

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

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

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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 2017**

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

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

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

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

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017**

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

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

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

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

RM'000	YEAR-TO-DATE ENDED	
	30/06/2017	30/06/2016
	Unaudited	Unaudited
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	945	812
Property, plant and equipment		
- Purchases	(521)	(2,985)
- Proceeds from disposals	0	394
Purchases of intangible assets	0	(362)
Dividend received from associates	0	1,600
Amounts due from an associate	0	(8)
Amounts due from a joint venture	0	217
Amounts due to an associate	(382)	(487)
Amounts due to a joint venture	(78)	(49)
<b>Net cash used in investing activities</b>	<b>(36)</b>	<b>(868)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Revolving credit		
- Drawn down	0	1,150
- Repayment	(3,050)	(2,000)
Loans against import		
- Drawn down	0	2,073
- Repayment	(707)	(1,359)
Term loan		
- Repayment	(12,300)	(12,300)
Repayment of hire purchase under finance lease	(9)	(16)
Dividends paid to:		
- Shareholders	(9,000)	(13,957)
- Non-controlling interest	(2,106)	(1,547)
Increase in restricted cash	35	49
<b>Net cash used in financing activities</b>	<b>(27,137)</b>	<b>(27,907)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,771</b>	<b>(14,752)</b>
Foreign currency translation	(3,284)	(2,285)
Cash and cash equivalents at beginning of the year	129,611	123,830
<b>Cash and cash equivalents at end of period</b>	<b>139,098</b>	<b>106,793</b>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits	114,180	88,914
Cash and bank balances	35,706	28,712
	149,886	117,626
Restricted cash	(10,788)	(10,833)
<b>Cash and cash equivalents at end of period</b>	<b>139,098</b>	<b>106,793</b>
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	103,784	53,147
US Dollar	34,999	53,477
Others	315	169
	139,098	106,793

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

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**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 JUNE 2017**

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1. BASIS OF PREPARATION**

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

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

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

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

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

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

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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 standards and amendments to published standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial period beginning on or after 1 January 2018.

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

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

**MFRS 9 Financial Instruments**

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

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



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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

MFRS 16 Leases

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

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

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

**A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

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

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

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

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

**A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES**

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

**A5. EQUITY AND DEBT SECURITIES**

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

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

**A6. FINANCIAL RISK MANAGEMENT POLICIES**

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

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

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

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

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

**A7. OUTSTANDING DERIVATIVES**

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

**A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

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

**A9. DIVIDENDS PAID**

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

	<b>RM'000</b>
Second interim single tier dividend of 2.25 sen per share on 400,000,000 ordinary shares, paid on 28 March 2017	<u>9,000</u>

No dividend was paid in the current quarter under review.

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

**A10. SEGMENT INFORMATION**

The segments of the Group are as follows:

- Power and Machinery (“P&M”) – Mainly consists of:
  - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
  - Supply and commission of combined heat and power plants;
  - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
  - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.
  
- Oilfield Services (“OS”) – Mainly consists of:
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of oilfield chemicals; and
  - Provision of drilling equipment and services and other oilfield products and technical services.
  
- Integrated Corrosion Solution (“ICS”) – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
  
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2017.

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

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

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

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

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

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

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

^ Unallocated income comprised mainly interest earned by the Group.

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

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

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

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

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

<sup>^</sup> 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.

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

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

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

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

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

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

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

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

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

**A14. CONTINGENT LIABILITIES / ASSETS**

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



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**A15. COMMITMENTS**

(a) Capital commitment

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

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

(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:

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

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**A16. RELATED PARTY DISCLOSURES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

(C) Consolidated Statements of Financial Position

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

(D) Consolidated Statements of Cash Flow

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

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

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

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

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

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

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

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

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

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

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

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

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

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**B3. PROSPECTS**

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

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

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

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

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**B4. PROFIT FORECAST**

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

**B5. INCOME TAX EXPENSE**

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

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

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

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

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

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

**B7. QUOTED SECURITIES**

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

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**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

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

**B9. JOINT VENTURE**

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

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

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



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**B9. JOINT VENTURE (Cont'd)**

Summarised statement of comprehensive income

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

**B10. ASSOCIATES**

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Group's share of net assets of associates	<u>40,122</u>	<u>39,745</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 2016. The associates have share capitals consisting solely of ordinary shares, which are held directly by the Group.

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

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

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**B10. ASSOCIATES (Cont'd)**

Summarised statement of comprehensive income

	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>
	<b>30/6/2017</b>	<b>30/6/2016</b>	<b>30/6/2017</b>	<b>30/6/2016</b>	<b>30/6/2017</b>	<b>30/6/2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit / (loss) before tax	2,091	(12)	(1,294)	(31)	797	(43)
Income tax expense	(150)	285	0	1	(150)	286
Profit / (loss) before tax	<u>1,941</u>	<u>273</u>	<u>(1,294)</u>	<u>(30)</u>	<u>647</u>	<u>243</u>
Interest in associates (32%; 20%) Share of results	<u>622</u>	<u>87</u>	<u>(259)</u>	<u>(6)</u>	<u>363</u>	<u>81</u>
	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>
	<b>30/6/2017</b>	<b>30/6/2016</b>	<b>30/6/2017</b>	<b>30/6/2016</b>	<b>30/6/2017</b>	<b>30/6/2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit / (loss) before tax	3,377	970	(1,278)	27	2,099	997
Income tax expense	(310)	49	0	(86)	(310)	(37)
Profit / (loss) before tax	<u>3,067</u>	<u>1,019</u>	<u>(1,278)</u>	<u>(59)</u>	<u>1,789</u>	<u>960</u>
Interest in associates (32%; 20%) Share of results	<u>982</u>	<u>326</u>	<u>(256)</u>	<u>(12)</u>	<u>726</u>	<u>314</u>

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**B11. TRADE RECEIVABLES**

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

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

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

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**B12. GROUP BORROWINGS**

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

	<b>Short Term RM '000</b>	<b>Long Term RM '000</b>	<b>Total RM '000</b>
<b><u>30/06/2017</u></b>			
Borrowings - secured	24,602	43,049	67,651
- unsecured	25,850	0	25,850
	<u>50,452</u>	<u>43,049</u>	<u>93,501</u>
<b><u>31/12/2016</u></b>			
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>

The borrowings were all denominated in Ringgit Malaysia.

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

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

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**B12. GROUP BORROWINGS (Cont'd)**

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.96% (average interest of 1.20% per annum above the bank's cost of funds).
- (ii) Finance lease liabilities carry interest rate of 2.55% per annum.
- (iii) Term loan carries an average interest rate of 4.00% (0.85% per annum above the bank's cost of funds). The tenure of the loan is 5 years.
- (iv) Loans against import carry an interest of 5.06% (1.15% per annum above the bank's cost of funds). The tenure of the import line is 90 days.

**B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

**B14. MATERIAL LITIGATION**

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

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**B15. DIVIDEND**

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

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

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

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

- (i) shares transferred into the Depositor's securities account before 4 p.m on 11 September 2017 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

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

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

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

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**B16. EARNINGS PER SHARE (“EPS”) (Cont'd)**

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

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

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**B17. PROFIT BEFORE TAX**

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

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



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

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

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

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

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

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**B18. REALISED AND UNREALISED PROFITS**

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

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

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

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

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

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

**B20. AUTHORISATION OF ISSUE**

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

By order of the Board

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