

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2013

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2013

RM'000	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	QUARTER ENDED 30/9/2013 Unaudited	QUARTER ENDED 30/9/2012 Unaudited	YEAR-TO-DATE ENDED 30/9/2013 Unaudited	YEAR-TO-DATE ENDED 30/9/2012 Unaudited
Revenue	108,802	125,016	307,789	317,991
Cost of sales	(71,752)	(99,603)	(215,783)	(243,996)
Gross profit	37,050	25,413	92,006	73,995
Other operating income	876	644	1,921	1,779
Selling and distribution costs	(5,344)	(4,303)	(15,356)	(12,770)
Administrative expenses	(10,283)	(7,991)	(31,225)	(25,385)
Other operating expenses	(3,312)	288	(2,904)	(391)
Profit from operation	18,987	14,051	44,442	37,228
Finance costs	(327)	(364)	(1,096)	(1,058)
Share of post tax profits of associates	4,407	3,728	12,053	11,991
Profit before tax	23,067	17,415	55,399	48,161
Income tax expense	(6,590)	(3,554)	(13,380)	(10,669)
Profit for the period	16,477	13,861	42,019	37,492
Other comprehensive income				
Currency translation differences	624	(695)	1,192	(1,298)
Total comprehensive income for the period	17,101	13,166	43,211	36,194
Profit attributable to:				
- Equity holders of the Company	14,354	12,180	34,991	30,946
- Non-controlling interests	2,123	1,681	7,028	6,546
	16,477	13,861	42,019	37,492
Total comprehensive income attributable to:				
- Equity holders of the Company	14,659	11,860	35,534	30,050
- Non-controlling interests	2,442	1,306	7,677	6,144
	17,101	13,166	43,211	36,194
Earnings per share (EPS) attributable to equity holders of the Company (sen)				
- Basic EPS	9.57	8.12	23.33	20.63
Number of shares issued	150,000	150,000	150,000	150,000

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 2012 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

RM'000	As at 30/9/2013	As at 31/12/2012
	Unaudited	Audited
ASSETS		
Property, plant and equipment	102,698	97,154
Investment properties	918	935
Intangible assets	2,703	1,619
Associates	47,048	46,526
Deferred tax assets	3,053	2,262
Non-current Assets	156,420	148,496
Inventories	20,525	15,867
Amounts due from associates	2	1,124
Trade receivables	132,628	141,881
Deferred cost	15,843	3,007
Other receivables, deposits and prepayments	25,207	18,024
Tax recoverable	3,128	4,803
Restricted cash	759	523
Cash and cash equivalents	72,101	80,294
Current Assets	270,193	265,523
TOTAL ASSETS	426,613	414,019
EQUITY AND LIABILITIES		
Share capital	150,000	150,000
Equity - share based payment	34	11
Retained earnings	130,451	119,460
Merger deficit	(50,000)	(50,000)
Currency translation differences	(2,980)	(3,523)
Equity attributable to equity holders of the Company	227,505	215,948
Non-controlling interests	31,582	30,347
Total Equity	259,087	246,295
Borrowings	1,858	3,368
Deferred tax liabilities	8,875	7,236
Non-current Liabilities	10,733	10,604
Trade payables	90,687	109,133
Deferred revenue	25,974	8,397
Other payables and accruals	18,422	18,371
Dividend payable	258	140
Taxation	2,301	5,487
Borrowings	19,151	15,592
Current Liabilities	156,793	157,120
Total Liabilities	167,526	167,724
TOTAL EQUITY AND LIABILITIES	426,613	414,019
Net assets per share attributable to equity holders of the Company (RM)	1.52	1.44
Number of shares issued	150,000	150,000

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 2012 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2013

RM'000	← Attributable to equity holders of the Company →					Total	Non-controlling interests	Total equity
	Share capital	Share based payment	Currency translation differences	Merger deficit	Retained earnings			
At 1 January 2012	100,000	0	(2,597)	(50,000)	141,510	188,913	25,288	214,201
Total comprehensive income for the period	0	0	(896)	0	30,946	30,050	6,144	36,194
Dividend	0	0	0	0	(16,500)	(16,500)	(5,305)	(21,805)
Bonus issue	50,000	0	0	0	(50,000)	0	0	0
At 30 September 2012	<u>150,000</u>	<u>0</u>	<u>(3,493)</u>	<u>(50,000)</u>	<u>105,956</u>	<u>202,463</u>	<u>26,127</u>	<u>228,590</u>
At 1 January 2013	150,000	11	(3,523)	(50,000)	119,460	215,948	30,347	246,295
Total comprehensive income for the period	0	0	543	0	34,991	35,534	7,677	43,211
Dividend	0	0	0	0	(24,000)	(24,000)	(6,442)	(30,442)
Share based payment	0	23	0	0	0	23	0	23
At 30 September 2013	<u>150,000</u>	<u>34</u>	<u>(2,980)</u>	<u>(50,000)</u>	<u>130,451</u>	<u>227,505</u>	<u>31,582</u>	<u>259,087</u>

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 2012 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2013

RM'000	Quarter and year-to-date ended	
	30/9/2013	30/9/2012
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	335,815	287,707
Cash payments to suppliers	(221,622)	(185,356)
Cash payments to employees and for operating expenses	(80,713)	(49,358)
Cash generated from operations	33,480	52,993
Interest paid	(686)	(945)
Tax paid	(14,180)	(8,771)
Tax refunded	172	0
Net cash generated from operating activities	18,786	43,277
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	931	1,306
Property, plant and equipment		
- Purchases	(6,486)	(11,637)
- Proceeds from disposals	300	178
- Deposits paid	(5,186)	0
Purchase of intangible assets	(1,196)	0
Dividends received from associates	13,739	9,287
Net cash generated from / (used in) investing activities	2,102	(866)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit facility drawdown	6,000	0
Term loans repayments	(4,307)	(5,774)
Hire purchase under finance lease:		
- Proceeds	0	65
- Repayments	(14)	0
Dividends paid to:		
- Shareholders	(24,000)	(16,500)
- Non-controlling interest	(6,442)	(5,305)
Increase in restricted cash	(235)	(67)
Net cash used in financing activities	(28,998)	(27,581)
Net (decrease) / increase in cash and cash equivalents	(8,110)	14,830
Effects of exchange rate changes	(82)	(551)
Cash and cash equivalents at beginning of period	80,293	70,088
Cash and cash equivalents at end of period	72,101	84,367
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	59,931	78,378
Cash and bank balances	12,929	6,567
	72,860	84,945
Restricted cash	(759)	(578)
Cash and cash equivalents at end of period	72,101	84,367

The above unaudited condensed interim consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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PART A, APPENDIX 9B OF LISTING REQUIREMENT
NOTES TO THE STATEMENTS OF COMPREHENSIVE INCOME

RM'000	INDIVIDUAL QUARTERS		CUMULATIVE QUARTERS	
	QUARTER ENDED 30/9/2013	QUARTER ENDED 30/9/2012	YEAR-TO-DATE ENDED 30/9/2013	YEAR-TO-DATE ENDED 30/9/2012
(a) Interest income	(334)	(472)	(931)	(1,306)
(b) Other income including investment income	(542)	(172)	(990)	(473)
(c) Interest expense	327	364	1,096	1,058
(d) Depreciation and amortisation	3,742	3,656	11,400	10,744
(e) Reversal of provision for trade receivables	(995)	0	(1,428)	(32)
(f) Provision for trade receivables	715	0	747	0
(g) Provision for other receivables	3,800	0	3,800	0
(h) Foreign exchange gains	(715)	(304)	(889)	(174)
(i) Reversal of provision for inventories	(2)	(2)	(10)	(41)
(j) Provision for liquidated damages	17	7	111	626
(k) Reversal of provision for liquidated damages	(254)	0	(260)	0

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

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

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 2012 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 2012. The results of the associates are based on management accounts.

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 2012, together with the standards and amendments to published standards effective for financial year beginning on 1 January 2013 that are applicable and adopted by the Group as follows:

MFRS 10	Consolidated financial statements
MFRS 12	Disclosures of interests in other entities
MFRS 13	Fair value measurement
Revised MFRS 127	Separate financial statements
Revised MFRS 128	Investments in associates and joint ventures
Amendments to MFRS 101	Presentation of items of other comprehensive income
Amendments to MFRS 119	Employees benefits
Amendments to MFRS 7	Financial Instruments: Disclosures

The adoption of the above MFRSs and Amendments to MFRSs has no material impact to the Group.

The Group has not early adopted the following accounting standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial periods beginning on or after 1 January 2014.

MFRS 9	Financial Instruments
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount
	Disclosures for Non-Financial Assets

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's operations are not affected by any significant seasonal or cyclical factors in the financial period 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 correlated with that of the oil and gas operators and contractors in Malaysia. Any change in their level of activities will likewise have an impact on the Group.

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

The purchase price allocation on the acquisition of Deleum Primera Sdn. Bhd. ("DPSB") on 5 October 2012 was determined provisionally in the prior year. The fair value exercise and purchase price allocation in respect of the said acquisition was completed in the quarter ended 31 March 2013. The effect of the fair value adjustment during the financial year-to-date is as follows:

	Provisional 31/12/2012 RM'000	Final 31/3/2013 RM'000
Purchase consideration	3,180	3,088
Fair value of intangible assets which comprise of customer contracts and distributorship agreement	2,192	2,066
Deferred tax arising from fair valuation of intangible assets	(548)	(514)

The changes to the fair values of the intangible assets resulted in a write back of amortisation charged to profit or loss of RM312,634 in the quarter ended 31 March 2013.

Save as disclosed above, there were no other material changes to estimates that had any material effect on the financial year-to-date results of the Group.

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

A5. EQUITY AND DEBT SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year-to-date.

A6. 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. In addition, the Group did not have any outstanding derivative as at 30 September 2013.

A7. 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 September 2013.

A8. DIVIDEND PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 10 sen per share of RM1.00 each on 150,000,000 ordinary shares, in respect of the financial year ended 31 December 2012.

	RM'000
Second interim single tier dividend of 10 sen per share on 150,000,000 ordinary shares, paid on 25 March 2013	<u>15,000</u>

During the current quarter under review, the Company paid a first interim single tier dividend of 6 sen per share of RM1.00 each on 150,000,000 ordinary shares, in respect of the financial year ending 31 December 2013.

	RM'000
First interim single tier dividend of 6 sen per share on 150,000,000 ordinary shares, paid on 25 September 2013	<u>9,000</u>

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A9. SEGMENT INFORMATION

The segments of the Group are as follows:

- Power and Machinery – Mainly consists of:-
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services;
 - Supply and commission combined heat and power plants; and
 - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment.

- Oilfield Services – Mainly consists of:-
 - Provision of wireline 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.

- Maintenance, Repair and Overhaul – Mainly consists of:-
 - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.
 - Services in integrated corrosion, inspection and mitigation, primarily using Sponge Jet technology.

Tax expense is not allocated to the business segments as they are measured at the entity level.

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

A9. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial year-to-date ended 30 September 2013 is as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	84,067	105,298	235,745	240,406
Power and Machinery	84,067	105,298	235,745	240,406
Oilfield Services				
External revenue	18,910	17,092	54,322	69,243
Oilfield Services	18,910	17,092	54,322	69,243
Maintenance, Repair and Overhaul				
External revenue	5,825	2,626	17,722	8,342
Maintenance, Repair and Overhaul	5,825	2,626	17,722	8,342
Total Group revenue	108,802	125,016	307,789	317,991

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A9. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
<u>Segment Results</u>				
Power and Machinery	20,836	14,875	42,824	36,785
Oilfield Services	3,444	1,164	8,535	6,522
Maintenance, Repair and Overhaul	(408)	205	1,708	(359)
Segment results	23,872	16,244	53,067	42,948
Unallocated income ^	108	262	348	463
Unallocated corporate expenses #	(5,320)	(2,819)	(10,069)	(7,241)
Share of results of associates	4,407	3,728	12,053	11,991
Tax expense	(6,590)	(3,554)	(13,380)	(10,669)
Profit for the financial period	16,477	13,861	42,019	37,492

^ Unallocated income comprises interest earned by the Company.

Unallocated corporate expenses represent the Company's corporate expenses including depreciation of property, plant and equipment of corporate assets that are not driven by business segments.

	As at 30/9/2013 RM'000	As at 31/12/2012 RM'000
<u>Segment Assets</u>		
Power and Machinery	207,063	194,463
Oilfield Services	118,425	100,013
Maintenance, Repair and Overhaul	17,697	18,609
Segment assets	343,185	313,085
Unallocated corporate assets ^	83,428	100,934
Total assets	426,613	414,019

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A9. SEGMENT INFORMATION (Cont'd)

	As at 30/9/2013 RM'000	As at 31/12/2012 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	107,454	103,584
Oilfield Services	33,346	32,197
Maintenance, Repair and Overhaul	4,102	6,252
Segment liabilities	144,902	142,033
Unallocated corporate liabilities #	22,624	25,691
Total liabilities	167,526	167,724

^ Unallocated corporate assets represent the Company's corporate assets including property, plant and equipment, investment properties, intangible assets, investment in associates, deferred tax assets and tax recoverable that are not driven by business segments.

Unallocated corporate liabilities represent the Company's corporate liabilities including deferred tax liabilities, taxation and dividend payable that are not driven by business segments.

A10. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current and cumulative quarters ended 30 September 2013, the acquisitions and disposals of property, plant and equipment and intangible assets by the Group are as follows:

	Individual Quarter Ended		Cumulative Quarters Ended	
	30/9//2013 RM'000	30/9/2012 RM'000	30/9//2013 RM'000	30/9/2012 RM'000
Acquisitions at cost: -				
- Property, plant and equipment	2,808	3,923	17,156	8,646
- Intangible assets	1,196	0	1,196	0
Disposals at net book value: -				
- Property, plant and equipment	99	0	186	93

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

There was no other material event after the end of the reporting date other than the following:

On 24 October 2013, the Company announced that Turboservices Sdn. Bhd. ("TSSB"), a subsidiary of the Company, had received a letter of award ("LOA") dated 27 September 2013 from Petroliam Nasional Berhad to provide aftermarket turbomachinery maintenance services for Solar Turbines Incorporated's gas turbines in Malaysia. The LOA provides a general framework for the establishment of the Long Term Services Agreements ("LTSA's").

The LTSA's will not have any effect on the Company's issued and paid-up share capital and is expected to contribute positively to the earnings and net assets per share of the Group going forward.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CONTINGENT LIABILITIES / ASSETS

As at 30 September 2013, the Group did not have any contingent liabilities or assets except for contingent liabilities for guarantees in respect of credit facilities from licensed financial institutions of RM20.1 million (31 December 2012: RM22.6 million) for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts.

A14. COMMITMENTS

Capital commitments for property, plant and equipment not provided for as at 30 September 2013 were as follows:

	As at 30/9/2013 RM'000	As at 31/12/2012 RM'000
Authorised but not contracted for	40,572	11,123
Authorised and contracted for	61,563	2,415
	102,135	13,538

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A15. RELATED PARTY DISCLOSURES

- (a) The following transactions were with a party related to a corporate shareholder of a subsidiary of the Group, Turboservices Sdn. Bhd.

	Individual Quarter ended		Cumulative Quarters ended	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Purchases and technical services from Solar Turbines International Company	49,824	98,031	143,008	175,759

Significant outstanding balance arising from the above transactions as at 30 September 2013 is as follows:

	As at 30/9/2013 RM'000	As at 31/12/2012 RM'000
Amount due to Solar Turbines International Company	47,216	49,129

- (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	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Sales to related parties of Dresser Italia S.R.L	0	2	0	2
Purchases from Dresser Italia S.R.L	55	51	298	369
Purchases from related parties of Dresser Italia S.R.L	4,195	3,076	14,069	10,279

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A15. RELATED PARTY TRANSACTIONS (Cont'd)

Significant outstanding balance arising from the above transactions as at 30 September 2013 is as follows:

	As at 30/9/2013 RM'000	As at 31/12/2012 RM'000
Amount due to related parties of Dresser Italia S.R.L	2,164	3,204

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Directors' fees	232	203	697	579
Salaries, bonuses, allowances and other staff related expenses	1,921	1,312	5,487	3,745
Defined contribution plan	197	156	601	386
	2,350	1,671	6,785	4,710

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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

Revenue	Q3'13 RM'000	Q3'12 RM'000	Variance RM'000	Variance %
Power and Machinery	84,067	105,298	(21,231)	(20.2)
Oilfield Services	18,910	17,092	1,818	10.6
Maintenance, Repair and Overhaul	5,825	2,626	3,199	121.8
	<u>108,802</u>	<u>125,016</u>	<u>(16,214)</u>	<u>(13.0)</u>

The revenue of the Power and Machinery segment reduced by RM21.2 million compared to the corresponding quarter mainly attributable to the completion of retrofits projects in the corresponding quarter, lower exchange engines and field service representatives revenue in the current quarter pending the finalisation of the Long Term Service Agreements which was concluded in October 2013. The decrease was mitigated by commission received in connection with the provision of an offshore facility of RM7.7 million in the current quarter.

The Oilfield Services segment experienced a revenue increase of RM1.8 million in the current quarter largely due to higher sales of wireline jobs and related products and services.

The revenue contribution from the Maintenance, Repair and Overhaul segment expanded by RM3.2 million compared to the corresponding quarter mainly attributable to contribution of RM1.4 million from DPSB, a subsidiary acquired in the fourth quarter of 2012 and RM1.8 million from Deleum Rotary Services Sdn. Bhd. ("DRSSB") with new project and increased activities in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

(B) Profit before tax for the current quarter against the corresponding quarter

	Q3'13 RM'000	Q3'12 RM'000	Variance RM'000	Variance %
Power and Machinery	20,836	14,875	5,961	40.1
Oilfield Services	3,444	1,164	2,280	195.9
Maintenance, Repair and Overhaul	(408)	205	(613)	(299.0)
Segment results	<u>23,872</u>	<u>16,244</u>	<u>7,628</u>	<u>47.0</u>
Share of associates' results	4,407	3,728	679	18.2
Profit before tax	<u>23,067</u>	<u>17,415</u>	<u>5,652</u>	<u>32.5</u>

Power and Machinery segment recorded a result of RM20.8 million for the current quarter compared to RM14.9 million in the corresponding quarter. Despite the contraction in revenue, the improved result was mainly due to commission received in connection with the provision of an offshore facility of RM7.7 million, write-back of impairment for doubtful debts of RM1.0 million and foreign exchange gains of RM0.8 million.

Oilfield Services segment recorded a result of RM3.4 million for the current quarter compared to RM1.2 million in the corresponding quarter. The improved result was mainly attributable to higher revenue from wireline jobs and related products and services.

Maintenance, Repair and Overhaul segment recorded a loss of RM0.4 million for the current quarter as compared to a profit of RM0.2 million in the corresponding quarter despite higher revenue and higher margin achieved during the current quarter. This is largely attributable to higher staff cost and inclusion of operating expenses of DPSB in the current quarter, which consisted an impairment for doubtful debts of RM0.7 million.

Share of associates' results increased from RM3.7 million in the corresponding quarter to RM4.4 million for the current quarter mainly attributable to higher throughput from Malaysian Mud and Chemicals Sdn. Bhd. on the back of higher drilling activities in the East Malaysia region.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Revenue of the current year-to-date against the corresponding year-to-date

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3 '13 RM'000	Q3 '12 RM'000		
Revenue				
Power and Machinery	235,745	240,406	(4,661)	(1.9)
Oilfield Services	54,322	69,243	(14,921)	(21.5)
Maintenance, Repair and Overhaul	17,722	8,342	9,380	112.4
	<u>307,789</u>	<u>317,991</u>	<u>(10,202)</u>	<u>(3.2)</u>

Revenue from the Power and Machinery segment eased by RM4.7 million compared to the corresponding period. The unfavorable variance was mainly attributable to the completion of retrofits projects in the corresponding period and lower exchange engines and field service representatives revenue during the current 9-months period. The decrease was mitigated by commission received in connection with the provision of an offshore facility of RM7.7m in the current 9-months period.

The Oilfield Services segment experienced a contraction in revenue of RM14.9 million during the current 9-months period and is largely due to the lower third party wireline sales and the lower supply of drilling related products and services. In addition, there was a one-off sale of critical spares under the wellhead maintenance contract of RM3.9 million in the corresponding cumulative quarters.

The revenue contribution from the Maintenance, Repair and Overhaul segment increased by RM9.4 million during the current 9-months period compared to the corresponding period mainly attributable to contribution of RM9.5 million from DPSB, with consistent revenue contribution from DRSSB.

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B1. PERFORMANCE REVIEW (Cont'd)

(D) Profit before tax of the current year-to-date against the corresponding year-to-date

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3 '13 RM'000	Q3 '12 RM'000		
Power and Machinery	42,824	36,785	6,039	16.4
Oilfield Services	8,535	6,522	2,013	30.9
Maintenance, Repair and Overhaul	1,708	(359)	2,067	(575.8)
Segment results	53,067	42,948	10,119	23.6
Share of associates' results	12,053	11,991	62	0.5
Profit before tax	55,399	48,161	7,238	15.0

The Group recorded a profit before tax of RM55.4 million for the current 9-months period compared to RM48.2 million in the corresponding 9-months period. The increase for the current period was largely due to improved segment results from all segments.

Power and Machinery segment recorded a result of RM42.8 million for the current 9-months period against RM36.8 million in the corresponding 9-months period despite a contraction in revenue mainly attributable to commission received in connection with the provision of an offshore facility of RM7.7 million, the write-back of impairment for doubtful debts of RM1.0 million and foreign exchange gains of RM1.0 million. The increase was partially offset by higher exhibition expenses of RM0.3 million and increased headcounts.

Oilfield Services segment registered a result of RM8.5 million for the current 9-months period compared to RM6.5 million in the corresponding 9-months period. Margin improved despite a contraction in revenue which in the corresponding 9-months period consisted mainly of lower margin third party wireline product sales and the one-off sale of critical spares under the wellhead maintenance contract.

Maintenance, Repair and Overhaul segment recorded a profit of RM1.7 million for the current 9-months period compared to the corresponding 9-months period loss of RM0.4 million and is mainly attributable to higher profit contributed by DPSB.

Share of associates' results recorded a similarly comparable result of RM12.1 million for the current 9-months period and RM12.0 million in the corresponding 9-months period.

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B2. MATERIAL CHANGE IN THE PROFIT BEFORE TAX AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PROFIT BEFORE TAX

	Q3 '13 RM'000	Q2 '13 RM'000	Variance RM'000	Variance %
Power and Machinery	20,836	15,239	5,597	36.7
Oilfield Services	3,444	2,074	1,370	66.1
Maintenance, Repair and Overhaul	(408)	2,277	(2,685)	(117.9)
Segment results	<u>23,872</u>	<u>19,590</u>	<u>4,282</u>	<u>21.9</u>
Share of associates' results	4,407	3,816	591	15.5
Profit before tax	<u>23,067</u>	<u>21,188</u>	<u>1,879</u>	<u>8.9</u>

The segments posted a higher result of RM23.9 million for the current quarter compared to RM19.6 million in the preceding quarter.

Power and Machinery segment recorded a result of RM20.8 million for the current quarter which is higher as compared with the results of RM15.2 million in the preceding quarter. The increase was mainly attributable to commission received in connection with the provision of an offshore facility of RM7.7 million.

Oilfield Services segment result of RM3.4 million for the current quarter was stronger compared to RM2.1 million in the preceding quarter. The favorable variance was mainly attributable to higher wireline jobs and related products and services.

Maintenance, Repair and Overhaul segment recorded a loss of RM0.4 million for the current quarter against a profit of RM2.3 million recorded in the preceding quarter mainly attributable to a reduction in profit contribution by DPSB on the back of lower revenue and impairment for doubtful debts of RM0.7 million during the current quarter.

Share of associates' results increased from RM3.8 million in the preceding quarter to RM4.4 million for the current quarter mainly attributable to higher throughput from Malaysian Mud and Chemicals Sdn. Bhd. on the back of higher drilling activities in the East Malaysia region.

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B3. PROSPECTS

Spearheading the Government's efforts to arrest the decline in oil production, PETRONAS together with the Operators have strengthened production efforts through deep water exploratory drilling, revitalising mature fields and developing marginal fields. These activities are a key growth area. To date, the Group has secured significant contracts from PETRONAS and Operators for the provision of wireline services and aftermarket turbomachinery maintenance services for Solar gas turbines in Malaysia.

These developments are positive to the overall performance of the Group.

B4. PROFIT FORECAST

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

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B5. INCOME TAX EXPENSE

	Individual Quarter ended		Cumulative Quarters ended	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Current tax – current year	5,186	3,157	12,459	9,110
(Over)/under provision in prior year	(6)	354	39	152
Deferred tax – origination and reversal of temporary differences	1,410	43	882	1,407
Total income tax expense	6,590	3,554	13,380	10,669

Including the associates' results which are presented net of tax, the effective tax rate of the Group for the financial period ended 30 September 2013 is lower than the statutory tax rate as shown below.

	Cumulative Quarters ended	
	30/9/2013 %	30/9/2012 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	25	25
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	4	3
- Share of results of associates	(5)	(6)
Effective tax rate	24	22

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.

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B7. QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 4 January 2013, the Company had accepted an offer made by NSE Resources Corporation (M) Sdn. Bhd. (“NSERC”) to subscribe for new shares to be issued by NSERC, representing 55% equity interests in NSERC (“Subscription Shares”) for a total consideration not exceeding RM23,100,000 (“Offer”). Further to the update made in the second quarter announcement dated 22 August 2013, the Company had on 30 September 2013 announced that the Proposed Subscription has been terminated with effect on the date of announcement.

In view of the uncertainty on the collectability of the Earnest Deposit, the Company has made a provision for doubtful debts amounting to RM3.8 million representing the entire sum of the Earnest Deposit.

Other than as mentioned above, there is no corporate proposal announced which is not completed as of 7 November 2013 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. GROUP BORROWINGS

The Group borrowings as at 30 September 2013 were as follows:

	Short Term RM '000	Long Term RM '000	Total RM '000
<u>30/9/2013</u>			
Borrowings - secured	3,351	1,858	5,209
- unsecured	15,800	0	15,800
	<u>19,151</u>	<u>1,858</u>	<u>21,009</u>
<u>31/12/2012</u>			
Borrowings - secured	5,792	3,368	9,160
- unsecured	9,800	0	9,800
	<u>15,592</u>	<u>3,368</u>	<u>18,960</u>

The borrowings were all denominated in Ringgit Malaysia.

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B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 30 September 2013.

B11. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at 7 November 2013 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B12. DIVIDEND

Save as disclosed in A8, there were no other dividends declared / paid during the quarter under review for the financial year ending 31 December 2013.

B13. EARNINGS PER SHARE (“EPS”)

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

RM '000	Individual Quarter ended		Cumulative Quarter ended	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	14,354	12,180	34,991	30,946
Weighted average number of ordinary shares	150,000	150,000	150,000	150,000
Basic earnings per share	9.57 sen	8.12 sen	23.33 sen	20.63 sen

The diluted earnings per share for the Group is not presented as there is no dilutive potential ordinary shares during the current financial year-to-date under review.

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B14. 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 30/9/2013	Cumulative Quarters Ended 31/12/2012
Total retained profits of the Company and its subsidiaries:		
Realised	125,691	107,601
Unrealised	(6,025)	(5,915)
	119,666	101,686
 Total share of retained profits from associated companies:		
Realised	44,760	45,010
Unrealised	(3,405)	(3,091)
	41,355	41,919
 Less: Consolidation adjustments	(30,570)	(24,145)
 Total Group's retained profits	130,451	119,460

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.

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B15. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2012 was unqualified.

B16. 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 14 November 2013.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
14 November 2013