

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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2014**

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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 31 MARCH 2014

| RM'000 | Quarter and year-to-date ended | |
|---|---------------------------------------|-------------------|
| | 31/03/2014 | 31/03/2013 |
| | Unaudited | Unaudited |
| Revenue | 102,153 | 86,502 |
| Cost of sales | (72,175) | (66,593) |
| Gross profit | 29,978 | 19,909 |
| Other operating income | 545 | 563 |
| Selling and distribution costs | (6,768) | (4,648) |
| Administrative expenses | (11,537) | (9,399) |
| Other operating expenses | (52) | 1,312 |
| Profit from operation | 12,166 | 7,737 |
| Finance costs | (438) | (423) |
| Share of post tax profits of associates | 3,966 | 3,830 |
| Profit before tax | 15,694 | 11,144 |
| Income tax expense | (3,368) | (1,901) |
| Profit for the period | 12,326 | 9,243 |
| Other comprehensive income | | |
| Currency translation differences | (84) | 175 |
| Total comprehensive income for the period | 12,242 | 9,418 |
| Profit attributable to: | | |
| - Equity holders of the Company | 9,753 | 6,837 |
| - Non-controlling interests | 2,573 | 2,406 |
| | 12,326 | 9,243 |
| Total comprehensive income attributable to: | | |
| - Equity holders of the Company | 9,715 | 6,943 |
| - Non-controlling interests | 2,527 | 2,475 |
| | 12,242 | 9,418 |
| Earnings per share (EPS) attributable to equity holders of the Company (sen) | | |
| - Basic EPS | 6.50 | 4.56 |
| Number of shares issued | 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 2013 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 31 MARCH 2014

| RM'000 | As at 31/03/2014 | As at 31/12/2013 |
|--|---------------------|---------------------|
| | Unaudited | Audited |
| ASSETS | | |
| Property, plant and equipment | 162,349 | 132,758 |
| Investment properties | 906 | 912 |
| Intangible assets | 3,114 | 2,965 |
| Associates | 41,150 | 43,823 |
| Deferred tax assets | 2,948 | 2,781 |
| Non-current Assets | 210,467 | 183,239 |
| Inventories | 19,005 | 20,499 |
| Amounts due from associates | 6 | 1,714 |
| Trade receivables | 140,197 | 183,700 |
| Deferred cost | 21,549 | 13,829 |
| Other receivables, deposits and prepayments | 35,917 | 19,556 |
| Tax recoverable | 5,057 | 4,118 |
| Restricted cash | 957 | 526 |
| Cash and cash equivalents | 69,028 | 73,197 |
| Current Assets | 291,716 | 317,139 |
| TOTAL ASSETS | 502,183 | 500,378 |
| EQUITY AND LIABILITIES | | |
| Share capital | 150,000 | 150,000 |
| Equity - share based payment | 51 | 43 |
| Retained earnings | 138,272 | 145,019 |
| Merger deficit | (50,000) | (50,000) |
| Currency translation differences | (3,180) | (3,142) |
| Equity attributable to equity holders of the Company | 235,143 | 241,920 |
| Non-controlling interests | 27,226 | 29,326 |
| Total Equity | 262,369 | 271,246 |
| Borrowings | 40,968 | 11,731 |
| Deferred tax liabilities | 9,661 | 7,786 |
| Non-current Liabilities | 50,629 | 19,517 |
| Trade payables | 120,095 | 146,616 |
| Deferred revenue | 26,743 | 20,036 |
| Other payables and accruals | 24,205 | 21,533 |
| Dividend payable | 546 | 520 |
| Taxation | 932 | 2,996 |
| Borrowings | 16,664 | 17,914 |
| Current Liabilities | 189,185 | 209,615 |
| Total Liabilities | 239,814 | 229,132 |
| TOTAL EQUITY AND LIABILITIES | 502,183 | 500,378 |
| Net assets per share attributable to equity holders of the Company (RM) | 1.57 | 1.61 |
| 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 2013 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 CHANGES IN EQUITY
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2014

| 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 2013 | 150,000 | 11 | (3,523) | (50,000) | 119,460 | 215,948 | 30,347 | 246,295 |
| Total comprehensive income for the period | 0 | 0 | 106 | 0 | 6,837 | 6,943 | 2,475 | 9,418 |
| Dividend | 0 | 0 | 0 | 0 | (15,000) | (15,000) | (4,258) | (19,258) |
| Share based payment | 0 | 6 | 0 | 0 | 0 | 6 | 0 | 6 |
| At 31 March 2013 | <u>150,000</u> | <u>17</u> | <u>(3,417)</u> | <u>(50,000)</u> | <u>111,297</u> | <u>207,897</u> | <u>28,564</u> | <u>236,461</u> |
| At 1 January 2014 | 150,000 | 43 | (3,142) | (50,000) | 145,019 | 241,920 | 29,326 | 271,246 |
| Total comprehensive income for the period | 0 | 0 | (38) | 0 | 9,753 | 9,715 | 2,527 | 12,242 |
| Dividend | 0 | 0 | 0 | 0 | (16,500) | (16,500) | (4,627) | (21,127) |
| Share based payment | 0 | 8 | 0 | 0 | 0 | 8 | 0 | 8 |
| At 31 March 2014 | <u>150,000</u> | <u>51</u> | <u>(3,180)</u> | <u>(50,000)</u> | <u>138,272</u> | <u>235,143</u> | <u>27,226</u> | <u>262,369</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 2013 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 31 MARCH 2014

| RM'000 | Quarter and year-to-date ended | |
|---|---------------------------------------|-------------------|
| | 31/03/2014 | 31/03/2013 |
| | Unaudited | Unaudited |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | 151,433 | 142,119 |
| Cash payments to suppliers | (90,880) | (101,953) |
| Cash payments to employees and for operating expenses | (25,155) | (30,502) |
| Cash generated from operations | 35,398 | 9,664 |
| Interest paid | (431) | (251) |
| Tax paid | (4,665) | (3,142) |
| Net cash generated from operating activities | 30,302 | 6,271 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 307 | 335 |
| Property, plant and equipment | | |
| - Purchases | (32,480) | (2,812) |
| - Deposits paid | (16,591) | (39) |
| Purchase of intangible assets | (304) | 0 |
| Dividends received from associates | 8,295 | 6,186 |
| Net cash (used in) / generated from investing activities | (40,773) | 3,670 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Term loan drawdown | 29,373 | 0 |
| Term loans repayments | (1,378) | (1,424) |
| Hire purchase under finance lease repayments | (8) | (4) |
| Dividends paid to: | | |
| - Shareholders | (16,500) | (15,000) |
| - Non-controlling interest | (4,627) | (4,258) |
| Increase in restricted cash | (431) | (458) |
| Net cash generated from / (used in) financing activities | 6,429 | (21,144) |
| Net decrease in cash and cash equivalents | (4,042) | (11,203) |
| Effects of exchange rate changes | (127) | 566 |
| Cash and cash equivalents at beginning of period | 73,197 | 80,293 |
| Cash and cash equivalents at end of period | 69,028 | 69,656 |
| COMPOSITION OF CASH AND CASH EQUIVALENTS | | |
| Short term deposits | 49,706 | 59,781 |
| Cash and bank balances | 20,279 | 10,857 |
| | 69,985 | 70,638 |
| Restricted cash | (957) | (982) |
| Cash and cash equivalents at end of period | 69,028 | 69,656 |

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2014**

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 2013 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 2013. The results of the associates are based on unaudited 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 2013, except for a change in the Group’s accounting policy on inventory valuation. On 1 January 2014, the Group adopted the weighted average cost method for inventory valuation across the Group, which is more appropriate to the Group’s businesses. The adoption of this new policy had no material effect on the amounts reported by the Group for the current financial period or prior financial years. The amendments to published standards effective for financial year beginning on 1 January 2014 that are applicable and adopted by the Group as follows:

| | |
|-----------------------|---|
| Amendment to MFRS 132 | Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities |
| Amendment to MFRS 139 | Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting |

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

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 2015.

Annual improvements to MFRSs 2010 – 2012 cycle
Annual improvements to MFRSs 2011 – 2013 cycle

The Group is in the process of assessing the impact on initial adoption of the above annual improvements to MFRSs.

The Group has not early adopted the following accounting standard and amendment to published standard that have been issued as the effective date has yet to be determined by MASB.

| | |
|---------------------|--|
| MFRS 9 | Financial Instruments |
| Amendment to MFRS 7 | Financial Instruments: Disclosure – Mandatory date of MFRS 9 and Transition Disclosure |

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

A1. BASIS OF PREPARATION (Cont'd)

The adoption of MFRS 9 may result in a change in accounting policy. The Group will quantify the effect of adopting this standard when full standard is issued.

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

Other than as disclosed in note B14, 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

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 31 March 2014.

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 31 March 2014.

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

A8. DIVIDENDS PAID

During the current quarter under review, the Company paid the following second interim single tier dividend of 11 sen per share of RM1.00 each on 150,000,000 ordinary shares, in respect of the financial year ended 31 December 2013.

| | RM'000 |
|---|---------------|
| Second interim single tier dividend of 11 sen per share on 150,000,000 ordinary shares, paid on 26 March 2014 | <u>16,500</u> |

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; and
 - 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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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2014**

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

A9. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial period ended 31 March 2014 is as follows:

| | Quarter and year-to-date ended | |
|----------------------------------|---------------------------------------|------------------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| <u>Segment Revenue</u> | | |
| Power and Machinery | | |
| External revenue | 65,256 | 65,588 |
| Power and Machinery | 65,256 | 65,588 |
| Oilfield Services | | |
| External revenue | 24,916 | 17,582 |
| Oilfield Services | 24,916 | 17,582 |
| Maintenance, Repair and Overhaul | | |
| External revenue | 11,981 | 3,332 |
| Maintenance, Repair and Overhaul | 11,981 | 3,332 |
| Total Group revenue | 102,153 | 86,502 |

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2014**

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

A9. SEGMENT INFORMATION (Cont'd)

| | Quarter and year-to-date ended | |
|----------------------------------|---------------------------------------|------------------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| <u>Segment Results</u> | | |
| Power and Machinery | 10,138 | 7,061 |
| Oilfield Services | 5,770 | 3,059 |
| Maintenance, Repair and Overhaul | (545) | (157) |
| Segment results | 15,363 | 9,963 |
| Unallocated income ^ | 53 | 145 |
| Unallocated corporate expenses # | (3,688) | (2,794) |
| Share of results of associates | 3,966 | 3,830 |
| Tax expense | (3,368) | (1,901) |
| Profit for the financial period | 12,326 | 9,243 |

^ 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 31/03/2014 RM'000 | As at 31/12/2013 RM'000 |
|----------------------------------|------------------------------------|------------------------------------|
| <u>Segment Assets</u> | | |
| Power and Machinery | 209,912 | 252,327 |
| Oilfield Services | 190,464 | 141,891 |
| Maintenance, Repair and Overhaul | 29,475 | 24,363 |
| Segment assets | 429,851 | 418,581 |
| Unallocated corporate assets ^ | 72,332 | 81,797 |
| Total assets | 502,183 | 500,378 |

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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 31/03/2014 RM'000 | As at 31/12/2013 RM'000 |
|-------------------------------------|----------------------------|----------------------------|
| <u>Segment Liabilities</u> | | |
| Power and Machinery | 105,983 | 139,158 |
| Oilfield Services | 111,332 | 67,931 |
| Maintenance, Repair and Overhaul | 9,419 | 8,185 |
| Segment liabilities | 226,734 | 215,274 |
| Unallocated corporate liabilities # | 13,080 | 13,858 |
| Total liabilities | 239,814 | 229,132 |

^ 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 31 March 2014, the acquisitions and disposals of property, plant and equipment and intangible assets by the Group are as follows:

| | Quarter and year-to-date ended | |
|---------------------------------|--------------------------------|----------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| Acquisitions at cost: - | | |
| - Property, plant and equipment | 33,916 | 13,202 |
| - Intangible assets | 304 | 0 |

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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

Other than the corporate proposal disclosed in note B8, there was no other material event after the end of the reporting date.

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 31 March 2014, 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 RM26.3 million (31 December 2013: RM21.4 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 and intangible assets not provided for as at 31 March 2014 were as follows:

| | As at 31/03/2014 RM'000 | As at 31/12/2013 RM'000 |
|-----------------------------------|------------------------------------|------------------------------------|
| Authorised but not contracted for | 76,229 | 120,995 |
| Authorised and contracted for | 93,030 | 75,812 |
| | 169,259 | 196,807 |

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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.

| | Quarter and year-to-date ended | |
|--|---------------------------------------|------------------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| Purchases and technical services from Solar Turbines International Company | 34,556 | 72,518 |

Significant outstanding balance arising from the above transactions as at 31 March 2014 is as follows:

| | As at 31/03/2014 RM'000 | As at 31/12/2013 RM'000 |
|--|------------------------------------|------------------------------------|
| Amount due to Solar Turbines International Company | 45,728 | 81,846 |

- (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.

| | Quarter and year-to-date ended | |
|--|---------------------------------------|------------------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| Purchases from Dresser Italia S.R.L | 103 | 213 |
| Purchases from related parties of Dresser Italia S.R.L | 4,009 | 4,259 |

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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 31 March 2014 is as follows:

| | As at 31/03/2014 RM'000 | As at 31/12/2013 RM'000 |
|---|------------------------------------|------------------------------------|
| Amount due to related parties of Dresser Italia S.R.L | 4,099 | 3,841 |

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

| | Quarter and year-to-date ended | |
|--|---------------------------------------|------------------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| Directors' fees | 233 | 232 |
| Salaries, bonuses, allowances and other staff related expenses | 2,042 | 1,846 |
| Defined contribution plan | 235 | 200 |
| | 2,510 | 2,278 |

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**UNAUDITED INTERIM FINANCIAL REPORT
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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 and year to date

| Revenue | Q1'14 RM'000 | Q1'13 RM'000 | Variance RM'000 | Variance % |
|----------------------------------|-----------------|-----------------|--------------------|---------------|
| Power and Machinery | 65,256 | 65,588 | (332) | (0.5) |
| Oilfield Services | 24,916 | 17,582 | 7,334 | 41.7 |
| Maintenance, Repair and Overhaul | 11,981 | 3,332 | 8,649 | 259.6 |
| | <u>102,153</u> | <u>86,502</u> | <u>15,651</u> | <u>18.1</u> |

Revenue of the **Power and Machinery** segment dropped slightly by RM0.3 million against the corresponding quarter attributable to lower revenue contributions from parts and services and exchange engines of RM9.2 million due to lower orders received during the quarter, mitigated by higher revenue from retrofit projects, field service representatives and sales of gas turbines packages of RM8.3 million.

The **Oilfield Services** segment experienced a revenue increase of RM7.3 million in the current quarter largely due to improvement from wireline activities of RM8.8 million, offset by lower oilfield chemicals revenue of RM1.3 million with projects deferred to the subsequent quarters.

The revenue contribution from the **Maintenance, Repair and Overhaul** segment increased by RM8.6 million compared with the corresponding quarter mainly attributable to increased revenue contributions from repairs and maintenance of motors and generators and integrated corrosion maintenance activities of RM5.9 million and RM2.8 million respectively.

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**UNAUDITED INTERIM FINANCIAL 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)

B1. PERFORMANCE REVIEW (Cont'd)

(B) Profit before tax for the current quarter against the corresponding quarter and year to date

| | Q1'14 RM'000 | Q1'13 RM'000 | Variance RM'000 | Variance % |
|----------------------------------|-----------------|-----------------|--------------------|---------------|
| Power and Machinery | 10,138 | 7,061 | 3,077 | 43.6 |
| Oilfield Services | 5,770 | 3,059 | 2,711 | 88.6 |
| Maintenance, Repair and Overhaul | (545) | (157) | (388) | 247.1 |
| Segment results | <u>15,363</u> | <u>9,963</u> | <u>5,400</u> | <u>54.2</u> |
| Share of associates' results | 3,966 | 3,830 | 136 | 3.6 |
| Profit before tax | <u>15,694</u> | <u>11,144</u> | <u>4,550</u> | <u>40.8</u> |

Profit before tax increased by RM4.6 million over the corresponding quarter due to better performance from the Power and Machinery and Oilfield Services segments.

Despite experiencing a slight reduction in revenue, the result of the **Power and Machinery** segment improved and was largely attributable to higher margin earned from sales of gas turbine packages, field service representatives and retrofits projects.

The **Oilfield Services** segment registered a better result of RM5.8 million compared with RM3.1 million in the corresponding quarter and is in line with improved wireline activities, lower marketing expenses and higher foreign exchange gains.

Whilst revenue increased by RM8.6 million, the **Maintenance, Repair and Overhaul** segment recorded a loss of RM0.5 million compared with a loss of RM0.1 million in the corresponding quarter. The negative result is largely due to continued margin pressure on motor and generator repairs and maintenance and higher operating expenses of RM1.0 million comprising of doubtful debt provision and rising staff costs.

Share of associates' results increased from RM3.8 million in the corresponding quarter to RM3.9 million for the current quarter and was mainly attributable to higher throughput from Malaysian Mud And Chemicals Sdn. Bhd. ("MMC") by RM0.1 million. The contribution from Cambodia Utilities Pte. Ltd. ("CUPL") is consistent at RM1.7 million.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2014**

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 PROFIT BEFORE TAX AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PROFIT BEFORE TAX

| | Q1'14 RM'000 | Q4'13 RM'000 | Variance RM'000 | Variance % |
|----------------------------------|-----------------|-----------------|--------------------|---------------|
| Power and Machinery | 10,138 | 21,356 | (11,218) | (52.5) |
| Oilfield Services | 5,770 | (1,098) | 6,868 | (625.5) |
| Maintenance, Repair and Overhaul | (545) | 174 | (719) | (413.2) |
| Segment results | <u>15,363</u> | <u>20,432</u> | <u>(5,069)</u> | <u>(24.8)</u> |
| Share of associates' results | 3,966 | 3,920 | 46 | 1.2 |
| Profit before tax | <u>15,694</u> | <u>20,192</u> | <u>(4,498)</u> | <u>(22.3)</u> |

The segments results for the current quarter decreased by RM5.1 million over the preceding quarter mainly due to lower performance from the Power and Machinery and Maintenance, Repair and Overhaul segment.

Power and Machinery segment recorded a result of RM10.1 million for the current quarter as compared with RM21.4 million in the preceding quarter. The contraction in this segment's results is mainly due to the lower revenue which declined by 55%. This came mainly from retrofit projects and exchange engines. A higher number of such projects were closed out in the preceding quarter.

Oilfield Services segment result for the current quarter was RM5.8 million against a loss of RM1.1 million in the preceding quarter. The favorable variance was mainly attributable to margin improvement from wireline activities and wellhead maintenance of RM7.2 million in line with the higher revenue achieved.

Maintenance, Repair and Overhaul segment recorded a loss of RM0.5 million for the current quarter against a profit of RM0.2 million in the preceding quarter mainly attributable to lower margin earned from the repair and maintenance of motors and generators, impairment for doubtful debts and higher management fees.

Share of results of associates in the current quarter is consistent with the preceding quarter.

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B3. PROSPECTS

Oil and gas related activities in the country continued their upward trend. The Group is well placed to partake in the ensuing benefits and in the previous financial year it secured multiple contracts for the provision of slickline equipment and services. In addition, the Group secured Long Term Service Agreements to provide after market turbomachinery services for Solar gas turbines in Malaysia. These awards will further underpin the sustainability of our recurring services. However, we acknowledge that competition will be intense and cost of doing business will rise, in particular staff related cost and higher inflationary pressures. We are cognizant of the challenges and actions have been taken to enhance our competitive position.

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

Current income tax is calculated at the statutory rate of 25% of the assessable profit for the period. The statutory tax rate will be reduced to 24% from the current year's statutory rate of 25% effective year of assessment 2016. The computation of the deferred tax as at 31 March 2014 has reflected this change.

| | Quarter and year-to-date ended | |
|--|---------------------------------------|------------------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| Current tax – current year | 1,662 | 1,458 |
| Deferred tax – origination and reversal of temporary differences | 1,706 | 443 |
| Total income tax expense | 3,368 | 1,901 |

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B5. INCOME TAX EXPENSE (Cont'd)

Including the associates' results which are presented net of tax, the effective tax rate of the Group for the financial year ended 31 March 2014 is lower than the statutory tax rate as shown below.

| | Quarter and year-to-date ended | |
|--|--------------------------------|-----------------|
| | 31/03/2014 % | 31/03/2013 % |
| 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 | 3 | 2 |
| - Share of results of associates | (6) | (9) |
| - Income not subject to tax | 0 | (1) |
| - Expenses eligible for double deduction | (1) | 0 |
| Effective tax rate | 21 | 17 |

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.

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 11 March 2014, the Company proposed to undertake the following corporate proposals:

- (i) Proposed bonus issue of 50,000,000 new ordinary shares of RM1.00 each in the Company, to be credited as fully paid-up, on the basis of one (1) bonus share for every three (3) existing shares held by the shareholders of the Company on an entitlement date to be determined (“Proposed Bonus Issue”);
- (ii) Proposed share split involving the subdivision of every one (1) existing share held by the shareholders of the Company into two (2) new ordinary shares of RM0.50 each, on an entitlement date to be determined (“Proposed Share Split”);
- (iii) Proposed amendments to the Memorandum of Association of the Company to facilitate the Proposed Share Split (“Proposed Amendments”); and
- (iv) Proposed establishment of a long term incentive plan (“LTIP”) of up to 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the proposed LTIP for directors of the Company acting in an executive capacity and key employees of the Company and its subsidiaries (“Proposed LTIP”).

The Proposed Bonus Issue, Proposed Share Split, Proposed Amendments and Proposed LTIP are collectively referred to as the “Proposals”.

Subsequently, Bursa Malaysia Securities Berhad had vide its letter dated 11 April 2014 granted the approval-in-principle for the following:

- (i) the listing and quotation for 50,000,000 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Bonus Issue;
- (ii) the Proposed Share Split; and
- (iii) the listing of such number of additional new ordinary shares, representing up to 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any), to be issued pursuant to the proposed LTIP.

The Proposals are subject to approvals being obtained from the shareholders of the Company at the forthcoming Annual General Meeting and any other relevant authorities where applicable.

The Proposals are expected to be completed by the end of the fourth quarter of the financial year ending 31 December 2014.

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED (Cont’d)

On 3 April 2014, the Company announced that following the issuance of the termination letter dated 30 September 2013 to NSE Resources Corporation (M) Sdn. Bhd. (“NSERC”) to terminate the Proposed Subscription effective on 30 September 2013 (“Termination Date”) and to request NSERC to refund and reimburse the sum of RM3.8 million being the earnest deposit duly paid by the Company to NSERC (“Earnest Deposit”) within seven (7) business days from the Termination Date, NSERC has failed to refund the Earnest Deposit to the Company as at the date hereof, notwithstanding that a reminder letter dated 6 January 2014 was given by the Company to NSERC.

Accordingly, the Company has instructed the solicitors to serve a notice of demand to NSERC on 3 April 2014.

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 during the financial year ended 31 December 2013 and duly reported in the audited financial statements for the financial year then ended.

No material adverse impact is expected on the Company’s and the Group’s financial position and performance for the financial year ending 31 December 2014.

B9. GROUP BORROWINGS

The Group borrowings as at 31 March 2014 were as follows:

| | Short Term RM ‘000 | Long Term RM ‘000 | Total RM ‘000 |
|--------------------------|-----------------------------------|----------------------------------|--------------------------|
| <u>31/03/2014</u> | | | |
| Borrowings - secured | 864 | 40,968 | 41,832 |
| - unsecured | 15,800 | 0 | 15,800 |
| | 16,664 | 40,968 | 57,632 |
| <u>31/12/2013</u> | | | |
| Borrowings - secured | 2,114 | 11,731 | 13,845 |
| - unsecured | 15,800 | 0 | 15,800 |
| | 17,914 | 11,731 | 29,645 |

The borrowings were all denominated in Ringgit Malaysia.

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B9. GROUP BORROWINGS (Cont'd)

| | Note | As at 31/03/2014 RM'000 | As at 31/12/2013 RM'000 |
|--|-------|----------------------------|----------------------------|
| Revolving credits | (i) | 15,800 | 15,800 |
| Finance lease liabilities | (ii) | 96 | 104 |
| Term loans | (iii) | 39,438 | 11,275 |
| Islamic term financing long term non-interest bearing facilities | (iv) | 2,298 | 2,466 |
| | | 57,632 | 29,645 |
| Less: Amount repayable within 12 months | | | |
| Revolving credits | | (15,800) | (15,800) |
| Finance lease liabilities | | (33) | (33) |
| Term loans | | (32) | (1,279) |
| Islamic term financing long term non-interest bearing facilities | | (799) | (803) |
| | | (16,664) | (17,914) |
| Amount repayable after 12 months | | 40,968 | 11,731 |

- (i) Revolving credits are rolled over on a monthly basis at an average rate of 4.84% (1.25% per annum above the bank's cost of funds).
- (ii) The finance lease liabilities bear interests of 2.55% - 2.56% per annum.
- (iii) Term loans consist of term loan 1,2 and 3. Term loan 1 carries an interest of 6.50% per annum (2% per annum above the bank's cost of funds). Term loan 2 carries a fixed interest rate of 5.40% per annum. Term loan 3 carries an average rate of 4.53% (1.15% per annum above the bank's cost of funds). The tenure of the loans are 5 years.
- (iv) The facilities bear profit sharing margins of 6.55% - 7.00% per annum and are repayable over 7 – 10 years.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 31 March 2014.

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B11. CHANGES IN MATERIAL LITIGATION

Other than as disclosed in note B8, there were no material litigation as at 14 May 2014 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B12. DIVIDEND

The Directors, on 25 February 2014 declared a second interim single tier dividend of 11 sen per share of RM1.00 each in respect of the financial year ended 31 December 2013, totaling RM16,500,000. The dividend was paid on 26 March 2014.

No dividend was declared during the quarter under review for the financial year ending 31 December 2014.

B13. EARNINGS PER SHARE (“EPS”)

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

| | Quarter and year-to-date ended | |
|--|--------------------------------|----------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| Basic earnings per share | | |
| Profit attributable to equity holders of the Company | 9,753 | 6,837 |
| Weighted average number of ordinary shares | 150,000 | 150,000 |
| Basic earnings per share | 6.50 sen | 4.56 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. PROFIT BEFORE TAX

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

| | Quarter and year-to-date ended | |
|---|---------------------------------------|------------------------------|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| Interest income | (307) | (335) |
| Other income including investment income | (238) | (228) |
| Interest expenses | 438 | 423 |
| Depreciation and amortization | 4,477 | 3,610 |
| Reversal of provision for trade receivables | (95) | (112) |
| Provision for trade receivables | 793 | 0 |
| Foreign exchange gains | (1,187) | (912) |
| Reversal of provision for inventories | (8) | (5) |
| Provision for liquidated damages | 241 | 77 |

Other than as disclosed 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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B15. 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:

| | Cumulative Quarter Ended 31/03/2014 RM'000 | Cumulative Quarters Ended 31/12/2013 RM'000 |
|---|---|--|
| Total retained profits of the Company and its subsidiaries: | | |
| Realised | 129,586 | 132,994 |
| Unrealised | (7,276) | (6,574) |
| | 122,310 | 126,420 |
| Total share of retained profits from associated companies: | | |
| Realised | 42,786 | 45,429 |
| Unrealised | (3,517) | (3,540) |
| | 39,269 | 41,889 |
| Less: Consolidation adjustments | (23,307) | (23,290) |
| Total Group's retained profits | 138,272 | 145,019 |

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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B16. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2013 was unqualified.

B17. 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 21 May 2014.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
21 May 2014