

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

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

RM'000	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	QUARTER ENDED 30/09/2017	QUARTER ENDED 30/09/2016	YEAR-TO- DATE ENDED 30/09/2017	YEAR-TO- DATE ENDED 30/09/2016
	Unaudited	Unaudited (Restated)	Unaudited	Unaudited (Restated)
Revenue	167,785	139,247	364,209	407,363
Cost of sales	(129,463)	(107,336)	(267,347)	(316,011)
Gross profit	38,322	31,911	96,862	91,352
Other operating income	768	396	1,951	1,700
Selling and distribution costs	(7,398)	(6,997)	(22,160)	(23,354)
Administrative expenses	(11,802)	(11,251)	(34,065)	(34,964)
Other operating gains / (losses) *	9	(3,587)	(6,311)	777
Operating profit	19,899	10,472	36,277	35,511
Finance costs	(974)	(1,295)	(3,136)	(4,139)
Share of results of a joint venture (net of tax)	311	185	716	493
Share of results of associates (net of tax)	(637)	(116)	89	198
Profit before tax	18,599	9,246	33,946	32,063
Income tax expense	(4,890)	(5,539)	(10,503)	(11,605)
<b>Profit for the period</b>	<b>13,709</b>	<b>3,707</b>	<b>23,443</b>	<b>20,458</b>
<b>Other comprehensive income</b>				
<b>Currency translation differences</b>	(73)	44	(269)	(152)
<b>Total comprehensive income for the period</b>	<b>13,636</b>	<b>3,751</b>	<b>23,174</b>	<b>20,306</b>
<b>Profit attributable to:</b>				
- Equity holders of the Company	10,802	3,346	18,819	16,634
- Non-controlling interests	2,907	361	4,624	3,824
	<b>13,709</b>	<b>3,707</b>	<b>23,443</b>	<b>20,458</b>
<b>Total comprehensive income attributable to:</b>				
- Equity holders of the Company	10,788	3,320	18,782	16,615
- Non-controlling interests	2,848	431	4,392	3,691
	<b>13,636</b>	<b>3,751</b>	<b>23,174</b>	<b>20,306</b>
<b>Earnings per share (EPS) attributable to equity holders of the Company (sen)</b>				
- Basic EPS	<u>2.70</u>	<u>0.84</u>	<u>4.70</u>	<u>4.16</u>
- Diluted EPS	<u>2.68</u>	<u>0.83</u>	<u>4.67</u>	<u>4.10</u>
* Other operating gains / (losses) include the following:				
Foreign exchange gains / (losses)				
- Realised	554	(1,757)	(1,785)	(2,257)
- Unrealised	(264)	(1,430)	(3,807)	1,921
Write back of impairment for doubtful debts - other receivables	<u>0</u>	<u>118</u>	<u>0</u>	<u>2,418</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 SEPTEMBER 2017**

<b>RM'000</b>	<b>As at 30/09/2017</b>	<b>As at 31/12/2016</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
Property, plant and equipment	170,363	192,002
Investment properties	824	842
Intangible assets	1,830	2,371
Associates	39,364	39,745
Joint venture	28,422	27,706
Deferred tax assets	1,874	3,526
Other long-term receivables	2,455	0
<b>Non-current Assets</b>	<b>245,132</b>	<b>266,192</b>
Inventories	24,406	22,079
Amounts due from an associate	3	13
Amounts due from a joint venture	172	105
Trade receivables	168,532	218,047
Deferred cost	1,267	4,605
Other receivables, deposits and prepayments	10,132	10,453
Tax recoverable	1,774	2,695
Cash and bank balances	136,667	140,434
<b>Current Assets</b>	<b>342,953</b>	<b>398,431</b>
<b>TOTAL ASSETS</b>	<b>588,085</b>	<b>664,623</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	200,206	200,000
Equity - share based payment	2,211	654
Retained earnings	158,586	152,769
Merger deficit	(50,000)	(50,000)
Foreign currency translation	(2,691)	(2,654)
Equity attributable to equity holders of the Company	308,312	300,769
Non-controlling interests	30,104	27,672
<b>Total Equity</b>	<b>338,416</b>	<b>328,441</b>
Borrowings	36,900	55,349
Deferred tax liabilities	22,961	21,222
<b>Non-current Liabilities</b>	<b>59,861</b>	<b>76,571</b>
Trade payables	110,349	165,203
Deferred revenue	754	7,362
Other payables and accruals	21,280	22,639
Amounts due to an associate	7,345	7,847
Amounts due to a joint venture	0	78
Dividend payable	0	146
Taxation	589	2,118
Borrowings	49,491	54,218
<b>Current Liabilities</b>	<b>189,808</b>	<b>259,611</b>
<b>Total Liabilities</b>	<b>249,669</b>	<b>336,182</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>588,085</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 SEPTEMBER 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	16,634	16,634	3,824	20,458
Other comprehensive income for the financial period	0	0	0	(19)	0	0	(19)	(133)	(152)
Total comprehensive income for the financial period	0	0	0	(19)	0	16,634	16,615	3,691	20,306
Share based payment	0	0	334	0	0	0	334	0	334
Dividend	0	0	0	0	0	(19,000)	(19,000)	(1,626)	(20,626)
At 30 September 2016	<u>400,000</u>	<u>200,000</u>	<u>540</u>	<u>(2,755)</u>	<u>(50,000)</u>	<u>142,889</u>	<u>290,674</u>	<u>28,327</u>	<u>319,001</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	18,819	18,819	4,624	23,443
Other comprehensive income for the financial period	0	0	0	(37)	0	0	(37)	(232)	(269)
Total comprehensive income for the financial period	0	0	0	(37)	0	18,819	18,782	4,392	23,174
Share based payment	0	0	1,763	0	0	0	1,763	0	1,763
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	(13,002)	(13,002)	(1,960)	(14,962)
At 30 September 2017	<u>400,195</u>	<u>200,206</u>	<u>2,211</u>	<u>(2,691)</u>	<u>(50,000)</u>	<u>158,586</u>	<u>308,312</u>	<u>30,104</u>	<u>338,416</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 SEPTEMBER 2017**

<b>RM'000</b>	<b>YEAR-TO-DATE ENDED</b>	
	<b>30/09/2017</b>	<b>30/09/2016</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	23,443	20,458
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	0	281
- write back of impairment	(100)	(3)
Other receivables		
- write back of impairment	0	(2,418)
Allowance for slow moving inventories:		
- allowance made	318	0
- write back of allowance	(113)	(78)
Amortisation of intangible assets	541	825
Financial guarantee receivables	(9)	(14)
Depreciation:		
- property, plant and equipment	23,090	24,561
- investment properties	18	18
Bad debts written off:		
- trade receivables	0	12
- other receivables	2	60
Provision for liquidated damages		
- provision made	0	295
- write back of allowance	(157)	0
Gain on disposals of property, plant and equipment	0	(93)
Write-off:		
- property, plant and equipment	39	0
- inventories	19	115
Interest income	(1,679)	(1,123)
Finance costs	3,136	4,139
Share based payment expense	1,763	334
Share of results of associates	(89)	(198)
Share of results of a joint venture	(716)	(493)
Tax expense	10,503	11,605
Unrealised foreign exchange losses/(gains)	3,807	(1,921)
Fair value gain on foreign currency exchange forward contract	(1)	0
Operating profit before working capital changes	63,815	56,362
<u>Changes in working capital</u>		
Inventories	(2,551)	(714)
Amounts due from a joint venture	(67)	(141)
Amounts due from an associate	10	0
Trade receivables	49,355	53,940
Deferred costs	3,338	3,031
Other receivables, deposits and prepayments	307	7,317
Trade payables	(54,608)	(55,384)
Other payables and accruals	(987)	(14,398)
Deferred revenue	(6,608)	1,758
Cash generated from operations	52,004	51,771
Tax paid	(8,072)	(10,671)
Tax refunded	352	60
Interest paid	(3,104)	(4,020)
<b>Net cash generated from operating activities</b>	<b>41,180</b>	<b>37,140</b>

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

RM'000	YEAR-TO-DATE ENDED	
	30/09/2017	30/09/2016
	Unaudited	Unaudited
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,645	1,112
Property, plant and equipment		
- Purchases	(1,721)	(3,332)
- Proceeds from disposals	0	394
Purchases of intangible assets	0	(388)
Downpayment for investment	(2,455)	0
Dividend received from associates	0	1,600
Amounts due from an associate	0	2
Amounts due from a joint venture	0	180
Amounts due to an associate	(502)	(283)
Amounts due to a joint venture	(78)	(179)
<b>Net cash used in investing activities</b>	<b>(3,111)</b>	<b>(894)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Revolving credit		
- Drawn down	0	1,150
- Repayment	(6,050)	(3,000)
Loans against import		
- Drawn down	2,041	2,073
- Repayment	(707)	(2,073)
Term loan		
- Repayment	(18,449)	(18,450)
Repayment of hire purchase under finance lease	(11)	(21)
Dividends paid to:		
- Shareholders	(13,002)	(18,942)
- Non-controlling interest	(2,106)	(1,728)
Increase in restricted cash	93	(97)
<b>Net cash used in financing activities</b>	<b>(38,191)</b>	<b>(41,088)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(122)</b>	<b>(4,842)</b>
Foreign currency translation	(3,552)	(789)
Cash and cash equivalents at beginning of the year	129,611	123,830
<b>Cash and cash equivalents at end of period</b>	<b>125,937</b>	<b>118,199</b>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits	97,025	94,462
Cash and bank balances	39,642	34,716
	136,667	129,178
Restricted cash	(10,730)	(10,979)
<b>Cash and cash equivalents at end of period</b>	<b>125,937</b>	<b>118,199</b>

The currency profile of cash and cash equivalents is as follows:

Ringgit Malaysia	103,127	59,078
US Dollar	22,608	58,431
Others	202	690
	<u>125,937</u>	<u>118,199</u>

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 SEPTEMBER 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)
IC Interpretation 23	Uncertainty over Income Tax Treatments (effective 1 January 2019)
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, amendments to published standards and IC Interpretations are not expected to have any material impact 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 had 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.

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 as 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 currency 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, the Group is utilising its foreign currency in hand to settle its foreign currency liabilities in the same currency. Alongside that, a foreign exchange management policy has been established, principally on forward foreign exchange contracts for the Group to manage the foreign currency exchange risks. The details on the forward foreign currency exchange contract entered by the Group that remains outstanding as at 30 September 2017 is disclosed in Note A7.

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

	As at 30/09/2017		As at 31/12/2016	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	101,337	89,194	195,311	127,979
Others	202	416	414	184
	<u>101,539</u>	<u>89,610</u>	<u>195,725</u>	<u>128,163</u>
<b>Closing exchange rate</b>				
US Dollar	<u>4.228</u>	<u>4.228</u>	<u>4.484</u>	<u>4.484</u>

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

**A7. OUTSTANDING DERIVATIVES**

Forward foreign currency exchange contract

Forward foreign currency exchange contract is used to manage the foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The forward foreign currency exchange contract entered into by the Group has a maturity period of less than one year from the current reporting date. As at 30 September 2017, the notional principal amount of the outstanding forward foreign currency exchange contract was RM634,000.

Details of derivative on forward foreign currency exchange contract that remains outstanding as at 30 September 2017 is set out below as follows:

<b>Type of derivatives</b>	<b>Contract/ Notional amount RM'000</b>	<b>Fair Value Assets RM'000</b>
Forward foreign currency exchange contract ("FX Contract")		
- Less than 1 year	634	1

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

The Group determines the fair value of the derivative financial instrument relating to the forward foreign exchange contracts using a valuation technique which utilises input from recognised and reliable financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair value of forward foreign exchange contract is determined by using the forward exchange rates as at each reporting date.

During the quarter, the fair value changes arising from the forward foreign currency exchange contract entered into by the Group amounting to a fair value gain of RM1,000 is as disclosed in Note A7 above.

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

**A9. DIVIDENDS PAID**

During the first quarter of the financial year, 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>

During the current quarter under review, the Company paid the following first interim single tier dividend of 1.00 sen per share on 400,195,300 ordinary shares, in respect of the financial year ending 31 December 2017.

	<b>RM'000</b>
First interim single tier dividend of 1.00 sen per share on 400,195,300 ordinary shares, paid on 26 September 2017	<u>4,002</u>

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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 September 2017 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	122,764	95,020	245,607	277,285
Power and Machinery	122,764	95,020	245,607	277,285
Oilfield Services				
External revenue	32,882	32,432	88,547	99,230
Oilfield Services	32,882	32,432	88,547	99,230
Integrated Corrosion Solution				
External revenue	12,028	11,711	29,727	30,578
Integrated Corrosion Solution	12,028	11,711	29,727	30,578
Other non-reportable segment				
External revenue	111	84	328	270
Other non-reportable segment	111	84	328	270
Total Group revenue	167,785	139,247	364,209	407,363

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
<u>Segment Results</u>				
Power and Machinery	13,162	5,390	23,826	22,953
Oilfield Services	5,451	5,385	10,594	10,586
Integrated Corrosion Solution	1,768	253	2,658	687
Other non-reportable segment	19	4	39	13
Segment results	20,400	11,032	37,117	34,239
Unallocated income ^	43	50	151	402
Unallocated corporate expenses #	(1,518)	(1,905)	(4,127)	(3,269)
Share of results of a joint venture *	311	185	716	493
Share of results of associates *	(637)	(116)	89	198
Tax expense *	(4,890)	(5,539)	(10,503)	(11,605)
Profit for the financial period	13,709	3,707	23,443	20,458

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

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

	<b>As at 30/09/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
<u>Segment Assets</u>		
Power and Machinery	230,290	278,036
Oilfield Services	237,190	250,692
Integrated Corrosion Solution	28,689	33,348
Segment assets	496,169	562,076
Unallocated corporate assets <sup>^</sup>	91,916	102,547
<b>Total assets</b>	<b>588,085</b>	<b>664,623</b>

	<b>As at 30/09/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
<u>Segment Liabilities</u>		
Power and Machinery	106,911	160,045
Oilfield Services	100,036	125,084
Integrated Corrosion Solution	9,468	16,920
Segment liabilities	216,415	302,049
Unallocated corporate liabilities <sup>#</sup>	33,254	34,133
<b>Total liabilities</b>	<b>249,669</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 September 2017, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Acquisitions at cost:				
- Plant and equipment	1,200	347	1,721	3,332
- Intangible assets	0	26	0	388
Disposals at net book value:				
- Plant and equipment	0	0	231	301
Depreciation:				
- Plant and equipment	7,621	8,165	23,090	24,561
- Investment properties	6	6	18	18
Amortisation of intangible assets	191	282	541	825

**A12. MATERIAL EVENTS DURING THE REPORTING DATE**

In 4 October 2017, the Company announced that Deleum Primera Sdn. Bhd., a subsidiary of the Group, had received a letter of award from Petronas Carigali Sdn. Bhd. with a contract for the Provision of Maintenance, Construction and Modification services [Package C (Offshore) - Peninsular Malaysia Gas] ("the contract") for a primary period of five (5) years with one (1) year extension option.

The contract will have no effect on the issued and paid-up capital of the Company and is expected to contribute positively towards the earnings and net assets of the Group.

Save as disclosed above and in Note B14, there was no item, transaction or event of a material and unusual nature which had arisen since 30 September 2017 to 14 November 2017 (being the latest practicable date) which would substantially affect the financial results of the Group.

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**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 September 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 RM25.4 million (31 December 2016: RM26.9 million).

**A15. COMMITMENTS**

(a) Capital commitment

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

	As at 30/09/2017 RM'000	As at 31/12/2016 RM'000
Authorised but not contracted for		
- Plant and machinery	5,743	7,126
- Others	2,130	2,646
Authorised and contracted for		
- Plant and machinery	1,371	188
- Others	234	3
	9,478	9,963

(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 30/09/2017 RM'000	As at 31/12/2016 RM'000
Within one year	519	836
Between two to five years	321	550
	840	1,386

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

**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	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Manpower services to Solar Turbines International Company ("STICO")	718	0	1,642	0
Rental income from an affiliate company of STICO	100	0	100	0
Purchases and technical services from STICO and its affiliated company	70,620	51,903	148,878	165,772

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

	As at 30/09/2017 RM'000	As at 31/12/2016 RM'000
Amount due from STICO and its affiliated company	1,940	0
Amount due to STICO and its affiliated company	75,613	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	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Sales to related parties of Dresser Italia S.R.L	0	0	21	0
Purchases of goods and services from related parties of Dresser Italia S.R.L	8,767	3,774	19,730	19,654

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

	As at 30/09/2017 RM'000	As at 31/12/2016 RM'000
Amount due to related parties of Dresser Italia S.R.L	3,557	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	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Sales to STICO	1,484	1,400	4,452	4,200
Rental income from an affiliate company of STICO	207	207	621	621

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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 September 2017 was as follows:

	<b>As at 30/09/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Amount due from STICO	1,144	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>30/09/2017 RM'000</b>	<b>30/09/2016 RM'000</b>	<b>30/09/2017 RM'000</b>	<b>30/09/2016 RM'000</b>
Directors' fees	236	236	707	707
Salaries, bonuses, allowances and other staff related expenses	2,249	1,796	8,787	8,686
Defined contribution plan	231	250	883	957
	2,716	2,282	10,377	10,350

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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>	Q3'17 RM'000	Q3'16 RM'000	Variance RM'000	Variance %
Revenue	167,785	139,247	28,538	20.5
Operating profit	19,899	10,472	9,427	90.0
Share of results of a joint venture, net of tax	311	185	126	68.1
Share of results of associates, net of tax	(637)	(116)	(521)	(449.1)
Profit before interest and tax	18,867	10,236	8,631	84.3
Profit before tax	18,599	9,246	9,353	101.2
Profit after tax	13,709	3,707	10,002	269.8
Profit attributable to equity holders of the Company	10,802	3,346	7,456	222.8

The oil price recovery in recent months was supported by positive signs that the production cuts by the Organisation of Petroleum Exporting Countries (“Opec”) and non-Opec members to continue; possibly beyond March 2018, rising global demand and production disruptions in the United States. On the domestic front, there had been a step up of production and development activities. As a result, all segments of the Group reported higher revenue compared with the corresponding quarter.

Similarly, the Group’s profit attributable to equity holders of the Company had increased by RM7.5 million on the back of firmer performance from the Power and Machinery and Integrated Corrosion Solution segments and that the previous corresponding quarter tax charge was affected by a one-off reversal of deferred tax assets amounting to RM3.1 million.

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

Share of results of associates were lower by RM0.5 million mainly due to an impairment charge in which our share was RM1.0 million from Malaysia Mud and Chemicals Sdn. Bhd. (“2MC”).

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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)

	Q3'17 RM'000	Q3'16 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	122,764	95,020	27,744	29.2
Operating profit	13,162	5,390	7,772	144.2
Profit before interest and tax	12,575	5,189	7,386	142.3
Profit before tax	13,162	5,390	7,772	144.2

The Power and Machinery segment revenue recorded an expansion of RM27.7 million against the corresponding quarter mainly attributable to the higher revenue from parts, repairs and maintenance, valve and flow regulators amounting to RM16.2 million, increase in the work order level for exchange engine and ancillary services of RM13.5 million offset by the decrease in revenue contribution from retrofit projects of RM2.0 million.

The segment results improved by RM7.8 million on the back of higher revenue reported and foreign exchange gain of RM0.3 million recorded in the current period versus an exchange loss of RM3.1 million in the corresponding quarter.

	Q3'17 RM'000	Q3'16 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	32,882	32,432	450	1.4
Operating profit	6,389	6,631	(242)	(3.6)
Profit before interest and tax	6,295	6,573	(278)	(4.2)
Profit before tax	5,451	5,385	66	1.2

The Oilfield Services segment revenue was higher by RM0.5 million compared with the corresponding quarter driven by revenue contribution from oilfield chemicals activities of RM1.0 million and wellhead maintenance activities of RM0.9 million offset by the lower revenue contribution from well intervention and enhancement services of RM0.8 million and lower utilisation of slickline assets of RM0.5 million.

However, operating profit was down by RM0.2 million affected by downward pressures on margins.

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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)

	Q3'17 RM'000	Q3'16 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	12,028	11,711	317	2.7
Operating profit	1,804	314	1,490	474.5
Profit before interest and tax	1,804	314	1,490	474.5
Profit before tax	1,768	253	1,515	598.8

The Integrated Corrosion Solution segment revenue increased by RM0.3 million riding on the higher work orders completion on corrosion protection and maintenance services.

Profit before tax improved by RM1.5 million on the back of lower cost to serve, mainly manpower and equipment rental related costs.

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

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

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'17 RM'000	Q3'16 RM'000		
<u>Group</u>				
Revenue	364,209	407,363	(43,154)	(10.6)
Operating profit	36,277	35,511	766	2.2
Share of results of a joint venture, net of tax	716	493	223	45.2
Share of results of associates, net of tax	89	198	(109)	(55.1)
Profit before interest and tax	35,403	35,079	324	0.9
Profit before tax	33,946	32,063	1,883	5.9
Profit after tax	23,443	20,458	2,985	14.6
Profit attributable to equity holders of the Company	18,819	16,634	2,185	13.1

The Group's revenue contracted by RM43.2 million compared with the corresponding period of RM407.4 million underscoring the difficulty trading conditions especially in the first half of the financial year.

However, profit attributable to equity holders of the Company improved against the corresponding period primarily due to a favourable sales mix in the current period and a higher tax charge in the corresponding period of RM3.1 million stemming from the de-recognition of deferred tax assets.

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

Share of results of associates was lower by RM0.1 million contributed by an impairment charge in 2MC in which our share was RM1.0 million as well as our share of run-off costs in Cambodia Utilities Pte. Ltd. ("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 %
	Q3'17 RM'000	Q3'16 RM'000		
<u>Power and Machinery</u>				
Revenue	245,607	277,285	(31,678)	(11.4)
Operating profit	23,826	22,954	872	3.8
Profit before interest and tax	22,535	22,372	163	0.7
Profit before tax	23,826	22,953	873	3.8

The Power and Machinery segment revenue fell by 11.4% or RM31.7 million as compared to the corresponding period affected by the lower work orders for exchange engines of RM37.8 million but alleviated by the higher revenue contribution from training and other equipment related services of RM6.9 million.

The current period segment results were higher by RM0.9 million despite lower revenue reported as a result of better sales mix and improved margins from supply and maintenance of valves, flow regulators and ancillary services offset by the higher foreign exchange loss of RM5.9 million compared with RM0.4 million in the corresponding quarter.

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'17 RM'000	Q3'16 RM'000		
<u>Oilfield Services</u>				
Revenue	88,547	99,230	(10,683)	(10.8)
Operating profit	13,616	14,486	(870)	(6.0)
Profit before interest and tax	13,344	14,307	(963)	(6.7)
Profit before tax	10,594	10,586	8	0.1

The Oilfield Services segment revenue decreased by 10.8% to RM88.5 million against the corresponding period of RM99.2 million mainly attributable to the lower revenue contribution from slickline activities of RM8.0 million and well intervention and enhancement services of RM4.2 million. Notwithstanding the lower revenue earned in the current period, segment results were higher due to improved margins from slickline activities in East Malaysia of RM1.7 million alongside lower finance costs on borrowings of RM0.9 million 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)

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'17 RM'000	Q3'16 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	29,727	30,578	(851)	(2.8)
Operating profit	2,772	925	1,847	199.7
Profit before interest and tax	2,772	925	1,847	199.7
Profit before tax	2,658	687	1,971	286.9

The Integrated Corrosion Solution segment revenue declined by RM0.9 million compared with the corresponding period due to the lower work orders for corrosion protection and maintenance services.

Despite the lower revenue, the segment results were higher by RM2.0 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

Group total assets at end of September 2017 stood at RM578.5 million against RM664.6 million at the end of the previous financial year, representing a contraction of RM76.5 million. This was mainly due to reduction in trade receivables of RM49.5 million, lower carrying value of fixed assets from the effects of depreciation and amortisation of RM23.6 million. In tandem, total liabilities declined by RM86.5 million mainly due to lower trade payables of RM54.9 million and borrowings of RM23.2 million.

(D) Consolidated Statements of Cash Flow

The Group's cash and bank balances decreased by RM3.8 million to RM136.7 million due to net repayments of borrowings of RM23.2 million, dividend payout of RM15.1 million and translation effects on foreign currencies held of RM3.6 million, offset by cash flows generated from operating activities of RM38.7 million.

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

	Q3'17 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	167,785	106,461	61,324	57.6
Operating profit	19,899	11,861	8,038	67.8
Share of results of a joint venture, net of tax	311	235	76	32.3
Share of results of associates, net of tax	(637)	363	(1,000)	(275.5)
Profit before interest and tax	18,867	11,930	6,937	58.1
Profit before tax	18,599	11,429	7,170	62.7
Profit after tax	13,709	7,507	6,202	82.6
Profit attributable to equity holders of the Company	10,802	6,700	4,102	61.2

Quarter on quarter, the Group reported a sharply higher revenue of RM167.8 million, increasing by more than half of the revenue recorded in second quarter of 2017. This was supported by better performance from all reportable segments due to higher level of activities on the back of higher oil prices and work orders.

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

Share of results of associates decreased by RM1.0 million due to impairment charge from 2MC.

	Q3'17 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	122,764	64,650	58,114	89.9
Operating profit	13,162	6,437	6,725	104.5
Profit before interest and tax	12,575	6,045	6,530	108.0
Profit before tax	13,162	6,437	6,725	104.5

Power and Machinery segment results were RM13.2 million for the current quarter versus RM6.4 million reported in the immediate preceding quarter. The higher results was attributable to the work orders secured for parts and repairs and higher margin from supply and maintenance of flow regulators and valves.

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

	Q3'17 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	32,882	31,747	1,135	3.6
Operating profit	6,389	5,869	520	8.9
Profit before interest and tax	6,295	5,771	524	9.1
Profit before tax	5,451	4,868	583	12.0

Oilfield Services segment results were higher by RM0.6 million on the account of higher contribution from wellhead maintenance activities in line with the higher revenue registered.

	Q3'17 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	12,028	9,945	2,083	20.9
Operating profit	1,804	893	911	102.0
Profit before interest and tax	1,804	893	911	102.0
Profit before tax	1,768	864	904	104.6

Integrated Corrosion Solution segment result was higher by RM0.9 million in tandem with higher revenue earned in the current period under review.

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**B3. PROSPECTS**

Oil prices continue to change throughout 2017 from a low of USD27 to USD56 a barrel in September underscoring the volatility of oil supply and demand. The current outlook is that oil prices will average USD52 a barrel in 2017 and USD54 in 2018. Against this backdrop Petronas continues to maintain its cautious stance on exploration and production activities though of late there have been a noticeable increase in work orders which had an upside impact on the Group's performance in the quarter. Looking to the remaining quarter, and supported by higher oil prices, we expect the trading conditions experienced in the third quarter to flow into the current quarter but the downside risks remain as there are a number of external factors and unpredictable events affecting oil prices and the activity levels of our key customers.

Management will adhere to the strategies adopted earlier to mitigate the effects of the uncertain trading conditions. The Group will continue to concentrate on its core businesses, operating efficiencies and managing cash flows. In the year-to-date, whilst revenue was down cumulatively from RM407.4 million to RM364.2 million, profit for the financial year to-date was up from RM20.5 million to RM23.4 million on the back of operational efficiencies and cost management. 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. In this regard the current year to-date results were impacted by foreign exchange losses of RM5.6 million compared with a loss of RM0.3 million in the corresponding period. At end September 2017, a 10% change in the RM/USD exchange ratio would impact pre-tax results by RM1.6 million. In addition, in the current quarter, our associate 2MC, where the Group holds 32% shareholdings, commenced a review of its plant and equipment for impairment indicators. Consequently, our share of its results was impacted by an impairment charge of RM1.0 million made by 2MC. This review is still ongoing and there may be further downside risks of impairment to come in the final quarter.

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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	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Current tax – current year	3,463	1,823	7,065	5,928
Under/(Over) provision in prior year	8	(39)	47	(689)
Deferred tax – origination and reversal of temporary differences	1,419	686	3,391	3,297
– reversal of deferred tax asset recognised in prior periods*	0	3,069	0	3,069
<b>Total income tax expense</b>	<b>4,890</b>	<b>5,539</b>	<b>10,503</b>	<b>11,605</b>

\* In the corresponding quarter, the 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 were not expected to be utilised in the foreseeable future and accordingly reversed.

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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 September 2017 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/09/2017 %	30/09/2016 %
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	7	4
- Income not subject to tax	0	(2)
- Share of results of associates and joint venture	(1)	0
- Deferred tax assets not recognised	0	2
- Under/(Over) provision in prior year	1	(1)
- Reversal of deferred tax asset recognised in prior periods	0	9
Effective tax rate	31	36

**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 14 November 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 30/09/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Group's share of net assets of joint venture	28,422	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

	<b>Quarter ended</b>		<b>Year-to-date ended</b>	
	<b>30/09/2017</b>	<b>30/09/2016</b>	<b>30/09/2017</b>	<b>30/09/2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	483	311	1,192	843
Income tax expense	(97)	(82)	(303)	(231)
Profit for the period	<u>386</u>	<u>229</u>	<u>889</u>	<u>612</u>
Interest in joint venture (80.55%) Share of results	<u>311</u>	<u>185</u>	<u>716</u>	<u>493</u>

**B10. ASSOCIATES**

	<b>As at 30/09/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Group's share of net assets of associates	<u>39,364</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 to the loss attributable to the shareholders of the Company in the financial period ended 30 September 2017 amounted to RM252,000 (30 September 2016: RM11,000) and RM151,200 (30 September 2016: RM6,600) 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 30/9/2017 RM'000</b>	<b>Quarter ended 30/9/2016 RM'000</b>	<b>Quarter ended 30/9/2017 RM'000</b>	<b>Quarter ended 30/9/2016 RM'000</b>	<b>Quarter ended 30/9/2017 RM'000</b>	<b>Quarter ended 30/9/2016 RM'000</b>
(Loss)/ profit before tax	(1,608)	(338)	19	5	(1,589)	(333)
Income tax expense	(393)	(28)	0	0	(393)	(28)
(Loss)/ profit for the period	<u>(2,001)</u>	<u>(366)</u>	<u>19</u>	<u>5</u>	<u>(1,982)</u>	<u>(361)</u>
Interest in associates (32%; 20%) Share of results	<u>(641)</u>	<u>(117)</u>	<u>4</u>	<u>1</u>	<u>(637)</u>	<u>(116)</u>
	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Year-to-date ended 30/9/2017 RM'000</b>	<b>Year-to-date ended 30/9/2016 RM'000</b>	<b>Year-to-date ended 30/9/2017 RM'000</b>	<b>Year-to-date ended 30/9/2016 RM'000</b>	<b>Year-to-date ended 30/9/2017 RM'000</b>	<b>Year-to-date ended 30/9/2016 RM'000</b>
Profit / (loss) before tax	1,769	632	(1,259)	32	510	664
Income tax expense	(703)	21	0	(86)	(703)	(65)
Profit / (loss) for the period	<u>1,066</u>	<u>653</u>	<u>(1,259)</u>	<u>(54)</u>	<u>(193)</u>	<u>599</u>
Interest in associates (32%; 20%) Share of results	<u>341</u>	<u>209</u>	<u>(252)</u>	<u>(11)</u>	<u>89</u>	<u>198</u>

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**B11. TRADE RECEIVABLES**

	<b>As at 30/09/2017 RM</b>	<b>As at 31/12/2016 RM</b>
Neither past due nor impaired	145,191	180,283
1 to 30 days past due not impaired	17,518	21,688
31 to 60 days past due not impaired	3,241	12,260
61 to 90 days past due not impaired	1,781	2,502
91 to 120 days past due not impaired	253	353
More than 121 days past due not impaired	548	960
	168,532	218,046
Past due and impaired:		
61 to 90 days past due and impaired	0	43
More than 121 days past due and impaired	2,308	2,591
	170,840	220,680
Less: Impairment of receivables	(2,308)	(2,633)
	168,532	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 RM23.3 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 September 2017 were as follows:

	<b>Short Term RM '000</b>	<b>Long Term RM '000</b>	<b>Total RM '000</b>
<b><u>30/09/2017</u></b>			
Borrowings - secured	24,600	36,900	61,500
- unsecured	24,891	0	24,891
	<u>49,491</u>	<u>36,900</u>	<u>86,391</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 30/09/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Revolving credits	(i)	22,850	28,900
Finance lease liabilities	(ii)	0	11
Term loan	(iii)	61,500	79,949
Loans against import	(iv)	2,041	707
		<u>86,391</u>	<u>109,567</u>
Less: Amount repayable within 12 months			
Revolving credit		(22,850)	(28,900)
Finance lease liabilities		0	(11)
Term loan		(24,600)	(24,600)
Loans against import		(2,041)	(707)
		<u>(49,491)</u>	<u>(54,218)</u>
Amount repayable after 12 months		<u>36,900</u>	<u>55,349</u>

The decreased in borrowings is due to repayment of term loan of RM18.5 million, revolving credits of RM6.1 million, offset by the net drawdown on loans against import of RM1.3 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 3.97% (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 4.60% (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 September 2017.

**B14. MATERIAL LITIGATION**

On 28 September 2017, Deleum Primera Sdn. Bhd. ("Deleum Primera"), a subsidiary of the Group has been served with a sealed Writ of Summons ("Writ") and Statement of Claim both dated 21 September 2017 claiming the sum of RM947,000.00 ("Suit"). The Suit was filed against Deleum Primera by Mogbiss Sdn. Bhd. ("Mogbiss") allegedly for works performed by Mogbiss.

The matter was fixed for Case Management at the Shah Alam Sessions Court on 26 October 2017, pursuant to which the matter is fixed for further Case Management on 30 November 2017.

In consultation with counsel, the Writ and the Statement of Claim is not expected to have any material financial impact on the Group.

Save as disclosed above, there is no other material litigation as at 14 November 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**

Save as disclosed in Note A9, there were no other dividend declared during the quarter under review for the financial year ending 31 December 2017.

**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	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	10,802	3,346	18,819	16,634
Weighted average number of shares in issue ('000)	400,195	400,000	400,195	400,000
Basic earnings per share (sen)	2.70	0.84	4.70	4.16

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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	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
<b>Diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	10,802	3,346	18,819	16,634
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	2,432	5,248	2,660	5,248
Weighted average number of ordinary shares ('000)	402,627	405,248	402,885	405,248
Diluted earnings per share (sen)	2.68	0.83	4.67	4.10

**B17. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period presentation as disclosed below:

	As restated		As previously stated	
	Individual Quarter Ended 30/09/2016 RM'000	Cumulative Quarter Ended 30/09/2016 RM'000	Individual Quarter Ended 30/09/2016 RM'000	Cumulative Quarter Ended 30/09/2016 RM'000
Cost of sales	107,336	316,011	108,673	320,016
Selling and distribution costs	6,997	23,354	5,660	19,349

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**B18. PROFIT BEFORE TAX**

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Purchase of products, parts and consumable	(81,075)	(60,579)	(144,858)	(173,125)
Costs of services purchased	(13,155)	(10,203)	(38,739)	(32,995)
Interest income	(706)	(305)	(1,679)	(1,123)
Other income including investment income	(62)	(91)	(272)	(577)
Interest expenses	974	1,295	3,136	4,139
Depreciation and amortisation	7,818	8,453	23,649	25,404
Write back of impairment for doubtful debts				
- Trade receivables	(61)	(3)	(100)	(3)
- Other receivables	0	(118)	0	(2,418)
Bad debts written off				
- Trade receivables	0	12	2	12
- Other receivables	0	0	0	60
Inventories written off	19	115	19	115
Impairment of doubtful debts				
- Trade receivables	0	110	0	281
Allowance for slow moving inventories	221	0	318	0
Reversal of allowance for slow moving inventories	(79)	(16)	(113)	(78)

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**B18. 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	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Property, plant and equipment written off	2	0	39	0
Foreign exchange losses / (gains)				
- Realised	(554)	1,757	1,785	2,257
- Unrealised	264	1,430	3,807	(1,921)
Gain on disposals of property, plant and equipment	0	0	0	(93)
Provision for liquidated damages	0	257	0	295
Reversal of allowance for provision of liquidated damages	(30)	0	(157)	0
Fair value gain on foreign currency exchange forward contract	(1)	0	(1)	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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**B19. 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 30/09/2017</b>	<b>Cumulative Quarters ended 31/12/2016</b>
Total retained profits of the Company and its subsidiaries:		
Realised	159,642	137,847
Unrealised	(25,374)	(12,927)
	134,268	124,920
Total share of retained profits from associated companies:		
Realised	40,133	39,816
Unrealised	(4,138)	(3,910)
	35,995	35,906
Total share of retained profits of joint venture:		
Realised	2,875	1,947
Unrealised	(700)	(488)
	2,175	1,459
Less: Consolidation adjustments	(13,852)	(9,516)
Total Group's retained profits	158,586	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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**B20. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

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

**B21. AUTHORISATION OF ISSUE**

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 21 November 2017.

By order of the Board

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