



SERBA DINAMIK HOLDINGS BERHAD
(COMPANY NO: 201501042584 (1167905-P))
INCORPORATED IN MALAYSIA

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS
FOR THE QUARTER AND PERIOD ENDED
30th September 2020**

(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 2020

a. Consolidated Profit or loss and Comprehensive Income

	Individual quarter		Changes %	Cumulative quarter		Changes %
	Quarter ended 30/09/20	Quarter ended 30/09/19		Period ended 30/09/20	Period ended 30/09/19	
	RM'000	RM'000		RM'000	RM'000	
Revenue	1,481,880	1,045,063	41.8%	4,198,427	3,168,072	32.5%
Cost of sales/services	(1,221,209)	(865,062)		(3,452,372)	(2,612,143)	
Gross profit	260,671	180,001	44.8%	746,055	555,929	34.2%
Other operating income	1,802	2,752		7,150	6,086	
Administrative and other operating expenses	(43,009)	(27,243)		(103,315)	(92,417)	
Results from operating activities	219,464	155,510	41.1%	649,890	469,598	38.4%
Finance income	1,956	4,000		8,613	15,880	
Finance costs	(53,921)	(30,807)		(168,033)	(94,330)	
Net finance costs	(51,965)	(26,807)	93.8%	(159,420)	(78,450)	103.2%
Share of results of equity accounted associates	(2,660)	8,681		(11,459)	14,563	
Profit before tax	164,839	137,384	20.0%	479,011	405,711	18.1%
Tax expense	(16,320)	(23,180)		(49,027)	(47,975)	
Profit for the period	148,519	114,204	30.0%	429,984	357,736	20.2%
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	(40,301)	20,774		(9,199)	23,672	
Share of other comprehensive income of equity accounted associates	(66)	2,370		151	(1,380)	
Total comprehensive income for the period	108,152	137,348	(21.3%)	420,936	380,028	10.8%
Profit for the period attributable to:						
Owners of the Company	147,996	113,163		429,596	355,758	
Non-controlling interest	523	1,041		388	1,978	
Total profit for the period	148,519	114,204	30.0%	429,984	357,736	20.2%
Total comprehensive income for the period attributable to:						
Owners of the Company	107,895	136,276		420,762	377,962	
Non-controlling interest	257	1,072		174	2,066	
Total profit for the period	108,152	137,348	(21.3%)	420,936	380,028	10.8%

b. Earnings per share

	Individual quarter		Cumulative quarter	
	Quarter ended 30/09/20	Quarter ended 30/09/19	Period ended 30/09/20	Period ended 30/09/19
	Basic (sen)	4.39	3.36	12.75

2. Condensed Consolidated Statement of Financial Position as at 30th September 2020

	Unaudited	Audited
	At	At
	30/09/20	31/12/19
	RM'000	RM'000
Assets		
Property, plant and equipment	2,523,803	1,688,617
Right-of-use assets	261,333	248,120
Investment in associates	180,581	382,365
Other investments	15,146	14,516
Intangible assets	119,233	118,994
Deferred tax assets	237	255
Total non-current assets	3,100,333	2,452,867
Inventories	1,435,020	919,561
Contract assets	579,669	321,558
Trade and other receivables	1,754,048	1,256,132
Deposits and prepayments	167,856	108,916
Current tax assets	2,534	1,214
Other investments	52,684	51,172
Cash and cash equivalents	1,086,133	1,306,590
	5,077,944	3,965,143
Asset classified as held for sale	-	-
Total current assets	5,077,944	3,965,143
Total assets	8,178,277	6,418,010
Equity		
Share capital	1,790,429	1,344,347
Treasury shares	(31,866)	-
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	3,669	12,503
Other reserves	44,994	45,266
Retained earnings	1,767,578	1,465,318
Total equity attributable to owners of the Company	3,140,095	2,432,725
Non-controlling interest	11,237	7,160
Total equity	3,151,332	2,439,885
Liabilities		
Trade and other payables	57,748	57,748
Lease liabilities	12,885	24,421
Deferred tax liabilities	42,066	30,906
Loans and borrowings	3,334,668	2,938,624
Employee benefits	692	691
Total non-current liabilities	3,448,059	3,052,390
Trade and other payables	731,254	402,657
Lease liabilities	38,631	58,450
Contract liabilities	234,075	35,736
Loan and borrowings	536,470	400,903
Current tax payable	38,456	27,989
Total current liabilities	1,578,886	925,735
Total liabilities	5,026,945	3,978,125
Total equity and liabilities	8,178,277	6,418,010
Net assets per share (RM)	0.94	0.72

3. **Condensed Consolidated Statement of Cash Flows for the period ended 30th September 2020**

	Unaudited 30/09/20 RM'000	Unaudited 30/09/19 RM'000
Cash flow from operating activities		
Profit before tax	479,011	405,711
Adjustment for :		
Depreciation of property, plant and equipment and right-of-use assets	153,483	99,782
Amortisation of intangible assets	-	1,142
Net unrealised foreign exchange loss	1,072	6,598
Loss on disposal of associates	6,104	-
Share of loss / (profit) in equity-accounted associate, net of tax	11,459	(14,563)
Finance income	(8,613)	(15,880)
Finance costs	168,033	94,330
Employment benefits	-	49
Loss on disposal of trade receivables	6,792	4,816
Share of other comprehensive loss/(income) of associates	(151)	1,380
Operating profit before changes in working capital	817,190	583,365
Changes in working capital:		
Inventories	(502,978)	(168,930)
Trade and other receivables	(432,095)	(137,136)
Trade and other payables	268,595	9,096
Contract assets	(255,267)	(157,106)
Contract liabilities	197,601	17,175
Cash generated from operations	93,046	146,464
Profit or interest paid	(391)	(1,362)
Tax paid	(29,082)	(35,241)
Net cash from operating activities	63,573	109,861
Cash flow from investing activities:		
Acquisition of subsidiaries, net of cash and cash equivalent	(7,516)	(8,201)
Acquisition of property, plant and equipment	(946,294)	(594,608)
Proceeds from issuance of new shares to non-controlling interests	3,953	606
Proceeds from disposal of subsidiaries	(2,150)	-
Proceeds from disposal of associates	166,949	-
Profit or interest received	8,613	11,892
Dividend received	235	10,606
Changes in term deposits pledged to banks	5,423	79,811
Increase in other investments	(50,788)	(14,469)
Acquisition of associates	-	(42,022)
Advance to an associate	(40,665)	(44,981)
Net cash used in investing activities	(862,240)	(601,366)
Cash flow from financing activities		
Profit or interest paid	(150,096)	(103,238)
Proceeds from issuance of ordinary shares	446,082	-
Net proceeds from/(repayment) of loans and borrowings	484,838	(383,190)
Net repayment of lease liabilities	(35,950)	-
Repurchase of treasury shares	(31,866)	-
Net proceed of Sukuk	-	1,253,188
Dividend paid to owners of the Company	(127,336)	(107,200)
Net cash generated from financing activities	585,672	659,560
Net increase in cash and cash equivalents	(212,995)	168,054
Effect of exchange rate fluctuation on cash held	-	-
Cash and cash equivalents at beginning of year	1,264,687	631,514
Cash and cash equivalents at end of period	1,051,692	799,568
Fixed deposits placed with licensed banks	235,081	255,871
Cash and bank balances	851,052	585,577
	1,086,133	841,448
Less: Bank overdrafts	(3,957)	(7,052)
Less: Fixed deposits pledged	(30,484)	(34,828)
	1,051,692	799,568

4. Condensed Consolidated Statement of Changes in Equity for the period ended 30th September 2020

	Attributable to owners of the Company								
	←----- Non distributable ----->					-----> Distributable			
	Share capital	Treasury shares	Merger reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 st 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	-	-	-	(8,738)	-	-	(8,738)	78	(8,660)
Share of other comprehensive income of an associate	-	-	-	(1,918)	-	-	(1,918)	-	(1,918)
Profit for the year	-	-	-	-	-	496,640	496,640	1,343	497,983
Total comprehensive income for the year	-	-	-	(10,656)	-	496,640	485,984	1,421	487,405
Dividend paid to owners of the Company	-	-	-	-	-	(141,431)	(141,431)	-	(141,431)
Non-controlling interest of a new subsidiary acquired	-	-	-	-	-	-	-	226	226
Issuance of share by subsidiaries	-	-	-	-	-	-	-	1,420	1,420
Transfer to other reserve	-	-	-	-	(3)	-	(3)	3	-
At 31st December 2019	1,344,347	-	(434,709)	12,503	45,266	1,465,318	2,432,725	7,160	2,439,885
Issue of ordinary shares	456,695	-	-	-	-	-	456,695	-	456,695
Share issue expenses	(10,613)	-	-	-	-	-	(10,613)	-	(10,613)
Own shares acquired	-	(31,866)	-	-	-	-	(31,866)	-	(31,866)
Foreign currency translation differences for foreign operations	-	-	-	(8,985)	-	-	(8,985)	(214)	(9,199)
Share of other comprehensive income of an associate	-	-	-	151	-	-	151	-	151
Profit for the period	-	-	-	-	-	429,596	429,596	388	429,984
Total comprehensive income for the period	-	-	-	(8,834)	-	429,596	420,762	174	420,936
Dividend paid to owners of the Company	-	-	-	-	-	(127,336)	(127,336)	-	(127,336)
Non-controlling interest of a new subsidiary acquired	-	-	-	-	-	-	-	3,855	3,855
Issuance of shares by subsidiaries	-	-	-	-	-	-	-	98	98
Disposal of a subsidiary	-	-	-	-	(272)	-	(272)	(50)	(322)
At 30th September 2020	1,790,429	(31,866)	(434,709)	3,669	44,994	1,767,578	3,140,095	11,237	3,151,332

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 Serba Dinamik Holdings Berhad and its subsidiaries ("**the Group**") for the financial year ended 31 December 2019.

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 2019 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 2020: -

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* Amendments to MFRS 11, *Joint Arrangements*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

For the financial period beginning on or after 1 June 2020: -

- Amendment to MFRS 16, *Leases – Covid-19 – Related Rent Concessions*

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 9, <i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> , MFRS 7, <i>Financial Instruments: Disclosures</i> , MFRS 4, <i>Insurance Contracts</i> and MFRS 16, <i>Leases – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 3, <i>Business Combinations - Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, <i>Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, <i>Leases (Annual Improvements to MFRS Standards 2018-2020)</i>	1 January 2022
Amendments to MFRS 116, <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022

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, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
MFRS 17, Insurance Contracts	1 January 2023
Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be Confirmed

The Group plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual period beginning on or after 1 June 2020;
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021;
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 3 and MFRS 141 which are not applicable to the Group;
- from the annual period beginning on 1 January 2023 for amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, Insurance Contracts which 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 interim financial statements have been prepared on the historical cost basis other than disclosed in the report.

(b) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the functional currency of the primary economic environment in which the entity operates, which is the functional currency. These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency and presentation currency.



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

The preparation of the interim 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 interim 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 2019.

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

- i) On March 2020, the Company made a multiple repurchased transaction of shares totalling to 18,779,000 shares from its issued share capital in the open market at a range of average price RM1.27 to RM1.97 per share. The total consideration paid was RM31,865,817. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.
- ii) On 5 May 2020, the Company has completed the private placement exercise, in which the Company has issued 306,507,000 new shares with an issue price of RM1.49 per placement share.



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

A7. Debt and equity securities (Cont'd)

Other than the above, 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 period and subsequent events

- i) On 28 October 2020, the Group has completed its undertaking on optional redemption of the Trust Certificates from the holder of USD300 million Trust Certificates due 2020 ("Series 1 Certificates") and USD200 million Trust Certificates due 2025 ("Series 2 Certificates) for cash on the terms and conditions contained in the tender offer memorandum dated 9 October 2020.

The Group has redeemed USD77.8 from Series 1 Certificates and USD19.9 million from Series 2 Certificates. As such, the outstanding balance for the Trust Certificates are USD222.2 million for Series 1 Certificates and USD180.1 million for Series 2 Certificates.

- ii) On October and November 2020, the Company made a multiple repurchased transaction of shares totalling to 3,283,800 shares from its issued share capital in the open market at a range of average price RM1.50 to RM1.60 per share. The total consideration paid was RM5,010,880. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

Other than disclosed in Note A7 and A9, there were no significant events during the financial period and subsequent to financial period ended 30th September 2020.

A9. Changes in the composition of the Group

- i) On 25 February 2020, the Group via Serba Dinamik Group Bhd ("SDGB"), a wholly owned subsidiary of the Company, has entered into a conditional Share Sale Agreement ("SSA") to acquire 20,000,000 ordinary shares representing 100% in Prestariang Education Sdn. Bhd. ("PESB") for a total cash consideration of RM2,500,000. Currently, PESB is license holder of University Malaysia Computer Science & Engineering ("UNIMY").
- ii) On 28 May 2020, Serba Dinamik International Ltd ("SDIL") has disposed 99% equity interest in Serba Dinamik International Petroleum Services Company W.L.L for cash consideration of BHD462,968 approximately equivalent to RM5.4 million.
- iii) On 12 June 2020, SDIL has acquired 80% equity interest of Wellahead Engineering Ltd for a cash consideration of £1.5 million which is equivalent to approximately RM8.09 million.
- iv) On 7 July 2020, SDIL has disposed 25.2% equity interest in CSE Global Ltd in the open market on the Singapore Stock Exchange, for a cash consideration of approximately SGD57.67 million equivalent to RM177.33 million.

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 2019.

A11. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment as 30th September 2020 are as follows: -

	RM'000
Land and Building	
Approved and contracted for	316,626

A12. Tax expense

Tax expense comprises the following:

	Individual quarter		Cumulative quarter	
	Quarter ended 30/09/20	Quarter ended 30/09/19	Period ended 30/09/20	Period ended 30/09/19
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysian Taxation	16,433	24,525	45,993	53,477
Foreign Taxation	-	737	627	1,400
Total current tax expense	16,433	25,262	46,620	54,877
Deferred tax expense	(113)	(2,082)	2,407	(6,902)
Total tax expense	16,320	23,180	49,027	47,975

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 period. Income tax for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

The Group has few Labuan companies which are govern under Labuan Business Activity Act 1990 ("LBATA"). Based on Labuan Business Activity Tax (Amendment) Bill 2019 and clarification from Certified Tax Institute of Malaysia ("CTIM") through its memorandum on issues arising from Labuan Business Activity Tax (Amendment) Bill 2019 dated 18 December 2019, Labuan business activity which is not listed in the amended regulations will be taxed under the Income Tax Act 1967. As a result of this, some of the Group's Labuan companies that are not listed in the amended regulations will be taxed under the Income Tax Act 1967.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1. Segment Information

The Group has four 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 ("O&M") 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 ("EPCC") 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.
- ICT - Information, communication and technology ("ICT") solutions and supply of products and parts which include customize software development, mobile applications solution, e-Commerce platform and digital theme park or virtual park.
- E&T - Education and training ("E&T") which includes technical training programme that can support our O&M, EPCC and ICT segments.

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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

i) Current quarter vs Corresponding quarter of the preceding year

	Revenue		Operating profit		Variance	
	Quarter ended		Quarter ended		Revenue	Operating Profit
	30/09/20	30/09/19	30/09/20	30/09/19		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	1,241,006	925,770	222,385	161,622	34.1	37.6
EPCC	98,993	106,688	14,619	16,219	(7.2)	(9.9)
ICT	141,297	12,310	23,380	1,964	1,047.9	1,090.4
E&T	584	295	287	196	98.0	46.1
Group Revenue/ Operating Profit	1,481,880	1,045,063	260,671	180,001	41.8	44.8
Corporate Expenses and Elimination			(95,832)	(42,617)		124.9
Profit Before Tax			164,839	137,384		20.0

For the quarter ended 30 September 2020 ("Q3FY20"), the Group recorded revenue of RM1,481.9 million which was 41.8% higher than corresponding quarter of the preceding year ("Q3FY19") due to strong activities from O&M segment. The operating profit for the quarter stood at RM260.7 million or 17.6% of total revenue. The Group also recorded profit before taxation of RM164.8 million, 20.0% higher as compared to profit before taxation of RM137.4 million in Q3FY19.

O&M contributed 83.7% of revenue in Q3FY20 with an increase of RM315.2 million or 34.1% against Q3FY19. The increase was due to higher activities from our MRO activity in middle east region such as Qatar, Oman, Bahrain and Malaysia. IRM activity also showed higher growth against Q3FY19. The segment recorded an improved gross profit margin in Q3FY20 at 17.9% as compared to 17.5% in Q3FY19.

EPCC revenue recorded a total of RM99.0 million which contributed 6.7% of the Group's revenue in Q3FY20. Revenue from EPCC segment was derived from our various contracts in UAE, Tanzania, Laos and Malaysia. The segment recorded an operating profit of RM14.6 million yielding a gross margin of 14.8%.

ICT segment boost its revenue to RM141.3 million in Q3FY20, higher by RM129.0 million compared to Q3FY19. This evidenced the Group's initiative to expand its operation to ICT business activities worldwide. Aside from the contribution of the existing contracts which is related to customised solutions involving software developments, the increase was mainly contributed by new contract secured in Bahrain for service provision relating to Extended Reality ("XR") training applications.

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)

E&T revenue contributed mainly by our subsidiary, Materials Technology Education Sdn. Bhd. which include technical training programme specialising in all IMM Training and Certification Programs in Malaysia, which are recognized by PETRONAS and other energy operators.

ii) Current quarter vs immediate preceding quarter

	Revenue		Operating profit		Variance	
	Quarter ended		Quarter ended		Revenue	Operating Profit
	30/09/20	30/06/20	30/09/20	30/06/20		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	1,241,006	1,195,905	222,385	219,336	3.8	1.4
EPCC	98,993	148,147	14,619	22,190	(33.2)	(34.1)
ICT	141,297	93,798	23,380	15,154	50.6	54.3
E&T	584	28	287	16	1,985.7	1,693.8
Group revenue/ operating profit	1,481,880	1,437,878	260,671	256,696	3.1	1.5
Corporate Expenses and Elimination			(95,832)	(90,210)		6.2
Profit before tax			164,839	166,486		(1.0)

For quarter ended 30 September 2020, the Group recorded an increase in revenue of 3.1% from immediate preceding quarter ("Q2FY20") which is mainly due to increase in revenue from O&M and ICT activity. Overall Operating profit stood at RM260.7 million, with an increase of RM4.0 million against Q2FY20.

O&M revenue increased by RM45.1 million or 3.8% higher than Q2FY20 as some countries showed more activities such as Bahrain, Kuwait, Oman and Malaysia, which is mainly contributed from MRO activities. The increment in operating profit is in tandem with the increase in revenue.

EPCC segment recorded revenue and operating profit of RM99.0 million and RM14.6 million respectively. The GP margin remained comparable with preceding quarter at a range of 14.8% to 15.0%

ICT registered revenue of RM141.3 million in Q3FY20, showed an increase of RM47.5 million or 50.6% growth as compared to Q2FY20 due to more work performed related to customised solutions involving software development in countries such as Bahrain, India and Qatar.

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)

E&T showed higher revenue in Q3FY20 by RM0.5 million against Q2FY20 mainly due to active training programme conducted in current period by our subsidiary, Materials Technology Education Sdn. Bhd.

iii) Current period vs Corresponding period of the preceding year

	Revenue		Operating profit		Variance	
	Period ended		Period ended		Revenue	Operating Profit
	30/09/20	30/09/19	30/09/20	30/09/19		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	3,546,495	2,736,155	644,173	488,169	29.6	32.0
EPCC	387,880	365,098	58,557	55,472	6.2	5.6
ICT	263,026	66,165	42,813	11,905	297.5	259.6
E&T	1,026	654	512	383	56.9	33.7
Group revenue/ operating profit	4,198,427	3,168,072	746,055	555,929	32.5	34.2
Corporate Expenses and Elimination			(267,044)	(150,218)		77.8
Profit before tax			479,011	405,711		18.1

The group's year to date ("YTD") revenue recorded a total of RM4,198.4 million with operating profit at RM746.1 million. Gross profit margin of the Group showed an improvement from 17.5% in corresponding period in preceding year to 17.8% in current period.

O&M segment contributed RM3,546.5 million revenue in current period with total contribution of 84.5% to the Group's revenue, consistent with corresponding period in preceding year. O&M operating profit stood at RM644.2 million or 18.2% gross profit margin in current period.

Revenue and operating profit of EPCC segment recorded RM387.9 million and RM58.6 million respectively which mainly contributed from Malaysia, UAE and Tanzania. The GP margin remain comparable at 15.2% with corresponding period of the preceding year.

Activities from both ICT and E&T business segments has grown actively and showed an increase in revenue of RM196.9 million and RM0.4 million or 297.5% and 56.9% respectively. The operating profit for both business segments also improved by RM30.9 million and RM0.13 million or 259.6% and 33.7% 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 RM479.0 million, 18.1% higher than the corresponding period of the preceding year.

iv) Segmental Revenue by countries

	Individual quarter		Cumulative quarter	
	30/09/20	30/09/19	30/09/20	30/09/19
	RM'000	RM'000	RM'000	RM'000
Malaysia	421,768	264,740	1,198,480	910,104
Indonesia	37,508	43,930	119,949	142,963
Laos	1,895	40	5,074	10,968
South East Asia	461,171	308,710	1,323,503	1,064,035
Turkmenistan	19,670	21,258	54,135	79,558
India	39,417	2,536	41,581	16,539
Uzbekistan	-	15,515	15,951	16,432
Central and South Asia	59,087	39,309	111,667	112,529
Bahrain	186,047	80,146	364,304	259,966
UAE	225,149	247,634	961,397	657,676
Qatar	374,275	295,473	1,064,119	816,201
Oman	71,157	-	129,323	-
Kingdom of Saudi Arabia	63,273	32,361	146,455	163,260
Kuwait	33,544	14,334	46,955	26,828
Middle East	953,445	669,948	2,712,553	1,923,931
Tanzania	3,753	26,158	44,352	65,507
United Kingdom	4,424	938	6,352	2,070
Total	1,481,880	1,045,063	4,198,427	3,168,072

On geographical segmentation, Malaysia ranked as the biggest revenue contributor by country, recording a total of RM421.8 million for Q3FY20 or 28.5% of total revenue recording significant increase of 59.3% against Q3FY19. The improvement in revenue is mainly contributed by higher call out works for O&M and EPCC activity. Indonesia contributed 2.5% of total revenue for the quarter or RM37.5 million and Laos contributed RM1.9 million for the quarter.

The middle east region continued to be the highest revenue contributor for the Group at regional level. Middle east contributed 64.3% of the overall revenue for the quarter or RM953.4 million, an increase of RM283.5 million or 42.3% against Q3FY19. The increase was mainly contributed by higher call out activity in Bahrain, Oman and Qatar.

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)

The Group's central and south asia region contributed RM59.1 million or 4.0% of total revenue for the Group, with the revenue recognised mainly from India and Turkmenistan amounting to RM39.4 million and RM19.7 million respectively.

Africa region through Tanzania contributed RM3.7 million to the Group or 0.3% of current quarter revenue while Europe contributed RM4.4 million or 0.3% of revenue.

B3. (a) Commentary on prospects

Malaysian economy recorded a smaller contraction of 2.7% in the 3Q2020 (2Q2020: -17.1%) in line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions. This recovery is seen across most economic sectors, particularly the manufacturing sector, which turned positive on account of strong electrical and electronics production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded.

IMF in their recent report stated that global growth is forecasted at -4.4% in 2020 and 5.2% in 2021, an upward revision of 0.5% and 0.2% for 2020 and 2021 respectively compared to June's World Economic Outlook forecast. The upward revision for 2020 is mainly due to the better-than anticipated second quarter GDP outturns, mostly in advanced economies, where activity began to improve sooner than expected after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter.

On the Oil and Gas front, oil prices rose further in August, supported by positive market sentiment that was fuelled by steadily improving market fundamentals and positive economic indicators, such as manufacturing activity data in the US and China, in addition to a weak US dollar. However, the increase in oil prices remained limited amid lingering uncertainties regarding the recovery of economic activity and the sustainability of countries' opening amid continuing increases of COVID-19 cases worldwide in the eve of returning from holidays. Signs of weakening oil demand, weaker refining margins as well as softening buying interest from China added downward pressure on prices.

Given the volatility of market and oil prices as mentioned above, the Group remains vigilant and positive in pursuing business opportunities as well as securing more market share both domestic and internationally. The Group is continuously servicing the existing contracts especially O&M contracts on hand without any significant disruption despite the current pandemic COVID-19, as most of our operations are essential industries such as oil & gas, power generation and water and utilities. With multiple global operations worldwide in 6 regions and 24 countries, it does help the Group to continuously deliver resilient financial performance.

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

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

With the recent completion of our Bintulu Integrated Energy Hub ("BIEH"), it shows the Group's commitment and efforts to perform high-end and large-scale maintenance as well as fabrication works. BIEH is equipped with state-of-the-art machinery which will be able to service major overhaul requirements for larger equipment such as gas turbine, steam turbine, turbo compressor for plants and others. The Group believe BIEH's completion will help to support the requirement for oil & gas, petrochemical and power generation industries surrounding the facilities for both local and south east asia region. BIEH will be occupied immediately to serve various existing O&M contracts and fabrication works which would bring value and improve efficiency in executing those contracts.

The Group has also completed its acquisition of Teluk Ramunia Yard ("TR Yard") which is located in Kota Tinggi, Johor. This facility will strengthen the Group's position as a total engineering solution provider covering onshore and offshore across upstream, midstream and downstream value chain. The Group has identified a few works from its existing contacts to be fabricated in the TR Yard as well as negotiating with potential customer to lease some of the area in TR Yard. TR Yard is expected to provide solution both locally as well as across the south east asia region.

ICT segment has gained traction this year supported by the market requirement on ICT during the current pandemic situation. ICT has targeted the institutional market and focused on customized solutions and smart maintenance platform while embracing the requirement of Industry Revolution 4.0. On top of that, infrastructure development where synergy between EPCC and ICT capabilities also helped to bolster ICT segment. Another market that the Group will expand is from the mass consumer market which has a huge potential of 7.7 billion population in the world. For this market, the Group will emphasize on internal developed mobile application, e-commerce platform and digital theme park. To date, ICT scope is segmented into Cloud Computing, Artificial Intelligence, Cybersecurity, Fintech and Frontier Technologies division.

The Group has also successfully completed the acquisition of University Malaysia of Computer Science & Engineering ("UNIMY"). With this acquisition it will help to elevate revenue contribution from E&T segment in the future. UNIMY will also help to develop future skilled based leaders for the Group to ensure readiness to serve fast pace changes in ICT industry. UNIMY will also be the research and development for the Group to explore future ICT requirements.

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

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

With the completion of construction BIEH and acquisition of TR Yard and UNIMY, as well as being able to continuously service existing contracts on hand, these initiatives are expected to enhance the Group's financial position as well as profitability. Overall, the Group is optimistic moving forward by tapping onto these proven capabilities into all countries within our global network barring unforeseen circumstances should the current pandemic Covid-19 prolongs.

Sources:

- BNM Quarterly Bulletin, Bank Negara Malaysia;
- World Economic Outlook Update October 2020, IMF;
- OPEC Monthly Oil Market Report September 2020, 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.

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 Private Placement on 5 May 2020

The gross proceeds from the Private Placement of RM456.7 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 repayment of bank borrowings	Within 24 months	200,000	43.8	154,837	77.4
Working capital	Within 12 months	245,555	53.8	245,555	100.0
Estimated private placement expenses	Immediately	11,140	2.4	11,140	100.0
Total gross proceeds		456,695	100.0	411,532	90.1

The utilisation of the proceeds as disclosed above should be read in conjunction with the Announcement made by the Company dated 23 April 2020.

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

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

(ii) Certificate of Completion and Compliance (“CCC”)

As disclosed in the Prospectus dated 30 December 2016, for properties where application of CCC is required to be made within 12 months from the date of the Listing. All applications have been made accordingly and are currently pending approval from the relevant authorities as detailed below:

No.	Details	Status
1.	Lot 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.
2.	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. Notwithstanding, the Group was informed that the success of the application may be subject to further renovation to be carried out in the current service centre. In the meantime, the Group is in the midst of looking for a new facility that already has CCC to replace current service centre.

B5. Other Operating Income

The Group's Other Operating Income for the period ended 30th September 2020 are as follows:

	Individual quarter		Cumulative quarter	
	30/09/20 RM'000	30/09/19 RM'000	30/09/20 RM'000	30/09/19 RM'000
Foreign Exchange gain	85	356	1,700	1,219
Rental Income	369	1,667	945	2,743
Others	1,348	729	4,505	2,124
Total	1,802	2,752	7,150	6,086

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

B6. Trade and Other Receivables

The Group's Trade Receivables Ageing analysis as at 30th September 2020 are as follows:

In RM'000	30/09/20		31/12/19	
	Amount RM'000	%	Amount RM'000	%
Not past due	1,536,319	87.6	1,121,163	89.3
0 – 30 days past due	28,453	1.6	24,201	1.9
31 – 120 days past due	6,118	0.3	19,012	1.5
Past due more than 120 days	63,894	3.7	39,935	3.2
Total Trade Receivables	1,634,784	93.2	1,204,311	95.9
Other Receivables	119,264	6.8	51,821	4.1
Total Trade and Other Receivables	1,754,048	100.0	1,256,132	100.0

The Group normal credit period is between 30 to 90 days from the date of invoice. Other credit terms are assessed and approved on a case-by-case basis.

B7. Financing/ Borrowings

The Group's financing/ borrowings as at 30th September 2020 are as follows:

In RM'000	As at 30 th September 2020					
	Long term		Short term		Total borrowings	
	Foreign Currency	Local Currency	Foreign Currency	Local Currency	Foreign Currency	Local Currency
Secured	585	352,376	97,523	106,521	98,108	458,897
Unsecured	2,039,329	942,378	173,426	159,000	2,212,755	1,101,378
In RM'000	As at 31 st December 2019					
	Long term		Short term		Total borrowings	
	Foreign Currency	Local Currency	Foreign Currency	Local Currency	Foreign Currency	Local Currency
Secured	188	149,144	202,920	107,983	203,108	257,127
Unsecured	2,010,467	778,825	-	90,000	2,010,467	868,825

Financing/ Borrowings denominated in foreign currency are as follows:

Currency	30/09/20 RM'000	31/12/19 RM'000
USD	2,309,067	2,209,424
IDR	1,795	4,151

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

B7. Financing/ Borrowings (Cont'd)

Currently, the Group does not have any hedging policy for foreign currency financing / borrowings as these facilities are used to finance the Group's 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.

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	
	30/09/20 RM'000	30/09/19 RM'000
Contractor charges	30	750
Professional service charges	8,308	3,442
Revenue from operation and maintenance	(18)	(12)

(b) The following transactions were with associates.

Nature of transaction	Cumulative quarter	
	30/09/20 RM'000	30/09/19 RM'000
Revenue from engineering, procurement, construction and commissioning project	(14,680)	(6,141)
Contract revenue	(49,552)	(88,621)

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's daily operation. Any cash inflows in a USD denominated bank account will be used to settle the cost of operations which is payable in USD. This provides a natural foreign currency hedge to the Group. Nonetheless, any unfavourable movements in the USD exchange 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 2020.

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

B11. Material litigation

As at the date of this report, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors have no knowledge of any proceeding pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial or business position of the Group.

B12. Dividend

The Board of Directors have declared a third interim single-tier tax-exempt dividend of 1.35 sen per ordinary share in respect of the financial period ended 30th September 2020, to be paid on 30 December 2020. The entitlement date for the dividend payment is 15 December 2020.

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 15 December 2020 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 period ended 30th September 2020 is 3.85 sen per ordinary share.

B13. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per share at 30th September 2020 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	
	30/09/20	30/09/19	30/09/20	30/09/19
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	147,996	113,163	429,596	355,758
Weighted average number of ordinary shares	3,368,294	3,368,294	3,368,294	3,368,294
Basic earnings per ordinary share (sen)	4.39	3.36	12.75	10.56

The Group has no dilutive ordinary shares at the end of the financial period as the Group's market price per ordinary share is lower than the warrant's exercise price, therefore diluted earnings per share will not be 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
	30/09/20	30/09/20
	RM'000	RM'000
Finance income	1,956	8,613
Finance expense	(53,921)	(168,033)
Depreciation and amortization	(57,132)	(153,483)

By order of the Board

Shah Alam, Selangor Darul Ehsan

23rd November 2020