

**List of Entities on Rating Watch for 3<sup>rd</sup> Quarter 2021 (period covering 01.07.2021 – 30.09.2021)**

No	Issuer / Entity	Issue size & Instrument	Last rating action	MARCWatch	Subsequent rating action	Chronology on MARCWatch
1	Serba Dinamik Berhad	i) RM500.0 million multi-currency Islamic Commercial Papers Programme ii) RM1.5 billion Islamic Medium-Term Notes Programme with a combined limit of RM1.5 billion	A+ <sub>IS</sub>	Negative	<p>The ratings remained on MARCWatch Negative since May 31, 2021. The rating action was taken due to issues pertaining to the group’s annual accounts for financial year ending December 31, 2020. The rift between KPMG and Serba Dinamik had widened leading to the resignation of the auditors and legal action being instituted against each other. The accounts have not been passed. Serba Dinamik has announced that new auditors were expected to be appointed by end July 2021.</p> <p><b>On July 2, 2021, Serba Dinamik appointed Ernst and Young Consulting Sdn Bhd to conduct an independent review on the issues raised by KPMG. On August 4, 2021 Nexia SSY PLT was appointed as external auditor to undertake financial audit for financial period from January 1, 2020 to June 30, 2021 (18 months). The independent review and financial audit have yet to be completed as of date. Given the ongoing review and financial audit, MARC had on August 27, 2021 extended its MARCWatch Negative placement on Serba Dinamik Berhad pending the outcome of the independent review and audit.</b></p>	<p>May 31, 2021 – placed on MARCWatch Negative.</p> <p><b>August 27, 2021- extension of MARCWatch Negative</b></p>

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2	Alpha Circle Sdn Bhd	i) RM160 million Senior Sukuk Musharakah ii) RM55 million Junior Sukuk Musharakah	A <sub>IS</sub>  BBB <sub>IS</sub>	Negative	<p>The rating action was due to increased concerns related to the decline in the volume of foreign labour force, which has been impacted by the COVID-19 crisis. In addition, the crisis has also caused administrative delays in permit renewals for existing foreign workers that have led to longer billing cycles. These factors have resulted in Alpha Circle's lower-than-projected cash flows and as a consequence, Alpha Circle has breached its finance service cover ratio covenant of 1.75x.</p> <p>We maintained the negative outlook to reflect the uncertainty that the foreign worker volume would improve sufficiently in time to support Alpha Circle's upcoming financial obligations. If there is a sharp rebound in the foreign worker volume to the historical levels and/or the company receives sufficient external liquidity support, the outlook could be revised to stable.</p> <p>The ratings of the Senior Sukuk Musharakah were downgraded to BBB<sub>IS</sub> from A<sub>IS</sub> and Junior Sukuk Musharakah to BB<sub>IS</sub> from BBB<sub>IS</sub> on May 24<sup>th</sup>, 2021. The ratings remained on MARCWatch Negative.</p> <p>The ratings actions reflected the increasingly difficult position that Alpha Circle is in to generate sufficient cash</p>	<p>February 11, 2021 – placed on MARCWatch Negative.</p> <p>May 24, 2021 – remained in MARCWatch Negative and its ratings were downgraded from A<sub>IS</sub> to BBB<sub>IS</sub> and BBB<sub>IS</sub> to BB<sub>IS</sub>.</p>

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					<p>flow to be able to meet its upcoming financial obligations in November 2021.</p> <p>This is also due to the recent imposition of MCO 3.0 and the freeze on the new recruitment of foreign labour that have hampered the company's operations.</p> <p>Future negative rating actions will very likely be taken given the potential delays for timely refinancing arrangement in the current environment.</p> <p><b>MARC had on August 24, 2021 lowered its rating on Senior Sukuk Musharakah and Junior Sukuk Musharakah from BBB<sub>IS</sub> to BB<sub>IS</sub> and BB<sub>IS</sub> to B<sub>IS</sub> and removed the rating from MARCWatch Negative. The ratings outlook remains negative. MARC does not expect sufficient recovery in the coming months. Further rating actions will depend on how and when the company addresses its current issues.</b></p>	<p><b>August 24, 2021 – removed from MARCWatch Negative. Ratings were downgraded from BBB<sub>IS</sub> to BB<sub>IS</sub> and BB<sub>IS</sub> to B<sub>IS</sub>. Outlook remained negative.</b></p>
3	MEX II Sdn Bhd	<p>i) RM1.3 billion Sukuk Murabahah</p> <p>ii) RM150.0 million Junior Bonds</p>	<p>A<sub>IS</sub></p> <p>BBB</p>	Negative	<p>Placement on MARCWatch Negative was triggered by insufficient progress on the construction of the 16.8-km Lebuhraya Putrajaya-KLIA expressway (MEX Extension) to meet the project milestones since the ratings were downgraded in 2019.</p>	<p>May 22, 2020 - placed on MARCWatch Negative</p>

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					<p>In June 2020, MEX II received the approval from Lembaga Lebuhraya Malaysia to complete MEX Extension by September 4, 2021. However, there was no further forward in project progress, with completion at end-July 2020 standing stagnant at 86%.</p> <p>MARC downgraded the Sukuk's rating to BBB<sub>IS</sub> from A<sub>IS</sub> and the Junior Bonds' to BB from BBB. The ratings remained on MARCWatch Negative.</p> <p>There were heightened concerns about MEX II's ability to meet its debt service in 2021 as the project remained stalled. MEX II required additional funding to complete the project and meet its near-term financial obligations, which MARC believes carries a significant execution risk. MARC further downgraded the Sukuk's rating to BB<sub>IS</sub> from BBB<sub>IS</sub>. The rating on the Junior Bonds was also downgraded to B, from BB. The ratings remained on MARCWatch Negative.</p> <p>This rating action reflects the increasing likelihood that MEX II may not be able to put in place a liquidity facility that it had originally expected to procure by end-</p>	<p>August 21, 2020 – Extension of MARCWatch Negative</p> <p>November 18, 2020 –and its Ratings downgraded from A<sub>IS</sub> to BBB<sub>IS</sub> and from BBB to BB, and remained on MARCWatch Negative.</p> <p>February 9, 2021 –Ratings further downgraded from BBB<sub>IS</sub> to BB<sub>IS</sub> and from BB to B. Ratings remained on MARCWatch Negative.</p>

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					<p>2020 to meet a principal and profit payment of RM68.7 million due in April 2021.</p> <p>Ratings on the Sukuk and Junior Bonds were further downgraded to <i>C<sub>IS</sub>/C</i>, from <i>BB<sub>IS</sub></i> and B.</p> <p>The ratings actions were driven by the liquidity pressure MEX II was facing and the likelihood of missing an upcoming Sukuk repayment of RM68.7 million due on 29 April 2021; as it had only RM7.7 million in cash as at end-February 2021. Another RM38.2 million was also due in October 2021.</p> <p>According to MEX II, it was in discussions with financial institutions to obtain a bridge facility to meet repayment obligations, and with investors for a postponement of the April maturity to October 2021.</p> <p>Ratings will be downgraded to D if MEX II fails to meet the Sukuk's April 2021 maturity. In the event indulgence is granted by sukukholders to defer the sukuk repayment, the ratings will remain at <i>C<sub>IS</sub> / C</i>.</p> <p>Ratings remained at <i>C<sub>IS</sub>/C</i> after the last downgrade on March 26, 2021.</p>	<p>March 26, 2021 – Ratings downgraded from <i>BB<sub>IS</sub></i> to <i>C<sub>IS</sub></i> and from B to C. Ratings remained on MARCWatch Negative.</p> <p>May 3, 2021 – ratings maintained at <i>C<sub>IS</sub>/C</i>.</p>

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					<p>Sukukholders had agreed to defer the RM68.7 million payment from April 2021 to August 2021, while another RM38.2 million is due in October 2021.</p> <p>According to MEX II, it continues in discussions with certain financial institutions to restructure the Sukuk that will include additional funding to complete the stalled highway project. Failure to meet the Sukuk obligations by the extended maturity date (August 27, 2021) will result in a rating downgrade to D.</p> <p><b>Ratings remained at C<sub>IS</sub>/C. On August 24, 2021, sukukholders had agreed to the deferment of the payments that were due on August 27, 2021 and October 29, 2021 to December 31, 2021.</b></p> <p><b>MARC views the deferment as providing only a short-term relief to MEX II. There is still immense pressure to resolve fiscal stress on a more sustainable basis.</b></p>	<p>MARCWatch Negative remains.</p> <p><b>August 26, 2021 - ratings maintained at C<sub>IS</sub>/C. MARCWatch Negative.</b></p>