# DELEUM BERHAD (715640-T)
## (Incorporated in Malaysia)

### UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017

**DELEUM BERHAD (715640-T)**
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTERS | |
|---|---|---|---|---|
| | **QUARTER ENDED** | QUARTER ENDED | **YEAR-TO-DATE ENDED** | YEAR-TO-DATE ENDED |
| **RM'000** | **30/06/2017** | 30/06/2016 | **30/06/2017** | 30/06/2016 |
| | **Unaudited** | Unaudited | **Unaudited** | Unaudited |
| Revenue | 106,461 | 116,243 | 196,424 | 268,116 |
| Cost of sales | (72,050) | (87,010) | (137,884) | (211,343) |
| Gross profit | 34,411 | 29,233 | 58,540 | 56,773 |
| Other operating income | 641 | 735 | 1,183 | 1,304 |
| Selling and distribution costs | (7,765) | (6,047) | (14,762) | (13,689) |
| Administrative expenses | (11,852) | (12,123) | (22,263) | (23,713) |
| Other operating (losses) / gains * | (3,574) | 674 | (6,320) | 4,364 |
| Operating profit | 11,861 | 12,472 | 16,378 | 25,039 |
| Finance costs | (1,030) | (1,404) | (2,162) | (2,844) |
| Share of results of a joint venture (net of tax) | 235 | 180 | 405 | 308 |
| Share of results of associates (net of tax) | 363 | 81 | 726 | 314 |
| Profit before tax | 11,429 | 11,329 | 15,347 | 22,817 |
| Income tax expense | (3,922) | (2,321) | (5,613) | (6,066) |
| **Profit for the period** | 7,507 | 9,008 | 9,734 | 16,751 |
| **Other comprehensive income** | | | | |
| **Currency translation differences** | (136) | 369 | (196) | (196) |
| **Total comprehensive income for the period** | 7,371 | 9,377 | 9,538 | 16,555 |
| **Profit attributable to:** | | | | |
| - Equity holders of the Company | 6,700 | 7,335 | 8,017 | 13,288 |
| - Non-controlling interests | 807 | 1,673 | 1,717 | 3,463 |
| | 7,507 | 9,008 | 9,734 | 16,751 |
| **Total comprehensive income attributable to:** | | | | |
| - Equity holders of the Company | 6,684 | 7,586 | 7,994 | 13,295 |
| - Non-controlling interests | 687 | 1,791 | 1,544 | 3,260 |
| | 7,371 | 9,377 | 9,538 | 16,555 |
| **Earnings per share (EPS) attributable to equity holders of the Company (sen)** | | | | |
| - Basic EPS | 1.67 | 1.83 | 2.00 | 3.32 |
| - Diluted EPS | 1.66 | 1.81 | 1.99 | 3.28 |
| * Other operating (losses) / gains include the following: | | | | |
| Foreign exchange (losses) / gains | | | | |
| - Realised | 2,101 | (2,276) | (2,339) | (500) |
| - Unrealised | (5,585) | 2,591 | (3,543) | 3,351 |
| Write back of impairment for doubtful debts - other receivables | 0 | 800 | 0 | 2,300 |

The above unaudited condensed interim consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

# DELEUM BERHAD (715640-T)
# (Incorporated in Malaysia)

## UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## AS AT 30 JUNE 2017

| RM'000 | As at 30/06/2017 | As at 31/12/2016 |
|---|---|---|
| | **Unaudited** | **Audited** |
| **ASSETS** | | |
| Property, plant and equipment | 176,786 | 192,002 |
| Investment properties | 830 | 842 |
| Intangible assets | 2,021 | 2,371 |
| Associates | 40,122 | 39,745 |
| Joint venture | 28,111 | 27,706 |
| Deferred tax assets | 2,917 | 3,526 |
| Other long term receivables | 1,191 | 0 |
| **Non-current Assets** | 251,978 | 266,192 |
| Inventories | 34,764 | 22,079 |
| Amounts due from an associate | 24 | 13 |
| Amounts due from a joint venture | 83 | 105 |
| Trade receivables | 127,967 | 218,047 |
| Deferred cost | 1,793 | 4,605 |
| Other receivables, deposits and prepayments | 10,064 | 10,453 |
| Tax recoverable | 1,941 | 2,695 |
| Cash and bank balances | 149,886 | 140,434 |
| **Current Assets** | 326,522 | 398,431 |
| **TOTAL ASSETS** | 578,500 | 664,623 |
| **EQUITY AND LIABILITIES** | | |
| Share capital | 200,206 | 200,000 |
| Equity - share based payment | 1,929 | 654 |
| Retained earnings | 151,786 | 152,769 |
| Merger deficit | (50,000) | (50,000) |
| Foreign currency translation | (2,677) | (2,654) |
| Equity attributable to equity holders of the Company | 301,244 | 300,769 |
| Non-controlling interests | 27,256 | 27,672 |
| **Total Equity** | 328,500 | 328,441 |
| Borrowings | 43,049 | 55,349 |
| Deferred tax liabilities | 22,585 | 21,222 |
| **Non-current Liabilities** | 65,634 | 76,571 |
| Trade payables | 100,451 | 165,203 |
| Deferred revenue | 3,534 | 7,362 |
| Other payables and accruals | 19,723 | 22,639 |
| Amounts due to an associate | 7,465 | 7,847 |
| Amounts due to a joint venture | 0 | 78 |
| Dividend payable | 0 | 146 |
| Taxation | 2,741 | 2,118 |
| Borrowings | 50,452 | 54,218 |
| **Current Liabilities** | 184,366 | 259,611 |
| **Total Liabilities** | 250,000 | 336,182 |
| **TOTAL EQUITY AND LIABILITIES** | 578,500 | 664,623 |

The above unaudited condensed interim consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**DELEUM BERHAD (715640-T)**
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017**

| | Attributable to equity holders of the Company | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Issued and fully paid ordinary shares | | ----Non-distributable---- | | | Distributable | | | |
| | Number of shares | Share capital | Share based payment | Foreign currency translation | Merger deficit | Retained earnings | Total | | |
| | '000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2016 | 400,000 | 200,000 | 206 | (2,736) | (50,000) | 145,255 | 292,725 | 26,262 | 318,987 |
| Profit for the financial period | 0 | 0 | 0 | 0 | 0 | 13,288 | 13,288 | 3,463 | 16,751 |
| Other comprehensive income for the financial period | 0 | 0 | 0 | 7 | 0 | 0 | 7 | (203) | (196) |
| Total comprehensive income for the financial period | 0 | 0 | 0 | 7 | 0 | 13,288 | 13,295 | 3,260 | 16,555 |
| Share based payment | 0 | 0 | 202 | 0 | 0 | 0 | 202 | 0 | 202 |
| Dividend | 0 | 0 | 0 | 0 | 0 | (14,000) | (14,000) | (1,470) | (15,470) |
| At 30 June 2016 | 400,000 | 200,000 | 408 | (2,729) | (50,000) | 144,543 | 292,222 | 28,052 | 320,274 |
| | | | | | | | | | |
| At 1 January 2017 | 400,000 | 200,000 | 654 | (2,654) | (50,000) | 152,769 | 300,769 | 27,672 | 328,441 |
| Profit for the financial period | 0 | 0 | 0 | 0 | 0 | 8,017 | 8,017 | 1,717 | 9,734 |
| Other comprehensive income for the financial period | 0 | 0 | 0 | (23) | 0 | 0 | (23) | (173) | (196) |
| Total comprehensive income for the financial period | 0 | 0 | 0 | (23) | 0 | 8,017 | 7,994 | 1,544 | 9,538 |
| Share based payment | 0 | 0 | 1,481 | 0 | 0 | 0 | 1,481 | 0 | 1,481 |
| Ordinary shares issued pursuant to the Long Term Incentive Plan | 195 | 206 | (206) | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend | 0 | 0 | 0 | 0 | 0 | (9,000) | (9,000) | (1,960) | (10,960) |
| At 30 June 2017 | 400,195 | 200,206 | 1,929 | (2,677) | (50,000) | 151,786 | 301,244 | 27,256 | 328,500 |

The above unaudited condensed interim consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**DELEUM BERHAD (715640-T)**
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEAR-TO-DATE ENDED 30 JUNE 2017**

| RM'000 | YEAR-TO-DATE ENDED 30/06/2017 Unaudited | 30/06/2016 Unaudited |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the period | 9,734 | 16,751 |
| Adjustments for: | | |
| Impairment for doubtful debts: | | |
| Trade receivables | | |
| - impairment made | 0 | 171 |
| - write back of impairment | (39) | 0 |
| Other receivables | | |
| - write back of impairment | 0 | (2,300) |
| Allowance for slow moving inventories: | | |
| - allowance made | 97 | 0 |
| - write back of allowance | (34) | (62) |
| Amortisation of intangible assets | 350 | 543 |
| Financial guarantee receivables | (7) | (9) |
| Depreciation: | | |
| - property, plant and equipment | 15,469 | 16,396 |
| - investment properties | 12 | 12 |
| Bad debts written off: | | |
| - other receivables | 2 | 60 |
| Provision for liquidated damages | | |
| - provision made | 0 | 38 |
| - write back of allowance | (127) | 0 |
| Gain on disposals of property, plant and equipment | 0 | (93) |
| Write-off: | | |
| - property, plant and equipment | 37 | 0 |
| Interest income | (973) | (818) |
| Finance costs | 2,162 | 2,844 |
| Share based payment expense | 1,481 | 202 |
| Share of results of associates | (726) | (314) |
| Share of results of a joint venture | (405) | (308) |
| Tax expense | 5,613 | 6,066 |
| Unrealised foreign exchange losses/(gains) | 3,543 | (3,351) |
| Operating profit before working capital changes | 36,189 | 35,828 |
| Changes in working capital | | |
| Inventories | (12,748) | (4,726) |
| Amounts due from a joint venture | 22 | (51) |
| Amounts due from an associate | (11) | 0 |
| Trade receivables | 90,202 | 50,026 |
| Deferred costs | 2,812 | 1,924 |
| Other receivables, deposits and prepayments | (743) | 877 |
| Trade payables | (64,979) | (50,960) |
| Other payables and accruals | (2,613) | (12,752) |
| Deferred revenue | (3,828) | 2,239 |
| Cash generated from operations | 44,303 | 22,405 |
| Tax paid | (2,614) | (5,723) |
| Tax refunded | 350 | 60 |
| Interest paid | (2,095) | (2,719) |
| **Net cash generated from operating activities** | **39,944** | **14,023** |

**DELEUM BERHAD (715640-T)**
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEAR-TO-DATE ENDED 30 JUNE 2017**

| | YEAR-TO-DATE ENDED | |
|---|---|---|
| **RM'000** | **30/06/2017** | **30/06/2016** |
| | **Unaudited** | **Unaudited** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | 945 | 812 |
| Property, plant and equipment | | |
| - Purchases | (521) | (2,985) |
| - Proceeds from disposals | 0 | 394 |
| Purchases of intangible assets | 0 | (362) |
| Dividend received from associates | 0 | 1,600 |
| Amounts due from an associate | 0 | (8) |
| Amounts due from a joint venture | 0 | 217 |
| Amounts due to an associate | (382) | (487) |
| Amounts due to a joint venture | (78) | (49) |
| **Net cash used in investing activities** | **(36)** | **(868)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Revolving credit | | |
| - Drawn down | 0 | 1,150 |
| - Repayment | (3,050) | (2,000) |
| Loans against import | | |
| - Drawn down | 0 | 2,073 |
| - Repayment | (707) | (1,359) |
| Term loan | | |
| - Repayment | (12,300) | (12,300) |
| Repayment of hire purchase under finance lease | (9) | (16) |
| Dividends paid to: | | |
| - Shareholders | (9,000) | (13,957) |
| - Non-controlling interest | (2,106) | (1,547) |
| Increase in restricted cash | 35 | 49 |
| **Net cash used in financing activities** | **(27,137)** | **(27,907)** |
| **Net increase/(decrease) in cash and cash equivalents** | **12,771** | **(14,752)** |
| Foreign currency translation | (3,284) | (2,285) |
| Cash and cash equivalents at beginning of the year | 129,611 | 123,830 |
| **Cash and cash equivalents at end of period** | **139,098** | **106,793** |
| **COMPOSITION OF CASH AND CASH EQUIVALENTS** | | |
| Short term deposits | 114,180 | 88,914 |
| Cash and bank balances | 35,706 | 28,712 |
| | 149,886 | 117,626 |
| Restricted cash | (10,788) | (10,833) |
| **Cash and cash equivalents at end of period** | **139,098** | **106,793** |

| | | |
|---|---|---|
| The currency profile of cash and cash equivalents is as follows: | | |
| Ringgit Malaysia | 103,784 | 53,147 |
| US Dollar | 34,999 | 53,477 |
| Others | 315 | 169 |
| | 139,098 | 106,793 |

The above consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

### A1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards No.134 – "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The unaudited interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the attached explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The significant accounting policies and methods of computation applied in the unaudited interim financial report are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2016 except for changes made to comply to the requirements of the new Companies Act, 2016 in Malaysia.

The amendments to published standards effective for financial year beginning on 1 January 2017 that are applicable and adopted by the Group as follows:

| | |
|---|---|
| Annual Improvements to MFRS 2012 – 2014 cycle | Amendments to MFRS 12 Disclosure of Interests in Other Entities |
| Amendments to MFRS 107 | Statement of Cash Flows – Disclosure Initiatives |
| Amendments to MFRS 112 | Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses |

The adoption of these amendments did not have any impact on the current period or any prior period.

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

### A1. BASIS OF PREPARATION (Cont'd)

The Group has not early adopted the following accounting standards and amendments to published standards that have been issued by the Malaysian Accounting Standards Board ("MASB") as these are effective for the financial period beginning on or after 1 January 2018.

| | |
|---|---|
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018) |
| Amendments to MFRS 140 | Transfers of Investment Property (effective 1 January 2018) |
| MFRS 9 | Financial Instruments (effective 1 January 2018) |
| MFRS 15 | Revenue from Contracts with Customers (effective 1 January 2018) |
| MFRS 16 | Leases (effective 1 January 2019) |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration (effective 1 January 2018) |
| Annual Improvements to MFRS 2012 – 2014 cycle (effective 1 January 2018) | Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investments in Associates and Joint Ventures |

The initial application of the aforementioned accounting standards and amendments to published standards are not expected to have any material impacts to the financial statements of the Group except as mentioned below:

MFRS 9 Financial Instruments

This complete version of MFRS 9 replaces all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held of which financial assets such as investment in debt instruments can be classified into three categories; amortised costs, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"), equity instrument shall be measured at fair value while classification and measurement of financial liabilities have been retained: FVTPL and amortised cost. For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. MFRS 9 is to be applied retrospectively but comparative are not required to be restated.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

### A1. BASIS OF PREPARATION (Cont'd)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue and MFRS 111 Construction contracts and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

MFRS 16 Leases

MFRS 16 will replace the existing leasing standard MFRS 117 Leases and related interpretations. Under MFRS 16, a lease is a contract (or part of a contracts) that conveys the right to control the use of an identified assets for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance lease (on balance sheet) or operating lease (off balance sheet) and requires lessee to recognise "right-of-use" of the underlying asset and the corresponding lease liability to reflect the future obligations on these lease payments.

The adoption of MFRS 16 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 16.

### A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's operations are not affected by any significant seasonal or cyclical factors in the financial year under review. It should be noted that the Group operates predominantly in the oil and gas sector in Malaysia. Accordingly, the level of the Group's business activities is closely co-related with that of the oil and gas operators and contractors in Malaysia. Any significant change in their level of activities will likewise have an impact on the Group.

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

### A3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE, OR INCIDENCE

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the financial year-to-date.

### A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes to estimates that have had any material effect on the financial year-to-date results.

### A5. EQUITY AND DEBT SECURITIES

On 23 June 2017, the Company issued and listed 195,300 ordinary shares in the Company at an issuance price of RM1.053 per share to eligible employees under the First Tranche of the Special Grant of the Restricted Share Incentive Plan portion of the Group's Long Term Incentive Plan ("LTIP").

Other than as disclosed above, the Group did not undertake any other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year-to-date.

### A6. FINANCIAL RISK MANAGEMENT POLICIES

In addition to the relevant notes set out in the 2016 Financial Statements, pursuant to the new Foreign Exchange Administration Rules ("FEA") which came into effect on 1 April 2017, the degree and level of the Group's exposure to foreign exchange risks had changed as the Group could no longer apply to the extent possible, by collecting and paying in the same currency as all settlement of goods and services between local resident entities shall be made only in Ringgit Malaysia. To mitigate this risk in the current quarter, the Group utilized its foreign currency in hand to settle its foreign currency liabilities. In addition, a foreign exchange management policy has been established, principally for forward foreign exchange contracts for the Group to manage the foreign exchange risk.

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

### A6. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than Ringgit Malaysia were as follows:

| | As at 30/06/2017 | | As at 31/12/2016 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| US Dollar | 92,453 | 75,944 | 195,311 | 127,979 |
| Others | 340 | 397 | 414 | 184 |
| | 92,793 | 76,341 | 195,725 | 128,163 |
| **Closing exchange rate** | | | | |
| US Dollar | 4.294 | 4.294 | 4.484 | 4.484 |

### A7. OUTSTANDING DERIVATIVES

The Group had not entered into any new type of derivative in the current interim quarter that was not disclosed in the preceding year's annual financial statements. The Group did not have any outstanding derivative as at 30 June 2017.

### A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2017.

### A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 2.25 sen per share of RM0.50 each on 400,000,000 ordinary shares, in respect of the financial year ended 31 December 2016.

| | **RM'000** |
|---|---|
| Second interim single tier dividend of 2.25 sen per share on 400,000,000 ordinary shares, paid on 28 March 2017 | 9,000 |

No dividend was paid in the current quarter under review.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

**A10. SEGMENT INFORMATION**

The segments of the Group are as follows:

- Power and Machinery ("P&M") – Mainly consists of:
  - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
  - Supply and commission of combined heat and power plants;
  - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
  - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.

- Oilfield Services ("OS") – Mainly consists of:
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of oilfield chemicals; and
  - Provision of drilling equipment and services and other oilfield products and technical services.

- Integrated Corrosion Solution ("ICS") – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.

- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2017.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

**A10. SEGMENT INFORMATION (Cont'd)**

Segmental information for the financial period ended 30 June 2017 was as follows:

| | **Individual Quarter ended** | | **Cumulative Quarters ended** | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| Segment Revenue | | | | |
| Power and Machinery | | | | |
| External revenue | 64,650 | 67,627 | 122,843 | 182,265 |
| Power and Machinery | 64,650 | 67,627 | 122,843 | 182,265 |
| Oilfield Services | | | | |
| External revenue | 31,747 | 35,116 | 55,665 | 66,798 |
| Oilfield Services | 31,747 | 35,116 | 55,665 | 66,798 |
| Integrated Corrosion Solution | | | | |
| External revenue | 9,945 | 13,400 | 17,699 | 18,867 |
| Integrated Corrosion Solution | 9,945 | 13,400 | 17,699 | 18,867 |
| Other non-reportable segment | | | | |
| External revenue | 119 | 100 | 217 | 186 |
| Other non-reportable segment | 119 | 100 | 217 | 186 |
| Total Group revenue | 106,461 | 116,243 | 196,424 | 268,116 |

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

**A10. SEGMENT INFORMATION (Cont'd)**

| | **Individual Quarter ended** | | **Cumulative Quarters ended** | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| Segment Results | | | | |
| Power and Machinery | 6,437 | 7,562 | 10,664 | 17,563 |
| Oilfield Services | 4,868 | 2,882 | 5,143 | 5,201 |
| Integrated Corrosion Solution | 864 | 1,081 | 890 | 434 |
| Other non-reportable segment | 11 | 5 | 20 | 9 |
| Segment results | 12,180 | 11,530 | 16,717 | 23,207 |
| Unallocated income ^ | 50 | 311 | 108 | 352 |
| Unallocated corporate expenses # | (1,399) | (773) | (2,609) | (1,364) |
| Share of results of a joint venture * | 235 | 180 | 405 | 308 |
| Share of results of associates * | 363 | 81 | 726 | 314 |
| Tax expense * | (3,922) | (2,321) | (5,613) | (6,066) |
| Profit for the financial period | 7,507 | 9,008 | 9,734 | 16,751 |

^ Unallocated income comprised mainly interest earned by the Group.

# Unallocated corporate expenses represented the Group's corporate expenses including depreciation of property, plant and equipment of corporate assets that were not charged to business segments.

* Tax expense, results of joint venture and associates were not allocated to the business segments as they were measured at the entity level.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

**A10. SEGMENT INFORMATION (Cont'd)**

| | **As at 30/06/2017 RM'000** | **As at 31/12/2016 RM'000** |
|---|---|---|
| Segment Assets | | |
| Power and Machinery | 220,430 | 278,036 |
| Oilfield Services | 239,371 | 250,692 |
| Integrated Corrosion Solution | 27,535 | 33,348 |
| Segment assets | 487,336 | 562,076 |
| Unallocated corporate assets ^ | 91,164 | 102,547 |
| Total assets | 578,500 | 664,623 |

| | **As at 30/06/2017 RM'000** | **As at 31/12/2016 RM'000** |
|---|---|---|
| Segment Liabilities | | |
| Power and Machinery | 98,733 | 160,045 |
| Oilfield Services | 106,106 | 125,084 |
| Integrated Corrosion Solution | 9,595 | 16,920 |
| Segment liabilities | 214,434 | 302,049 |
| Unallocated corporate liabilities # | 35,566 | 34,133 |
| Total liabilities | 250,000 | 336,182 |

^ Unallocated corporate assets represented the Group's corporate assets including property, plant and equipment, investment properties, intangible assets, investment in joint venture and associates, deferred tax assets and tax recoverable that were not allocated by business segments.

# Unallocated corporate liabilities represented the Group's corporate liabilities including deferred tax liabilities, taxation and dividend payable that were not allocated by business segments.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

**A11. ACQUISITIONS AND DISPOSALS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

During the current and cumulative quarters ended 30 June 2017, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

| | Individual Quarter ended | | Cumulative Quarters ended | |
|---|---|---|---|---|
| | 30/06/2017 RM'000 | 30/06/2016 RM'000 | 30/06/2017 RM'000 | 30/06/2016 RM'000 |
| Acquisitions at cost:- | | | | |
| - Plant and equipment | 161 | 1,904 | 521 | 2,985 |
| - Intangible assets | 0 | 199 | 0 | 362 |
| Disposals at net book value:- | | | | |
| - Plant and equipment | 0 | 148 | 231 | 301 |
| Depreciation:- | | | | |
| - Plant and equipment | 7,708 | 8,112 | 15,469 | 16,396 |
| - Investment properties | 6 | 6 | 12 | 12 |
| Amortisation of intangible assets | 175 | 274 | 350 | 543 |

**A12. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE**

There was no material event subsequent to the end of the reporting date.

**A13. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the financial year-to-date.

**A14. CONTINGENT LIABILITIES / ASSETS**

As at 30 June 2017, the Group did not have any contingent liabilities or assets except for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts of RM26.0 million (31 December 2016: RM26.9 million).

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

## A15. COMMITMENTS

(a) Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 30 June 2017 were as follows:

| | As at 30/06/2017 RM'000 | As at 31/12/2016 RM'000 |
|---|---|---|
| Authorised but not contracted for | | |
| - Plant and machinery | 6,142 | 7,126 |
| - Others | 2,490 | 2,646 |
| Authorised and contracted for | | |
| - Plant and machinery | 932 | 188 |
| - Others | 14 | 3 |
| | 9,578 | 9,963 |

(b) Operating lease commitment

The Group has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments were as follows:

| | As at 30/06/2017 RM'000 | As at 31/12/2016 RM'000 |
|---|---|---|
| Within one year | 720 | 836 |
| Between two to five years | 321 | 550 |
| | 1,041 | 1,386 |

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

## A16. RELATED PARTY DISCLOSURES

(a) The following transactions were with a corporate shareholder and affiliated companies of corporate shareholder of a subsidiary of the Group, Turboservices Sdn. Bhd.

| | Individual Quarter ended | | Cumulative Quarters ended | |
|---|---|---|---|---|
| | 30/06/2017 RM'000 | 30/06/2016 RM'000 | 30/06/2017 RM'000 | 30/06/2016 RM'000 |
| Manpower services to Solar Turbines International Company ("STICO") | 924 | 0 | 924 | 0 |
| Purchases and technical services from STICO and its affiliated company | 45,929 | 36,657 | 78,258 | 113,869 |

Significant outstanding balance arising from the above transactions as at 30 June 2017 was as follows:

| | As at 30/06/2017 RM'000 | As at 31/12/2016 RM'000 |
|---|---|---|
| Amount due from STICO | 924 | 0 |
| Amount due to STICO and its affiliated company | 67,408 | 101,384 |

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

### A16. RELATED PARTY TRANSACTIONS (Cont'd)

(b) The following transactions were with a corporate shareholder and affiliate companies of corporate shareholder of a subsidiary of the Group, Penaga Dresser Sdn. Bhd.

| | **Individual Quarter ended** | | **Cumulative Quarters ended** | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| Sales to related parties of Dresser Italia S.R.L | 21 | 0 | 21 | 0 |
| Purchases from related parties of Dresser Italia S.R.L | 5,147 | 8,566 | 11,675 | 15,880 |

Significant outstanding balance arising from the above transactions as at 30 June 2017 was as follows:

| | **As at 30/06/2017 RM'000** | **As at 31/12/2016 RM'000** |
|---|---|---|
| Amount due to related parties of Dresser Italia S.R.L | 2,817 | 5,465 |

(c) Turboservices Overhaul Sdn. Bhd. ("TOSB") is a joint venture between Deleum Berhad and STICO and the related party transactions during the period were as follows:

| | **Individual Quarter ended** | | **Cumulative Quarters ended** | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| Sales to STICO | 1,484 | 1,400 | 2,968 | 2,800 |
| Rental income from affiliate company of STICO | 207 | 207 | 414 | 414 |

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

**A16. RELATED PARTY TRANSACTIONS (Cont'd)**

(c) Turboservices Overhaul Sdn. Bhd. ("TOSB") is a joint venture between Deleum Berhad and STICO and the related party transactions during the period were as follows (cont'd):

Significant outstanding balance arising from the above transactions as at 30 June 2017 was as follows:

| | As at 30/06/2017 RM'000 | As at 31/12/2016 RM'000 |
|---|---|---|
| Amount due from STICO | 1,074 | 1,198 |

(d) The remuneration of the key management personnel during the quarter and year-to-date ended were as follows:

| | Individual Quarter ended | | Cumulative Quarters ended | |
|---|---|---|---|---|
| | 30/06/2017 RM'000 | 30/06/2016 RM'000 | 30/06/2017 RM'000 | 30/06/2016 RM'000 |
| Directors' fees | 235 | 235 | 471 | 471 |
| Salaries, bonuses, allowances and other staff related expenses | 2,599 | 4,369 | 6,538 | 6,890 |
| Defined contribution plan | 264 | 452 | 652 | 707 |
| | 3,098 | 5,056 | 7,661 | 8,068 |

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

## B1. PERFORMANCE REVIEW

(A) Performance of the current quarter against the corresponding quarter

| | Q2'17 RM'000 | Q2'16 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Group | | | | |
| Revenue | 106,461 | 116,243 | (9,782) | (8.4) |
| Operating profit | 11,861 | 12,472 | (611) | (4.9) |
| Share of results of a joint venture, net of tax | 235 | 180 | 55 | 30.6 |
| Share of results of associates, net of tax | 363 | 81 | 282 | 348.1 |
| Profit before interest and tax | 11,930 | 12,254 | (324) | (2.6) |
| Profit before tax | 11,429 | 11,329 | 100 | 0.9 |
| Profit after tax | 7,507 | 9,008 | (1,501) | (16.7) |
| Profit attributable to equity holders of the Company | 6,700 | 7,335 | (635) | (8.7) |

Oil prices firmed in early 2017 following the coordinated global oil supply cuts, but over the past months benchmark crude oil prices declined by some 20% registering a low of USD45 per barrel in mid-June resulting in a likely return to increase in oil prices volatility, mainly attributable to the re-emergence of oversupply concerns as global inventory supplies remain elevated, exacerbated by increased production from US shale oil producers.

Given the uncertainty, business activities in the oil and gas market were subdued, in turn, dampening demand. As a result, revenue from the Power and Machinery, Oilfield Services and Integrated Corrosion Solution segments reported a contraction as compared against the corresponding quarter.

Overall, on the current quarter versus the corresponding quarter, the Group's profit attributable to equity holders of the Company decreased by RM0.6 million mainly due to the weaker performance from the Power and Machinery and Integrated Corrosion Solution segments as well as an adverse impact from exchange rate fluctuations. However this was offset by the improved contribution from Oilfield Services segment and higher share of results from associates and a joint venture as well as the reduction in finance costs due to lower borrowings.

Share of results of joint venture was contributed from the overhaul and repairs works of gas turbines.

Share of results of associates were higher by RM0.2 million delivered by Malaysia Mud and Chemicals Sdn. Bhd. ("2MC") mainly due to increased throughput and lower depreciation charges following a change in the estimated useful lives of operating assets in the current financial year, offset by loss from Cambodia Utilities Pte. Ltd. ("CUPL") on account of winding down cost.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B1. PERFORMANCE REVIEW (Cont'd)

(A) Performance of the current quarter against the corresponding quarter (Cont'd)

| | Q2'17 RM'000 | Q2'16 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Power and Machinery | | | | |
| Revenue | 64,650 | 67,627 | (2,977) | (4.4) |
| Operating profit | 6,437 | 7,563 | (1,126) | (14.9) |
| Profit before interest and tax | 6,045 | 7,417 | (1,372) | (18.5) |
| Profit before tax | 6,437 | 7,562 | (1,125) | (14.9) |

The Power and Machinery segment's revenue dropped by RM3.0 million against the corresponding quarter mainly attributable to the lower revenue contribution from parts, repairs and maintenance, valve and flow regulators of RM8.2 million mitigated by the increase in the work order level for exchange engines and ancillary services of RM5.1 million.

The segment results fell by RM1.1 million on the back of lower revenue reported. Its operating results were exacerbated further by foreign exchange losses of RM3.7 million in the current period compared with a gain of RM0.4 million recorded in the corresponding quarter following the strengthening of RM against the USD in the current quarter.

| | Q2'17 RM'000 | Q2'16 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Oilfield Services | | | | |
| Revenue | 31,747 | 35,116 | (3,369) | (9.6) |
| Operating profit | 5,869 | 4,193 | 1,676 | 40.0 |
| Profit before interest and tax | 5,771 | 4,139 | 1,632 | 39.4 |
| Profit before tax | 4,868 | 2,882 | 1,986 | 68.9 |

The Oilfield Services segment's revenue declined by RM3.4 million against the corresponding quarter to RM31.7 million affected by the decrease in revenue streams from well intervention and enhancement services of RM2.3 million, wellhead maintenance activities of RM0.5 million and lower utilisation of slickline assets of RM0.4 million.

Despite a reduction in revenue, the segment results were higher by RM2.0 million attributable mainly due to the improvement in margins from its slickline activities and well intervention and enhancement services and reduction in finance costs as a result of lower borrowings.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B1. PERFORMANCE REVIEW (Cont'd)

(A) Performance of the current quarter against the corresponding quarter (Cont'd)

| | Q2'17 RM'000 | Q2'16 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Integrated Corrosion Solution | | | | |
| Revenue | 9,945 | 13,400 | (3,455) | (25.8) |
| Operating profit | 893 | 1,167 | (274) | (23.5) |
| Profit before interest and tax | 893 | 1,167 | (274) | (23.5) |
| Profit before tax | 864 | 1,081 | (217) | (20.1) |

The Integrated Corrosion Solution segment revenue and segment results reported a decline of RM3.5 million and RM0.2 million respectively compared to the corresponding quarter due to the lower work orders secured for corrosion protection and maintenance services from the Pan Malaysia Blasting contract.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B1. PERFORMANCE REVIEW (Cont'd)

(B) Performance of the current year-to-date against the corresponding year-to-date

| | Cummulative quarters ended | | | |
|---|---|---|---|---|
| | Q2'17 RM'000 | Q2'16 RM'000 | Variance RM'000 | Variance % |
| Group | | | | |
| Revenue | 196,424 | 268,116 | (71,692) | (26.7) |
| Operating profit | 16,378 | 25,039 | (8,661) | (34.6) |
| Share of results of a joint venture, net of tax | 405 | 308 | 97 | 31.5 |
| Share of results of associates, net of tax | 726 | 314 | 412 | 131.2 |
| Profit before interest and tax | 16,536 | 24,843 | (8,307) | (33.4) |
| Profit before tax | 15,347 | 22,817 | (7,470) | (32.7) |
| Profit after tax | 9,734 | 16,751 | (7,017) | (41.9) |
| Profit attributable to equity holders of the Company | 8,017 | 13,288 | (5,271) | (39.7) |

The Group's half yearly revenue declined by RM71.7 million compared to the corresponding period to RM196.4 million affected by the fall in revenue across all reportable segments, a consequence of industry wide lower business activities amidst volatile oil prices, geopolitical concerns and elevated inventories.

The Group posted a lower cumulative half-yearly profit attributable to the equity holders of the Company by RM5.3 million to RM8.0 million as compared to RM13.3 million recorded in the corresponding period. The softer Group performance was mainly attributable to the lower contributions from both the Power and Machinery and Oilfield Services segments off-set by better performance from the Integrated Corrosion Solutions segment.

Share of results of associates was higher by RM0.4 million contributed by the increased throughput from 2MC offset by the loss from CUPL.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B1. PERFORMANCE REVIEW (Cont'd)

(B) Performance of the current year-to-date against the corresponding year-to-date (Cont'd)

| | Cummulative quarters ended | | Variance | Variance |
|---|---|---|---|---|
| | Q2'17 | Q2'16 | | |
| | RM'000 | RM'000 | RM'000 | % |
| Power and Machinery | | | | |
| Revenue | 122,843 | 182,265 | (59,422) | (32.6) |
| Operating profit | 10,664 | 17,564 | (6,900) | (39.3) |
| Profit before interest and tax | 9,960 | 17,183 | (7,223) | (42.0) |
| Profit before tax | 10,664 | 17,563 | (6,899) | (39.3) |

The Power and Machinery segment revenue decreased by 32.6% or RM59.4 million as compared to the corresponding period affected by the lower work order for exchange engines of RM42.4 million, lower contribution from parts, repairs and maintenance, valve and flow regulators of RM19.2 million.

The results of the segment were lower by RM7.0 million in tandem with lower revenue reported in the current period and unfavorable foreign exchange rate movements that resulted in a foreign exchange loss of RM5.9 million in the current period compared with a gain of RM2.9 million in the corresponding quarter.

| | Cummulative quarters ended | | Variance | Variance |
|---|---|---|---|---|
| | Q2'17 | Q2'16 | | |
| | RM'000 | RM'000 | RM'000 | % |
| Oilfield Services | | | | |
| Revenue | 55,665 | 66,798 | (11,133) | (16.7) |
| Operating profit | 7,227 | 7,855 | (628) | (8.0) |
| Profit before interest and tax | 7,049 | 7,734 | (685) | (8.9) |
| Profit before tax | 5,143 | 5,201 | (58) | (1.1) |

The Oilfield Services segment revenue retreated by RM11.1 million against the corresponding period mainly due to the lower revenue contribution from slickline activities by RM7.6 million and well intervention and enhancement services by RM3.4 million. The segment results recorded a marginal decrease by RM0.05 million due to improved margins from slickline activities and well intervention and enhancement services and lower finance costs on borrowings for the oilfield assets.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B1. PERFORMANCE REVIEW (Cont'd)

(B) Performance of the current year-to-date against the corresponding year-to-date (Cont'd)

| | Cummulative quarters ended | | | |
|---|---|---|---|---|
| | Q2'17 RM'000 | Q2'16 RM'000 | Variance RM'000 | Variance % |
| Integrated Corrosion Solution | | | | |
| Revenue | 17,699 | 18,867 | (1,168) | (6.2) |
| Operating profit | 968 | 611 | 357 | 58.4 |
| Profit before interest and tax | 968 | 611 | 357 | 58.4 |
| Profit before tax | 890 | 434 | 456 | 105.1 |

The Integrated Corrosion Solution segment revenue reported a decrease of RM1.2 million compared with the corresponding period due to the lower work orders for corrosion protection and maintenance services arising from the Pan Malaysia Blasting Contract.

Despite the lower revenue, the segment results were higher by RM0.5 million due to improved margins on work orders on the back of operational efficiencies and lower costs to serve.

(C) Consolidated Statements of Financial Position

Alongside the reductions in business activities industry wide, the Group's total assets contracted from RM664.6 million at end December 2016 to RM578.5 million at the current period end. This movement is mainly due to a reduction in trade receivables of RM90.1 million. Likewise total liabilities shrunk by the same amount mainly due to lower trade payables of RM64.8 million and borrowings of RM16.1 million.

(D) Consolidated Statements of Cash Flow

The Group's cash and bank balances increased by RM9.5 million to RM149.9 million represented by cash flows generated from operating activities of RM39.9 million, offset by repayments of borrowings of RM16.1 million, dividend payout of RM11.1 million and translation effects on foreign currencies held of RM3.3 million.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B2. MATERIAL CHANGE IN THE CURRENT QUARTER PERFORMANCE AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PERFORMANCE

| | Q2'17 RM'000 | Q1'17 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Group | | | | |
| Revenue | 106,461 | 89,963 | 16,498 | 18.3 |
| Operating profit | 11,861 | 4,517 | 7,344 | 162.6 |
| Share of results of a joint venture, net of tax | 235 | 170 | 65 | 38.2 |
| Share of results of associates, net of tax | 363 | 363 | - | - |
| Profit before interest and tax | 11,930 | 4,606 | 7,324 | 159.0 |
| Profit before tax | 11,429 | 3,918 | 7,511 | 191.7 |
| Profit after tax | 7,507 | 2,227 | 5,280 | 237.1 |
| Profit attributable to equity holders of the Company | 6,700 | 1,317 | 5,383 | 408.7 |

Quarter on quarter, all reportable segments of the Group registered an increase in revenue. The higher revenue was on the back of higher activity levels during the current quarter. The higher level of activities in the current quarter was mainly on account of the traditionally softer trading conditions in the first quarter following a strong fourth quarter as customers' works orders increased in alignment with spending budgets.

Share of results of joint venture was contributed from the overhaul and repairs works of gas turbines.

Share of results of associates was consistent with the preceding quarter contributed by the improved throughput from 2MC in the current quarter offset by the loss from CUPL.

| | Q2'17 RM'000 | Q1'17 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Power and Machinery | | | | |
| Revenue | 64,650 | 58,193 | 6,457 | 11.1 |
| Operating profit | 6,437 | 4,227 | 2,210 | 52.3 |
| Profit before interest and tax | 6,045 | 3,915 | 2,130 | 54.4 |
| Profit before tax | 6,437 | 4,227 | 2,210 | 52.3 |

Power and Machinery segment results were RM6.4 million for the current quarter versus RM4.2 million reported in the preceding quarter. The higher results was attributable to the higher work orders secured for exchange engines and ancillary services.

### B2. MATERIAL CHANGE IN THE CURRENT QUARTER PERFORMANCE AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PERFORMANCE (Cont'd)

| | Q2'17 RM'000 | Q1'17 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Oilfield Services | | | | |
| Revenue | 31,747 | 23,918 | 7,829 | 32.7 |
| Operating profit | 5,869 | 1,358 | 4,511 | 332.2 |
| Profit before interest and tax | 5,771 | 1,278 | 4,493 | 351.6 |
| Profit before tax | 4,868 | 275 | 4,593 | 1,670.2 |

Oilfield Services segment results were higher by RM4.6 million on the account of higher contribution from slickline and well intervention and enhancement activities in line with the higher revenue registered.

| | Q2'17 RM'000 | Q1'17 RM'000 | Variance RM'000 | Variance % |
|---|---|---|---|---|
| Integrated Corrosion Solution | | | | |
| Revenue | 9,945 | 7,754 | 2,191 | 28.3 |
| Operating profit | 893 | 75 | 818 | 1,090.7 |
| Profit before interest and tax | 893 | 75 | 818 | 1,090.7 |
| Profit before tax | 864 | 26 | 838 | 3,223.1 |

Integrated Corrosion Solution segment result was higher by RM0.8 million in tandem with higher revenue earned in the current period under review.

## B3. PROSPECTS

In May 2017, OPEC and allied non-OPEC members, agreed to cap oil production through to March 2018. Notwithstanding the compact to extend output cuts, market sentiments remain weak foreboding a return to heightened volatility in oil prices.

Global oil inventories remained at record high levels. Within Malaysia, Petronas is maintaining its conservative outlook for the remainder of 2017 which translates into maintaining current levels of production effectively and efficiently.

Looking ahead oil prices are likely to move within USD 45-55 per barrel and there will be continued downward risks on the Group's business activities as producers react to global low oil prices by tightening investments and operating expenditures that will have a material knock on effect on the demand for the products and services of all our three core segments. Work on hand and potential work orders based on outstanding tenders have the potential to sustain current levels of business activities but margins are expected to be tight.

To mitigate the effects of the challenging trading conditions, the Group continues to concentrate on its core businesses, operating efficiencies and managing cash flows. In the current quarter and year-to-date, operating margins improved on the back of operational efficiencies and cost management in particular with respect to head counts of permanent and contract staff which provide us the ability to better match cost and revenue. However, the volatility of the Ringgit Malaysia continues to have a marked effect on reported earnings as certain of the Group's financial assets and liabilities, mainly trade receivables and payables are denominated in USD. At end June 2017, a 10% change in the RM/USD exchange ratio would impact pre-tax results by RM1.6 million.

## B4. PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore no comparison is available.

## B5. INCOME TAX EXPENSE

| | **Individual Quarter Ended** | | **Cumulative Quarters Ended** | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| Current tax – current year | 1,940 | 1,683 | 3,602 | 4,105 |
| Under/(Over) provision in prior year | 39 | (650) | 39 | (650) |
| Deferred tax<br>– origination and reversal of temporary differences | 1,943 | 1,288 | 1,972 | 2,611 |
| **Total income tax expense** | **3,922** | **2,321** | **5,613** | **6,066** |

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B5. INCOME TAX EXPENSE (Cont'd)

Including the joint venture's and associates' results which were presented net of tax, the effective tax rate of the Group for the financial period ended 30 June 2017 was higher than the headline tax rate as shown below.

| | Cumulative Quarters ended | |
|---|---|---|
| | **30/06/2017** **%** | **30/06/2016** **%** |
| Numerical reconciliation between the effective tax rate and the Malaysian tax rate | | |
| Malaysian tax rate | 24 | 24 |
| Tax effects of: | | |
| - Expenses not deductible for tax purposes | 13 | 5 |
| - Share of results of associates and joint venture | (2) | (1) |
| - Deferred tax assets not recognized | 1 | 2 |
| - Under/(Over) provision in prior year | 1 | (3) |
| Effective tax rate | 37 | 27 |

## B6. PROFIT ON SALES OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties during the financial year-to-date.

## B7. QUOTED SECURITIES

There were no sales or purchases of quoted securities during the financial year-to-date.

## B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 15 August 2017 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

## B9. JOINT VENTURE

| | **As at 30/06/2017 RM'000** | **As at 31/12/2016 RM'000** |
|---|---|---|
| Group's share of net assets of joint venture | 28,111 | 27,706 |

TOSB was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities included the provision of gas turbine overhaul and maintenance services. In March 2015, the Group entered into a Subscription Agreement with STICO, which resulted in the Group having an equity interest of 80.55%. However, there are certain reserved matters within the Subscription Agreement that require the approval of both parties. Accordingly, under current accounting rules and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted under the equity method of accounting.

The capital of TOSB consists of ordinary shares and redeemable convertible preference shares. It is a private company and there is no readily available quoted market price available for its shares.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B9. JOINT VENTURE (Cont'd)

Summarised statement of comprehensive income

| | Quarter ended | | Year-to-date ended | |
|---|---|---|---|---|
| | 30/06/2017 RM'000 | 30/06/2016 RM'000 | 30/06/2017 RM'000 | 30/06/2016 RM'000 |
| Profit before tax | 420 | 276 | 709 | 532 |
| Income tax expense | (128) | (52) | (206) | (149) |
| Profit for the period | 292 | 224 | 503 | 383 |
| Interest in joint venture (80.55%) | | | | |
| Share of results | 235 | 180 | 405 | 308 |

## B10. ASSOCIATES

| | As at 30/06/2017 RM'000 | As at 31/12/2016 RM'000 |
|---|---|---|
| Group's share of net assets of associates | 40,122 | 39,745 |

In the opinion of the Directors, 2MC and CUPL are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and place of business / country of incorporation are set out in the audited financial statements for the financial year ended 31 December 2016. The associates have share capitals consisting solely of ordinary shares, which are held directly by the Group.

Both associates are private companies and there is no quoted market price available for the shares.

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired on 8 May 2015. Upon its expiration, the Company will continue to equity account for the results of CUPL until it ceases to be an associate. The share of loss from this associate and its contribution attributable to the shareholders of the Company in the financial period ended 30 June 2017 amounted to RM256,000 (30 June 2016: RM12,000) and RM153,600 (30 June 2016: loss of RM7,200) respectively.

## B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

| | 2MC Quarter ended | | CUPL Quarter ended | | Total Quarter ended | |
|---|---|---|---|---|---|---|
| | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Profit / (loss) before tax | 2,091 | (12) | (1,294) | (31) | 797 | (43) |
| Income tax expense | (150) | 285 | 0 | 1 | (150) | 286 |
| Profit / (loss) before tax | 1,941 | 273 | (1,294) | (30) | 647 | 243 |
| Interest in associates (32%; 20%) Share of results | 622 | 87 | (259) | (6) | 363 | 81 |

| | 2MC Year-to-date ended | | CUPL Year-to-date ended | | Total Year-to-date ended | |
|---|---|---|---|---|---|---|
| | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Profit / (loss) before tax | 3,377 | 970 | (1,278) | 27 | 2,099 | 997 |
| Income tax expense | (310) | 49 | 0 | (86) | (310) | (37) |
| Profit / (loss) before tax | 3,067 | 1,019 | (1,278) | (59) | 1,789 | 960 |
| Interest in associates (32%; 20%) Share of results | 982 | 326 | (256) | (12) | 726 | 314 |

## B11. TRADE RECEIVABLES

| | As at 30/06/2017 RM | As at 31/12/2016 RM |
|---|---|---|
| Neither past due nor impaired | 99,812 | 180,283 |
| 1 to 30 days past due not impaired | 13,287 | 21,688 |
| 31 to 60 days past due not impaired | 10,416 | 12,260 |
| 61 to 90 days past due not impaired | 2,711 | 2,502 |
| 91 to 120 days past due not impaired | 838 | 353 |
| More than 121 days past due not impaired | 903 | 960 |
| | 127,967 | 218,046 |
| Past due and impaired: | | |
| 61 to 90 days past due and impaired | 0 | 43 |
| More than 121 days past due and impaired | 2,370 | 2,591 |
| | 130,337 | 220,680 |
| Less: Impairment of receivables | (2,370) | (2,633) |
| | 127,967 | 218,047 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are debtors with good payment history. A number of these debtors are from the oil and gas industry. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year-to-date.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM28.2 million (31 December 2016: RM37.8 million) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B12. GROUP BORROWINGS

The Group borrowings as at 30 June 2017 were as follows:

| | Short Term RM '000 | Long Term RM '000 | Total RM '000 |
|---|---|---|---|
| **30/06/2017** | | | |
| Borrowings - secured | 24,602 | 43,049 | 67,651 |
| - unsecured | 25,850 | 0 | 25,850 |
| | 50,452 | 43,049 | 93,501 |
| **31/12/2016** | | | |
| Borrowings - secured | 24,611 | 55,349 | 79,960 |
| - unsecured | 29,607 | 0 | 29,607 |
| | 54,218 | 55,349 | 109,567 |

The borrowings were all denominated in Ringgit Malaysia.

| | Note | As at 30/06/2017 RM'000 | As at 31/12/2016 RM'000 |
|---|---|---|---|
| Revolving credits | (i) | 25,850 | 28,900 |
| Finance lease liabilities | (ii) | 2 | 11 |
| Term loan | (iii) | 67,649 | 79,949 |
| Loans against import | (iv) | 0 | 707 |
| | | 93,501 | 109,567 |
| Less: Amount repayable within 12 months | | | |
| Revolving credit | | (25,850) | (28,900) |
| Finance lease liabilities | | (2) | (11) |
| Term loan | | (24,600) | (24,600) |
| Loans against import | | 0 | (707) |
| | | (50,452) | (54,218) |
| Amount repayable after 12 months | | 43,049 | 55,349 |

The decrease in the borrowings is due to repayment of term loans of RM12.3 million, revolving credits of RM3.1 million and loans against import of RM0.7 million.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B12. GROUP BORROWINGS (Cont'd)

(i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.96% (average interest of 1.20% per annum above the bank's cost of funds).

(ii) Finance lease liabilities carry interest rate of 2.55% per annum.

(iii) Term loan carries an average interest rate of 4.00% (0.85% per annum above the bank's cost of funds). The tenure of the loan is 5 years.

(iv) Loans against import carry an interest of 5.06% (1.15% per annum above the bank's cost of funds). The tenure of the import line is 90 days.

## B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 30 June 2017.

## B14. MATERIAL LITIGATION

There was no material litigation as at 15 August 2017 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B15. DIVIDEND

The Board of Directors have, in respect of financial year ended 31 December 2016, declared a second interim single tier dividend of 2.25 sen per share on 400,000,000 ordinary shares, totaling RM9,000,000. The dividend was paid on 28 March 2017.

The Board of Directors have, in respect of financial year ending 31 December 2017, declared a first interim single tier dividend of 1.00 sen (31 December 2016: 1.25 sen) per ordinary share on 400,195,300 ordinary shares.

The dividend will be payable on 26 September 2017 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 11 September 2017.

A Depositor shall qualify for the entitlement only in respect of:-

(i) shares transferred into the Depositor's securities account before 4 p.m on 11 September 2017 in respect of ordinary transfers; and

(ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

## B16. EARNINGS PER SHARE ("EPS")

The calculations of basic and diluted earnings per share for the reporting periods are computed as follows:

| | Individual Quarter ended | | Cumulative Quarters ended | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| **Basic earnings per share** | | | | |
| Profit attributable to equity holders of the Company (RM'000) | 6,700 | 7,335 | 8,017 | 13,288 |
| Weighted average number of shares in issue ('000) | 400,195 | 400,000 | 400,195 | 400,000 |
| Basic earnings per share (sen) | 1.67 | 1.83 | 2.00 | 3.32 |

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B16. EARNINGS PER SHARE ("EPS") (Cont'd)

The calculations of basic and diluted earnings per share for the reporting periods are computed as follows (Cont'd):

| | Individual Quarter ended | | Cumulative Quarters ended | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| **Diluted earnings per share** | | | | |
| Profit attributable to equity holders of the Company (RM'000) | 6,700 | 7,335 | 8,017 | 13,288 |
| Weighted average number of shares in issue ('000) (Basic) | 400,195 | 400,000 | 400,195 | 400,000 |
| Effect of potential vesting of Long Term Incentive Plan | 2,536 | 4,554 | 3,035 | 4,554 |
| Weighted average number of ordinary shares ('000) | 402,731 | 404,554 | 403,230 | 404,554 |
| Diluted earnings per share (sen) | 1.66 | 1.81 | 1.99 | 3.28 |

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B17. PROFIT BEFORE TAX

The following items were charged / (credited) in arriving at profit before tax:

| | Individual Quarter ended | | Cumulative Quarters ended | |
|---|---|---|---|---|
| | **30/06/2017 RM'000** | **30/06/2016 RM'000** | **30/06/2017 RM'000** | **30/06/2016 RM'000** |
| Interest income | (529) | (479) | (973) | (818) |
| Other income including investment income | (112) | (256) | (210) | (486) |
| Interest expenses | 1,030 | 1,404 | 2,162 | 2,844 |
| Depreciation and amortisation | 7,889 | 8,392 | 15,831 | 16,951 |
| Write back of impairment for doubtful debts | | | | |
| - Trade receivables | (39) | 0 | (39) | 0 |
| - Other receivables | 0 | (800) | 0 | (2,300) |
| Bad debts written off | | | | |
| - Other receivables | 0 | 18 | 2 | 60 |
| Impairment of doubtful debts | | | | |
| - Trade receivables | 0 | 171 | 0 | 171 |
| Allowance for slow moving inventories | 97 | 0 | 97 | 0 |
| Reversal of allowance for slow moving inventories | (3) | (41) | (34) | (62) |

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B17. PROFIT BEFORE TAX (Cont'd)

The following items were charged / (credited) in arriving at profit before tax (Cont'd):

| | Individual Quarter ended | | Cumulative Quarters ended | |
|---|---|---|---|---|
| | 30/06/2017 RM'000 | 30/06/2016 RM'000 | 30/06/2017 RM'000 | 30/06/2016 RM'000 |
| Property, plant and equipment written off | 5 | 0 | 37 | 0 |
| Foreign exchange losses / (gains) | | | | |
| - Realised | (2,101) | 2,276 | 2,339 | 500 |
| - Unrealised | 5,585 | (2,591) | 3,543 | (3,351) |
| Gain on disposals of property, plant and equipment | 0 | (95) | 0 | (93) |
| Provision for liquidated damages | 0 | 36 | 0 | 38 |
| Reversal of allowance for provision of liquidated damages | (127) | 0 | (127) | 0 |

No impairment on trade receivables and plant and equipment recorded in the financial year-to-date.

Other than as disclosed in the unaudited condensed interim consolidated statement of comprehensive income and as disclosed above, there were no other impairment of assets and gain or loss on derivatives.

## B18. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group into realised and unrealised profits, pursuant to a directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:

| **RM'000** | **Cumulative Quarters ended 30/06/2017** | **Cumulative Quarters ended 31/12/2016** |
|---|---|---|
| Total retained profits of the Company and its subsidiaries: | | |
| Realised | 147,924 | 137,847 |
| Unrealised | (23,690) | (12,927) |
| | 124,234 | 124,920 |
| Total share of retained profits from associated companies: | | |
| Realised | 40,645 | 39,816 |
| Unrealised | (4,013) | (3,910) |
| | 36,632 | 35,906 |
| Total share of retained profits of joint venture: | | |
| Realised | 2,497 | 1,947 |
| Unrealised | (633) | (488) |
| | 1,864 | 1,459 |
| Less: Consolidation adjustments | (10,944) | (9,516) |
| Total Group's retained profits | 151,786 | 152,769 |

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purposes of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

## B19. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2016 was unqualified.

## B20. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 22 August 2017.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
22 August 2017