



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

**QUARTERLY REPORT ON THE  
CONSOLIDATED RESULTS  
FOR THE QUARTER AND PERIOD ENDED  
30<sup>th</sup> June 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 30<sup>th</sup> June 2020**

a. Consolidated Profit or loss and Comprehensive Income

	Individual quarter		Changes %	Cumulative quarter		Changes %
	Quarter ended 30/06/20	Quarter ended 30/06/19		Period ended 30/06/20	Period ended 30/06/19	
	RM'000	RM'000		RM'000	RM'000	
<b>Revenue</b>	<b>1,437,878</b>	<b>1,138,621</b>	<b>26.3%</b>	<b>2,716,547</b>	<b>2,123,009</b>	<b>28.0%</b>
Cost of sales/services	(1,181,182)	(941,070)		(2,231,163)	(1,747,081)	
<b>Gross profit</b>	<b>256,696</b>	<b>197,551</b>	<b>29.9%</b>	<b>485,384</b>	<b>375,928</b>	<b>29.1%</b>
Other operating income	3,530	806		5,347	3,334	
Administrative & other operating expenses	(28,652)	(29,843)		(60,306)	(65,174)	
<b>Results from operating activities</b>	<b>231,574</b>	<b>168,514</b>	<b>37.4%</b>	<b>430,425</b>	<b>314,088</b>	<b>37.0%</b>
Finance income	2,886	10,288		6,657	11,880	
Finance costs	(60,365)	(37,548)		(114,111)	(63,523)	
<b>Net finance costs</b>	<b>(57,479)</b>	<b>(27,260)</b>	<b>110.9%</b>	<b>(107,454)</b>	<b>(51,643)</b>	<b>108.1%</b>
Share of results of equity accounted associates	(7,609)	2,588		(8,799)	5,881	
<b>Profit before tax</b>	<b>166,486</b>	<b>143,842</b>	<b>15.7%</b>	<b>314,172</b>	<b>268,326</b>	<b>17.1%</b>
Tax expense	(18,623)	(12,689)		(32,707)	(24,795)	
<b>Profit for the period</b>	<b>147,863</b>	<b>131,153</b>	<b>12.7%</b>	<b>281,465</b>	<b>243,531</b>	<b>15.6%</b>
<b>Items that may be reclassified subsequently to profit and loss:</b>						
Foreign currency translation differences for foreign operations	619	11,805		31,102	2,898	
Share of other comprehensive income of equity accounted associates	(618)	(583)		218	(3,750)	
<b>Total comprehensive income for the period</b>	<b>147,864</b>	<b>142,375</b>	<b>3.9%</b>	<b>312,785</b>	<b>242,679</b>	<b>28.9%</b>
<b>Profit/(loss) for the period attributable to:</b>						
Owners of the Company	147,880	130,444		281,600	242,594	
Non-controlling interest	(17)	709		(135)	937	
<b>Total profit for the period</b>	<b>147,863</b>	<b>131,153</b>	<b>12.7%</b>	<b>281,465</b>	<b>243,531</b>	<b>15.6%</b>
<b>Total comprehensive income for the period attributable to:</b>						
Owners of the Company	147,384	141,590		312,867	241,684	
Non-controlling interest	480	785		(82)	995	
<b>Total profit for the period</b>	<b>147,864</b>	<b>142,375</b>	<b>3.9%</b>	<b>312,785</b>	<b>242,679</b>	<b>28.9%</b>

b. Earnings per share

	Individual quarter		Cumulative quarter	
	Quarter ended 30/06/20	Quarter ended 30/06/19	Period ended 30/06/20	Period ended 30/06/19
	<b>Basic (sen)</b>	<b>4.39</b>	<b>3.87</b>	<b>8.35</b>

2. Condensed Consolidated Statement of Financial Position as at 30<sup>th</sup> June 2020

	Unaudited	Audited
	At	At
	30/06/20	31/12/19
	RM'000	RM'000
<b>Assets</b>		
Property, plant and equipment	1,956,600	1,688,617
Right-of-use assets	258,914	248,120
Investment in associates	183,870	382,365
Other investments	15,516	14,516
Intangible assets	117,870	118,994
Deferred tax assets	255	255
<b>Total non-current assets</b>	<b>2,533,025</b>	<b>2,452,867</b>
Inventories	1,360,764	919,561
Contract assets	380,340	321,558
Trade and other receivables	1,517,205	1,256,132
Deposits and prepayments	150,303	108,916
Current tax assets	926	1,214
Other investments	53,771	51,172
Cash and cash equivalents	1,361,488	1,306,590
	4,824,797	3,965,143
Asset classified as held for sale	185,326	-
<b>Total current assets</b>	<b>5,010,123</b>	<b>3,965,143</b>
<b>Total assets</b>	<b>7,543,148</b>	<b>6,418,010</b>
<b>Equity</b>		
Share capital	1,790,429	1,344,347
Treasury shares	(31,866)	-
Merger Reserve	(434,709)	(434,709)
Foreign Currency Translation Reserve	43,770	12,503
Other reserves	44,994	45,266
Retained earnings	1,663,413	1,465,318
<b>Total equity attributable to owners of the Company</b>	<b>3,076,031</b>	<b>2,432,725</b>
Non-controlling interest	7,126	7,160
<b>Total equity</b>	<b>3,083,157</b>	<b>2,439,885</b>
<b>Liabilities</b>		
Trade and other payables	57,748	57,748
Lease liabilities	8,106	24,421
Deferred tax liabilities	41,462	30,906
Loans and borrowings	3,156,542	2,938,624
Employee benefits	757	691
<b>Total non-current liabilities</b>	<b>3,264,615</b>	<b>3,052,390</b>
Trade and other payables	544,776	402,657
Lease liabilities	54,105	58,450
Contract liabilities	31,477	35,736
Loan and borrowings	535,377	400,903
Current tax payable	29,641	27,989
<b>Total current liabilities</b>	<b>1,195,376</b>	<b>925,735</b>
<b>Total liabilities</b>	<b>4,459,991</b>	<b>3,978,125</b>
<b>Total equity and liabilities</b>	<b>7,543,148</b>	<b>6,418,010</b>
<b>Net assets per share (RM)</b>	<b>0.91</b>	<b>0.72</b>

**3. Condensed Consolidated Statement of Cash Flows for the period ended 30<sup>th</sup> June 2020**

	Unaudited 30/06/20 RM'000	Unaudited 30/06/19 RM'000
<b>Cash flow from operating activities</b>		
Profit before tax	314,172	268,326
Adjustment for :		
Depreciation of property, plant and equipment and right-of-use assets	96,352	62,323
Amortisation of intangible assets	-	1,142
Net unrealised foreign exchange loss	1,073	7,049
Share of loss / (profit) in equity-accounted associate, net of tax	8,799	(5,882)
Finance income	(6,657)	(11,880)
Finance costs	114,111	63,523
Employment benefits	66	11
Loss on disposal of trade receivables	4,938	3,359
Share of other comprehensive loss/(income) of associates	(218)	3,750
Operating profit before changes in working capital	532,636	391,721
<b>Changes in working capital:</b>		
Inventories	(407,207)	(44,424)
Trade and other receivables	(130,349)	(218,171)
Trade and other payables	159,533	75,551
Contract assets	(47,871)	(109,987)
Contract liabilities	(4,259)	(6,108)
<b>Cash generated from operations</b>	<b>102,483</b>	<b>88,582</b>
Profit or interest paid	(364)	(1,187)
Tax paid	(20,212)	(27,551)
<b>Net cash from operating activities</b>	<b>81,907</b>	<b>59,844</b>
<b>Cash flow from investing activities:</b>		
Acquisition of subsidiaries, net of cash and cash equivalent	-	(342)
Acquisition of property, plant and equipment	(365,376)	(341,267)
Proceeds from issuance of new shares to non-controlling interests	98	-
Proceeds from disposal of subsidiaries	(2,150)	-
Interest received	6,657	5,810
Dividend received	235	5,762
Changes in term deposits pledged to banks	1,838	81,181
Increase in other investments	(61,174)	(44,036)
Advance to an associate	(32,614)	(54,758)
<b>Net cash used in investing activities</b>	<b>(452,486)</b>	<b>(347,650)</b>
<b>Cash flow from financing activities</b>		
Profit or interest paid	(100,856)	(72,605)
Proceeds from issuance of ordinary shares	446,082	-
Net proceeds from/(repayment) of loans and borrowings	217,113	(473,829)
Net repayment of lease liabilities	(18,472)	-
Repurchase of treasury shares	(31,866)	-
Net proceed of Sukuk	-	1,253,453
Dividend paid to owners of the Company	(83,505)	(67,550)
<b>Net cash generated from financing activities</b>	<b>428,496</b>	<b>639,469</b>
<b>Net increase in cash and cash equivalents</b>	<b>57,917</b>	<b>351,663</b>
Effect of exchange rate fluctuation on cash held	-	-
Cash and cash equivalents at beginning of year	1,264,687	631,514
<b>Cash and cash equivalents at end of period</b>	<b>1,322,604</b>	<b>983,177</b>
Fixed deposits placed with licensed banks	229,665	253,637
Cash and bank balances	1,131,823	770,641
	1,361,488	1,024,278
Less: Bank overdrafts	(4,815)	(7,643)
Less: Fixed deposits pledged	(34,069)	(33,458)
	<b>1,322,604</b>	<b>983,177</b>

4. Condensed Consolidated Statement of Changes in Equity for the period ended 30<sup>th</sup> June 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 <sup>st</sup> 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	-
<b>At 31<sup>st</sup> December 2019</b>	<b>1,344,347</b>	<b>-</b>	<b>(434,709)</b>	<b>12,503</b>	<b>45,266</b>	<b>1,465,318</b>	<b>2,432,725</b>	<b>7,160</b>	<b>2,439,885</b>
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	-	-	-	31,049	-	-	31,049	53	31,102
Share of other comprehensive income of an associate	-	-	-	218	-	-	218	-	218
Profit for the period	-	-	-	-	-	281,600	281,600	(135)	281,465
Total comprehensive income for the period	-	-	-	31,267	-	281,600	312,867	(82)	312,785
Dividend paid to owners of the Company	-	-	-	-	-	(83,505)	(83,505)	-	(83,505)
Non-controlling interest of a new subsidiary acquired	-	-	-	-	-	-	-	98	98
Disposal of a subsidiary	-	-	-	-	(272)	-	(272)	(50)	(322)
<b>At 30<sup>th</sup> June 2020</b>	<b>1,790,429</b>	<b>(31,866)</b>	<b>(434,709)</b>	<b>43,770</b>	<b>44,994</b>	<b>1,663,413</b>	<b>3,076,031</b>	<b>7,126</b>	<b>3,083,157</b>

**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:

<b>MFRS/ Amendment/ Interpretation</b>	<b>Effective date</b>
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 101, <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to MFRS 116, <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
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 MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Cost of Fulfilling a Contract</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)**

<b>MFRS/ Amendment/ Interpretation</b>	<b>Effective date</b>
Amendment to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)	1 January 2022
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>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 2022 for the accounting standard that is effective for annual periods beginning on or after 1 January 2022. The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group.

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

**(a) Basis of measurement**

The 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.

**(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.



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

**A3. Auditors' report**

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

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**

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



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

**A9. Changes in the composition of the Group**

- i) On 25 February 2020, the Group via Serba Dinamik Group Bhd ("SDGB"), a wholly owned subsidiary of the Company, has entered 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.

**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 30<sup>th</sup> June 2020 are as follows: -

	RM'000
<b>Land and Building</b>	
Approved and contracted for	343,070

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

**A12. Tax expense**

Tax expense comprises the following:

	Individual quarter		Cumulative quarter	
	Quarter ended 30/06/20	Quarter ended 30/06/19	Period ended 30/06/20	Period ended 30/06/19
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense:</b>				
Malaysian Taxation	13,447	17,408	29,560	28,952
Foreign Taxation	627	258	627	663
<b>Total current tax expense</b>	<b>14,074</b>	<b>17,666</b>	<b>30,187</b>	<b>29,615</b>
Deferred tax expense	4,549	(4,977)	2,520	(4,820)
<b>Total tax expense</b>	<b>18,623</b>	<b>12,689</b>	<b>32,707</b>	<b>24,795</b>

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.

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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 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
	30/06/20	30/06/19	30/06/20	30/06/19		
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Business Segments:</b>						
O&M	1,195,905	951,653	219,336	168,738	25.7	30.0
EPCC	148,147	147,183	22,190	22,005	0.7	0.8
ICT	93,798	39,582	15,154	6,700	137.0	126.2
E&T	28	203	16	109	(86.2)	(85.0)
<b>Group Revenue/ Operating Profit</b>	<b>1,437,878</b>	<b>1,138,621</b>	<b>256,696</b>	<b>197,552</b>	<b>26.3</b>	<b>29.9</b>
Corporate Expenses and Elimination			(90,210)	(53,709)		68.0
<b>Profit Before Tax</b>			<b>166,486</b>	<b>143,843</b>		<b>15.7</b>

For the quarter ended 30 June 2020 ("Q2FY20"), the Group recorded revenue of RM1,437.9 million which was 26.3% higher than corresponding quarter of the preceding year ("Q2FY19") due to strong activities from O&M segment. The operating profit for the quarter stood at RM256.7 million or 17.9% of total revenue. The Group also recorded profit before taxation of RM166.5million, 15.7% higher as compared to profit before taxation of RM143.8 million in Q2FY19.

O&M contributed 83.2% of revenue in Q2FY20 with an increase of RM244.3 million or 25.7% against Q2FY19. The increase was due to higher activities from our MRO activity in middle east region such as UAE, Qatar & Oman, and Malaysia. IRM activity also showed higher growth against Q2FY19. The segment recorded an improved operating profit of RM219.3 million which represents a gross margin of 18.3%.

EPCC revenue recorded a total of RM148.1 million, slightly increase against Q2FY19 and contributed 10.3% of the total revenue of the Group. Revenue from EPCC segment was derived from our various contracts in UAE, Tanzania, Laos and Malaysia. The segment recorded an operating profit of RM22.2 million yielding a gross margin of 15.0%.

ICT registered revenue of RM93.8 million or 6.5% of the total revenue. This was mainly derived from the provision of IT related services which is related to customized solutions involving software developments in countries such as UAE, Qatar and Indonesia.

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 & other energy operators.

**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	
	Quarter ended		Quarter ended		Revenue	Operating Profit
	30/06/20	31/03/20	30/06/20	31/03/20		
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Business Segments:</b>						
O&M	1,195,905	1,109,583	219,336	202,452	7.8	8.3
EPCC	148,147	140,742	22,190	21,747	5.3	2.0
ICT	93,798	27,931	15,154	4,279	235.8	254.2
E&T	28	413	16	210	(93.2)	(92.2)
<b>Group revenue/ operating profit</b>	<b>1,437,878</b>	<b>1,278,669</b>	<b>256,696</b>	<b>228,688</b>	<b>12.5</b>	<b>12.2</b>
Corporate Expenses and Elimination			(90,210)	(81,003)		11.4
<b>Profit before tax</b>			<b>166,486</b>	<b>147,685</b>		<b>12.7</b>

For quarter ended 30 June 2020, the Group recorded increase of revenue of 12.5% from immediate preceding quarter ("Q1FY20") mainly due to increase revenue from O&M & ICT activity. Overall Operating profit stood at RM256.7 million, an increase of RM28.0 million or 12.2% higher against Q1FY20.

O&M revenue slightly increased by RM86.3 million or 7.8% higher than Q1FY20 as some countries showed more activities in country namely Qatar, Oman & Malaysia. The increment in operating profit is in line with revenue and GP margin increase by 0.1%.

EPCC revenue also recorded a slight increase of RM7.4 million or 5.3% more against Q1FY20 which derived from our contracts in UAE, Tanzania, Laos and Malaysia in the current quarter. Operating profit registered a small increase from RM21.7 million in Q1FY20 to RM22.2 million in Q2FY20 resulting in 15.0% of gross profit margin.

ICT registered revenue of RM93.8 million in Q2FY20, showed an increase of RM65.9 million or growth of more than 100.0% as compared to Q1FY20 due to more work performed in relation to a contract with customer in country of UAE. The work performed for this contract is in relation to Extended Reality ("XR") training applications.

E&T also showed a decrease in revenue by RM0.4 million or 93.2% lower against Q1FY20 mainly due to lesser training programme conducted in current period by our subsidiary, Materials Technology Education Sdn. Bhd.

**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
	30/06/20	30/06/19	30/06/20	30/06/19		
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Business Segments:</b>						
O&M	2,305,488	1,810,385	421,789	326,547	27.3	29.2
EPCC	288,888	258,410	43,936	39,253	11.8	11.9
ICT	121,730	53,855	19,432	9,941	126.0	95.5
E&T	441	359	227	187	22.8	21.3
<b>Group revenue/ operating profit</b>	<b>2,716,547</b>	<b>2,123,009</b>	<b>485,384</b>	<b>375,928</b>	<b>28.0</b>	<b>29.1</b>
Corporate Expenses and Elimination			(171,212)	(107,602)		59.1
<b>Profit before tax</b>			<b>314,172</b>	<b>268,326</b>		<b>17.1</b>

The group's year to date ("YTD") revenue recorded a total of RM2,716.5 million with operating profit at RM485.4 million or 17.9% of total revenue. This is an improvement against the same period last year with 28.0% and 29.1% for revenue and operating profit respectively. O&M have shown an increase in revenue of 27.3% mainly from middle east region as well as country of Malaysia. O&M operating profit also showed an increase of 29.2% against the corresponding period of the preceding year.

EPCC showed an increase in revenue of RM30.5 million or 11.8%. The operating profit for business segment improved by RM4.7 million or 11.9% increase against the corresponding period of the preceding year.

Both ICT and E&T business segments also showed an increase in revenue of RM67.9 million and RM0.1 million or 126.0% and 22.8% respectively. The operating profit for both business segments also improved by RM9.5 million and RM0.04 million or 95.5% and 21.3% increase against the corresponding period of the preceding year.

Despite the increase in the corporate expenses and elimination year on year, the group's cumulative profit before tax improved to RM314.2 million, RM45.8 million higher than 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)**

**iv) Segmental Revenue by countries**

	Individual quarter		Cumulative quarter	
	30/06/20	30/06/19	30/06/20	30/06/19
	RM'000	RM'000	RM'000	RM'000
Malaysia	394,090	338,479	776,653	645,365
Indonesia	46,269	53,356	82,441	99,033
Laos	2,416	3,194	3,179	10,928
<b>South East Asia</b>	<b>442,775</b>	<b>395,029</b>	<b>862,273</b>	<b>755,326</b>
Turkmenistan	7,600	20,613	34,466	58,300
India	2,164	10,732	2,164	14,004
Uzbekistan	255	916	16,010	916
<b>Central &amp; South Asia</b>	<b>10,019</b>	<b>32,261</b>	<b>52,640</b>	<b>73,220</b>
Bahrain	77,917	96,408	178,257	179,819
UAE	421,938	193,717	736,248	410,042
Qatar	368,944	293,372	689,844	520,728
Oman	41,996	-	58,166	-
Kingdom of Saudi Arabia	51,055	76,655	83,181	130,899
Kuwait	4,822	12,494	13,411	12,494
<b>Middle East</b>	<b>966,672</b>	<b>672,646</b>	<b>1,759,107</b>	<b>1,253,982</b>
Tanzania	16,697	37,829	40,599	39,349
United Kingdom	1,715	856	1,928	1,132
<b>Total</b>	<b>1,437,878</b>	<b>1,138,621</b>	<b>2,716,547</b>	<b>2,123,009</b>

On geographical segmentation, Malaysia ranked as second biggest revenue contributor by country, recording a total of RM394.1 million for Q2FY20 or 27.4% of total revenue recording an improvement of 16.4% against Q2FY19. The improvement in revenue is mainly contributed by higher call out works for O&M and EPCC activity. Indonesia contributed 3.2% of total revenue for the quarter or RM46.3 million and Laos contributed RM2.4 million for the quarter.

The middle east region continued to be the highest revenue contributor for the Group at regional level. Middle east contributed 67.2% of the overall revenue for the quarter or RM966.7 million, an increase of RM294.0 million against Q2FY19. The increase was mainly contributed by higher call out activity in UAE & Qatar.

The Group central and south asia region contributed RM10.0 million or 0.7% of total revenue for the Group, with the revenue recognised mainly from Turkmenistan amounting to RM7.6 million whereas India showed revenue contribution of RM2.2 million relating to ICT activity.

Africa region through Tanzania contributed RM16.7 million to the Group or 1.2% of current quarter revenue. The revenue is derived from our EPCC contract for the development of 45 mtpd Chlor-Alkali plant in Kibaha District Coast region in Tanzania while Europe contributed RM1.7 million of revenue.

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

**B3. (a) Commentary on prospects**

Malaysia economy registered its first contraction since the Global Financial Crisis of -17.1% for 2Q2020 (1Q2020: 0.7%) arising from weak external demand conditions and strict containment measures in 2Q2020. On the supply side, negative growth reflected across most sectors meanwhile on the expenditure side, domestic demand has declined, while exports of goods and services registered a sharper contraction. The global economy contracted in 2Q2020 as the number of Covid-19 cases continued to rise, nationwide lockdowns and travel restrictions were implemented across major advanced and emerging economies. This significantly disrupted production activity, which resulted in a marked deterioration in labour market conditions and private sector expenditure.

IMF in their recent report stated that global growth is forecasted at -4.9% in 2020 and 5.4% in 2021, a downward revision of 1.9% and 0.4% for 2020 and 2021 respectively compared to April's World Economic Outlook forecast. The downward revision for 2020 is mainly due to the Covid-19 pandemic had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecasted.

On the Oil and Gas front, oil prices bounced back in May amid renewed optimism on the global oil market outlook and expectations for a further recovery in oil demand as Covid-19 related lockdown measures were being lifted in many major economies. Oil prices consolidated gains in the first week of June and maintained an upward trend to reach their highest value in about three months. However, the oil price rally was limited as the market remained cautious about the continuing spread of the Covid-19 pandemic, increasing infection numbers in some countries and concerns about a potential second wave of infections.

The Group continuously striving to increase more market share through securing of new contracts as well as renewing existing contracts, both domestic and internationally despite market downturn and volatility as mentioned above. In the current quarter, the Group was able to secure various contracts such as one EPCC contract in Indonesia, seven O&M contracts in Malaysia and two ICT contracts in Zambia. Most of our O&M contracts are still on going as long as the equipment are still running to produce the required production. As the Covid-19 occurred at different timing, the Group is taking the advantage by activating contracts in hand in countries which are not lockdown such as Tanzania, Qatar & UAE especially for essential sectors like oil & gas and power generation.

During this tough time, the Group has managed to provide value added solutions in O&M contracts by adopting Industrial Revolution 4.0 ("IR 4.0") element to help asset owner to achieve better performance and productivity of their equipment. Among most widely technology being used in IR 4.0 pillar are Artificial Intelligence ("AI") and data analytics.

**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 via Serba Dinamik Group Bhd ("SDGB"), a wholly owned subsidiary of the Company, has also acquired Teluk Ramunia Yard ("TR Yard") which is located in Kota Tinggi, Johor. TR Yard has the capacity to perform steel fabrication for offshore platforms and other structures of up to 50,000 tonnes on a piece of land area approximately 170 acres. With this yard, it will qualify the Group to be able to participate in various sizeable prospects such as offshore transport and installation ("T&I"), integrated hook-up and commissioning (i-HUC) services, top side maintenance, decommissioning works and other related services. This acquisition will elevate the Group's aspiration to be an integrated one stop solutions provider to connect offshore upstream capabilities to the onshore downstream, which is already well established.

The Group has also put a strong effort to ensure growth of ICT segment in year of 2020. With the two new ICT contracts awarded, it shows the Group's commitment to expand ICT segment moving forward. The scope of the contracts is to implement the Digital Microlending and Digital Health Platform in Zambia. The ICT segment is also strengthened by securing another contract with Future Digital Data Systems L.L.C. ("FDDS") to develop a data centre and its related facilities, infrastructure, and landscaping in Abu Dhabi, UAE; with a capacity of up to 20 MegaWatt ("MW").

During this pandemic situation, most people are looking into online solutions as an alternative. The Group through its ICT segment do provide online, cashless and contact less features which suit customer's expectation. Among main solution products are EasyBuyBye, an e-commerce platform, Qwik Pay, a cashless payment system with e-wallet capability and Global Content Exchange ("GCE"), a content or data exchange platform. With these solutions, the Group is tapping into the institutional and retail or consumer base in a big way both domestic and also internationally. Through these initiatives, the Group is expected to further grow its ICT segment and expected to contribute further to the Group.

With the new contracts won from O&M, EPCC and ICT segments, renewal of existing O&M contracts as well as acquisitions of TR Yard 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 still prolong.

Sources:

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



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

**B3. (b) Revenue or profit estimate, forecast, projection or internal targets**

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

**B4. Status of corporate proposals announced**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on Bursa Malaysia Securities Berhad, the following transactions were /are undertaken by the Company:

**(i) Utilisation of Proceeds from 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	106,186	53.1
Working capital	Within 12 months	245,555	53.8	103,035	42.0
Estimated private placement expenses	Immediately	11,140	2.4	11,140	100.0
<b>Total gross proceeds</b>		<b>456,695</b>	<b>100.0</b>	<b>220,361</b>	<b>48.3</b>

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

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**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 30<sup>th</sup> June 2020 are as follows:

	Individual quarter		Cumulative quarter	
	30/06/20 RM'000	30/06/19 RM'000	30/06/20 RM'000	30/06/19 RM'000
Foreign Exchange gain	1,734	-	2,393	863
Rental Income	208	522	576	1,075
Others	1,588	284	2,378	1,396
<b>Total</b>	<b>3,530</b>	<b>806</b>	<b>5,347</b>	<b>3,334</b>

**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 30<sup>th</sup> June 2020 are as follows:

In RM'000	30/06/20		31/12/19	
	Amount RM'000	%	Amount RM'000	%
Not past due	1,278,099	84.2	1,121,163	89.3
0 – 30 days past due	16,959	1.1	24,201	1.9
31 – 120 days past due	32,248	2.1	19,012	1.5
Past due more than 120 days	94,154	6.2	39,935	3.2
Total Trade Receivables	1,421,460	93.7	1,204,311	95.9
Other Receivables	95,745	6.3	51,821	4.1
<b>Total Trade &amp; Other Receivables</b>	<b>1,517,205</b>	<b>100.0</b>	<b>1,256,132</b>	<b>100.0</b>

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 30<sup>th</sup> June 2020 are as follows:

In RM'000	As at 30 <sup>th</sup> June 2020					
	Long term		Short term		Total borrowings	
	Foreign Currency	Local Currency	Foreign Currency	Local Currency	Foreign Currency	Local Currency
Secured	1,333	118,454	149,878	226,499	151,211	344,953
Unsecured	2,097,492	939,263	-	159,000	2,097,492	1,098,263
In RM'000	As at 31 <sup>st</sup> 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	30/06/20 RM'000	31/12/19 RM'000
USD	2,246,624	2,209,424
IDR	2,078	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 financing / borrowings denominated in foreign currency as financing / borrowings used to finance the Group's international business 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	
	30/06/20 RM'000	30/06/19 RM'000
Contractor charges	5	-
Professional service charges	3,417	1,941
Revenue from operation and maintenance	(33)	(11)

(b) The following transactions were with associates.

Nature of transaction	Cumulative quarter	
	30/06/20 RM'000	30/06/19 RM'000
Revenue from engineering, procurement, construction and commissioning project	(6,485)	(6,108)
Contract revenue	(43,164)	(67,645)

**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 30<sup>th</sup> June 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 second interim single-tier tax-exempt dividend of 1.30 sen per ordinary share in respect of the financial period ended 30<sup>th</sup> June 2020, to be paid on 29 September 2020. The entitlement date for the dividend payment is 15 September 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 September 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 30<sup>th</sup> June 2020 is 2.50 sen per ordinary share.

**B13. Earnings per ordinary share**

**Basic earnings per ordinary share**

The calculation of basic earnings per share at 30<sup>th</sup> June 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	
	30/06/20	30/06/19	30/06/20	30/06/19
	RM'000	RM'000	RM'000	RM'000
Profitable attributable to ordinary shareholders	147,880	130,444	281,600	242,594
Weighted average number of ordinary shares	3,371,578	3,371,578	3,371,578	3,371,578
<b>Basic earnings per ordinary share (sen)</b>	<b>4.39</b>	<b>3.87</b>	<b>8.35</b>	<b>7.20</b>

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 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

	<b>Individual quarter ended</b>	<b>Cumulative quarter</b>
	<b>30/06/20</b>	<b>30/06/20</b>
	<b>RM'000</b>	<b>RM'000</b>
Finance income	2,886	6,657
Finance expense	(60,365)	(114,111)
Depreciation and amortization	(51,155)	(96,352)

By order of the Board

Shah Alam, Selangor Darul Ehsan

25<sup>th</sup> August 2020