

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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 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 30 JUNE 2014**

RM'000	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	QUARTER ENDED	QUARTER ENDED	YEAR-TO-DATE ENDED	YEAR-TO-DATE ENDED
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	163,408	112,485	265,561	198,987
Cost of sales	(122,272)	(77,438)	(194,447)	(144,031)
Gross profit	41,136	35,047	71,114	54,956
Other operating income	353	482	898	1,045
Selling and distribution costs	(7,330)	(5,364)	(14,098)	(10,012)
Administrative expenses	(13,567)	(11,543)	(25,104)	(20,942)
Other operating expenses	948	(904)	896	408
Profit from operation	21,540	17,718	33,706	25,455
Finance costs	(753)	(346)	(1,191)	(769)
Share of post tax profits of associates	3,933	3,816	7,899	7,646
Profit before tax	24,720	21,188	40,414	32,332
Income tax expense	(5,917)	(4,889)	(9,285)	(6,790)
<b>Profit for the period</b>	<b>18,803</b>	<b>16,299</b>	<b>31,129</b>	<b>25,542</b>
<b>Other comprehensive income</b>				
<b>Currency translation differences</b>	<b>(159)</b>	<b>393</b>	<b>(243)</b>	<b>568</b>
<b>Total comprehensive income for the period</b>	<b>18,644</b>	<b>16,692</b>	<b>30,886</b>	<b>26,110</b>
<b>Profit attributable to:</b>				
- Equity holders of the Company	15,939	13,800	25,692	20,637
- Non-controlling interests	2,864	2,499	5,437	4,905
	<b>18,803</b>	<b>16,299</b>	<b>31,129</b>	<b>25,542</b>
<b>Total comprehensive income attributable to:</b>				
- Equity holders of the Company	15,864	13,932	25,579	20,875
- Non-controlling interests	2,780	2,760	5,307	5,235
	<b>18,644</b>	<b>16,692</b>	<b>30,886</b>	<b>26,110</b>
<b>Earnings per share (EPS) attributable to equity holders of the Company (sen)</b>				
- Basic EPS	<u>3.98</u>	<u>9.20</u>	<u>6.42</u>	<u>13.76</u>
Number of shares issued	400,000	150,000	400,000	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)**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

RM'000	As at 30/6/2014	As at 31/12/2013
	Unaudited	Audited
<b>ASSETS</b>		
Property, plant and equipment	185,785	132,758
Investment properties	900	912
Intangible assets	3,173	2,965
Associates	41,742	43,823
Deferred tax assets	2,494	2,781
<b>Non-current Assets</b>	<b>234,094</b>	<b>183,239</b>
Inventories	25,077	20,499
Amounts due from associates	10	1,714
Trade receivables	181,116	183,700
Deferred cost	21,015	13,829
Other receivables, deposits and prepayments	33,299	19,556
Tax recoverable	2,032	4,118
Restricted cash	632	526
Cash and cash equivalents	84,830	73,197
<b>Current Assets</b>	<b>348,011</b>	<b>317,139</b>
<b>TOTAL ASSETS</b>	<b>582,105</b>	<b>500,378</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	200,000	150,000
Equity - share based payment	60	43
Retained earnings	104,211	145,019
Merger deficit	(50,000)	(50,000)
Currency translation differences	(3,255)	(3,142)
Equity attributable to equity holders of the Company	251,016	241,920
Non-controlling interests	27,388	29,326
<b>Total Equity</b>	<b>278,404</b>	<b>271,246</b>
Borrowings	69,337	11,731
Deferred tax liabilities	10,354	7,786
<b>Non-current Liabilities</b>	<b>79,691</b>	<b>19,517</b>
Trade payables	143,844	146,616
Deferred revenue	23,954	20,036
Other payables and accruals	32,648	21,533
Dividend payable	2,509	520
Taxation	907	2,996
Borrowings	20,148	17,914
<b>Current Liabilities</b>	<b>224,010</b>	<b>209,615</b>
<b>Total Liabilities</b>	<b>303,701</b>	<b>229,132</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>582,105</b>	<b>500,378</b>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>	<b>0.63</b>	<b>1.61</b>
Number of shares issued	400,000	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 30 JUNE 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	238	0	20,637	20,875	5,235	26,110
Dividend	0	0	0	0	(15,000)	(15,000)	(6,348)	(21,348)
Share based payment	0	15	0	0	0	15	0	15
At 30 June 2013	<u>150,000</u>	<u>26</u>	<u>(3,285)</u>	<u>(50,000)</u>	<u>125,097</u>	<u>221,838</u>	<u>29,234</u>	<u>251,072</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	(113)	0	25,692	25,579	5,307	30,886
Dividend	0	0	0	0	(16,500)	(16,500)	(7,245)	(23,745)
Bonus issue	50,000	0	0	0	(50,000)	0	0	0
Share based payment	0	17	0	0	0	17	0	17
At 30 June 2014	<u>200,000</u>	<u>60</u>	<u>(3,255)</u>	<u>(50,000)</u>	<u>104,211</u>	<u>251,016</u>	<u>27,388</u>	<u>278,404</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 30 JUNE 2014**

<b>RM'000</b>	<b>Quarter and year-to-date ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	270,789	234,812
Cash payments to suppliers	(180,887)	(164,200)
Cash payments to employees and for operating expenses	(44,755)	(55,139)
Cash generated from operations	45,147	15,473
Interest paid	(1,183)	(479)
Tax paid	(8,903)	(6,002)
Tax refunded	2,470	0
<b>Net cash generated from operating activities</b>	<b>37,531</b>	<b>8,992</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	539	597
Property, plant and equipment		
- Purchases	(59,451)	(3,959)
- Proceeds from disposals	0	133
- Deposits paid	(13,539)	(96)
Purchase of intangible assets	(523)	0
Dividends received from associates	11,500	11,120
<b>Net cash (used in) / generated from investing activities</b>	<b>(61,474)</b>	<b>7,795</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Term loan drawdown	61,444	0
Term loans repayments	(1,585)	(2,868)
Repayment of hire purchase under finance lease	(16)	(8)
Dividends paid to:		
- Shareholders	(16,500)	(15,000)
- Non-controlling interest	(7,245)	(6,348)
Increase in restricted cash	(106)	0
<b>Net cash generated from / (used in) financing activities</b>	<b>35,992</b>	<b>(24,224)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>12,049</b>	<b>(7,437)</b>
Effects of exchange rate changes	(416)	630
Cash and cash equivalents at beginning of period	73,197	80,293
<b>Cash and cash equivalents at end of period</b>	<b>84,830</b>	<b>73,486</b>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits	66,082	62,508
Cash and bank balances	19,380	11,502
	85,462	74,010
Restricted cash	(632)	(524)
<b>Cash and cash equivalents at end of period</b>	<b>84,830</b>	<b>73,486</b>

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 30 JUNE 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 power generating facility operated by Cambodia Utilities Pte. Ltd. (“CUPL”) under a build, operate and transfer agreement with Electricite Du Cambodge expires in May 2015. Upon its expiration, the balance of the investment in CUPL will be represented by liquid assets.

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.

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**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 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

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

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, other than the bonus issue and share split as disclosed in note B8.

**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 June 2014.

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

**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 June 2014.

**A8. DIVIDENDS PAID**

During the first 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.

	<b>RM'000</b>
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>

No dividend was paid in the current quarter under review.

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

**A9. SEGMENT INFORMATION (Cont'd)**

Segmental information for the financial period ended 30 June 2014 is as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/6/2014 RM'000	30/6/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	121,868	86,090	187,124	151,678
Power and Machinery	121,868	86,090	187,124	151,678
Oilfield Services				
External revenue	34,356	17,830	59,272	35,412
Oilfield Services	34,356	17,830	59,272	35,412
Maintenance, Repair and Overhaul				
External revenue	7,184	8,565	19,165	11,897
Maintenance, Repair and Overhaul	7,184	8,565	19,165	11,897
Total Group revenue	163,408	112,485	265,561	198,987

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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	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
<u>Segment Results</u>				
Power and Machinery	14,790	15,560	24,928	22,621
Oilfield Services	9,413	2,130	15,183	5,189
Maintenance, Repair and Overhaul	(634)	2,279	(1,179)	2,122
Segment results	23,569	19,969	38,932	29,932
Unallocated income ^	63	95	116	240
Unallocated corporate expenses #	(2,845)	(2,692)	(6,533)	(5,486)
Share of results of associates	3,933	3,816	7,899	7,646
Tax expense	(5,917)	(4,889)	(9,285)	(6,790)
Profit for the financial period	18,803	16,299	31,129	25,542

^ 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 30/06/2014 RM'000	As at 31/12/2013 RM'000
<u>Segment Assets</u>		
Power and Machinery	243,921	252,327
Oilfield Services	240,127	141,891
Maintenance, Repair and Overhaul	27,035	24,363
Segment assets	511,083	418,581
Unallocated corporate assets ^	71,022	81,797
Total assets	582,105	500,378

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

**A9. SEGMENT INFORMATION (Cont'd)**

	As at 30/06/2014 RM'000	As at 31/12/2013 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	133,761	139,158
Oilfield Services	145,615	67,931
Maintenance, Repair and Overhaul	6,527	8,185
Segment liabilities	285,903	215,274
Unallocated corporate liabilities #	17,798	13,858
Total liabilities	303,701	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 30 June 2014, the acquisitions and disposals of property, plant and equipment and intangible assets by the Group are as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Acquisitions at cost: -				
- Property, plant and equipment	27,929	1,147	61,845	14,349
- Intangible assets	219	0	523	0
Disposals at net book value: -				
- Property, plant and equipment	0	87	0	87

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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.

**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 June 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 RM26.5 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 30 June 2014 were as follows:

	<b>As at 30/06/2014 RM'000</b>	<b>As at 31/12/2013 RM'000</b>
Authorised but not contracted for		
- Plant and machinery	43,772	105,531
- Others	15,511	15,464
Authorised and contracted for		
- Plant and machinery	44,523	75,157
- Others	304	655
	<b>104,110</b>	<b>196,807</b>

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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	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Purchases and technical services from Solar Turbines International Company	84,315	35,478	118,871	93,184

Significant outstanding balance arising from the above transactions as at 30 June 2014 is as follows:

	30/06/2014 RM'000	31/12/2013 RM'000
Amount due to Solar Turbines International Company	60,879	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.

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Purchases from Dresser Italia S.R.L	5	30	108	243
Purchases from related parties of Dresser Italia S.R.L	4,931	5,615	8,940	9,874

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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 June 2014 is as follows:

	<b>30/06/2014 RM'000</b>	<b>31/12/2013 RM'000</b>
Amount due to related parties of Dresser Italia S.R.L	3,556	3,841

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

	<b>Individual Quarter ended</b>		<b>Cumulative Quarters ended</b>	
	<b>30/06/2014 RM'000</b>	<b>30/06/2013 RM'000</b>	<b>30/06/2014 RM'000</b>	<b>30/06/2013 RM'000</b>
Directors' fees	232	233	465	465
Salaries, bonuses, allowances and other staff related expenses	1,935	1,809	3,977	3,566
Defined contribution plan	217	204	452	404
	2,384	2,246	4,894	4,435

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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

<b>Revenue</b>	Q2'14 RM'000	Q2'13 RM'000	Variance RM'000	Variance %
Power and Machinery	121,868	86,090	35,778	41.6
Oilfield Services	34,356	17,830	16,526	92.7
Maintenance, Repair and Overhaul	7,184	8,565	(1,381)	(16.1)
	<u>163,408</u>	<u>112,485</u>	<u>50,923</u>	<u>45.3</u>

Revenue of the **Power and Machinery** segment recorded an improvement of RM35.8 million against the corresponding quarter mainly attributable to higher revenue contributions from retrofits projects of RM28.2 million, exchange engines of RM16.1 million and field service representatives of RM6.2 million, offset by lower revenue from parts and repairs and sales of gas turbines packages totaling RM18.4 million.

The **Oilfield Services** segment experienced a revenue increase of RM16.5 million in the current quarter largely due to improvement from slickline activities of RM14.3 million on account of Pan Malaysia Slickline Contracts and asset integrated solutions of RM1.0 million that commenced in the second quarter last year.

The revenue contribution from the **Maintenance, Repair and Overhaul** segment reduced by RM1.4 million compared to the corresponding quarter mainly attributable to projects deferred to subsequent quarters.

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**B1. PERFORMANCE REVIEW (Cont'd)**

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

	Q2'14 RM'000	Q2'13 RM'000	Variance RM'000	Variance %
Power and Machinery	14,790	15,560	(770)	(4.9)
Oilfield Services	9,413	2,130	7,283	341.9
Maintenance, Repair and Overhaul	(634)	2,279	(2,913)	(127.8)
Segment results	<u>23,569</u>	<u>19,969</u>	<u>3,600</u>	<u>18.0</u>
Share of associates' results	3,933	3,816	117	3.1
Profit before tax	<u>24,720</u>	<u>21,188</u>	<u>3,532</u>	<u>16.7</u>

Profit before tax increased by RM3.5 million over the corresponding quarter due to better performance from the Oilfield Services segment.

The results of the **Power and Machinery** segment, despite a significant increase in revenue, were lower by RM0.8 million due to the higher margins earned in the corresponding quarter on completion of certain oil and gas projects. Margins contribution from parts and repairs were lower in the current quarter on accounts of sales deferment.

The **Oilfield Services** segment registered improved results of RM9.4 million compared to RM2.1 million in the corresponding quarter in line with improved slickline activities and higher foreign exchange gains of RM1.1 million.

Whilst revenue dropped by RM1.4 million, the **Maintenance, Repair and Overhaul** segment recorded a loss of RM0.6 million compared with a profit of RM2.3 million in the corresponding quarter. The negative result was largely due to lower margin contribution in line with projects deferment, higher operating expenses of RM0.6 million comprising of management fees 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") was consistent with the corresponding quarter of RM1.8 million.



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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 %
	Q2'14 RM'000	Q2'13 RM'000		
<b>Revenue</b>				
Power and Machinery	187,124	151,678	35,446	23.4
Oilfield Services	59,272	35,412	23,860	67.4
Maintenance, Repair and Overhaul	19,165	11,897	7,268	61.1
	<u>265,561</u>	<u>198,987</u>	<u>66,574</u>	<u>33.5</u>

Revenue from the **Power and Machinery** segment improved by RM35.4 million compared to the corresponding period. The favorable improvement was mainly attributable to higher revenue from retrofits projects of RM29.9 million, field service representatives of RM10.8 million and exchange engines of RM8.4 million, offset by lower revenue from parts and repairs and sales of gas turbines packages totaling RM17.8 million.

The **Oilfield Services** segment also experienced an increase in revenue from RM35.4 million in the corresponding period to RM59.3 million in the current 6-month period and was largely due to the increase in slickline activities of RM21.8 million and wellhead maintenance activities of RM1.2 million. Revenue contribution from asset integrated solutions activities that commenced in the second quarter of last year was RM2.5 million. The increase in revenue was partially offset by lower oilfield chemicals revenue of RM1.9 million.

The revenue contribution from the **Maintenance, Repair and Overhaul** segment increased from RM11.9 million in the corresponding period to RM19.2 million in the current 6-month period and was mainly attributable to increased revenue contributions from repairs and maintenance of motors and generators of RM7.5 million.

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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 %
	Q2'14 RM'000	Q2'13 RM'000		
Power and Machinery	24,928	22,621	2,307	10.2
Oilfield Services	15,183	5,189	9,994	192.6
Maintenance, Repair and Overhaul	(1,179)	2,122	(3,301)	(155.6)
Segment results	38,932	29,932	9,000	30.1
Share of associates' results	7,899	7,646	253	3.3
Profit before tax	40,414	32,332	8,082	25.0

The Group recorded a profit before tax of RM40.4 million for the current 6-month period compared to RM32.3 million in the corresponding period. The increase for the current 6-month period was largely due to higher segment results from the Power and Machinery and Oilfield Services segments.

**Power and Machinery** segment recorded an increase in result by RM2.3 million compared to corresponding period, notwithstanding a significant increase in revenue mainly attributable to the completion of certain oil and gas projects in the corresponding quarter.

**Oilfield Services** segment registered a result of RM15.2 million for the current 6-month period compared to RM5.2 million in the corresponding period. The better result was in line with increased slickline activities and higher foreign exchange gains of RM1.1 million, offset by rising operating expenses predominantly from increased head counts.

**Maintenance, Repair and Overhaul** segment recorded a loss of RM1.2 million for the current 6-month period compared to a profit of RM2.1 million in the corresponding period mainly attributable to lower margin contribution due to project deferment and higher operating expenses comprising rising staff costs and impairment for doubtful debts of RM0.3 million.

**Share of associates' results** increased by RM0.3 million attributable to higher throughput from MMC. Contribution from CUPL is consistent at RM3.5 million compared to corresponding period.

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

	Q2'14 RM'000	Q1'14 RM'000	Variance RM'000	Variance %
Power and Machinery	14,790	10,138	4,652	45.9
Oilfield Services	9,413	5,770	3,643	63.1
Maintenance, Repair and Overhaul	(634)	(545)	(89)	16.3
Segment results	<u>23,569</u>	<u>15,363</u>	<u>8,206</u>	<u>53.4</u>
Share of associates' results	3,933	3,966	(33)	(0.8)
Profit before tax	<u>24,720</u>	<u>15,694</u>	<u>9,026</u>	<u>57.5</u>

The segments posted a higher result of RM8.2 million for the current quarter over the preceding quarter mainly due to better performance by the Power and Machinery and Oilfield Services segments.

**Power and Machinery** segment recorded a result of RM14.8 million for the current quarter compared with RM10.1 million in the preceding quarter. The favorable variance was attributable to higher revenue derived from retrofits projects, field service representatives and the deliveries of valves and flow regulators.

**Oilfield Services** segment result for the current quarter was better than the preceding quarter by RM3.6 million and was largely contributed by higher revenue contribution from slickline activities and oilfield chemicals.

**Maintenance, Repair and Overhaul** segment recorded a slightly higher loss of RM0.1 million for the current quarter and was mainly attributable to lower revenue due to deferment of projects.

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**B3. PROSPECTS**

The Group's requirements for investments in plant and equipment remain high to service the slickline contracts. Additionally costs of doing business are increasing especially staff related, exacerbated by the shortage of skilled manpower and rising interest charges on account of the expanded level of borrowings. Notwithstanding the increase in costs, the prospects for the remainder of the financial year are positive on the back of sustained exploration and production activities.

**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 30 June 2014 has reflected this change.

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Current tax – current year	4,786	5,815	6,448	7,273
(Over)/Under provision in prior year	(17)	45	(17)	45
Deferred tax – origination and reversal of temporary differences	1,148	(971)	2,854	(528)
<b>Total income tax expense</b>	<b>5,917</b>	<b>4,889</b>	<b>9,285</b>	<b>6,790</b>

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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 30 June 2014 is lower than the statutory tax rate as shown below.

	Cumulative Quarters ended	
	30/06/2014 %	30/06/2013 %
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	3
- Share of results of associates	(5)	(7)
Effective tax rate	23	21

**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**

- (I) 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 (“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 (“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”. The proposals were approved at the Company Annual General Meeting dated 27 May 2014.

Saved as disclosed above, the Bonus Issue, Share Split and Amendments were completed following the listing of and quotation for the Bonus Shares and Subdivided Shares on the Main Market of Bursa Malaysia Securities Berhad on 17 June 2014.

There was no issuance of LTIP shares at the date of this report.

- (II) Following the Company’s announcement on 5 June 2014 of the legal suit filed against NSE Resources Corporation (M) Sdn. Bhd. (“NSERC”) for the recovery of the sum of RM3.8 million being the earnest deposit duly paid by the Company to NSERC, the Company has been informed by its solicitors that the Court has fixed the next case management for the matter on 23 September 2014.

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**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED (Cont'd)**

The legal suit is not expected to have any material adverse impact 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 30 June 2014 were as follows:

	<u>Short Term</u> RM '000	<u>Long Term</u> RM '000	<u>Total</u> RM '000
<b><u>30/06/2014</u></b>			
Borrowings - secured	4,348	69,337	73,685
- unsecured	15,800	0	15,800
	<u>20,148</u>	<u>69,337</u>	<u>89,485</u>
<b><u>31/12/2013</u></b>			
Borrowings - secured	2,114	11,731	13,845
- unsecured	15,800	0	15,800
	<u>17,914</u>	<u>11,731</u>	<u>29,645</u>

The borrowings were all denominated in Ringgit Malaysia.

	<b>Note</b>	<b>As at 30/06/2014 RM'000</b>	<b>As at 31/12/2013 RM'000</b>
Revolving credits	(i)	15,800	15,800
Finance lease liabilities	(ii)	88	104
Term loans	(iii)	71,531	11,275
Islamic term financing long term non-interest bearing facilities	(iv)	2,066	2,466
		<u>89,485</u>	<u>29,645</u>
Less: Amount repayable within 12 months			
Revolving credits		(15,800)	(15,800)
Finance lease liabilities		(33)	(33)
Term loans		(3,603)	(1,279)
Islamic term financing long term non-interest bearing facilities		(712)	(803)
		<u>(20,148)</u>	<u>(17,914)</u>
Amount repayable after 12 months		<u>69,337</u>	<u>11,731</u>

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**B9. GROUP BORROWINGS (Cont'd)**

- (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 loan consist of term loan 3. Term loan 3 carries an average rate of 4.66% (1.15% per annum above the bank's cost of funds). The tenure of the loan is 5 years. Term loans 1 and 2 were fully repaid during the financial period.
- (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 30 June 2014.

**B11. CHANGES IN MATERIAL LITIGATION**

Other than as disclosed in note B8 (II), there were no material litigation as at 13 August 2014 (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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**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.

The Board of Directors have, in respect of financial year ending 31 December 2014, declared a first interim single tier dividend of 2.5 sen per ordinary share (2013: 6.0 sen first interim single tier dividend per ordinary share on 150,000,000 ordinary shares of RM1.00 each) on 400,000,000 ordinary shares of RM0.50 each.

The dividend will be payable on 25 September 2014 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 10 September 2014.

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

- (i) shares transferred into the Depositor's securities account before 4.00 p.m, 10 September 2014 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.

Total dividend declared to date for the current financial year ending 31 December 2014 is 2.5 sen per ordinary share.

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**B13. EARNINGS PER SHARE (“EPS”)**

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company	15,939	13,800	25,692	20,637
Weighted average number of ordinary shares	400,000	150,000	400,000	150,000
Basic earnings per share	3.98 sen	9.20 sen	6.42 sen	13.76 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:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Interest income	(232)	(262)	(539)	(597)
Other income including investment income	(121)	(220)	(359)	(448)
Interest expenses	753	346	1,191	769
Depreciation and amortisation	4,668	4,048	9,145	7,658
Reversal of provision for trade receivables	(341)	(321)	(436)	(433)
Provision for trade receivables	5	32	798	32
Foreign exchange gains	(798)	738	(1,985)	(174)
Reversal of provision for inventories	(45)	(3)	(53)	(8)
Provision for liquidated damages	6	17	247	94
Reversal of provision for liquidated damages	0	(7)	0	(7)
Gains on disposal of property, plant and equipment	0	46	0	46

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:

<b>RM'000</b>	<b>Cumulative Quarters ended 30/06/2014</b>	<b>Cumulative Quarters ended 31/12/2013</b>
Total retained profits of the Company and its subsidiaries:		
Realised	98,037	132,994
Unrealised	(8,158)	(6,574)
	89,879	126,420
Total share of retained profits from associated companies:		
Realised	43,548	45,429
Unrealised	(3,552)	(3,540)
	39,996	41,889
Less: Consolidation adjustments	(25,664)	(23,290)
Total Group's retained profits	104,211	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 20 August 2014.

By order of the Board

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