinary share (subject to actual exercise of share split and bonus issue) in respect of the financial year ending 31 December 2019, to be paid on 30 December 2019. The entitlement date for the dividend payment is 16 December 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 16 December 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 dividend sen per ordinary share is subject to completion of our corporate exercise as stated in A7.

	No of ordinary shares	Dividend sen per ordinary share
Issued share capital	1,468,500,000	2.34
New shares to be issued pursuant to the proposed share split	734,250,000	
	2,202,750,000	1.56
Maximum number of bonus shares to be issued	881,100,000	
Total new issued share capital	3,083,850,000	1.11

The estimated total dividends for the current financial year ending 31 December 2019 is 7.34 sen per ordinary share (before completion of corporate exercise stated in A7).

B13. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per share at 30th September 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	
	30/09/19	30/09/18	30/09/19	30/09/18
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	113,163	83,225	355,757	278,611
Weighted average number of ordinary shares	1,468,500	1,468,500	1,468,500	1,454,319
Basic earnings per ordinary share (sen)	7.71	5.67	24.23	19.16

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
	30/09/19	30/09/19
	RM'000	RM'000
Finance income	4,000	15,880
Finance expense	(30,807)	(94,330)
Depreciation and amortization	(37,458)	(100,924)

By order of the Board

Shah Alam, Selangor Darul Ehsan

25th November 2019