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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR-TO-DATE ENDED	YEAR-TO-DATE ENDED
RM'000		30/06/2018	30/06/2017	30/06/2018	30/06/2017
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	A11	139,294	106,461	247,801	196,424
Cost of sales		(106,909)	(72,050)	(190,728)	(137,884)
Gross profit		32,385	34,411	57,073	58,540
Other operating income		816	641	1,739	1,183
Selling and distribution costs		(8,170)	(7,765)	(17,181)	(14,762)
Administrative expenses		(11,980)	(11,852)	(22,669)	(22,263)
Other operating income/(losses) *		302	(3,574)	(973)	(6,320)
Operating profit		13,353	11,861	17,989	16,378
Finance costs		(688)	(1,030)	(1,453)	(2,162)
Share of results of a joint venture (net of tax)	B9	392	235	668	405
Share of results of associates (net of tax)	B10	287	363	862	726
Profit before tax	B18	13,344	11,429	18,066	15,347
Income tax expense	B5	(3,700)	(3,922)	(7,055)	(5,613)
Profit for the period		9,644	7,507	11,011	9,734
Other comprehensive income					
Currency translation differences		185	(136)	(17)	(196)
Total comprehensive income for the period		9,829	7,371	10,994	9,538
Profit attributable to:					
- Equity holders of the Company		9,173	6,700	10,575	8,017
- Non-controlling interests		471	807	436	1,717
		9,644	7,507	11,011	9,734
Total comprehensive income attributable to:					
- Equity holders of the Company		9,207	6,684	10,581	7,994
- Non-controlling interests		622	687	413	1,544
		9,829	7,371	10,994	9,538
Earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Basic EPS	B16	2.29	1.67	2.64	2.00
- Diluted EPS	B16	2.28	1.66	2.62	1.99
* Other operating income/(losses) include the following:					
Foreign exchange gains / (losses)					
- Realised		996	2,101	692	(2,339)
- Unrealised		(216)	(5,585)	(26)	(3,543)
Fair value loss from forward foreign currency exchange contract		(222)	0	(252)	0
Tax penalty	B5	0	0	(838)	0

The above unaudited condensed interim consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

RM'000	Note	As at 30/06/2018 Unaudited	As at 31/12/2017 Audited
ASSETS			
Property, plant and equipment		153,505	163,525
Investment properties		806	818
Intangible assets		1,305	1,644
Associates	B10	37,175	38,595
Joint venture	B9	29,231	28,563
Deferred tax assets		2,820	2,010
Other long-term receivables		4,922	4,922
Non-current Assets		229,764	240,077
Inventories		20,278	18,341
Amounts due from an associate		0	6
Amounts due from a joint venture		111	140
Trade receivables	B11	103,968	112,251
Contract assets		103,319	82,034
Other receivables, deposits and prepayments		9,126	13,683
Tax recoverable		1,818	1,740
Cash and bank balances		103,195	141,388
Current Assets		341,815	369,583
TOTAL ASSETS		571,579	609,660
EQUITY AND LIABILITIES			
Share capital		201,354	200,206
Equity - share based payment		953	2,452
Retained earnings		170,249	172,044
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,717)	(2,723)
Equity attributable to equity holders of the Company		319,839	321,979
Non-controlling interests		27,832	28,889
Total Equity		347,671	350,868
Borrowings	B12	18,450	30,750
Deferred tax liabilities		22,415	22,724
Non-current Liabilities		40,865	53,474
Trade payables		116,636	120,299
Contract liabilities		2,087	1,973
Other payables and accruals		14,406	27,890
Amounts due to an associate		7,067	7,051
Derivative financial instrument	A7	169	24
Taxation		2,612	2,783
Borrowings	B12	40,066	45,298
Current Liabilities		183,043	205,318
Total Liabilities		223,908	258,792
TOTAL EQUITY AND LIABILITIES		571,579	609,660

The above unaudited condensed interim consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Issued and fully paid ordinary shares		Non-distributable			Distributable			
	Number of shares	Share capital	Share based payment	Foreign currency translation	Merger deficit	Retained earnings	Total		
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
Long-Term Incentive Plan ("LTIP")									
- Share based payment	0	0	1,481	0	0	0	1,481	0	1,481
- Ordinary shares issued pursuant to the LTIP	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	400,195	200,206	1,929	(2,677)	(50,000)	151,786	301,244	27,256	328,500
At 1 January 2018	400,195	200,206	2,452	(2,723)	(50,000)	172,044	321,979	28,889	350,868
Profit for the financial period	0	0	0	0	0	10,575	10,575	436	11,011
Other comprehensive income for the financial period	0	0	0	6	0	0	6	(23)	(17)
Total comprehensive income for the financial period	0	0	0	6	0	10,575	10,581	413	10,994
Long-Term Incentive Plan ("LTIP")									
- Share based payment	0	0	295	0	0	0	295	0	295
- Ordinary shares issued pursuant to the LTIP	930	1,148	(1,148)	0	0	0	0	0	0
- Transfer of lapsed share grants	0	0	(646)	0	0	646	0	0	0
Dividend	0	0	0	0	0	(13,016)	(13,016)	(1,470)	(14,486)
At 30 June 2018	401,125	201,354	953	(2,717)	(50,000)	170,249	319,839	27,832	347,671

The above unaudited condensed interim consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

	YEAR-TO-DATE-ENDED	
RM'000	**30/06/2018**	**30/06/2017**
	Unaudited	**Unaudited**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	11,011	9,734
Adjustments for:		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	27	0
- write back of impairment	(64)	(39)
Contract assets		
- impairment made	100	0
- write back of impairment	(9)	0
Allowance for slow moving inventories:		
- allowance made	0	97
- write back of allowance	(14)	(34)
Amortisation of intangible assets	363	350
Financial guarantee receivables	0	(7)
Depreciation:		
- property, plant and equipment	15,053	15,469
- investment properties	12	12
Bad debts written off:		
- other receivables	0	2
Provision for liquidated damages		
- provision made	245	0
- write back of allowance	(9)	(127)
Write-off:		
- property, plant and equipment	1	37
- inventories	28	0
Interest income	(1,573)	(973)
Finance costs	1,453	2,162
Share based payment expense	295	1,481
Share of results of associates	(862)	(726)
Share of results of a joint venture	(668)	(405)
Tax expense	7,055	5,613
Unrealised foreign exchange gains	26	3,543
Fair value loss from forward foreign currency exchange contract	252	0
Operating profit before working capital changes	32,722	36,189
Changes in working capital		
Inventories	(1,951)	(12,748)
Amounts due from a joint venture	29	22
Trade receivables	9,357	59,173
Contract assets	(21,012)	33,841
Other receivables, deposits and prepayments	4,526	(743)
Trade payables	(5,064)	(64,979)
Other payables and accruals	(13,751)	(2,613)
Contract liabilities	114	(3,828)
Cash generated from operations	4,970	44,314
Tax paid	(8,501)	(2,614)
Tax refunded	78	350
Interest paid	(1,471)	(2,095)
Net cash (used in) / generated from operating activities	**(4,924)**	**39,955**

DELEUM BERHAD (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

	YEAR-TO-DATE-ENDED	
RM'000	**30/06/2018**	**30/06/2017**
	Unaudited	**Unaudited**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,603	945
Addition on property, plant and equipment	(5,034)	(521)
Addition on intangible assets	(24)	0
Dividend received from associates	2,240	0
Amounts due from an associate	6	(11)
Amounts due to an associate	0	(382)
Amounts due to a joint venture	0	(78)
Net cash used in investing activities	**(1,209)**	**(47)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	3,000	0
- Repayment	(6,000)	(3,050)
Loans against import		
- Drawn down	1,095	0
- Repayment	(3,328)	(707)
Term loan		
- Repayment	(12,299)	(12,300)
Repayment of hire purchase under finance lease	0	(9)
Dividends paid to:		
- Shareholders	(13,016)	(9,000)
- Non-controlling interest	(1,470)	(2,106)
Decrease in restricted cash	67	35
Net cash used in financing activities	**(31,951)**	**(27,137)**
Net (decrease)/increase in cash and cash equivalents	**(38,084)**	**12,771**
Foreign currency translation	(42)	(3,284)
Cash and cash equivalents at beginning of the year	130,648	129,611
Cash and cash equivalents at end of period	**92,522**	**139,098**
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	69,995	114,180
Cash and bank balances	33,200	35,706
	103,195	149,886
Restricted cash	(10,673)	(10,788)
Cash and cash equivalents at end of period	**92,522**	**139,098**

The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	84,022	103,784
US Dollar	8,389	34,999
Others	111	315
	92,522	139,098

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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", paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Companies Act 2016 in Malaysia, where applicable.

The unaudited interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 2017.

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 2017 except for the newly issued Malaysian Financial Reporting Standards ("MFRS"), IC Interpretations and amendments to published standards which is to be applied by all Entities Other That Private Entities that is effective for the financial periods beginning on or after 1 January 2018.

The new standards, amendments to published standards and IC Interpretation effective for financial year beginning on 1 January 2018 that are applicable and adopted by the Group as follows:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	Transfer of Investment Property
IC Interpretations 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS 2014 – 2016 cycle	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investment in Associates and Joint Ventures

The adoption of the above new accounting standards, amendment to published standards and IC Interpretation did not have any material impact to the Group for the financial year ending 31 December 2018 upon their initial application. The Group has adopted these standards retrospectively from 1 January 2018, with the practical expedients as permitted under the relevant standards.

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

A1. BASIS OF PREPARATION (Cont'd)

The above adoption will also result in a change in the accounting policies to the Group with the changes arising from these adoptions are as described below:

MFRS 9 Financial Instruments

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 on the classification and measurement of financial assets and financial liabilities and on hedge accounting. MFRS 9 also introduces the expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139 which applies to financial assets measured at amortised costs, contract assets under MFRS 15, lease receivables, loan commitments and certain financial guarantee contracts and debt instruments measured at fair value through other comprehensive income ("FVOCI"), but not to equity investments.

On the date of initial application, MFRS 9 did not affect the classification and measurement on the financial assets and financial liabilities. The impact on the application of the ECL model on receivables, deposits and contract assets of the Group is not material and thus, the incremental impact on the impairment provisions were charged out in the Consolidated Statement of Comprehensive Income in the current period.

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 focusing on the identification and satisfaction of the performance obligations.

On revenue recognition, the standard specifies that the revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use of and obtain the benefits from the goods or service via a five-step process model, moving from the transfer of risks and rewards principles.

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

A1. BASIS OF PREPARATION (Cont'd)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

In the assessment undertaken by the Group to evaluate the impact of adopting this new standard, the Group has identified the following areas that were affected:

- The initial application of MFRS 15 on the new guidance on revenue recognition did not have a material impact on the method and timing of the Group's revenue recognition; and

- Assets recorded in the Consolidated Statement of Financial Position as "Accrued Revenue" as at 31 December 2017 and included in "Trade and Other Receivables" and "Deferred Costs" were reclassified as "Contract Assets". "Deferred Revenue" were reclassified as "Contract Liabilities". Accordingly, the above items were reclassified in the Consolidated Statement of Cash Flows (Note B17).

The initial application of MFRS 15 did not have any material impact to the Group other than as noted in the paragraph above.

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, IC interpretation 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 2019 or where the effective date has been deferred to a date to be determined by the MASB is as follows:

MFRS 16	Leases (effective 1 January 2019)
Amendments to MFRS 9	Prepayment Features with Negative Compensation (effective 1 January 2019)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
IC Interpretation 23	Uncertainty over Income Tax Treatments (effective 1 January 2019)
Annual Improvements to MFRS Standards 2015 – 2017 cycle	Amendments to MFRS 3 Business Combinations, Amendments to MFRS 11 Joint Arrangements, Amendments to MFRS 112 Income Taxes, Amendments to MFRS 123 Borrowing Costs (effective 1 January 2019)
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is deferred to a date to be determined by MASB)

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:

<u>MFRS 16 Leases</u>

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The adoption of MFRS 16 will result in a change in accounting policy. Based on the assessments undertaken to date, the Group expects no material financial impact upon the adoption of the MFRS 16.

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

A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the financial year-to-date other than the high tax expense and tax penalty incurred due to the additional taxes raised by the tax authority for prior years of assessment from 2010 to 2015 on the Company following the completion of a tax review as disclosed in Note B5.

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 12 March 2018, the Company issued and listed 297,200 ordinary shares in the Company at an issuance price of RM1.567 per share to eligible employees under the Third Tranche of the First Grant under Restricted Share Incentive Plan of the Group's Long Term Incentive Plan ("LTIP").

On 30 March 2018, the Company issued and listed 450,100 ordinary shares in the Company at an issuance price of RM1.100 per share to eligible employees under the Second Tranche of the Second Grant under Restricted Share Incentive Plan of the Group's LTIP.

On 21 June 2018, the Company issued and listed 183,100 ordinary shares in the Company at an issuance price of RM1.022 per share to eligible employees under the Second Tranche of the Special Grant under Restricted Share Incentive Plan of the Group's 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.

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

A6. FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities expose it to a variety of financial risks and these include market risk, credit risk and liquidity risk. To mitigate these risks, the Group operates within defined policies and guidelines as approved by the Board.

The information on the forward foreign currency exchange contracts that remained outstanding at 30 June 2018 is set out in Note A7.

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

	As at 30/06/2018		As at 31/12/2017	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
US Dollar	104,254	75,582	109,506	97,055
Others	111	588	125	259
	104,365	76,170	109,631	97,314
Closing exchange rate				
US Dollar	4.039	4.039	4.062	4.062

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contracts

Forward foreign currency exchange contracts are 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 contracts entered into by the Group has a maturity period of less than one year from the current reporting date. As at 30 June 2018, the notional principal amount of the outstanding forward foreign currency exchange contracts were RM15,362,000.

Details of derivative on forward foreign currency exchange contracts that remained outstanding as at 30 June 2018 is as follows:

Type of derivatives	**Contract/ Notional amount**	**Net Fair Value Liabilities**
	RM'000	RM'000
Forward foreign currency exchange contracts ("FX Contract)		
- Less than 1 year	15,362	169

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 contracts is determined by using the forward exchange rates as at each reporting date.

During the financial year-to-date, the fair value changes arising from the forward foreign currency exchange contracts entered into by the Group and remained outstanding as at 30 June 2018 amounted to a fair value loss of RM169,000 with a corresponding unrealised foreign currency exchange gain on the hedge item of RM421,000.

A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 3.25 sen per share on 400,492,500 ordinary shares, in respect of the financial year ended 31 December 2017.

	RM'000
Second interim single tier dividend of 3.25 sen per share on 400,492,500 ordinary shares, paid on 28 March 2018	13,016

No dividend was paid in the current quarter under review.

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 well intervention and cased hole logging services;
  - Provision of specialty chemicals and well stimulation services;
  - Provision of drilling and completions services; and
  - Provision of subsurface engineering 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 2018.

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

A10. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial period ended 30 June 2018 was as follows:

	Individual Quarter ended		**Cumulative Quarters ended**	
	30/06/2018 RM'000	**30/06/2017 RM'000**	**30/06/2018 RM'000**	**30/06/2017 RM'000**
Segment Revenue				
Power and Machinery				
External revenue	79,532	64,650	144,547	122,843
Power and Machinery	79,532	64,650	144,547	122,843
Oilfield Services				
External revenue	31,253	31,747	58,576	55,665
Oilfield Services	31,253	31,747	58,576	55,665
Integrated Corrosion Solution				
External revenue	28,413	9,945	44,483	17,699
Integrated Corrosion Solution	28,413	9,945	44,483	17,699
Other non-reportable segment				
External revenue	96	119	195	217
Other non-reportable segment	96	119	195	217
Total Group revenue	139,294	106,461	247,801	196,424

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Segment Results				
Power and Machinery	11,138	6,437	16,255	10,664
Oilfield Services	6,136	4,868	10,407	5,143
Integrated Corrosion Solution	(2,949)	864	(6,554)	890
Other non-reportable segment	9	11	18	20
Segment results	14,334	12,180	20,126	16,717
Unallocated income ^	67	50	169	108
Unallocated corporate expenses #	(1,736)	(1,399)	(3,759)	(2,609)
Share of results of a joint venture *	392	235	668	405
Share of results of associates *	287	363	862	726
Tax expense (Note B5) *	(3,700)	(3,922)	(7,055)	(5,613)
Profit for the financial period	9,644	7,507	11,011	9,734

^ Unallocated income comprised mainly interest income earned by the Group.

\# Unallocated corporate expenses represented the Group's corporate expenses including depreciation of property, plant and equipment of corporate assets and other common corporate overhead costs that are not charged to business segments. The sum of RM3,759,000 included the tax penalty of RM838,000 due to additional taxes raised by the tax authority for prior years of assessment from 2010 to 2015 as disclosed in Note B5.

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

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Segment Assets		
Power and Machinery	211,953	243,797
Oilfield Services	214,996	234,289
Integrated Corrosion Solution	53,359	37,089
Segment assets	480,308	515,175
Unallocated corporate assets ^	91,271	94,485
Total assets	571,579	609,660

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Segment Liabilities		
Power and Machinery	86,698	113,543
Oilfield Services	65,644	93,641
Integrated Corrosion Solution	38,052	15,588
Segment liabilities	190,394	222,772
Unallocated corporate liabilities #	33,514	36,020
Total liabilities	223,908	258,792

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

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

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

A11. REVENUE

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Sale of equipment	29,861	28,533	51,874	56,110
Rendering of services	106,784	77,357	192,550	138,455
Marketing fee	2,553	452	3,182	1,642
Management fee	96	119	195	217
	139,294	106,461	247,801	196,424

A12. ACQUISITIONS AND DISPOSALS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter ended 30 June 2018, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Acquisitions at cost:-				
- Plant and equipment	3,910	161	5,034	521
- Intangible assets	2	0	24	0
Disposals at net book value:-				
- Plant and equipment	0	0	0	231
Depreciation:-				
- Plant and equipment	7,543	7,708	15,053	15,469
- Investment properties	6	6	12	12
Amortisation of intangible assets	182	175	363	350

A13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

There was no other material event after the end of the reporting date.

A14. CHANGES IN THE COMPOSITION OF THE GROUP

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

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

A15. CONTINGENT LIABILITIES / ASSETS

As at 30 June 2018, 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 RM32.9 million (31 December 2017: RM32.9 million).

A16. COMMITMENTS

(a) Capital commitment

Capital commitments for investment, property, plant and equipment and intangible assets not provided for as at 30 June 2018 were as follows:

	As at 30/06/2018 RM'000	**As at 31/12/2017 RM'000**
Authorised but not contracted for		
- Plant and machinery	25,903	30,221
- Others	9,587	13,707
Authorised and contracted for		
- Plant and machinery	1,566	2,480
- Others	6,003	6,221
	43,059	52,629
Share of capital commitment of joint venture	59	59
	43,118	52,688

(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 30/06/2018 RM'000	**As at 31/12/2017 RM'000**
Within one year	1,363	648
Between two to five years	1,504	606
	2,867	1,254

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

A17. 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**	
	30/06/2018 RM'000	**30/06/2017 RM'000**	**30/06/2018 RM'000**	**30/06/2017 RM'000**
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	1,274	924	3,677	924
Rental income from an affiliate company of STICO	13	0	27	0
Purchases and technical services from STICO and its affiliated company	44,128	45,929	87,075	78,258

Significant outstanding balance arising from the above transactions as at 30 June 2018 was as follows:

	As at 30/06/2018 RM'000	**As at 31/12/2017 RM'000**
Amount due from STICO and its affiliated company	1,556	5,774
Amount due to STICO and its affiliated company	68,427	85,989

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

A17. 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	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Sales to related parties of Dresser Italia S.R.L	79	21	135	21
Purchases from Dresser Italia S.R.L and its related parties	6,557	5,147	10,559	11,675

Significant outstanding balance arising from the above transactions as at 30 June 2018 was as follows:

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Amount due from related parties of Dresser Italia S.R.L	83	0
Amount due to related parties of Dresser Italia S.R.L	3,651	3,104

(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	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Sales to STICO	1,484	1,484	2,968	2,968
Rental income from affiliate company of STICO	207	207	414	414

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

A17. 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 2018 was as follows:

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Amount due from STICO and its affiliated company	1,106	538

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Directors' fees	235	235	471	471
Salaries, bonuses, allowances and other staff related expenses	3,905	2,599	6,461	6,538
Defined contribution plan	250	264	516	652
	4,390	3,098	7,448	7,661

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

	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Group				
Revenue	139,294	106,461	32,833	30.8
Operating profit	13,353	11,861	1,492	12.6
Share of results of a joint venture, net of tax	392	235	157	66.8
Share of results of associates, net of tax	287	363	(76)	(20.9)
Profit before interest and tax	13,312	11,930	1,382	11.6
Profit before tax	13,344	11,429	1,915	16.8
Profit after tax	9,644	7,507	2,137	28.5
Profit attributable to equity holders of the Company	9,173	6,700	2,473	36.9

Oil prices are trending higher in 2018 as compared with 2017 and expected to post a higher average of USD72 a barrel whereas the average in 2017 was USD53. The firmer oil prices had led to an overall improvement in trading conditions.

On the domestic front, local oil majors continued to remain cautious amidst various business challenges. While flow of local contracts are more encouraging, systematic changes were introduced on the rollouts of these local contracts by focusing on economics of scale and cost efficiency. The Group posted a revenue growth of RM32.8 million or 30.8% against the corresponding quarter riding on the back of higher revenue contribution from Power and Machinery and Integrated Corrosion Solution segments, offset by lower revenue contribution from Oilfield Services segment. But operating profit growth was less impressive rising by 12.6% dragged down by the loss in the Integrated Corrosion Solution segment.

The Group's profit attributable to equity holders of the Company increased by RM2.5 million mainly on account of improved trading conditions and changes in the value of the USD which turned exchange losses of RM3.5 million in the corresponding quarter into a gain of RM0.8 million.

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

Share of results of associates were marginally lower by RM76,000 mainly due to the decreased throughput from Malaysia Mud and Chemicals Sdn. Bhd. ("2MC").

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)

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

	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Power and Machinery				
Revenue	79,532	64,650	14,882	23.0
Operating profit	11,138	6,437	4,701	73.0
Profit before interest and tax	10,578	6,045	4,533	75.0
Profit before tax	11,138	6,437	4,701	73.0

The Power and Machinery segment's revenue grew by RM14.9 million or 23.0% against the corresponding quarter driven mainly by the stronger work orders from exchange engine, retrofit projects, parts, repairs and maintenance, valve and flows regulators and higher commission income earned particularly on oil and gas projects of RM18.4 million offset by the slower sales activities on third-party and lower other ancillary services of RM3.5 million.

The segment results improved by RM4.7 million supported by the higher revenue reported. In addition, the segment results recorded in the previous corresponding quarter was also affected by the net foreign exchange loss of RM3.7 million versus a net foreign exchange gain of RM0.7 million recorded in the current quarter.

	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Oilfield Services				
Revenue	31,253	31,747	(494)	(1.6)
Operating profit	6,803	5,869	934	15.9
Profit before interest and tax	6,679	5,771	908	15.7
Profit before tax	6,136	4,868	1,268	26.0

The Oilfield Services segment revenue fell by 1.6% or RM0.5 million as compared with the corresponding quarter due to lower work order for well intervention and enhancement services by RM1.2 million and lower sales on oilfield chemicals of RM1.8 million mitigated by higher utilisation of slickline assets of RM2.3 million

Notwithstanding the lower revenue earned in the current period, the segment results improved by RM1.3 million due to better sales mix with higher margins from slickline activities coupled with a reduction in finance costs due to lower funding requirements.

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)

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

	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Integrated Corrosion Solution				
Revenue	28,413	9,945	18,468	185.7
Operating profit	(2,928)	893	(3,821)	(427.9)
Profit before interest and tax	(2,928)	893	(3,821)	(427.9)
Profit before tax	(2,949)	864	(3,813)	(441.3)

The Integrated Corrosion Solution segment revenue of RM28.4 million was more than double of the revenue recorded in the second quarter of 2017 driven by the additional revenue generated from the Maintenance, Construction and Modification services ("MCM") contract but offset by the slowdown in sales from Pan Malaysia Blasting Contract following expiry of the contract. However, the segment results declined by RM3.8 million affected by the higher costs incurred to support the fulfilment of the MCM contract and closing out of the Pan Malaysia Blasting Contract.

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			
	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Group				
Revenue	247,801	196,424	51,377	26.2
Operating profit	17,989	16,378	1,611	9.8
Share of results of a joint venture, net of tax	668	405	263	64.9
Share of results of associates, net of tax	862	726	136	18.7
Profit before interest and tax	17,946	16,536	1,410	8.5
Profit before tax	18,066	15,347	2,719	17.7
Profit after tax	11,011	9,734	1,277	13.1
Profit attributable to equity holders of the Company	10,575	8,017	2,558	31.9

The Group's half yearly revenue strengthen to RM247.8 million as compared to the corresponding period of RM196.4 million supported by the revenue growth recorded across all reportable segments.

The Group's profit attributable to equity holders of the Company recorded an improvement against the corresponding period due to the stronger performance from both Power and Machinery and Oilfield Services segments. The Group performance was further enhanced by the favorable foreign exchange movement with a net foreign exchange gain of RM0.7 million recorded as opposed to a foreign exchange loss of RM5.9 million suffered in the corresponding period. This was however offset by the lower results reported from the Integrated Corrosion Solutions segment alongside with a higher tax charge following the completion of the tax review by the tax authorities for the years of assessment from 2010 to 2015 as disclosed in Note B5.

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

Share of results of associates was higher by RM0.1 million due to the lower losses shared from CUPL mitigated by the decline in profit contribution from 2MC due to lower throughput.

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 (Cont'd)

	Cumulative quarters ended			
	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Power and Machinery				
Revenue	144,547	122,843	21,704	17.7
Operating profit	16,255	10,664	5,591	52.4
Profit before interest and tax	15,106	9,960	5,146	51.7
Profit before tax	16,255	10,664	5,591	52.4

The Power and Machinery segment revenue increased by 17.7% or RM21.7 million as compared to the corresponding period attributable to higher work orders secured from exchange engines and increased in commission earned by RM30.8 million offset by the lower contribution from retrofit projects, parts, repairs and maintenance, valve and flow regulators, third party and other ancillary services of RM9.1 million.

The segment results improved by RM5.6 million in tandem with the higher revenue reported in the current period and that the previous corresponding quarter results was affected by the net foreign exchange losses of RM6.2 million as compared to a net foreign exchange gain of RM0.7 million in the current period. This was however, offset by the lower margins earned.

	Cumulative quarters ended			
	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Oilfield Services				
Revenue	58,576	55,665	2,911	5.2
Operating profit	11,821	7,227	4,594	63.6
Profit before interest and tax	11,535	7,049	4,486	63.6
Profit before tax	10,407	5,143	5,264	102.4

The Oilfield Services segment revenue increased by RM2.9 million against the corresponding period mainly due to the higher revenue contribution from slickline activities by RM8.7 million offset by lower work order for well intervention and enhancement services and oilfield chemicals by RM5.8 million.

The segment results lifted by RM5.3 million on the back of higher revenue from slickline related activities especially in West Malaysia.

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 (Cont'd)

	Cummulative quarters ended			
	Q2'18 RM'000	Q2'17 RM'000	Variance RM'000	Variance %
Integrated Corrosion Solution				
Revenue	44,483	17,699	26,784	151.3
Operating profit	(6,515)	968	(7,483)	(773.0)
Profit before interest and tax	(6,515)	968	(7,483)	(773.0)
Profit before tax	(6,554)	890	(7,444)	(836.4)

The Integrated Corrosion Solution segment registered a revenue of RM44.5 million, increasing by RM26.8 million or 151.3% as compared with the corresponding period due to additional revenue earned from the MCM contract offset by the slowdown in revenue from the Pan Malaysia Painting and Blasting Contract due to contract expiry.

Notwithstanding the higher revenue reported, the ICS segment results suffered a turnaround of RM7.4 million affected by higher costs incurred to close out the Pan Malaysia Painting and Blasting Contract and to support the fulfilment of the MCM contract.

(C) Consolidated Statement of Financial Position

Group total assets as at 30 June 2018 stood at RM571.6 million against RM609.7 million at the end of the previous financial year, representing a contraction of RM38.1 million. This was mainly due to lower holdings on cash and bank balances by RM38.2 million, reduction in trade and other receivables by RM12.8 million and lower carrying value of fixed assets due to effects of depreciation and amortisation charges of RM10.4 million mitigated by increase in contract assets by RM21.3 million. In tandem, total liabilities declined by RM34.9 million mainly due to lower trade and other payables by RM17.1 million, repayment made on borrowings of RM17.5 million and a decrease in equity by RM3.2 million mainly due to dividend paid of RM14.5 million mitigated by earnings generated during the current period.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances was lower at RM103.2 million as compared with RM141.4 million as at 31 December 2017. The change was due to net cash used in operations of RM5.0 million mainly on account of higher working capital requirements, net repayment on borrowings of RM17.5 million and dividends paid to shareholders and non-controlling interests totalling to RM14.5 million.

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

	Q2'18 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Group				
Revenue	139,294	108,507	30,787	28.4
Operating profit	13,353	4,636	8,717	188.0
Share of results of a joint venture, net of tax	392	276	116	42.0
Share of results of associates, net of tax	287	575	(288)	(50.1)
Profit before interest and tax	13,312	4,634	8,678	187.3
Profit before tax	13,344	4,722	8,622	182.6
Profit after tax	9,644	1,367	8,277	605.5
Profit attributable to equity holders of the Company	9,173	1,402	7,771	554.3

Quarter on quarter, the Group registered a revenue of RM139.3 million, an increase in revenue by RM30.8 million or 28.4% against the immediate preceding quarter. This is supported by the revenue growth recorded across all reportable segments sustained by higher activity level as customers' works orders picks up from the traditionally slow activities in the first quarter.

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

Share of results of associates decreased by RM0.3 million affected by the lower throughput from 2MC in the current quarter.

	Q2'18 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Power and Machinery				
Revenue	79,532	65,015	14,517	22.3
Operating profit	11,138	5,117	6,021	117.7
Profit before interest and tax	10,578	4,528	6,050	133.6
Profit before tax	11,138	5,117	6,021	117.7

Power and Machinery segment results were RM11.1 million for the current quarter versus RM5.1 million reported in the preceding quarter. The higher results were attributable to the contributions from higher revenues from retrofit projects, parts, repairs and maintenance, valve and flows regulators, third party and other ancillary services and commission income of RM18.9 million offset by lower work orders on exchange engine of RM3.7 million.

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

	Q2'18 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Oilfield Services				
Revenue	31,253	27,323	3,930	14.4
Operating profit	6,803	5,018	1,785	35.6
Profit before interest and tax	6,679	4,856	1,823	37.5
Profit before tax	6,136	4,271	1,865	43.7

Oilfield Services segment results were higher by RM1.9 million attributable to higher contribution from on the back of higher revenues earned.

	Q2'18 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Integrated Corrosion Solution				
Revenue	28,413	16,070	12,343	76.8
Operating profit	(2,928)	(3,587)	659	18.4
Profit before interest and tax	(2,928)	(3,587)	659	18.4
Profit before tax	(2,949)	(3,605)	656	18.2

Integrated Corrosion Solution segment reported a reduced loss of RM2.9 million in the current quarter as opposed to a loss of RM3.6 million in the immediate preceding quarter. This change was due to lower start up and mobilisation costs incurred in rolling out the MCM contract and late charges in closing out works related to the Pan Malaysia Blasting contract. However, we do not anticipate any material cost arising from the painting and blasting activities going forward.

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

B3. PROSPECTS

The arrival and the prospect of stronger oil prices had led to higher levels of spending in the sector. Accordingly, in the year to date the Group's revenue had improved from RM196.4 million to RM247.8 million, an increase of 26%. However, gross margin declined from 30% to 23% underlining the ongoing downward pressures on margins exerted by the major oil companies since the collapse in oil prices in 2014. There is little sign of easing in the push for cost efficiencies and effectiveness notwithstanding the elevated oil prices and going forward our major customers will continue to exercise tight fiscal disciplines.

The Group continues to concentrate on meeting its mission of sustainability and resilience by enhancing capabilities across all business segments and where appropriate in conjunction with synergistic alliances, alongside strong project execution and rigorous budget management.

The Power and Machinery segment continues to focus its efforts in supporting its customers by providing excellent after sales services to the installed turbine base and working with customers to provide cost effective solutions. It is at the same time looking into further opportunities to expand the provision of project management and installation services for gas turbines, retrofits and refurbishments regionally. With the firmer oil prices, and improved trading conditions, the Board is quietly confident that the performance in the remainder of the financial year to match the performance to date.

The Oilfield Services segment focuses primarily on upstream activities in the sub surface sector in particular the provision of slickline services and equipment. This activity is expected to contribute positively to the segment's revenue in 2018. However, this business is underpinned by the Pan Malaysian Slickline Contracts which expire in third quarter 2018 and first quarter 2019. As of todate, the segment has actively participated in all the bidding exercises in order to secure new slickline contracts from its existing and new customers. The Board is cautiously optimistic of the outcome of these bidding exercises as the segment is currently a leader in the provision of slickline services backed up by a solid service and delivery record, good health and safety practices, skilled technicians and availability of slickline equipment for rapid deployment.

The Integrated Corrosion Solution segment booked higher revenues in the year to date primarily driven by work orders flowing from the MCM contract which commenced operation beginning this financial year. However, the segment suffered a loss in the year to date in part due to high start up and mobilisation costs. But we expect costs to normalize and revenue to catch-up in the coming months on the basis of work orders in hand. These developments are expected to contribute positively to earnings moving forward.

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

B4. PROFIT FORECAST

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

B5. INCOME TAX EXPENSE

	Individual Quarter ended		**Cumulative Quarters ended**	
	30/06/2018 RM'000	**30/06/2017 RM'000**	**30/06/2018 RM'000**	**30/06/2017 RM'000**
Current tax – current year	3,863	1,940	6,419	3,602
(Over)/Under provision in prior years*	(107)	39	1,755	39
Deferred tax – origination and reversal of temporary differences	(56)	1,943	(1,119)	1,972
Total income tax expense	**3,700**	**3,922**	**7,055**	**5,613**

* The under provision in prior years relate to additional taxes for the years of assessment 2010 to 2015 arising from the differences on the interpretation on the deductibility of certain expenses incurred by the Company with the tax authority. In addition, a tax penalty amounting to RM838,000 was raised by the tax authority under Section 113(2) of the Income Tax Act 1967. This amount was included in the line Other operating expenses in the Consolidated Statement of Comprehensive Income.

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 2018 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/06/2018	**30/06/2017**
	%	**%**
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	24
Tax effects of:		
- Expenses not deductible for tax purposes	3	13
- Income not subject to tax	(1)	0
- Share of results of associates and joint venture	(2)	(2)
- Deferred tax assets not recognised	2	1
- Under provision in prior years	13	1
Effective tax rate	39	37

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.

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 14 August 2018 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Group's share of net assets of joint venture	29,231	28,563

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, both parties approval on relevant activities is required as stated in the Subscription Agreement. 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.

B9. JOINT VENTURE (Cont'd)

Summarised statement of comprehensive income

	Quarter ended		Year-to-date ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Profit before tax	617	420	1,051	709
Income tax expense	(131)	(128)	(222)	(206)
Profit for the period	486	292	829	503
Interest in joint venture (80.55%)				
Share of results	392	235	668	405

B10. ASSOCIATES

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Group's share of net assets of associates	37,175	38,595

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 2017. The associates have share capitals consisting solely of ordinary shares, which are held directly by the Group.

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

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired on 8 May 2015. Upon its expiration, the Company will continue to equity account for the results of CUPL until it ceases to be an associate. The share of profit from this associate and its contribution attributable to the shareholders of the Company in the financial period ended 30 June 2018 amounted to RM1,000 (30 June 2017: loss of RM256,000) and RM600 (30 June 2017: loss of RM153,600) respectively.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2018

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

B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC Quarter ended		CUPL Quarter ended		Total Quarter ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Profit / (loss) before tax	1,111	2,091	(5)	(1,294)	1,106	797
Income tax expense	(210)	(150)	0	0	(210)	(150)
Profit / (loss) for the period	901	1,941	(5)	(1,294)	896	647
Interest in associates (32%; 20%) Share of results	288	622	(1)	(259)	287	363

	2MC Year-to-date ended		CUPL Year-to-date ended		Total Year-to-date ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Profit / (loss) before tax	3,494	3,377	3	(1,278)	3,497	2,099
Income tax expense	(802)	(310)	0	0	(802)	(310)
Profit / (loss) for the period	2,692	3,067	3	(1,278)	2,695	1,789
Interest in associates (32%; 20%) Share of results	861	982	1	(256)	862	726

B11. TRADE RECEIVABLES

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Neither past due nor impaired	36,953	84,553
1 to 30 days past due not impaired	49,501	14,478
31 to 60 days past due not impaired	4,421	9,007
61 to 90 days past due not impaired	4,545	2,511
91 to 120 days past due not impaired	5,994	482
More than 121 days past due not impaired	2,554	1,220
	103,968	112,251
Past due and impaired:		
31 to 60 days past due and impaired	1	0
61 to 90 days past due and impaired	0	64
91 to 120 days past due not impaired	0	0
More than 121 days past due and impaired	1,831	1,986
	105,800	114,301
Less: Impairment of receivables	(1,832)	(2,050)
	103,968	112,251

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM67.0 million (31 December 2017: RM27.7 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.

B12. GROUP BORROWINGS

The Group borrowings as at 30 June 2018 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
30/06/2018			
Borrowings - secured	24,600	18,450	43,050
- unsecured	15,466	0	15,466
	40,066	18,450	58,516
31/12/2017			
Borrowings - secured	24,599	30,750	55,349
- unsecured	20,699	0	20,699
	45,298	30,750	76,048

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Revolving credits	(i)	14,800	17,800
Term loan	(ii)	43,050	55,349
Loans against import	(iii)	666	2,899
		58,516	76,048
Less: Amount repayable within 12 months			
Revolving credit		(14,800)	(17,800)
Term loan		(24,600)	(24,599)
Loans against import		(666)	(2,899)
		(40,066)	(45,298)
Amount repayable after 12 months		18,450	30,750

The decrease in borrowings is due to net repayment on revolving credits of RM3.0 million, loans against import of RM2.2 million and term loan repayment of RM12.3 million.

B12. GROUP BORROWINGS (Cont'd)

(i) Revolving credits are rolled over on a monthly basis at an average interest rate of 5.17% (average interest of 1.00% per annum above the bank's cost of funds).

(ii) Term loan carries an average interest rate of 4.18% (0.90% per annum above the KLIBOR). The tenure of the loan is 5 years.

(iii) Loans against import carry an interest of 4.45% (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 2018 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

B14. MATERIAL LITIGATION

There was no material litigation as at 14 August 2018 (being the latest practicable date which shall not be earlier than 7 days from the date of issuance of this report).

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

B15. DIVIDEND

The Board of Directors have, in respect of financial year ended 31 December 2017, declared a second interim single tier dividend of 3.25 sen per share on 400,492,500 ordinary shares, totaling RM13,016,000. The dividend was paid on 28 March 2018.

The Board of Directors have, in respect of financial year ending 31 December 2018, declared a first interim single tier dividend of 1.25 sen (31 December 2017: 1.00 sen) per ordinary share on 401,125,700 ordinary shares.

The dividend will be payable on 25 September 2018 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 13 September 2018.

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

(i) shares transferred into the Depositor's securities account before 4p.m on 13 September 2018 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**	
	30/06/2018 RM'000	**30/06/2017 RM'000**	**30/06/2018 RM'000**	**30/06/2017 RM'000**
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	9,173	6,700	10,575	8,017
Weighted average number of shares in issue ('000)	400,291	400,195	400,618	400,195
Basic earnings per share (sen)	2.29	1.67	2.64	2.00

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

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**	
	30/06/2018 RM'000	**30/06/2017 RM'000**	**30/06/2018 RM'000**	**30/06/2017 RM'000**
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	9,173	6,700	10,575	8,017
Weighted average number of shares in issue ('000) (Basic)	400,291	400,195	400,618	400,195
Effect of potential vesting of Long Term Incentive Plan	2,831	2,536	2,301	3,035
Weighted average number of ordinary shares ('000)	403,122	402,731	402,919	403,230
Diluted earnings per share (sen)	2.28	1.66	2.62	1.99

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

B17. COMPARATIVE FIGURES

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

Consolidated Statement of Financial Position

	As restated As at 31/12/2017 RM'000	**As previously stated As at 31/12/2017 RM'000**
Current Assets		
Trade receivables	112,251	192,910
Deferred costs	0	1,352
Amounts due from a joint venture	140	163
Contract assets	82,034	0
Current Liabilities		
Deferred revenue	0	1,973
Contract liabilities	1,973	0

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

B17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation as disclosed below (Cont'd):

Consolidated Statement of Cash Flows

	Year-to-date ended	
	As restated 30/6/2017 RM'000	**As previously stated 30/6/2017 RM'000**
Cash Flows from Operating Activities		
Changes in working capital:		
Amounts due from an associate	0	(11)
Trade receivables	59,173	90,202
Deferred costs	0	2,812
Contract assets	33,841	0
Deferred revenue	0	(3,828)
Contract liabilities	(3,828)	0
Cash Flows from Investing Activities		
Amounts due from an associate	(11)	0

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

B18. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Inventories consumed and recognised as cost of sales	21,406	21,216	36,670	40,529
Purchase of products, parts and consumable	5,434	2,520	7,142	4,876
Costs of services purchased	42,556	29,909	83,423	58,710
Interest income	(720)	(529)	(1,573)	(973)
Other income including investment income	(96)	(112)	(166)	(210)
Interest expenses	688	1,030	1,453	2,162
Depreciation and amortisation	7,731	7,889	15,428	15,831
Write back of impairment for doubtful debts				
- Trade receivables	0	(39)	(64)	(39)
- Contract assets	0	0	(9)	0
Bad debts written off	0	0	0	2
- Other receivables				
Impairment of doubtful debts				
- Trade receivables	(8)	0	27	0
- Contract assets	55	0	100	0
Allowance for slow moving inventories	0	97	0	97
Reversal of allowance for slow moving inventories	(5)	(3)	(14)	(34)

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	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Property, plant and equipment written off	1	5	1	37
Inventories written off	28	0	28	0
Foreign exchange losses / (gains)				
- Realised	(996)	(2,101)	(692)	2,339
- Unrealised	216	5,585	26	3,543
Provision for liquidated damages	242	0	245	0
Reversal of allowance for provision of liquidated damages	0	(127)	(9)	(127)
Fair value loss on foreign currency exchange forward contract	222	0	252	0
Tax penalty	0	0	838	0

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.

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

B19. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2017 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 21 August 2018.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
21 August 2018