



SERBA DINAMIK HOLDINGS BERHAD

(COMPANY NO: 1167905-P)
INCORPORATED IN MALAYSIA

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED
30 JUNE 2018**

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

1. **Condensed Consolidated Statement of Profit or Loss and Comprehensive Income for the Second Quarter (Six-Month Period) ended 30 June 2018**

a. Consolidated Profit or loss and Comprehensive Income

	Individual quarter		Changes %	Cumulative quarter		Changes %
	Quarter ended 30/6/18	Quarter ended 30/6/17		Period ended 30/6/18	Period ended 30/6/17	
	RM'000	RM'000		RM'000	RM'000	
Revenue	804,129	649,704	23.8%	1,534,955	1,262,127	21.6%
Cost of sales/services	(664,353)	(533,567)		(1,264,985)	(1,038,457)	
Gross profit	139,776	116,137	20.4%	269,970	223,670	20.7%
Other operating income	3,216	4,442		3,550	4,791	
Administrative expenses	(27,105)	(24,215)		(54,775)	(42,142)	
Results from operating activities	115,887	96,364	20.3%	218,745	186,319	17.4%
Finance income	884	954		2,144	1,057	
Finance costs	(10,797)	(7,918)		(19,257)	(16,336)	
Net finance costs	(9,913)	(6,964)	42.4%	(17,113)	(15,279)	12.0%
Share of results of equity accounted associates	3,193	(1,086)		4,053	(1,516)	
Profit before tax	109,167	88,314	23.6%	205,685	169,524	21.3%
Tax expense	(5,359)	(5,437)		(9,143)	(9,322)	
Profit for the period	103,808	82,877	25.3%	196,542	160,202	22.7%
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	30,963	(37,211)		(5,861)	(20,819)	
Total comprehensive income for the period	134,771	45,666	195.1%	190,681	139,383	36.8%
Profit/(loss) for the period attributable to:						
Owners of the company	102,738	83,159		195,387	161,488	
Non-controlling interest	1,070	(282)		1,155	(1,286)	
Total profit for the period	103,808	82,877	25.3%	196,542	160,202	22.7%
Total comprehensive income/(loss) for the period attributable to:						
Owners of the company	133,642	45,979		189,781	140,586	
Non-controlling interest	1,129	(313)		900	(1,203)	
Total profit for the period	134,771	45,666	195.1%	190,681	139,383	36.8%

b. Earnings per share

	Individual quarter		Cumulative quarter	
	Quarter ended 30/6/18	Quarter ended 30/6/17	Period ended 30/6/18	Period ended 30/6/17
Basic/Diluted (sen)	7.00	6.23	13.50	12.65

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

	Unaudited	Audited
	At	At
	30/6/18	31/12/17
	RM'000	RM'000
Assets		
Property, plant and equipment	829,648	658,126
Investment in associates	253,778	44,128
Other investments	307	307
Intangible assets	8,018	6,987
Deferred tax assets	709	2,810
Total non-current assets	1,092,460	712,358
Inventories	643,481	577,762
Trade and other receivables	1,007,435	880,334
Deposit and prepayments	101,349	40,230
Current tax assets	3,440	487
Other investments	68,236	48,469
Cash and cash equivalents	442,331	300,778
Total current assets	2,266,272	1,848,060
Total assets	3,358,732	2,560,418
Equity		
Share capital	1,348,322	928,194
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	13,659	19,265
Other reserves	45,269	45,269
Retained earnings	969,823	825,833
Total equity attributable to owners of the company	1,942,364	1,383,852
Non-controlling interest	3,815	3,877
Total equity	1,946,179	1,387,729
Liabilities		
Deferred tax liabilities	15,752	15,636
Loans and borrowings	221,210	24,758
Employee benefits	585	592
Total non-current liabilities	237,547	40,986
Trade and other payables	406,883	423,366
Loan and borrowings	736,160	681,284
Current tax payable	31,963	27,053
Total current liabilities	1,175,006	1,131,703
Total liabilities	1,412,553	1,172,689
Total equity and liabilities	3,358,732	2,560,418
Net assets per share (RM)	1.33	1.04

3. **Condensed Consolidated Statement of Cash Flows for the Second Quarter (Six-Month Period) ended 30 June 2018**

	Unaudited 30/6/18 RM'000	Unaudited 30/6/17 RM'000
Cash flow from operating activities		
Profit before tax	205,685	169,524
Adjustment for :		
Depreciation of property, plant and equipment	39,348	32,938
Unrealised foreign exchange loss	(1,057)	-
Share of (profit)/loss in associate	(4,053)	1,515
Finance income	(2,144)	(1,056)
Finance costs	19,257	16,336
Post-employment benefits	(7)	34
Operating profit before changes in working capital	257,029	219,291
Changes in working capital:		
Inventories	(65,719)	(129,261)
Trade and other receivables	(140,118)	22,884
Trade and other payables	(17,444)	(101,360)
Cash generated from operations	33,748	11,554
Interest paid	(142)	(468)
Tax paid	(4,968)	(450)
Net cash from operating activities	28,638	10,636
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(229,066)	(91,025)
Acquisition of subsidiaries	(2,004)	-
Interest received	2,144	1,057
Changes in term deposits pledged to banks	41,334	(681)
Decrease / (Increase) in other investments	(46,767)	1,407
Acquisition of intangible assets	(1,032)	-
Acquisition of associates	(205,598)	(34,000)
Advance to an associate	(3,600)	-
Net cash used in investing activities	(444,589)	(123,242)
Cash flow from financing activities		
Interest paid	(19,116)	(15,868)
Proceeds from issuance of ordinary shares	420,128	407,100
Net proceeds from loans and borrowings	253,817	(105,056)
Dividend paid to the shareholders of the company	(51,397)	(29,370)
Net cash from financing activities	603,432	256,806
Net increase in cash and cash equivalent	187,481	144,200
Effect of exchange rate fluctuation on cash held	-	-
Cash and cash equivalents at beginning of year	158,469	43,731
Cash and cash equivalents at end of year	345,950	187,931
Term deposits placed with licensed banks	148,627	208,712
Cash and bank balances	293,704	116,129
	442,331	324,841
Less: Bank overdrafts	(6,706)	(3,198)
Less: Deposits pledged	(89,675)	(133,712)
	345,950	187,931

4. **Condensed Consolidated Statement of Changes in Equity for the Second Quarter (Six-Month Period) ended 30 June 2018**

	Attributable to owners of the company						Non-controlling interest	Total equity
	Non distributable			Distributable				
	Share capital	Merger reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 31 December 2017	928,194	(434,709)	19,265	45,269	825,833	1,383,852	3,877	1,387,729
Issue of ordinary share	420,128	-	-	-	-	420,128	-	420,128
Foreign currency translation differences for foreign operations	-	-	(5,606)	-	-	(5,606)	(255)	(5,861)
Profit/ (Loss) for the period	-	-	-	-	195,387	195,387	1,155	196,542
Total comprehensive income for the period	-	-	(5,606)	-	195,387	189,781	900	190,681
Dividend to owners of the company	-	-	-	-	(51,397)	(51,397)	-	(51,397)
Disposal of a subsidiary	-	-	-	-	-	-	(962)	(962)
Transfer to other reserve	-	-	-	-	-	-	-	-
At 30 June 2018	1,348,322	(434,709)	13,659	45,269	969,823	1,942,364	3,815	1,946,179
At 31 December 2016	531,800	(434,710)	79,688	45,258	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	-	-	(20,902)	-	-	(20,902)	83	(20,819)
Profit/ (Loss) for the period	-	-	-	-	161,488	161,488	(1,286)	160,202
Total comprehensive income for the period	-	-	(20,902)	-	161,488	140,586	(1,203)	139,383
Dividend to owners of the company	-	-	-	-	(29,370)	(29,370)	-	(29,370)
Transfer to other reserve	-	-	-	12	(12)	-	-	-
At 30 June 2017	928,194	(434,710)	58,786	45,270	719,284	1,316,824	6,726	1,323,550

Note:

The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

PART A: EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS PER MFRS 134

A1. Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

A2. Changes in accounting policies

The accounting policies adopted by the Group in this interim financial statement are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2017 except for the newly-issued Malaysian Financial Reporting Standard ("MFRS") and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2018: -

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

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

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

A2. Changes in accounting policies (Cont'd)

MFRS/ Amendment/ Interpretation	Effective date
Amendments to MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendments to MFRS 138, <i>Intangible Assets</i>	1 January 2020
MFRS17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be Confirmed

The Group plans to apply:

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 which is assessed as presently not applicable to the Group.
- From the annual period beginning on 1 January 2020 for the accounting standard that its effective for annual periods beginning on or after 1 January 2020, except for Amendments to MFRS 6, which is assessed as presently not applicable to the Group.

The initial application for the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(a) Basis of measurement

The financial statements have been prepared on the historical cost basis other than disclosed in the report.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



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

A2. Changes in accounting policies (Cont'd)

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the financial statements.

A3. Auditors' report

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017.

A4. Seasonality and cyclicity of operations

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

A5. Unusual items due to the nature, size and incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial period.

A6. Changes in estimates

There were no changes in estimates that have a material effect in the current financial period.

A7. Debt and equity securities

There were no unusual items affecting the debt and equity securities for the current financial period.

A8. Significant and subsequent events

- i) On 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.



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

A8. Significant and subsequent events (Cont'd)

- iii) On 5 February 2018, Serba Dinamik Group Berhad ("SDGB"), a wholly owned subsidiary of the Company entered into a Memorandum of Agreement ("MOA") with Maju Holdings Sdn. Bhd. For the acquisition of 40% equity stake held in Maju Renewable Energy Sdn Bhd, Maju RE (Talang) Sdn Bhd and Maju RE (Temenggor) Sdn Bhd with purchase consideration of RM24,853,941.00.
- iv) On 14 February 2018, SDGB, a wholly owned subsidiary of the Company entered into a conditional Share Sale Agreement to acquire 1,000,000 ordinary shares in KB Engineering which represent 100.0% of the issued share capital of KB Engineering for a total cash consideration of RM2,000,000.
- v) On 11 April 2018, Serba Dinamik International Limited ("SDIL"), a wholly owned subsidiary of the Company entered into a Share Purchase Agreement to acquire 1,470 shares of AED1,000 each representing 49.0% of equity stake in Al Sagar Engineering Group LLC and Al Sagar National Establishment ("Al Sagar") for a total cash consideration of approximately RM10,544,800.00.
- vi) On 13 April 2018, SDIL, a wholly owned subsidiary of the Company entered into eight (8) Share Purchase Agreement to acquire 128,166,250 ordinary shares representing 24.84% of equity stake in CSE Global Limited ("CSE") for a total cash consideration of approximately RM170,567,490.49.
- vii) On 19 July 2018, SDIL, a wholly owned subsidiary of the Company has acquired 51,806,000 ordinary shares representing 15.0% of Green & Smart Holdings PLC for a total cash consideration of approximately RM16,995,024.00.
- viii) On 10 August 2018, Serba Dinamik Holdings Berhad ("SDHB") has incorporated EMCO Holdings SA ("EH") as a company limited by shares. SDIL, a wholly owned subsidiary of the Company has subscribed 100 ordinary shares representing 100.0% of EMCO Holdings SA ("EH") for a total cash consideration of approximately RM401,349.00. EH has acquired 200 ordinary shares representing 20.0% of La Rapida SA for a total cash consideration of approximately RM6,020,230.00.

A9. Changes in the composition of the Group

In the current quarter ended 30 June 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.

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 (Cont'd)

There were no other changes in the composition of the Group during the current financial period other than disclosed as above and in Note A8.

A10. Contingent assets and liabilities

There were no material changes in contingent liabilities or contingent assets arising since the last audited financial statements for the financial year ended 31 December 2017.

A11. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment as of 30th June 2018 are as follows: -

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

A12. Taxation

Taxation comprises the following:

	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/6/18	30/6/17	30/6/18	30/6/17
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
Malaysian Taxation	4,334	4,850	8,335	8,764
Foreign Taxation	305	1,646	325	1,662
Total Current Taxation	4,639	6,496	8,660	10,426
Deferred Taxation	720	(1,059)	483	(1,104)
Total Taxation	5,359	5,437	9,143	9,322

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.

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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
	30/6/18	30/6/17	30/6/18	30/6/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	722,606	538,475	126,316	95,826	34.2	31.8
EPCC	79,539	110,276	12,720	20,091	(27.9)	(36.7)
Others	1,984	953	740	220	108.2	236.5
Group Revenue/ Operating Profit	804,129	649,704	139,776	116,137	23.8	20.4
Corporate Expenses and Elimination			(30,609)	(27,823)		10.0
Profit Before Tax			109,167	88,314		23.6

For the quarter ended 30 June 2018 ("Q2FY18"), the Group recorded revenue of RM804.1 million which was 23.8% higher than corresponding quarter of the preceding year ("Q2FY17") due to strong activities from O&M. The operating profit for the quarter stood at RM139.8 million or 17.4% of total revenue. The Group also recorded profit before taxation of RM109.2 million, 23.6% higher as compared to profit before taxation of RM88.3 million in Q1FY17.

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

B2. Review of Performance (Cont'd)

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

O&M contribute 89.9% of revenue in Q2FY18 with an increase of RM184.1 million or 34.2% against Q2FY17. The increase was due to higher activities from our MRO activity in Middle East region while IRM activity also showed some increase against Q2FY17. The segment recorded an improved operating profit of RM126.3 million or representing gross margin of 17.5%.

EPCC revenue recorded a total of RM79.5 million, lower by RM30.7 million against Q2FY17 and contributed 9.9% of the total revenue of the Group. EPCC activity was mainly derived from our contract with New Thunder Technical Services in United Arab Emirates ("UAE") as well as from domestic activity which include design, supply and delivery of micro turbine generators for Sarawak Shell Berhad. The segment recorded operating profit of RM12.7 million yielding a gross margin of 16.0%.

Other product and services recorded revenue of RM2.0 million or 0.2% of the total revenue. This was mainly derived from the provision of IT related services and technical training through approved training programs.

ii) Current quarter vs immediate preceding quarter

	Revenue		Operating profit		Variance	
	Quarter ended		Quarter ended		Revenue	Operating Profit
	30/6/18	31/3/18	30/6/18	31/3/18		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	722,606	634,478	126,316	114,483	13.9	10.3
EPCC	79,539	94,364	12,720	15,225	(15.7)	(16.5)
Others	1,984	1,983	740	485	0.1	52.6
Group revenue/ operating profit	804,129	730,825	139,776	130,193	10.0	7.4
Corporate Expenses and Elimination			(30,609)	(33,675)		(9.1)
Profit before tax			109,167	96,518		13.1

For quarter ended 30 June 2018, the Group recorded an increase of revenue of 10.0% from immediate preceding quarter ("Q1FY18") mainly due to higher revenue from O&M segment with projects from UAE and Malaysia. Overall Operating profit stood at RM139.8 million, RM9.6 million or 7.4% higher against Q1FY18 in line with overall increase in revenue.

O&M revenue increase RM88.1 million or 13.9% higher than Q1FY18 as most countries showing an increase of activity notably UAE and Malaysia. Operating profit also increase in line with revenue while GP margin at 17.5%.

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

B2. Review of Performance (Cont'd)

ii) Current quarter vs immediate preceding quarter (Cont'd)

EPCC segment recorded a decrease of RM14.8 million or 15.7% lower against Q1FY18 from both the domestic market as well as in UAE. Operating profit also drop RM15.2 million to RM12.7 million or 16.0% gross profit margin.

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

iii) Current period vs Corresponding period of the preceding year

	Revenue		Operating profit		Variance	
	Period ended		Period ended		Revenue	Operating Profit
	30/6/18	30/6/17	30/6/18	30/6/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	1,357,085	1,093,428	240,798	193,831	24.1	24.2
EPCC	173,903	166,748	27,946	29,409	4.3	(5.0)
Others	3,967	1,951	1,226	430	103.3	185.1
Group revenue/ operating profit	1,534,955	1,262,127	269,970	223,670	21.6	20.7
Corporate Expenses and Elimination			(64,285)	(54,146)		18.7
Profit before tax			205,685	169,524		21.3

The group year to date ("YTD") revenue recorded a total of RM1,534.9 million with operating profit at RM270.0 million or 17.6% of total revenue. This is an improvement against same period last year of 21.6% and 20.7% for revenue and operating profit respectively. O&M and others segments are showing an improved operating profit against the corresponding period of the preceding year. The group cumulative profit before tax improved to RM205.7 million, RM36.2 million higher than the corresponding period of the preceding year.

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

B2. Review of Performance (Cont'd)

iv) Segmental Revenue by countries

	Individual quarter		Cumulative quarter	
	30/6/18	30/6/17	30/6/18	30/6/17
	RM'000	RM'000	RM'000	RM'000
Malaysia	234,600	157,504	435,306	351,307
Indonesia	11,593	41,379	15,699	60,201
Turkmenistan	58,890	52,432	103,108	52,432
India	-	-	-	-
Bahrain	69,520	92,532	121,470	187,021
UAE	177,907	47,044	341,900	79,378
Qatar	158,457	116,159	315,736	245,821
Oman	18,136	44,410	35,849	74,995
Kingdom of Saudi Arabia	73,652	80,713	151,501	174,654
Kuwait	37	16,372	12,533	34,743
United Kingdom	1,337	1,159	1,853	1,575
Total	804,129	649,704	1,534,955	1,262,127

On geographical segmentation, Malaysia remained as the biggest revenue contributor by country recording a total of RM234.6 million for Q2FY18 or 29.2% of total revenue recording improvement against Q2FY17.

The Middle East region continue to be the highest contributor of revenue for the group on a regional level. Middle East contributed 61.9% of the overall revenue for the quarter or RM497.7 million, an increase of RM100.5 million against Q2FY17. The increase mainly from higher activity in UAE from servicing more contracts as well as Qatar due to higher call up activity. The Majority of the revenue from Middle East region is from O&M services.

Our Central Asia region also showing a growth mainly in Turkmenistan which contributed 7.3%, of revenue for the quarter respectively, or RM58.9 million. Indonesia contributed 1.4% of total revenue for the quarter or RM11.6 million and Europe contributed RM1.3 million of revenue from our two subsidiaries in United Kingdom namely Quantum Offshore Limited and Serba Dinamik International Limited.

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

B3. (a) Commentary on prospects

1Q2018 Malaysia GDP growth expanded by 5.4% (4Q2017 : 5.9%) driven by continued growth in private sector spending and strong growth in net exports. Global economic expansion continued at a robust pace as most major and regional economies recorded strong quarterly growth, suggesting the positive global growth momentum from the previous year was sustained.

In 2018, growth is projected to remain favourable, with domestic demand as the key driver of growth. This is also supported by continuing growth in the global market expected in 2018. IMF in their recent report are forecasting global growth to be at 3.9%, an increase of 0.1% for both 2018 and 2019.

On the Oil and Gas front, oil prices have been gaining momentum with the Brent Crude price are traded at USD74.66/bbl as at 31 July 2018. The increase was pushed up by escalating geopolitical tensions and bullish drawdowns in US crude inventories. The increase is not expected to continue as markets expect the price to gradually decline and stabilise around USD60/bbl.

Global renewables electricity generation is expected to grow by more than one-third to over 8,000 terawatts per hour, equal to the total consumption of China, India and Germany combined. The share of renewables in power generation will reach 30.0% in 2022, up from 24.0% in 2016. Despite slower capacity growth, hydropower will remain the largest source of renewable electricity generation in our forecast, followed by wind, solar PV and bioenergy.

In Malaysia, electricity consumption increased 104,588.59 GWh in 2010 to 144,118.96 GWh in 2016. The Government of Malaysia has taken steps to increase shares of renewables in the overall fuel mix through programmes such as Feed-in-Tariff, Large Scale Solar PV, Net Energy Metering and development of new hydroelectric station.

Over the last decade, the demand for electricity in Lao PDR has grown dramatically. The domestic consumption increased from 2,228.15 GWh in 2010 to 3,380.96 GWh in 2013, at 13.9 percent Compound Annual Growth Rate ("CAGR") for the period. The key growth drivers have been the success of Lao PDR's rural electrification expansion programme and expansion of industrial and commercial loads. The Group expect that the domestic electricity demand growth will continue to be robust.

In line with this, on 19 July 2018, the Group entered into an engineering, procurement, construction and commissioning ("EPC") contract with Nam Taep 1.2.3 Hydropower Company Limited, a company incorporated in Lao People's Democratic Republic ("Lao PDR") ("Nam Taep"), with a contract value of approximately USD66.2 million (equivalent to approximately RM268.5 million based on USD1.00:RM4.0575).

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

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

The Group also acquired 15.0% of stake in Green & Smart Holdings PLC ("GSH") would enable the Group to expand its EPCC business segment and capabilities. GSH Group core business is power generation from biogas captured through the treatment of palm oil mill effluent ("POME") based on proprietary technology. GSH Group has a significant market share of contracts awarded to a biogas-to-power company generating power from biogas captured through the treatment of POME in Malaysia to date.

With the positive outlook for 2018 and through the acquisitions, the Group are expected to grow domestically and internationally also to enhance the financial position as well as profitability.

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

Sources:

- *BNM Quarterly Bulletin, Bank Negara Malaysia;*
- *OPEC Monthly Oil Market Report, OPEC;*
- *World Economic Outlook Update, IMF;*
- *Bloomberg and Reuters*
- *International Energy Agency*
- *Suruhanjaya Tenaga – Malaysia Energy Information Hub*

(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:

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

B4. Status of corporate proposals announced (Cont'd)

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

Details of utilisation of proceeds	Estimated timeframe for utilisation	RM '000	%	Actual	%
				Utilisation	
				RM '000	
Expansion of business and operational facilities	Within 12 to 36 months	300,000	73.7	155,192	51.7
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	262,292	64.4

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 RM262.3 million of the IPO proceeds out of which RM155.2 million was used for expansion of our business which among others:-

- i. Approximately RM70.0 million was utilised for the establishment of the new MRO and IRM centre in Bintulu Sarawak
- ii. Approximately RM20.0 million was utilised for the establishment of a new facility and upgrading of existing facility in Johor Malaysia
- iii. Approximately RM15.0 million was utilised for upgrading our existing operational facilities in Malaysia and UAE
- iv. Approximately RM30.0 million was utilised for acquiring our corporate office building in Selangor, Malaysia
- v. Approximately RM20.2 million was utilised for investment and acquisition

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

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

Details of utilisation of proceeds	Estimated timeframe for utilisation	RM '000	%	Actual	%
				Utilisation	
				RM '000	
Partial Development of Pengerang eco Industrial Park	Within 24 months	270,486	63.3	19,553	7.2
Partial Development of Pengerang International Commercial Centre	Within 24 months	38,301	9.0	-	-
Working capital for the EPCC work in Tanzania	Within 24 months	111,113	26.0	18,286	16.5
Estimated private placement expenses	Immediately	7,300	1.7	7,300	100.0
Total gross proceeds		427,200	100.0	45,139	10.6

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 (Cont'd)

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	Application was submitted on 10 October 2017 and approval is expected to be obtained within 12 to 24 months from date of application.
2.	Lot 5845, Block 5 Kuala Baram Land District, Kuala Baram/ Lutong Road, Miri, Sarawak	Application was submitted on 19 September 2017 and approval is expected to be obtained within 12 to 24 months from date of application.
3.	Service centre on Lot No. 3B (1R1/05), 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 date of application.
4.	Service centre on Lot 9, Jalan Arsat, MPL Light Industrial Estate, Federal Territory of Labuan	CCC obtained

For Lot 5845, Block 5 Kuala Baram Land District, Kuala Baram/ Lutong Road, Miri, Sarawak, the Group has submitted the application for the conversion of the land status from agricultural status to industrial status on 19 September 2017. The successful conversion of the land use from agricultural use to commercial use is expected to be obtained within 12 to 24 months. The company is currently operating under a provisional approval to operate for five years effective from 11 January 2016.

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

B5. Other Operating Income

The Group's Other Operating income as at 30 June 2018 are as follows:

	Individual quarter		Cumulative quarter	
	30/6/18 RM'000	30/6/17 RM'000	30/6/18 RM'000	30/6/17 RM'000
Foreign Exchange gain	1,011	962	1,331	995
Rental Income	947	3,352	950	3,631
Gain on disposal of subsidiaries	824	-	824	-
Others	434	128	445	165
Total	3,216	4,442	3,550	4,791

B6. Trade Receivables

The Group's Trade Receivables Ageing analysis as at 30 June 2018 are as follows:

In RM'000	30/6/18		31/12/17	
	Amount RM'000	%	Amount RM'000	%
Not past due	902,545	89.5	770,162	87.5
0 – 30 days past due	15,757	1.6	303	0.0
31 – 120 days past due	4,655	0.5	13,152	1.5
Past due more than 120 days	4,633	0.5	11,934	1.4
Total Trade Receivables	927,590	92.0	795,551	90.4
Other Receivables	79,845	7.9	84,783	9.6
Total Trade & Other Receivables	1,007,435	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.

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 30 June 2018 are as follows:

In RM'000	As at 30 th June 2018					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency
Secured	182,724	38,485	459,691	276,470	642,415	314,955
Unsecured	-	-	-	-	-	-
In RM'000	As at 31 st December 2017					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency	Foreign Currency	RM'000 Currency
Secured	4,233	20,525	398,707	282,577	402,940	303,102
Unsecured	-	-	-	-	-	-

Financing/ Borrowings denominated in foreign currency are as follows:

Currency	30/6/18 RM'000	31/12/17 RM'000
USD	636,690	396,411
IDR	5,725	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

Nature of transaction	Cumulative quarter	
	30/6/18 RM'000	30/6/17 RM'000
Contractor charges	4,987	1,937
Professional service charges	2,299	1,181
Revenue from operation and maintenance	(22)	(19)



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

B8. Significant related party transactions (Cont'd)

(b) The following transactions were with associates

Nature of transaction	Cumulative quarter	
	30/6/18 RM'000	30/6/17 RM'000
Revenue from engineering, procurement, construction and commissioning project	-	(21,333)
Contract revenue	(41,345)	(42,906)

B9. Foreign Exchange Exposure/Hedging Policy

The Group revenue from overseas projects/contracts is typically denominated in USD. There is no hedging instrument being used in the Group daily operation. Any cash inflow in a USD denominated bank account where it will be used to settle the portion of cost of operations which are payable in USD. This provides a natural foreign currency hedge to the Group. Nonetheless, any unfavourable movements in the USD exchanges rate may adversely affect the Group profitability.

B10. Material Impairment of Assets

There is no material impairment of assets by the Group for the period ended 30 June 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 has declared a second interim single-tier tax-exempt dividend of 2.15 sen per ordinary share in respect of the financial year ending 31 December 2018, to be paid on 28 September 2018. The entitlement date for the dividend payment is 19 September 2018.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) Shares transferred to the depositor's securities account before 4.00pm on 19 September 2018 in respect of transfers; and
- (ii) Shares bought on Bursa Malaysia Securities Berhad cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The total dividends for the financial year ending 31 December 2018 is 4.05 sen per ordinary share.

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

B13. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per share at 30 June 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary share outstanding, calculated as follows:

	Individual quarter		Cumulative quarter	
	30/6/18	30/6/17	30/6/18	30/6/17
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	102,738	83,159	195,387	161,488
Weighted average number of ordinary shares	1,468,500	1,335,000	1,447,110	1,276,522
Basic earnings per ordinary share (sen)	7.00	6.23	13.50	12.65

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.

B14. Profit for the period

This is arrived after (charging)/crediting

	Individual	Cumulative
	quarter ended	quarter
	30/6/18	30/6/18
	RM'000	RM'000
Finance income	884	2,144
Finance expense	(10,797)	(19,257)
Depreciation and amortization	(20,853)	(39,348)

By order of the Board

Shah Alam, Selangor Darul Ehsan

29th August 2018