



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

**QUARTERLY REPORT ON THE
CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2017**

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

1. **Condensed Consolidated Statement of Profit or Loss and Comprehensive Income for the Fourth Quarter (twelve-Month Period) ended 31 December 2017**

a. Consolidated Profit or loss and Comprehensive Income

	Individual Quarter		Changes %	Cumulative Quarter		Changes %
	Quarter Ended	Quarter Ended		Period Ended	Period Ended	
	31/12/17	31/12/16		31/12/17	25/05/16 - 31/12/16 ⁽¹⁾	
	RM'000	RM'000		RM'000	RM'000	
Revenue	797,372	731,769	9.0	2,712,822	1,408,556	92.6
Cost operation	(655,077)	(600,845)		(2,233,871)	(1,173,604)	
Gross profit	142,295	130,924	8.7	478,951	234,952	103.9
Other operating income	3	410		4,183	544	
Administrative expenses	(26,971)	(18,340)		(89,023)	(51,380)	
Result from operating income	115,327	112,994	2.1	394,111	184,116	114.1
Finance income	1,079	1,412		3,139	2,278	
Finance costs	(9,356)	(10,486)		(33,970)	(19,790)	
Net finance costs	(8,277)	(9,074)	(8.8)	(30,831)	(17,512)	76.1
Share of results of equity accounted associates	(1,178)	-		(2,092)	-	
Profit before tax	105,872	103,920	1.9	361,188	166,604	116.8
Tax expense	(26,570)	(7,216)		(54,676)	(15,164)	
Profit for the period	79,302	96,704	(18.0)	306,512	151,440	102.4
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation differences for foreign operations	(29,854)	3,713		(59,522)	46,030	
Total comprehensive income for the period	49,448	100,417	(50.8)	246,990	197,470	25.1
Profit/(loss) for the period attributable to:						
Owner of the company	80,508	96,588		310,023	151,831	
Non-controlling interest	(1,206)	116		(3,511)	(391)	
Total profit for the period	79,302	96,704	(18.0)	306,512	151,440	102.4
Total comprehensive income/(loss) for the period attributable to:						
Owner of the company	50,718	100,223		250,548	198,112	
Non-controlling interest	(1,270)	194		(3,558)	(642)	
Total profit for the period	49,448	100,417	(50.8)	246,990	197,470	25.1

b. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31/12/17	31/12/16	31/12/17	25/5/16 - 31/12/16 ⁽¹⁾
Basic/Diluted (sen)	6.03	9.08	23.87	14.28

Note:

(1) Comparative figures for the preceding year are presented from the date the company commenced operations on 25/05/2016 after its acquisition which is detailed in note A8.

2. Condensed Consolidated Statement of Financial Position as at 31 December 2017

	Unaudited	Audited
	At	At
	31/12/17	31/12/16
	RM'000	RM'000
Assets		
Property, plant and equipment	646,855	490,173
Investment in associates	44,128	12,220
Other investments	306	306
Intangible assets	3,836	3,836
Deferred tax assets	2,810	703
Total non-current assets	697,935	507,238
Inventories	581,122	486,349
Trade and other receivables	854,920	741,194
Deposit and prepayments	34,948	11,321
Current tax assets	84	931
Other Investments	48,470	52,446
Cash and cash equivalents	293,195	187,353
Total current assets	1,812,739	1,479,594
Total assets	2,510,674	1,986,832
Equity		
Share capital	929,194	531,800
Merger Reserve	(434,710)	(434,710)
Foreign Currency Translation Reserve	20,213	79,688
Other reserves	44,270	45,258
Retained earnings	827,769	587,178
Total equity attributable to owners of the company	1,386,736	809,214
Non-controlling interest	4,371	7,929
Total equity	1,391,107	817,143
Liabilities		
Deferred tax liabilities	12,731	14,355
Loans and borrowings	84,731	16,228
Employee benefits	592	492
Total non-current liabilities	98,054	31,075
Trade and other payables	369,291	501,009
Loan and borrowings	604,857	623,432
Current tax payable	47,365	14,173
Total current liabilities	1,021,513	1,138,614
Total liabilities	1,119,567	1,169,689
Total equity and liabilities	2,510,674	1,986,832
Net assets per share (RM)	1.04	0.76

3. **Condensed Consolidated Statement of Cash Flows for the Fourth Quarter (Twelve-Month Period) ended 31 December 2017**

	Unaudited	Audited
	31/12/17	31/12/16
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	361,188	166,604
Adjustment for :		
Depreciation of property, plant and equipment	68,918	32,952
Unrealised foreign exchange loss	(533)	(435)
Share of loss in associate	2,092	-
Finance income	(3,139)	(2,278)
Finance costs	33,970	19,790
Property, plant and equipment written off	-	16,205
Post-employment benefits	100	95
Operating profit before changes in working capital	462,596	232,933
Changes in working capital:		
Inventories	(105,861)	(186,570)
Trade and other receivables	(93,494)	(107,242)
Trade and other payables	(149,517)	118,300
Cash generated from operations	113,724	57,421
Interest paid	(581)	(609)
Tax paid	(24,367)	(401)
Net cash from operating activities	88,776	56,411
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(237,942)	(109,527)
Acquisition of subsidiaries	-	64,312
Interest received	3,139	2,278
Changes in term deposits pledged to banks	9,606	(21,628)
Decrease / (Increase) in other investments	3,976	(10,889)
Purchase of share in associates	(34,000)	-
Net cash used in investing activities	(255,221)	(75,454)
Cash flow from financing activities		
Interest paid	(33,389)	(19,181)
Proceeds from issuance of ordinary shares	407,100	-
Net proceeds from loans and borrowings	36,592	81,955
Dividend Paid to the shareholders of the company	(69,420)	-
Loan given to associate company	(59,700)	-
Net cash from financing activities	281,183	62,774
Net increase in cash and cash equivalent	114,738	43,731
Effect of exchange rate fluctuation on cash held	-	-
Cash and cash equivalents at beginning of year	43,731	-
Cash and cash equivalents at end of year	158,469	43,731
Term deposits placed with licensed banks	145,750	133,031
Cash and bank balances	147,445	54,322
	293,195	187,353
Less: Bank overdrafts	(11,301)	(10,591)
Less: Deposits pledged	(123,425)	(133,031)
	158,469	43,731

4. **Condensed Consolidated Statement of Changes in Equity for the Fourth Quarter (twelve-Month Period) ended 31 December 2017**

	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	
At 31 December 2016	531,800	(434,710)	79,688	45,258	587,178	809,214	7,929	817,143
Transfer in accordance with Section 618 (2) of Companies Act 2016	1,000	-	-	(1,000)	-	-	-	-
Issue of ordinary share	396,394	-	-	-	-	396,394	-	396,394
Foreign currency translation differences for foreign operations	-	-	(59,475)	-	-	(59,475)	(47)	(59,522)
Profit/ (Loss) for the period	-	-	-	-	310,023	310,023	(3,511)	306,512
Total comprehensive income for the period	-	-	(59,475)	-	310,023	250,548	(3,558)	246,990
Dividend to owner of the company	-	-	-	-	(69,420)	(69,420)	-	(69,420)
Transfer to other reserve	-	-	-	12	(12)	-	-	-
At 31 December 2017	929,194	(434,710)	20,213	44,270	827,769	1,386,736	4,371	1,391,107

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 period ended 31 December 2016.

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 period ended 31 December 2016 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 2017: -

- Amendments to MFRS 107: Statement of Cash Flows - Disclosure Initiative
- Amendments to MFRS 112: Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRS 12: Disclosure of Interest in Other Entities (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 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2, <i>Share-based Payment – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4, <i>Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140, <i>Investment Property – Transfers of Investment Property</i>	1 January 2018
MFRS 16, <i>Leases</i>	1 January 2019
Amendment to MFRS 128, <i>Investment in Associates & 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
MFRS17, <i>Insurance Contracts</i>	1 January 2021

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 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 2018 for MFRS 9, MFRS 15, Clarifications to MFRS 15, IC Interpretation 22 and Amendments to MFRS 128, which are effective for annual period beginning on or after 1 January 2018.
- 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.

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:

(i) MFRS 15, Revenue from Contract with Customers and Clarifications to MFRS 15, Revenue from Contract with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue-Barter Transactions Involving Advertising Services*. Upon adoption MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurements of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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

A2. Changes in accounting policies (Cont'd)

(iii) 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.

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 period ended 31 December 2016.

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.



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

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

(a) Significant event

On 25 May 2016, the Company entered into the Share Purchase Agreement with the shareholders of Serba Dinamik Group Berhad ("SDGB") ("Selling Shareholders") for the purchase by the Company from the Selling Shareholders of the entire issued and paid up share capital of SDGB comprising 73,978,860 ordinary share of RM1.00 each for total consideration of RM531,799,999 which was fully satisfied by the issuance of the total of 1,063,599,998 ordinary share of RM0.50 each in the Company to the Selling Shareholders in proportion to the shares in SDGB held by each of the Selling Shareholder. Since then, the Company became the holding company of SDGB.

(b) Significant events during the year

- i) On 8 February 2017, the Company was listed on Bursa Malaysia's main market. The listing exercise involved the issuance of 271.4 million shares in addition to an offer for sale by the existing shareholder of 118.0 million shares of the total enlarged capital of the company for a retail price of RM1.50 per share.
- ii) On 20 February 2017, Serba Dinamik Sdn. Bhd. ("SDSB"), a wholly owned subsidiary of Serba Dinamik Holdings Berhad entered into a Share Purchase Agreement for the acquisition of 400,000 ordinary shares in Konsortium Amanie Joint Venture ("KAJV") for a total cash consideration of RM 34,000,000

The acquired 400,000 ordinary shares represent 40% of the total issued share capital of Konsortium Amanie Joint Venture.

- iii) On 21 August 2017, Serba Dinamik Group Berhad ("SDGB"), a wholly owned subsidiary of Serba Dinamik Holdings Berhad entered into a Sale and Purchase Agreement with Almurisi Holding Sdn. Bhd. ("AHSB") to acquire 14,000 Ordinary Shares representing 30% Equity interest in Almurisi Development Sdn. Bhd. a total cash consideration of RM18,300,000.



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

(b) Significant events during the year (cont'd)

iv) On 6 October 2017, Serba Dinamik International Limited ("SDIL"), a wholly Joint Venture Agreement with Junaco (T) Limited ("JTL") to establish a new special purpose vehicle in Dubai which ultimately hold 100% shareholding in the establishment and operation of a forty-five (45) metric tonne per day Chlorine Skid Mounted Chlor-Alkali Plant in Msufini Area, Mlandizi Ward, Kibaha District Coast Region in Tanzania.

SDIL will acquire 25% equity stake in the newly set up company to be name Msufini LLC.

v) On 23 October 2017, Serba Dinamik Group Berhad ("SDGB"), a wholly owned subsidiary of Serba Dinamik Holding Berhad entered into a Sale and Purchase Agreement with AFFIN Bank Berhad ("Affin") to acquire a 16-storey Office Building with a 4-storey Basement Carpark in Shah Alam for a total cash consideration of RM43,500,000.

(c) Subsequent events after year end

i) 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.

ii) On 5 February 2018, SDGB, a wholly owned subsidiary of Serba Dinamik Holding Berhad 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.

iii) 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% of the issued share capital of KB Engineering for a total cash consideration of RM2,000,000.

A9. Changes in the composition of the Group

There was no change in the composition of the Group during the current financial period other than that as disclosed in note A8.

A10. Contingent assets and liabilities

There were no material changes in contingent liabilities or contingent asserts arising since the last audited financial statements for the financial period ended 31 December 2016.

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

A11. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment as of 31st December 2017 are as follows: -

	RM'000
Land and Building	
Approved and contracted for	439,150

A12. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Period	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31/12/17	31/12/16	31/12/17	25/05/16 - 31/12/16 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
Malaysian Taxation	28,724	6,123	56,617	14,910
Foreign Taxation	-	369	1,789	(139)
Total Current Taxation	28,724	6,492	58,406	14,771
Deferred Taxation	(2,154)	724	(3,730)	393
Total Taxation	26,570	7,216	54,676	15,164

Note:

(1) Comparative figures for the preceding year are presented from the date the company commenced operations on 25/05/2016 after its acquisition which is detailed in note A8.

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% 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.



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

A12. Taxation (Cont'd)

Serba Dinamik Sdn Bhd ("SDSB") a wholly owned subsidiary of the Group has been imposed with additional tax liabilities inclusive penalties for the years of assessment 2010 to 2015 by Inland Revenue Board ("IRB"). SDSB had reached a settlement agreement with IRB to pay the additional tax liabilities and penalties in following manner: -

- a) Initial payment of RM11,250,000.00
- b) Eighteen (18) monthly instalments of RM1,875,000.00 each payable on or before 30th of every month.

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, inspection, repair and maintenance of static equipment and structure, 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.

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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
	31/12/17	31/12/16	31/12/17	25/5/16 - 31/12/16 ⁽¹⁾		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	671,892	632,719	121,520	113,851	6.2	6.7
EPCC	123,469	98,518	20,390	16,945	25.3	20.3
Others	2,011	532	385	128	278.0	200.0
Group Revenue/ Operating Profit	797,372	731,769	142,295	130,924	9.0	8.7
Corporate Expenses and Elimination			(36,423)	(27,004)		34.9
Profit Before Tax			105,872	103,920		1.9

Note:

(1) The preceding year figures are presented from the date the company assumed the role as holding company of the group on 25/05/2016 after the acquisition which is detailed in note A8.

For the quarter ended 31 December 2017 ("Q4FY17"), the Group recorded revenue of RM797.4 million which was 9.0% higher than corresponding quarter of the preceding year ("Q4FY16") due to strong activities from our EPCC Segment. The operating profit for the quarter stood at RM142.3 million or 17.8% of total revenue. The Group also recorded profit before taxation of RM105.9 million, 1.9% higher as compared to profit before taxation of RM103.9 million in Q4FY16.

O&M contribute 84.3% of revenue in Q4FY17 with an increase of RM39.2 million or 6.2% against Q4FY16. The increase was due to higher activity in Middle East region as well as increase in activity from Malaysia and Turkmenistan. The segment recorded an improved operating profit of RM121.5 million or representing gross margin of 18.1% as compared to 18.0% in Q4FY17.

EPCC revenue recorded a total of RM123.5 million, higher by RM24.9 million against Q4FY16 and contributed 15.5% of the total revenue of the Group. EPCC activity was mainly derived from domestic activity as well as from United Arab Emirates ("UAE") through our contract with New Thunder Technical Services. The segment recorded operating profit of RM20.4 million yielding a gross margin of 16.5%.

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.

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

	Revenue		Operating profit		Variance	
	Period Ended		Period Ended		Revenue	Operating Profit
	31/12/17	30/9/17	31/12/17	30/9/17		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	671,892	567,881	121,520	99,122	18.3	22.6
EPCC	123,469	84,055	20,390	13,400	46.9	52.2
Others	2,011	1,387	385	464	45.0	(17.0)
Group revenue/ operating profit	797,372	653,323	142,295	112,986	22.0	25.9
Corporate Expenses and Elimination			(36,423)	(27,194)		34.0
Profit before tax			105,872	85,792		23.4

For quarter ended 31 December 2017, the Group recorded an increase in revenue of 22.0% higher than immediate preceding quarter ("Q3FY17") with all segment showing an improved revenue against Q3FY17.

O&M revenue improved RM104.1 million with Middle East activity increase after the summer period as well as higher call out in Malaysia. EPCC segment recorded an increase of RM39.4 million against Q3FY17 with higher activity recorded from UAE after activity halted in Q3FY17 due to weather condition. Other product and services also recorded improved revenue with increase of RM0.6 million due to higher IT related services.

The operating profit for the quarter stood at RM142.3 million with increase of RM29.3 million and improved margin of 17.8% as compared to 17.3% in Q3FY17. The improved margin is contributed from increase in our international business. This also contributed to an improved profit before tax of RM105.9 million or 13.3% as compared to Q3FY17 of only 13.1%

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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)

iii) Current period vs Corresponding period of the preceding year

	Revenue		Operating profit		Variance	
	Period Ended		Period Ended		Revenue	Operating Profit
	31/12/17	25/05/16 - 31/12/16 (1)	31/12/17	25/05/16 - 31/12/16 (1)		
	RM'000	RM'000	RM'000	RM'000	%	%
Business Segments:						
O&M	2,333,202	1,252,880	414,472	212,369	86.2	95.2
EPCC	374,271	152,368	63,200	21,947	145.6	188.0
Others	5,349	3,308	1,279	636	61.7	101.1
Group revenue/ operating profit	2,712,822	1,408,556	478,951	234,952	92.6	103.9
Corporate Expenses and Elimination			(117,763)	(68,348)		72.3
Profit before tax			361,188	166,604		116.8

Note:

(1) The preceding year figures are presented from the date the company assumed the role as holding company of the group on 25/05/2016 after the acquisition which is detailed in note A8.

The group year to date ("YTD") revenue recorded a total of RM2.7 billion with operating profit at RM479.0 million or 17.7% of total revenue. All segments are showing an improved operating profit against the corresponding period of the preceding year. The group cumulative profit before tax improved to RM361.2 million, RM209.7 million higher than the corresponding period of the preceding year.

iv) Segmental Revenue by countries

	Individual Quarter		Cumulative Quarter	
	31/12/17	31/12/16	31/12/17	25/5/16 - 31/12/16 (1)
	RM'000	RM'000	RM'000	RM'000
Malaysia	306,530	250,105	859,599	506,746
Indonesia	8,702	66,808	101,073	103,240
Turkmenistan	40,370	772	139,923	30,839
India	-	-	499	-
Bahrain	85,163	62,801	341,211	146,723
UAE	153,957	71,828	289,663	113,636
Qatar	94,645	138,344	491,372	260,249
Oman	23,204	22,394	118,385	33,812
Kingdom of Saudi Arabia	83,027	95,066	303,668	164,659
Kuwait	-	22,163	62,949	47,164
United Kingdom	1,774	1,488	4,480	1,488
Total	797,372	731,769	2,712,822	1,408,556



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)

Overall Malaysia remained as the biggest revenue contributor by country recording a total of RM306.5 million for Q4FY17 and an improved yearly revenue of RM859.6 million or 31.7% contribution to the group revenue. The improvement was largely contributed by increase in both O&M and EPCC segment.

The Middle East region continue to be the highest contributor of revenue for the group on a regional level. Middle East contributed 55.2% of the overall revenue for the quarter and 59.2% for the whole year of 2017. For Q4FY17, UAE, Bahrain and Oman recorded an increase of revenue against Q4FY16. As for the cumulative yearly number, all 6 countries where the group having their operation showing and improved year on year. This mainly contributed by increase in overall activity. The Majority of the revenue from Middle East region is from O&M services.

Other revenue contributors include Turkmenistan which contributed 5.1%, of revenue for the quarter respectively, or RM40.4 million. For cumulative 2017, Turkmenistan activity showing an improvement of revenue closing the year at RM139.9 million or 5.2% of total revenue with increase in the no of contract the Group services. Indonesia contributed 1.1% of total revenue for the quarter or RM8.7 million and Europe contributed RM1.8 million of revenue from our two subsidiaries in United Kingdom namely Quantum Offshore Limited and Serba Dinamik International Limited.

B3. (a) Commentary on prospects

Malaysia recorded another increase in GDP growth for 3Q2017 at 6.2% (2Q2017: 5.8%). Private sector spending continued to be the main driver of growth as well as real exports expanded at a faster pace supported by stronger demand from major trading partners. Global economic activity continued to expand in third quarter as consumption and investment grew further.

On the Oil and Gas front, oil prices have been gaining momentum with the Brent Crude price are currently traded just below the USD70/bbl mark. The continuous increase was supported by a year of ongoing supply adjustment from producing countries as well as strong demand, particularly from China. This production adjustment under the Declaration of Cooperation (DOC) which started in January last year is expected to continue until end of 2018.

Malaysia's economic development and population growth have resulted in substantially higher electricity demand over the past decade. The country's electricity generation was about 140,000 GWh and the Malaysian states anticipate the electricity demand will grow by an average of 1.92% through 2020.

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 recent announcement to participate in the development of a small hydro-power plant in Perak mark our commitment to increase our participation in the power generation industry. Currently the Group involved in development of cumulative 90 MW power plant which the Group intent to expand the portfolio further.

By leveraging on its core competencies, the Group also has penetrated into water and utilities industry. The Group currently involved in developing water treatment plant in Terengganu, two sewerage treatment plant in Kuala Lumpur as well as developing a Chlor-Alkali plant in Tanzania which produce chemicals used in the water treatment facilities. This would see the company's revenue to grow and sustain within the industry.

Petronas are investing a total of US\$27 billion in the development of Pengerang Integrated Complex ("PIC") which is designed to produce premium differentiated petrochemicals. The Company foresee an opportunity for maintenance services to grow upon completion of the Project. The private placement exercise which the Group undertook in January 2018 is part of our commitment for the development of Global Centre of Excellence ("COE"), Technical and Vocational Education and Training ("TVET") facilities and other associate facilities to emerge Pengerang eco-Industrial Park ("PeIP") as an integrated service hub.

Management is also looking into expanding our presence into various continent in order to be a global player in providing integrated engineering service provider. Currently the Group has operation in South East Asia, Central Asia, Middle East, Europe and recently Africa. The Group is actively seeking for opportunity to grow in international market.

IT capability is crucial to ensure the sustainability of the company with the emergence of industrial revolution 4.0. Industry 4.0 is about managing operations using cyber-physical system, internet of things, cloud computing and big data analytics. Moving up the value chain is important for the company to be relevant in future. Recent development of QuickParking mobile payment application which provide parking solutions to customer as well as app-based online management system for clinics named "Malaysia Third-Party Administrator ("MyTPA") are part of the Group strategy to strengthen its IT division capabilities.

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;*
- *Bloomberg and Reuters*

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

(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 Public Issue

The gross proceeds from the Public Issue of RM407.10 million shall be utilised in the following manner:

Details of utilisation of proceeds	Estimated timeframe for utilisation	Actual Utilisation			
		RM '000	%	RM '000	% Utilised
Expansion of business and operational facilities	Within 12 to 36 months	300,000	73.7	117,975	39.3
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	225,075	55.3

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 RM225.08 million of the IPO proceeds out of which RM117.98 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 million was utilised for the establishment of a new facility and upgrading of existing facility in Johor Malaysia
- iii. Approximately RM15 million was utilised for upgrading our existing operational facilities in Malaysia and UAE
- iv. Approximately RM10.98 million was utilised for acquiring our corporate office building in Selangor, Malaysia
- v. Approximately RM2.0 million was utilised for investment and acquisition

(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, the updates of the properties are as follows:

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

(ii) Certificate of Completion and Compliance (“CCC”) (Cont’d)

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), Rancharan Light Industrial Estate, off Jalan Rancharan, 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.

B5. Other Operating Income

The Group's Other Operating income as at 31 December 2017 are as follows:

	Individual Quarter		Cumulative Quarter	
	31/12/17 RM'000	31/12/16 RM'000	31/12/17 RM'000	25/5/16 - 31/12/16 ⁽¹⁾ RM'000
Grants	-	-	3,394	-
Foreign Exchange gain	-	-	138	-
Rental Income	-	-	90	71
Others	3	410	561	473
Total	3	410	4,183	544

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

B6. Trade Receivables

The Group's Trade Receivables Ageing analysis as at 31 December 2017 are as follows:

In RM'000	31/12/17		31/12/16	
	Amount RM'000	%	Amount RM'000	%
Not past due	754,392	88.3%	699,053	94.3%
0 – 30 days past due	303	0.0%	12,014	1.6%
31 – 120 days past due	13,152	1.5%	13,249	1.8%
Past due more than 120 days	11,935	1.4%	2,953	0.4%
Total Trade Receivables	779,782	91.2%	727,269	98.1%
Other Receivables	75,138	8.8%	13,925	1.9%
Total Trade & Other Receivables	854,920	100%	741,194	100%

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 31 December 2017 are as follows:

In RM'000	As at 31 st December 2017					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM Currency	Foreign Currency	RM Currency	Foreign Currency	RM Currency
Secured	6,529	78,202	396,410	208,447	402,939	286,649
Unsecured	-	-	-	-	-	-
In RM'000	As at 31 st December 2016					
	Long term		Short term		Total borrowings	
	Foreign Currency	RM Currency	Foreign Currency	RM Currency	Foreign Currency	RM Currency
Secured	1,213	15,015	371,254	252,178	372,467	267,193
Unsecured	-	-	-	-	-	-

Financing/ Borrowings denominated in foreign currency are as follows:

Currency	31/12/17 RM'000	31/12/16 RM'000
USD	396,410	370,538
IDR	6,529	1,929



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 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. 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.

B9. Material Impairment of Assets

There is no material impairment of assets by the Group for the period ended 31 December 2017.

B10. 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.

B11. Dividend

The Board of Directors has declared a fourth interim single-tier tax-exempt dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017, to be paid on 30 March 2018. The entitlement date for the dividend payment is 15 March 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 15 March 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 ended 31 December 2017 is 6.80 sen per ordinary share.

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

B12. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary share outstanding, calculated as follows:

	Individual Quarter		Cumulative Quarter	
	31/12/17	25/5/16 - 31/12/16 (1)	31/12/17	25/5/16 - 31/12/16 (1)
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	80,508	96,588	310,023	151,831
Weighted average number of ordinary shares	1,335,000	1,063,600	1,298,652	1,063,600
Basic and diluted earnings per ordinary share (sen)	6.03	9.08	23.87	14.28

B13. Profit for the period

This is arrived after (charging)/crediting

	Individual quarter ended	Cumulative period
	31/12/17	31/12/17
	RM'000	RM'000
Finance income	1,079	3,139
Finance expense	(9,356)	(33,970)
Depreciation and amortization	(18,163)	(68,918)

By order of the Board

Shah Alam, Selangor Darul Ehsan

26th February 2018