

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2016

<u>Table of Contents</u>	Page
Unaudited Condensed Interim Consolidated Statements of Comprehensive Income	1
Unaudited Condensed Interim Consolidated Statements of Financial Position	2
Unaudited Condensed Interim Consolidated Statements of Changes in Equity	3
Unaudited Condensed Interim Consolidated Statements of Cash Flows	4 - 5
Part A: Explanatory Notes Pursuant to MFRS 134	6 - 18
Part B: Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing requirements of Bursa Malaysia Securities Berhad	19 - 39

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2016

RM'000	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	Unaudited	Unaudited	Unaudited	Audited
Continuing operations				
Revenue	201,289	202,824	608,652	649,398
Cost of sales	(160,115)	(158,992)	(480,131)	(500,222)
Gross profit	41,174	43,832	128,521	149,176
Other operating income	357	528	2,057	2,192
Selling and distribution costs	(8,791)	(10,225)	(28,140)	(31,685)
Administrative expenses	(9,312)	(11,904)	(44,276)	(49,664)
Other operating (losses) / gains	(4,732)	(1,309)	(3,955)	2,148
Operating profit	18,696	20,922	54,207	72,167
Finance costs	(1,209)	(1,639)	(5,348)	(7,433)
Share of results of a joint venture (net of tax)	191	(13)	684	775
Share of results of associates (net of tax)	25	(340)	223	5,642
Profit before tax	17,703	18,930	49,766	71,151
Income tax expense	(5,341)	(5,599)	(16,946)	(16,653)
Profit from continuing operations	12,362	13,331	32,820	54,498
Discontinued operation				
Profit from discontinued operation (net of tax)	0	0	0	1,041
Profit for the period / year	12,362	13,331	32,820	55,539
Other comprehensive income				
Currency translation differences	391	(360)	239	1,111
Total comprehensive income for the period / year	12,753	12,971	33,059	56,650
Profit attributable to:				
- Equity holders of the Company	9,879	11,036	26,513	45,408
- Non-controlling interests	2,483	2,295	6,307	10,131
	12,362	13,331	32,820	55,539
Total comprehensive income attributable to:				
- Equity holders of the Company	9,980	10,883	26,595	45,722
- Non-controlling interests	2,773	2,088	6,464	10,928
	12,753	12,971	33,059	56,650
Earnings per share (EPS) attributable to equity holders of the Company (sen)				
- Basic EPS				
- From continuing operations	2.47	2.76	6.63	11.09
- From discontinued operation	0.00	0.00	0.00	0.26
	<u>2.47</u>	<u>2.76</u>	<u>6.63</u>	<u>11.35</u>
- Diluted EPS				
- From continuing operations	2.45	2.75	6.56	11.04
- From discontinued operation	0.00	0.00	0.00	0.26
	<u>2.45</u>	<u>2.75</u>	<u>6.56</u>	<u>11.30</u>

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 2015 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 31 DECEMBER 2016

RM'000	As at 31/12/2016	As at 31/12/2015
	Unaudited	Audited
ASSETS		
Property, plant and equipment	192,002	226,786
Investment properties	842	865
Intangible assets	2,371	3,091
Associates	39,745	44,750
Joint venture	27,706	27,022
Deferred tax assets	3,526	6,306
Non-current Assets	266,192	308,820
Inventories	22,079	20,440
Amounts due from an associate	13	1,616
Amounts due from a joint venture	105	177
Trade receivables	218,046	175,467
Deferred cost	4,605	9,226
Other receivables, deposits and prepayments	10,453	18,651
Tax recoverable	2,695	3,657
Cash and bank balances	140,434	134,712
Current Assets	398,430	363,946
TOTAL ASSETS	664,622	672,766
EQUITY AND LIABILITIES		
Share capital	200,000	200,000
Equity - share based payment	654	206
Retained earnings	152,768	145,255
Merger deficit	(50,000)	(50,000)
Foreign currency translation	(2,654)	(2,736)
Equity attributable to equity holders of the Company	300,768	292,725
Non-controlling interests	27,671	26,262
Total Equity	328,439	318,987
Borrowings	55,349	79,960
Deferred tax liabilities	21,221	18,662
Non-current Liabilities	76,570	98,622
Trade payables	165,203	144,471
Deferred revenue	7,362	8,883
Other payables and accruals	22,640	33,272
Amounts due to an associate	7,847	7,517
Amounts due to a joint venture	78	299
Dividend payable	147	343
Taxation	2,118	2,946
Borrowings	54,218	57,426
Current Liabilities	259,613	255,157
Total Liabilities	336,183	353,779
TOTAL EQUITY AND LIABILITIES	664,622	672,766

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2016**

	← Attributable to equity holders of the Company →						Non-controlling interests	Total equity	
	Issued and fully paid ordinary shares		-----Non-distributable-----		Distributable				
	Number of shares '000	Share capital RM'000	Share based payment RM'000	Foreign currency translation RM'000	Merger deficit RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2015	400,000	200,000	0	(3,050)	(50,000)	127,843	274,793	30,129	304,922
Profit for the financial year	0	0	0	0	0	45,408	45,408	10,131	55,539
Other comprehensive income for the year	0	0	0	314	0	0	314	797	1,111
Total comprehensive income for the year	0	0	0	314	0	45,408	45,722	10,928	56,650
Share based payment	0	0	206	0	0	0	206	0	206
Dividend	0	0	0	0	0	(28,000)	(28,000)	(11,622)	(39,622)
Change in ownership interest in a subsidiary	0	0	0	0	0	4	4	(3,173)	(3,169)
At 31 December 2015	<u>400,000</u>	<u>200,000</u>	<u>206</u>	<u>(2,736)</u>	<u>(50,000)</u>	<u>145,255</u>	<u>292,725</u>	<u>26,262</u>	<u>318,987</u>
At 1 January 2016	400,000	200,000	206	(2,736)	(50,000)	145,255	292,725	26,262	318,987
Profit for the financial year	0	0	0	0	0	26,513	26,513	6,307	32,820
Other comprehensive income for the year	0	0	0	82	0	0	82	157	239
Total comprehensive income for the year	0	0	0	82	0	26,513	26,595	6,464	33,059
Share based payment	0	0	448	0	0	0	448	0	448
Dividend	0	0	0	0	0	(19,000)	(19,000)	(5,055)	(24,055)
At 31 December 2016	<u>400,000</u>	<u>200,000</u>	<u>654</u>	<u>(2,654)</u>	<u>(50,000)</u>	<u>152,768</u>	<u>300,768</u>	<u>27,671</u>	<u>328,439</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

RM'000	YEAR ENDED	
	31/12/2016	31/12/2015
	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	32,820	55,539
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	507	636
- write back of impairment	(61)	(301)
Other receivables		
- write back of impairment	0	(1,500)
Allowance for slow moving inventories:		
- allowance made	283	220
- write back of allowance	(89)	(49)
Amortisation of intangible assets	1,108	904
Financial guarantee receivables	(18)	(16)
Depreciation:		
- property, plant and equipment	32,707	28,880
- investment properties	23	23
Impairment on property, plant and equipment	4,357	0
Bad debts written off:		
- trade receivables	64	114
- other receivables	19	102
Provision for liquidated damages		
- provision made	459	2
Loss/(gain) on disposals of property, plant and equipment	110	(162)
Write-off:		
- property, plant and equipment	1,023	243
- intangibles	6	0
- inventories	1,175	0
Interest income	(1,452)	(1,164)
Finance cost	5,348	7,461
Share based payment expense	448	206
Share of results of associates	(223)	(5,642)
Share of results of a joint venture	(684)	(775)
Tax expense	16,946	16,631
Unrealised foreign exchange gains	(5,904)	(5,560)
Gain from sale of discontinued operation	0	(1,127)
Operating profit before working capital changes	88,972	94,665
<u>Changes in working capital</u>		
Inventories	(3,008)	7,691
Amounts due from a joint venture	41	(145)
Trade receivables	(39,916)	54,002
Deferred costs	4,621	(833)
Other receivables, deposits and prepayments	8,329	(502)
Trade payables	21,183	8,284
Other payables and accruals	(11,341)	(14,086)
Deferred revenue	(1,521)	638
Cash generated from operations	67,360	149,714
Tax paid	(11,547)	(15,443)
Tax refunded	74	965
Interest paid	(5,257)	(7,375)
Net cash generated from operating activities	50,630	127,861

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

RM'000	YEAR ENDED	
	31/12/2016	31/12/2015
	Unaudited	Audited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,442	1,154
Property, plant and equipment		
- Purchases	(4,009)	(26,295)
- Proceeds from disposals	596	496
Purchases of intangible assets	(417)	(758)
Dividend received from associates	7,200	5,528
Amounts due from an associate	2	(13)
Amounts due from a joint venture	53	(290)
Amounts due to an associate	330	7,517
Amounts due to a joint venture	(221)	394
Net cash generated from/(used in) investing activities	4,976	(12,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	1,150	7,500
- Repayment	(5,050)	(7,000)
Loans against import		
- Drawn down	2,780	6,596
- Repayment	(2,073)	(6,596)
Term loan		
- Repayment	(24,600)	(18,600)
Repayment of hire purchase under finance lease	(26)	(34)
Acquisition of non-controlling interest	0	(3,169)
Dividends paid to:		
- Shareholders	(19,074)	(27,959)
- Non-controlling interest	(5,178)	(11,849)
Increase in restricted cash	59	(10,159)
Net cash used in financing activities	(52,012)	(71,270)
Net decrease in cash and cash equivalents	3,594	44,324
Foreign currency translation	2,187	4,667
Disposal of discontinued operation	0	(5,878)
Cash and cash equivalents at beginning of the year	123,830	80,717
Cash and cash equivalents at end of year	129,611	123,830
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	91,695	96,910
Cash and bank balances	48,739	37,802
	140,434	134,712
Restricted cash	(10,823)	(10,882)
Cash and cash equivalents at end of year	129,611	123,830

The above consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 2015 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 2015.

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 2015.

The amendments to published standards effective for financial year beginning on 1 January 2016 that are applicable and adopted by the Group as follows:

- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127 Separate Financial Statements – Equity Accounting in Separate Financial Statements
- Annual Improvements to MFRS 2012 – 2014 cycle (Amendments to MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, MFRS 7 Financial Instruments: Disclosures, MFRS 119 Employee Benefits and MFRS 134 Interim Financial Reporting)
- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101 Presentation of Financial Statements – Disclosure Initiatives
- Amendments to MFRS 11 Joint Arrangement – Accounting for Acquisition of Interest in Joint Operations

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A1. BASIS OF PREPARATION (Cont'd)

The Group has not early adopted the following accounting standards and amendments to published standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial period beginning on or after 1 January 2017.

Amendments to MFRS 107	Statement of Cash Flows – Disclosure Initiatives (effective 1 January 2017)
Amendments to MFRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
Amendments to MFRS 140	Transfers of Investment Property (effective 1 January 2018)
MFRS 15	Revenue from Contracts with Customers (effective 1 January 2018)
MFRS 9	Financial Instruments (effective 1 January 2018)
MFRS 16	Leases (effective 1 January 2019)
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
Annual Improvements to MFRS 2012 – 2014 cycle (effective 1 January 2017)	Amendments to MFRS 12 Disclosure of Interests in Other Entities
Annual Improvements to MFRS 2012 – 2014 cycle (effective 1 January 2018)	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investments in Associates and Joint Ventures

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A1. BASIS OF PREPARATION (Cont'd)

MFRS 16 Leases

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

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

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

A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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.

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

A5. EQUITY AND DEBT SECURITIES

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

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. The Group did not have any outstanding derivative as at 31 December 2016.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 31 December 2016.

A8. DIVIDENDS PAID

During the first quarter of the financial year, the Company paid the following second interim single tier dividend of 3.5 sen per share of RM0.50 each on 400,000,000 ordinary shares, in respect of the financial year ended 31 December 2015.

	RM'000
Second interim single tier dividend of 3.5 sen per share on 400,000,000 ordinary shares, paid on 25 March 2016	<u>14,000</u>

During the third quarter of the financial year, the Company paid a first interim single tier dividend of 1.25 sen per share of RM0.50 each on 400,000,000 ordinary shares, in respect of the financial year ended 31 December 2016.

	RM'000
First interim single tier dividend of 1.25 sen per share on 400,000,000 ordinary shares, paid on 26 September 2016	<u>5,000</u>

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A9. SEGMENT INFORMATION

The segments of the Group are as follows:

- Power and Machinery (“P&M”) – Mainly consists of:-
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewals and retrofit projects;
 - Supply and commission combined heat and power plants;
 - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
 - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.
- Oilfield Services (“OS”) – Mainly consists of:-
 - Provision of slickline equipment and services;
 - Provision of integrated wellhead maintenance services;
 - Provision of oilfield chemicals; and
 - Provision of drilling equipment and services and other oilfield products and technical services.
- Integrated Corrosion Solution (“ICS”) – Mainly consists of:-
 - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative thresholds for reporting segment in 2016.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A9. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial year ended 31 December 2016 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	151,820	151,906	429,105	465,939
Power and Machinery	151,820	151,906	429,105	465,939
Oilfield Services				
External revenue	36,285	36,985	135,515	137,942
Oilfield Services	36,285	36,985	135,515	137,942
Integrated Corrosion Solution				
External revenue	13,055	13,817	43,633	45,243
Integrated Corrosion Solution	13,055	13,817	43,633	45,243
Other non-reportable segment				
External revenue	129	116	399	274
Other non-reportable segment	129	116	399	274
Total Group revenue	201,289	202,824	608,652	649,398

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A9. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
<u>Segment Results</u>				
Power and Machinery	12,931	19,210	35,884	63,811
Oilfield Services	1,929	718	12,515	8,292
Integrated Corrosion Solution	3,412	1,319	4,099	962
Other non-reportable segment	6	5	19	13
Segment results	18,278	21,252	52,517	73,078
Unallocated income ^	81	21	483	95
Unallocated corporate expenses #	(872)	(1,990)	(4,141)	(8,439)
Share of results of a joint venture *	191	(13)	684	775
Share of results of associates *	25	(340)	223	5,642
Tax expense *	(5,341)	(5,599)	(16,946)	(16,653)
Profit from continuing operations	12,362	13,331	32,820	54,498
Profit from discontinued operation, net of tax	0	0	0	1,041
Profit for the financial period / year	12,362	13,331	32,820	55,539

^ Unallocated income comprised mainly interest earned by the Group.

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

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A9. SEGMENT INFORMATION (Cont'd)

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
<u>Segment Assets</u>		
Power and Machinery	278,036	253,817
Oilfield Services	250,692	280,931
Integrated Corrosion Solution	33,348	33,039
Segment assets	562,076	567,787
Unallocated corporate assets ^	102,546	104,979
Total assets	664,622	672,766

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	160,045	142,813
Oilfield Services	125,085	155,912
Integrated Corrosion Solution	16,920	20,737
Segment liabilities	302,050	319,462
Unallocated corporate liabilities #	34,133	34,317
Total liabilities	336,183	353,779

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

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

During the current and cumulative quarters ended 31 December 2016, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Acquisitions at cost:-				
- Plant and equipment	677	1,999	4,009	26,295
- Intangible assets	29	227	417	758
Disposals at net book value:-				
- Plant and equipment	405	3	706	334

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.

A13. CONTINGENT LIABILITIES / ASSETS

As at 31 December 2016, the Group did not have any contingent liabilities or assets except for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts of RM26.9 million (31 December 2015: RM30.7 million).

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A14. COMMITMENTS

(a) Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 31 December 2016 were as follows:

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Authorised but not contracted for		
- Plant and machinery	7,126	18,012
- Others	2,646	6,368
Authorised and contracted for		
- Plant and machinery	188	433
- Others	3	472
	9,963	25,285
Share of capital commitment of joint venture	0	1,420
	9,963	26,705

(b) Operating lease commitment

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

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Within one year	836	667
Between two to five years	550	771
More than five years	0	9
	1,386	1,447

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A15. RELATED PARTY DISCLOSURES

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Purchases and technical services from STICO	100,167	87,071	265,939	277,579

Significant outstanding balance arising from the above transactions as at 31 December 2016 was as follows:

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Amount due to STICO	101,384	83,365

- (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	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Sales to related parties of Dresser Italia S.R.L.	43	0	43	0
Purchases from Dresser Italia S.R.L.	8	16	49	16
Purchases from related parties of Dresser Italia S.R.L.	5,905	12,812	25,559	29,949

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A15. RELATED PARTY TRANSACTIONS (Cont'd)

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

Significant outstanding balance arising from the above transactions as at 31 December 2016 was as follows:

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Amount due to related parties of Dresser Italia S.R.L	5,465	7,903

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Sales to STICO	1,400	1,400	5,600	4,915
Rental income from affiliate company of STICO	207	207	828	621

Significant outstanding balance arising from the above transactions as at 31 December 2016 were as follows:

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Amount due from STICO	1,198	1,062

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

A15. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Directors' fees	235	235	942	962
Salaries, bonuses, allowances and other staff related expenses	2,191	2,153	10,877	8,985
Defined contribution plan	249	242	1,206	984
	2,675	2,630	13,025	10,931

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Q4'16 RM'000	Q4'15 RM'000	Variance RM'000	Variance %
Power and Machinery	151,820	151,906	(86)	(0.1)
Oilfield Services	36,285	36,985	(700)	(1.9)
Integrated Corrosion Solution	13,055	13,817	(762)	(5.5)
Other non-reportable segment	129	116	13	11.2
	<u>201,289</u>	<u>202,824</u>	<u>(1,535)</u>	<u>(0.8)</u>

Despite oil prices trending higher as the financial year drew to a close, there was no noticeable increase in business activities as the major operators continued with their existing strategies adopted since the slump in oil prices in 2014. Consequently, there was little change in business conditions in the current quarter compared with the corresponding period.

The **Power and Machinery** segment reported a marginal decrease in revenue by RM0.1 million against the corresponding quarter. This change was mainly brought about by increased work orders for exchange engines, retrofit projects and ancillary services accounting for RM38.5 million, and offset by lower contribution from parts, repairs and maintenance and valves and flow regulators amounting to RM40.0 million.

The **Oilfield Services** segment reported a contraction in revenue of RM0.7 million against the corresponding quarter mainly attributable to lower revenue contribution from slickline activities totaling RM7.8 million offset by the improvement in revenue contribution from well intervention and enhancement services of RM6.9 million.

The **Integrated Corrosion Solution** segment experienced a slowdown in revenue of RM0.8 million compared to the corresponding quarter due to the lower work orders for corrosion protection and maintenance services from the Pan Malaysia Blasting Contract.

Other non-reportable segment comprised provision of management services to the joint venture.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

	Q4'16 RM'000	Q4'15 RM'000	Variance RM'000	Variance %
Power and Machinery	12,931	19,210	(6,279)	(32.7)
Oilfield Services	1,929	718	1,211	168.7
Integrated Corrosion Solution	3,412	1,319	2,093	158.7
Other non-reportable segment	6	5	1	20.0
Segment results	<u>18,278</u>	<u>21,252</u>	<u>(2,974)</u>	<u>(14.0)</u>
Share of results of a joint venture, net of tax	191	(13)	204	1,569.2
Share of results of associates, net of tax	25	(340)	365	107.4
Profit before tax	<u>17,703</u>	<u>18,930</u>	<u>(1,227)</u>	<u>(6.5)</u>

Overall profit before tax was lower by RM1.2 million from RM18.9 million in the corresponding quarter to RM17.7 million in the current quarter. The reduction was mainly attributable to the weaker performance from the Power and Machinery segment but relieved by the stronger contribution from the Oilfield Services and Integrated Corrosion Solution segments and a smaller loss from associates.

Notwithstanding a dip in revenue of 0.1% against corresponding quarter, the results of the **Power and Machinery** segment was disproportionately impacted by downward pressures on margins and a one time charge for the restructuring of the rotary business which resulted in the impairment of certain tools and equipment of RM4.4 million.

The **Oilfield Services** segment reported better results by RM1.2 million despite a marginal decline in revenue of 1.9% attributable mainly to the improvement in margins from its slickline activities as well as recovery from its oilfield chemical activities.

The **Integrated Corrosion Solution** segment's results recorded an increase of RM2.1 million despite a decrease in revenue due to operating efficiencies in particular lower equipment rental charges, increased utilisation of company owned assets, improvements in logistic management and manpower utilisation.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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 (Cont'd)

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

Share of results of associates posted a profit of RM0.03 million against a loss RM0.3 million in the corresponding quarter. Included in the current quarter was profit of RM0.6 million contributed by Cambodia Utilities Pte Ltd (“CUPL”) as a result of reversal of expenses overtaken up in the previous financial year. This was offset by higher share of losses from Malaysia Mud And Chemicals Sdn. Bhd. (“2MC”) due to lower throughput following a marked downturn in drilling activities.

Profit before tax for the quarter was RM1.2 million lower at RM17.7 million mainly due to a one time charge of RM4.4 million relating to restructuring of the rotary business.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q4'16 RM'000	Q4'15 RM'000		
Revenue				
Power and Machinery	429,105	465,939	(36,834)	(7.9)
Oilfield Services	135,515	137,942	(2,427)	(1.8)
Integrated Corrosion Solution	43,633	45,243	(1,610)	(3.6)
Other non-reportable segment	399	274	125	45.6
	608,652	649,398	(40,746)	(6.3)

Group revenue for the year contracted by RM40.7 million compared with the corresponding period with reduced contributions from Power and Machinery, Oilfield Services and Integrated Corrosion Solution, a consequence of industry wide lower business activities amidst weak oil prices, geopolitical concerns and a strong US dollar.

The **Power and Machinery** segment revenue fell by 7.9% or RM36.8 million as compared to last year affected by the lower revenue from parts and services for scheduled maintenance and retrofit revenue totaling RM74.7 million, however the reduction was offset by higher revenue from exchange engine of RM40.5 million.

The **Oilfield Services** segment experienced a revenue contraction of RM2.4 million in the current year mainly due to the lower revenue contribution from slickline activities.

The revenue contribution from the **Integrated Corrosion Solution** segment decreased by RM1.6 million compared to the corresponding period due to the lower work orders for corrosion protection and maintenance stemming from the Pan Malaysia Blasting Contract.

Other non-reportable segment comprised provision of management services to the joint venture.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q4'16 RM'000	Q4'15 RM'000		
Power and Machinery	35,884	63,811	(27,927)	(43.8)
Oilfield Services	12,515	8,292	4,223	50.9
Integrated Corrosion Solution	4,099	962	3,137	326.1
Other non-reportable segment	19	13	6	46.2
Segment results	<u>52,517</u>	<u>73,078</u>	<u>(20,561)</u>	<u>(28.1)</u>
Share of results of a joint venture, net of tax	684	775	(91)	(11.7)
Share of results of associates, net of tax	223	5,642	(5,419)	(96.0)
Profit before tax	<u>49,766</u>	<u>71,151</u>	<u>(21,385)</u>	<u>(30.1)</u>

The Group posted a lower cumulative profit before tax of RM49.8 million in the current year as compared to RM71.2 million recorded in last year. The reduction was mainly attributable to contraction in contributions from the Power and Machinery segment and poorer contribution from associates offset by stronger performance from both the Oilfield Services and Integrated Corrosion Solutions segments.

The results of the **Power and Machinery** segment fell by RM27.9 million affected by the slowdown in revenue, a one-off restructuring cost of RM4.4 million of the rotary business, and lower reported foreign exchange gain of RM2.5 million compared with RM5.6 million recorded last year.

The **Oilfield Services** segment results were higher by RM4.2 million mainly due to lower finance costs by RM2.0 million through paring down of borrowings raised in prior years as well as a favorable foreign exchange differences of RM0.1 million compared with a RM2.3 million loss recorded last year.

The **Integrated Corrosion Solution** segment results were higher by RM3.1 million due to improved margins on work orders for corrosion protection and maintenance on the back of operational efficiencies and lower costs to serve.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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)

(D) Profit before tax for the current year-to-date against the corresponding year-to-date (Cont'd)

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

Share of results of associates fell sharply to share of profit of RM0.2 million from RM5.6 million recorded in the previous year mainly attributable to the losses from 2MC and lower profit from CUPL. 2MC reported a loss due to lower throughput due to the slowdown in drilling activities and the Group's share of results from CUPL had reduced from a share of profit of RM2.2 million recorded last year to RM0.6 million following the cessation of business in May 2015.

Profit before tax eased by 30.1% or RM 21.4 million compared with the previous year due primarily to weaker results from the Power and Machinery segment which was impacted by downward pressures on margins, lower after sales parts and maintenance activities and a one time restructuring charge relating to the rotary business.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

	Q4'16 RM'000	Q3'16 RM'000	Variance RM'000	Variance %
Revenue				
Power and Machinery	151,820	95,020	56,800	59.8
Oilfield Services	36,285	32,432	3,853	11.9
Integrated Corrosion Solution	13,055	11,711	1,344	11.5
Other non-reportable segment	129	84	45	53.6
	201,289	139,247	62,042	44.6
	Q4'16 RM'000	Q3'16 RM'000	Variance RM'000	Variance %
Power and Machinery	12,931	5,390	7,541	139.9
Oilfield Services	1,929	5,385	(3,456)	(64.2)
Integrated Corrosion Solution	3,412	253	3,159	1,248.6
Other non-reportable segment	6	4	2	50.0
Segment results	18,278	11,032	7,246	65.7
Share of results of a joint venture, net of tax	191	185	6	3.2
Share of results of associates, net of tax	25	(116)	141	121.6
Profit before tax	17,703	9,246	8,457	91.5

Quarter on quarter, the Group experienced an improvement in activity levels during the current quarter despite the challenging environment.

Power and Machinery segment recorded a profit of RM12.9 million for the current quarter compared to RM5.4 million in the preceding quarter. In the current quarter the segment secured higher work orders for exchange engines, retrofit projects and valves and flow regulators coinciding with customers' maintenance cycles. As a result, revenue rose strongly quarter on quarter contributing to the better results.

Oilfield Services segment results were lower by RM3.5 million on the account of the change in sales mix and a higher costs to serve mainly equipment rental and consumables.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 (Cont'd)

Integrated Corrosion Solution segment registered strong profit growth due to operating efficiencies and cost disciplines.

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

Share of results of associates posted a profit of RM0.03 million against a loss of RM0.1 million in the preceding quarter mainly contributed profit from CUPL as a result of reversal of expenses overtaken up in the previous financial year. However, this was offset by lower result from 2MC as mud deliveries continued to be impacted by weak drilling activities.

Profit before tax in the quarter surged by 91.5% compared with the preceding quarter riding on strong revenue growth in the Power and Machinery segment and higher profits from the Integrated Corrosion Solution segment due to better cost management practices.

B3. PROSPECTS

In November 2016, the Organisation of Petroleum Exporting Countries or OPEC announced a cut in production by its members' of 1.2 million barrels per day based on the members' output levels from October and November to take effect from January 2017 for a period of six months. The announcement had a positive impact on oil prices. Average monthly crude oil spot prices in 2016 was roundly USD43 per barrel and at end January reached USD54 a barrel. Generally, oil prices are expected to trade within the USD50-60 range in 2017. Despite the better oil prices, the outlook is still likely to remain cautious. Management will continue with the strategies adopted previously to focus on core activities, tighten operating efficiencies, conserve free cash and to maintain our dividend policy.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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 24% of the assessable profit for the year. The statutory tax rate was reduced to 24% from previous year's statutory tax rate of 25% effective year of assessment 2016. The computation of the deferred tax as at 31 December 2015 had reflected this change.

	Individual Quarter ended		Cumulative Quarters Ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Current tax – current year	6,415	6,514	12,343	17,347
Overprovision in prior period/year	(47)	0	(736)	(1)
Deferred tax				
– origination and reversal of temporary differences	(1,027)	(915)	2,270	(693)
– reversal of deferred tax assets recognised in prior periods*	0	0	3,069	0
Total income tax expense	5,341	5,599	16,946	16,653

* In the third quarter, management reappraised the business prospects and profitability of companies within the Group and their related deferred tax assets. As a result, the deferred tax assets recognised in prior periods relating to two companies are not expected to be utilised in the foreseeable future and accordingly reversed.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B5. INCOME TAX EXPENSE (Cont'd)

Including the joint venture's and associates' results which were presented net of tax, the effective tax rate of the Group for the financial year ended 31 December 2016 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	31/12/2016 %	31/12/2015 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	25
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	2	1
- Income not subject to tax	(1)	0
- Share of results of associates and joint venture	0	(3)
- Deferred tax assets not recognised	3	0
- Reversal of deferred tax assets recognised in prior periods	6	0
Effective tax rate	34	23

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

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

B7. QUOTED SECURITIES

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 20 February 2017 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Group's share of net assets of joint venture	27,706	27,022

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

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B9. JOINT VENTURE (Cont'd)

Summarised statement of comprehensive income

	Quarter ended		Year ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax	323	(23)	1,166	1,319
Income tax expense	(86)	7	(317)	(357)
Profit/(loss) for the period / year	<u>237</u>	<u>(16)</u>	<u>849</u>	<u>962</u>
Interest in joint venture (80.55%) Share of results	<u>191</u>	<u>(13)</u>	<u>684</u>	<u>775</u>

B10. ASSOCIATES

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Group's share of net assets of associates	<u>39,745</u>	<u>44,750</u>

In the opinion of the Directors, 2MC and CUPL are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and place of business / country of incorporation are set out in the audited financial statements for the financial year ended 31 December 2015. The associates have share capitals consisting solely of ordinary shares, which are held directly by the Group.

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

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired on 8 May 2015. Upon its expiration, the Company will continue to equity account for the results of CUPL until it ceases to be an associate. The share of profit from this associate and its contribution attributable to the shareholders of the Company in the financial year ended 31 December 2016 amounted to RM594,300 (31 December 2015: profit of RM2,221,300) and RM356,600 (31 December 2015: profit of RM1,332,800) respectively.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter ended		Quarter ended		Quarter ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Loss) / profit before tax	(1,615)	2,985	3,027	(5,196)	1,412	(2,211)
Income tax expense	(196)	(741)	(1)	(96)	(197)	(837)
(Loss) / profit for the period	<u>(1,811)</u>	<u>2,244</u>	<u>3,026</u>	<u>(5,292)</u>	<u>1,215</u>	<u>(3,048)</u>
Interest in associates (32%; 20%) Share of results	<u>(580)</u>	<u>718</u>	<u>605</u>	<u>(1,058)</u>	<u>25</u>	<u>(340)</u>
	2MC		CUPL		Total	
	Year ended		Year ended		Year ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Loss) / profit before tax	(983)	14,031	3,059	12,683	2,076	26,714
Income tax expense	(175)	(3,341)	(87)	(1,578)	(262)	(4,919)
(Loss) / profit for the year	<u>(1,158)</u>	<u>10,690</u>	<u>2,972</u>	<u>11,105</u>	<u>1,814</u>	<u>21,795</u>
Interest in associates (32%; 20%) Share of results	<u>(371)</u>	<u>3,421</u>	<u>594</u>	<u>2,221</u>	<u>223</u>	<u>5,642</u>

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B11. GROUP BORROWINGS

The Group borrowings as at 31 December 2016 were as follows:

	Short Term RM '000	Long Term RM '000	Total RM '000
<u>31/12/2016</u>			
Borrowings - secured	24,611	55,349	79,960
- unsecured	29,607	0	29,607
	<u>54,218</u>	<u>55,349</u>	<u>109,567</u>
<u>31/12/2015</u>			
Borrowings - secured	24,626	79,960	104,586
- unsecured	32,800	0	32,800
	<u>57,426</u>	<u>79,960</u>	<u>137,386</u>

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Revolving credits	(i)	28,900	32,800
Finance lease liabilities	(ii)	11	37
Term loan	(iii)	79,949	104,549
Loans against import	(iv)	707	0
		<u>109,567</u>	<u>137,386</u>
Less: Amount repayable within 12 months			
Revolving credit		(28,900)	(32,800)
Finance lease liabilities		(11)	(26)
Term loan		(24,600)	(24,600)
Loans against import		(707)	0
		<u>(54,218)</u>	<u>(57,426)</u>
Amount repayable after 12 months		<u>55,349</u>	<u>79,960</u>

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B11. GROUP BORROWINGS (Cont'd)

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.91% (average interest of 1.20% per annum above the bank's cost of funds).
- (ii) Finance lease liabilities carry interest rate of 2.55% per annum.
- (iii) Term loan carries an average interest rate of 4.12% (0.85% per annum above the bank's cost of funds). The tenure of the loan is 5 years.
- (iv) Loans against import carry an interest of 4.66% (1.15% per annum above the bank's cost of funds). The tenure of the import line is 90 days.

B12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 31 December 2016.

B13. MATERIAL LITIGATION

There was no material litigation as at 20 February 2017 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B14. DIVIDEND

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

The dividend will be payable on 28 March 2017 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 15 March 2017.

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

- (i) shares transferred into the Depositor's securities account before 4 p.m on 15 March 2017 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

Total dividend for the current financial year ended 31 December 2016 is 3.50 sen per ordinary share. There will be no final dividend declared for the financial year ended 31 December 2016.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B15. EARNINGS PER SHARE (“EPS”)

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	9,879	11,036	26,513	45,408
Number of ordinary shares at the beginning of the year ('000)	400,000	400,000	400,000	400,000
Basic earnings per share (sen)				
- From continuing operations	2.47	2.76	6.63	11.09
- From discontinued operation	0.00	0.00	0.00	0.26
Basic earnings per share	2.47	2.76	6.63	11.35

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B15. EARNINGS PER SHARE (“EPS”) (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	9,879	11,036	26,513	45,408
Adjusted weighted average number of ordinary shares as per basic earnings per share (Restated) ('000)	403,960	402,003	400,000	400,000
Effect of potential vesting of Long Term Incentive Plan	0	0	4,005	2,003
Weighted average number of ordinary shares ('000)	403,960	402,003	404,005	402,003
Diluted earnings per share (Restated) (sen)				
- From continuing operations	2.45	2.75	6.56	11.04
- From discontinued operation	0.00	0.00	0.00	0.26
Diluted earnings per share	2.45	2.75	6.56	11.30

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B16. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Interest income	(329)	(305)	(1,452)	(1,164)
Other income including investment income	76	(261)	(501)	(1,066)
Interest expenses	1,209	1,667	5,348	7,461
Depreciation and amortisation	8,434	8,137	33,838	29,807
Impairment for doubtful debts				
- Trade receivables	226	60	507	636
Write back of impairment for doubtful debts				
- Trade receivables	(61)	0	(61)	(301)
- Other receivables	0	(1,500)	0	(1,500)
Bad debts written off				
- Trade receivables	52	9	64	114
- Other receivables	(41)	102	19	102
Bad debts recovered				
- Other receivables	0	0	(2,421)	0
Allowance for slow moving inventories	283	220	283	220
Reversal of allowance for slow moving inventories	(11)	(17)	(89)	(49)
Inventories written off	1,060	0	1,175	0
Impairment of property, plant and equipment	4,357	0	4,357	0

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B16. PROFIT BEFORE TAX (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Property, plant and equipment written off	1,023	243	1,023	243
Intangible asset written off	6	0	6	0
Foreign exchange losses / (gains)				
- Realised	1,311	685	3,568	2,239
- Unrealised	(3,983)	952	(5,904)	(5,560)
Provision for liquidated damages	164	0	459	2
Loss / (Gain) on disposals of property, plant and equipment	203	0	110	(162)
Gain on sale of discontinued operation	0	(1,217)	0	(1,127)

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B17. 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 31/12/2016	Cumulative Quarters ended 31/12/2015
Total retained profits of the Company and its subsidiaries:		
Realised	137,846	115,243
Unrealised	(12,927)	(7,551)
	124,919	107,692
Total share of retained profits from associated companies:		
Realised	39,816	45,200
Unrealised	(3,910)	(3,917)
	35,906	41,283
Total share of retained profits of joint venture:		
Realised	1,947	987
Unrealised	(488)	(212)
	1,459	775
Less: Consolidation adjustments	(9,516)	(4,495)
Total Group's retained profits	152,768	145,255

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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2015 was unqualified.

B19. 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 27 February 2017.

By order of the Board

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