

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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 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 ENDED 31 DECEMBER 2018**

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
		Unaudited	Unaudited	Unaudited	Audited
Revenue	A11	200,447	169,849	623,685	534,058
Cost of sales		(169,130)	(126,843)	(499,235)	(394,190)
Gross profit		31,317	43,006	124,450	139,868
Other operating income		742	996	3,553	2,947
Selling and distribution costs		(10,016)	(11,941)	(35,644)	(34,101)
Administrative expenses		(11,182)	(10,425)	(46,586)	(44,490)
Other operating losses *		(615)	(355)	(3,787)	(6,666)
Operating profit		10,246	21,281	41,986	57,558
Finance costs		(709)	(869)	(2,852)	(4,005)
Share of results of a joint venture (net of tax)	B9	149	141	1,139	857
Share of results of associates (net of tax)	B10	556	(474)	2,275	(385)
Profit before tax	B18	10,242	20,079	42,548	54,025
Income tax expense	B5	(2,441)	(4,261)	(12,719)	(14,764)
<b>Profit for the year</b>		<b>7,801</b>	<b>15,818</b>	<b>29,829</b>	<b>39,261</b>
<b>Other comprehensive income</b>					
Currency translation differences		2	(176)	83	(445)
<b>Total comprehensive income for the year</b>		<b>7,803</b>	<b>15,642</b>	<b>29,912</b>	<b>38,816</b>
<b>Profit attributable to:</b>					
- Equity holders of the Company		7,477	13,458	27,169	32,277
- Non-controlling interests		324	2,360	2,660	6,984
		<b>7,801</b>	<b>15,818</b>	<b>29,829</b>	<b>39,261</b>
<b>Total comprehensive income attributable to:</b>					
- Equity holders of the Company		7,482	13,426	27,187	32,208
- Non-controlling interests		321	2,216	2,725	6,608
		<b>7,803</b>	<b>15,642</b>	<b>29,912</b>	<b>38,816</b>
<b>Earnings per share (EPS) attributable to equity holders of the Company (sen)</b>					
- Basic EPS	B16	<u>1.87</u>	<u>3.36</u>	<u>6.78</u>	<u>8.07</u>
- Diluted EPS	B16	<u>1.85</u>	<u>3.33</u>	<u>6.75</u>	<u>8.01</u>
* Other operating losses include the following:					
Foreign exchange (losses)/gains					
- Realised		(278)	(2,869)	(336)	(4,654)
- Unrealised		237	3,411	(141)	(396)
Fair value loss on forward foreign currency exchange contracts		(98)	(25)	(650)	(24)
Tax penalty	B5	<u>0</u>	<u>0</u>	<u>(838)</u>	<u>0</u>

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)**  
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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

RM'000	Note	As at 31/12/2018 Unaudited	As at 31/12/2017 Restated
<b>ASSETS</b>			
Property, plant and equipment		151,324	163,525
Investment properties		794	818
Investment properties		954	1,644
Associates	B10	35,565	38,595
Joint venture	B9	29,702	28,563
Deferred tax assets		3,062	2,010
Other receivables		11,082	4,922
<b>Non-current Assets</b>		<b>232,483</b>	<b>240,077</b>
Inventories		22,498	18,341
Amounts due from an associate		1,600	6
Amounts due from a joint venture		160	139
Trade receivables	B11	92,983	109,980
Contract assets		163,855	82,035
Other receivables, deposits and prepayments		10,168	13,683
Derivative financial instrument	A7	7	0
Tax recoverable		1,698	1,740
Cash and bank balances		134,907	141,388
<b>Current Assets</b>		<b>427,876</b>	<b>367,312</b>
<b>TOTAL ASSETS</b>		<b>660,359</b>	<b>607,389</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		201,354	200,206
Equity - share based payment		1,081	2,452
Retained earnings		181,829	172,044
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,705)	(2,723)
Equity attributable to equity holders of the Company		331,559	321,979
Non-controlling interests		24,102	28,889
<b>Total Equity</b>		<b>355,661</b>	<b>350,868</b>
Borrowings	B12	7,785	30,750
Deferred tax liabilities		22,786	22,724
<b>Non-current Liabilities</b>		<b>30,571</b>	<b>53,474</b>
Trade payables		183,646	120,810
Contract liabilities		6,477	1,973
Other payables and accruals		19,489	25,108
Amounts due to an associate		7,242	7,051
Derivative financial instrument	A7	0	24
Taxation		1,877	2,783
Borrowings	B12	55,396	45,298
<b>Current Liabilities</b>		<b>274,127</b>	<b>203,047</b>
<b>Total Liabilities</b>		<b>304,698</b>	<b>256,521</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>660,359</b>	<b>607,389</b>

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 YEAR ENDED 31 DECEMBER 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 '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 2017	400,000	200,000	655	(2,654)	(50,000)	152,769	300,770	27,671	328,441
Profit for the financial year	0	0	0	0	0	32,277	32,277	6,984	39,261
Other comprehensive income for the financial year	0	0	0	(69)	0	0	(69)	(376)	(445)
Total comprehensive income for the financial year	0	0	0	(69)	0	32,277	32,208	6,608	38,816
Long-Term Incentive Plan ("LTIP"):									
- Share based payment	0	0	2,003	0	0	0	2,003	0	2,003
- Ordinary shares issued pursuant to the LTIP	195	206	(206)	0	0	0	0	0	0
Dividend	0	0	0	0	0	(13,002)	(13,002)	(5,390)	(18,392)
At 31 December 2017	<u>400,195</u>	<u>200,206</u>	<u>2,452</u>	<u>(2,723)</u>	<u>(50,000)</u>	<u>172,044</u>	<u>321,979</u>	<u>28,889</u>	<u>350,868</u>
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 year	0	0	0	0	0	27,169	27,169	2,660	29,829
Other comprehensive income for the financial year	0	0	0	18	0	0	18	65	83
Total comprehensive income for the financial year	0	0	0	18	0	27,169	27,187	2,725	29,912
LTIP:									
- Share based payment	0	0	423	0	0	0	423	0	423
- 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	(18,030)	(18,030)	(7,512)	(25,542)
At 31 December 2018	<u>401,125</u>	<u>201,354</u>	<u>1,081</u>	<u>(2,705)</u>	<u>(50,000)</u>	<u>181,829</u>	<u>331,559</u>	<u>24,102</u>	<u>355,661</u>

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 YEAR ENDED 31 DECEMBER 2018**

RM'000	YEAR ENDED	
	31/12/2018	31/12/2017
	Unaudited	Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	29,829	39,261
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	10	274
- write back of impairment	(136)	(100)
Contract assets		
- impairment made	23	91
- write back of impairment	(9)	0
Other receivables		
- impairment made	0	48
Allowance for slow moving inventories:		
- allowance made	209	318
- write back of allowance	(27)	(120)
Amortisation of intangible assets	716	727
Financial guarantee receivables	0	(9)
Depreciation:		
- property, plant and equipment	30,646	30,723
- investment properties	24	24
Bad debts written off:		
- other receivables	0	2
Provision for liquidated damages		
- provision made	60	0
- write back of allowance	(58)	(182)
Gain on disposals of plant and equipment	(334)	(77)
Write-off:		
- property, plant and equipment	151	78
- inventories	64	88
Interest income	(2,898)	(2,385)
Finance costs	2,852	4,005
Share based payment expense	423	2,003
Share of results of associates	(2,275)	385
Share of results of a joint venture	(1,139)	(857)
Tax expense	12,719	14,764
Unrealised foreign exchange losses	141	396
Fair value loss on forward foreign currency exchange contracts	650	24
Operating profit before working capital changes	71,641	89,481
<u>Changes in working capital</u>		
Inventories	(4,403)	3,452
Amounts due from a joint venture	0	(33)
Trade receivables	16,375	12,235
Contract assets	(82,105)	15,230
Other receivables, deposits and prepayments	3,485	(3,382)
Trade payables	63,105	(41,498)
Other payables and accruals	(5,643)	4,206
Contract liabilities	4,504	(5,389)
Cash generated from operations	66,959	74,302
Tax paid	(14,651)	(10,478)
Tax refunded	78	352
Interest paid	(2,857)	(4,021)
<b>Net cash generated from operating activities</b>	<b>49,529</b>	<b>60,155</b>

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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

RM'000	YEAR ENDED	
	31/12/2018	31/12/2017
	Unaudited	Restated
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,922	2,346
Addition on plant and equipment *	(24,677)	(2,642)
Proceeds from disposals on plant and equipment	335	163
Addition on intangible assets	(26)	0
Downpayment made for an investment	0	(4,922)
Dividend received from associates	3,840	0
Amounts due from an associate	6	8
Amounts due from/to a joint venture	(21)	(77)
<b>Net cash used in investing activities</b>	<b>(17,621)</b>	<b>(5,124)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Revolving credit		
- Drawn down	15,000	0
- Repayment	(8,000)	(11,100)
Loans against import		
- Drawn down	6,794	4,940
- Repayment	(7,045)	(2,748)
Term loan		
- Drawn down	4,904	0
- Repayment	(24,600)	(24,600)
Finance lease		
- Repayment	0	(11)
Dividends paid to:		
- Shareholders	(18,030)	(13,002)
- Non-controlling interest	(7,512)	(5,536)
Decrease in restricted cash	109	83
<b>Net cash used in financing activities</b>	<b>(38,380)</b>	<b>(51,974)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,472)</b>	<b>3,057</b>
Foreign currency translation	100	(2,020)
Cash and cash equivalents at beginning of the year	130,648	129,611
<b>Cash and cash equivalents at end of year</b>	<b>124,276</b>	<b>130,648</b>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits	93,068	100,885
Cash and bank balances	41,839	40,503
	134,907	141,388
Restricted cash	(10,631)	(10,740)
<b>Cash and cash equivalents at end of year</b>	<b>124,276</b>	<b>130,648</b>
* Included in the non-current other receivables is advance payment made amounting to RM6,160,000.		
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	116,446	110,463
US Dollar	7,717	20,060
Others	113	125
	<u>124,276</u>	<u>130,648</u>

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.

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 Than 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 Interpretation 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 ended 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.

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**UNAUDITED INTERIM FINANCIAL REPORT  
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**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 measurement categories on financial instruments with the basis of classification for financial assets depending upon the entity's business model and the cash flow characteristics of the financial assets, a substantially-reformed model for hedge accounting that improved the alignment of the accounting treatment with risk management activities and introduces a new requirement on impairment.

The Group's existing accounting policy on classification and measurement of financial instruments is consistent with those requirements under the newly adopted MFRS 9 while no hedging accounting is applied by the Group to-date with its derivative financial instruments are recognised and measured on fair value through profit or loss.

On impairment, the standard requires impairment on financial instruments to be assessed under the expected credit loss ("ECL") model replacing the incurred loss model used in MFRS 139 effectively eliminating the need for a trigger event to have occurred before credit losses are recognised. The Group applies a simplified approach as permitted under MFRS 9 to measure the ECL which uses a lifetime expected credit loss allowance on its billed sales ("trade receivables") and unbilled sales, which is presented as part of "contract assets".

To measure the ECL which uses a lifetime expected credit loss allowance on the Group's trade receivables, deposits and contract assets, the Group uses a provision matrix which is initially measured based on the Group's historical observed default rate. The Group will calibrate the provision matrix to adjust for the historical credit loss experience with forward looking information which includes the credit risk profile of each customer for each entity that is built on factors among others the creditworthiness of the customer, credit histories of past payment trends and patterns, past due aging bracket of the debt and forward looking estimates based on prevailing economic conditions on where the Group operates as at the reporting date.

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 along with the current impairment provisions were charged out in the Consolidated Statement of Comprehensive Income during the current financial year with the aggregated impact on the application of the ECL model on receivables, deposits and contract assets of the Group.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

The adoption of MFRS 9 is applied retrospectively from 1 January 2018, with practical expedients permitted under the standard. Comparatives for 2017 will not be restated.



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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 introduces a single comprehensive revenue recognition model which establishes the 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.

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

On the date of initial application of MFRS 15, the Group has identified the following areas that were affected as follows:

- 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" and "Retention Sum" as at 31 December 2017 that were 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.

The adoption of MFRS 15 is applied using a modified retrospective approach. The impact of the adoption of MFRS 15 is shown in Note B17.

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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, 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 year 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 101 and MFRS 108	Definition of Material (effective 1 January 2020)
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 Interpretation are not expected to have any material impact to the financial statements of the Group except as mentioned below:

MFRS 16 Leases

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 Group is currently assessing the impact of MFRS 16 upon adopting MFRS 16 on 1 January 2019.

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**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 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 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.

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**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 31 December 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 31/12/2018		As at 31/12/2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	134,276	107,644	109,506	97,055
Others	<u>2,063</u>	<u>936</u>	<u>125</u>	<u>259</u>
	<u>136,339</u>	<u>108,580</u>	<u>109,631</u>	<u>97,314</u>
<b>Closing exchange rate</b>				
US Dollar	<u>4.139</u>	<u>4.139</u>	<u>4.062</u>	<u>4.062</u>

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**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 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 31 December 2018, the notional principal amount of the outstanding forward foreign currency exchange contracts was RM2,602,000.

Details of derivative on forward foreign currency exchange contracts that remained outstanding as at 31 December 2018 is 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 contracts ("FX Contract")		
- Less than 1 year	2,602	7

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

The fair value of forward foreign currency exchange contracts is determined by using the forward exchange rates as at each reporting date.

During the financial year, the fair value changes arising from the forward foreign currency exchange contracts entered into by the Group and remained outstanding as at 31 December 2018 amounted to a fair value gain of RM7,000.

**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.

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

During the third quarter under review, the Company paid the following first interim single tier dividend of 1.25 sen per share on 401,125,700 ordinary shares, in respect of the financial year ended 31 December 2018.

	<b>RM'000</b>
First interim single tier dividend of 1.25 sen per share on 401,125,700 ordinary shares, paid on 25 September 2018	<u>5,014</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 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, maintenance, construction and modification maintenance activities 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.

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

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

Segmental information for the financial year ended 31 December 2018 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	125,194	118,802	360,179	364,409
Power and Machinery	125,194	118,802	360,179	364,409
Oilfield Services				
External revenue	30,902	30,856	124,811	119,403
Oilfield Services	30,902	30,856	124,811	119,403
Integrated Corrosion Solution				
External revenue	44,192	20,019	138,213	49,746
Integrated Corrosion Solution	44,192	20,019	138,213	49,746
Other non-reportable segment				
External revenue	159	172	482	500
Other non-reportable segment	159	172	482	500
Total Group revenue	200,447	169,849	623,685	534,058

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

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
<u>Segment Results</u>				
Power and Machinery	9,826	15,283	36,041	39,109
Oilfield Services	439	3,929	14,423	14,523
Integrated Corrosion Solution	(122)	1,414	(6,501)	4,072
Other non-reportable segment	14	16	54	55
Segment results	10,157	20,642	44,017	57,759
Unallocated income ^	94	46	456	197
Unallocated corporate expenses #	(714)	(276)	(5,339)	(4,403)
Share of results of a joint venture *	149	141	1,139	857
Share of results of associates *	556	(474)	2,275	(385)
Tax expense (Note B5) *	(2,441)	(4,261)	(12,719)	(14,764)
Profit for the financial year	7,801	15,818	29,829	39,261

^ 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 RM5,339,000 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.



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

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

	<b>As at 31/12/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
<u>Segment Assets</u>		
Power and Machinery	264,705	241,526
Oilfield Services	215,323	234,289
Integrated Corrosion Solution	83,924	37,089
Segment assets	563,952	512,904
Unallocated corporate assets ^	96,407	94,485
<b>Total assets</b>	<b>660,359</b>	<b>607,389</b>

	<b>As at 31/12/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
<u>Segment Liabilities</u>		
Power and Machinery	141,800	111,272
Oilfield Services	61,733	93,641
Integrated Corrosion Solution	66,714	15,588
Segment liabilities	270,247	220,501
Unallocated corporate liabilities #	34,451	36,020
<b>Total liabilities</b>	<b>304,698</b>	<b>256,521</b>

^ 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.

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

**A11. REVENUE**

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Sale of gas turbine packages and after sales support and services	108,216	98,477	298,583	296,529
Commission based income services	1,410	62	4,382	1,980
Supply, installation, repair and maintenance of valves and flow regulators	13,030	18,254	50,845	59,009
Motors, generators and transformers maintenance services	2,538	2,009	6,369	6,891
Principal based income services	64	396	698	974
Provision of slickline equipment and services, well intervention and cased hole logging services	28,985	25,803	118,520	101,951
Asset integrated solution services and drilling and production services	679	243	1,853	5,725
Provision of speciality chemicals and well stimulation services	1,174	4,414	3,740	10,753
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	7,704	19,972	20,177	49,699
Provision of maintenance, construction and modification maintenance activities services	36,488	47	118,036	47
Dividend income	0	0	11	11
Management fee	159	172	471	489
	200,447	169,849	623,685	534,058

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

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

During the current and cumulative quarters ended 31 December 2018, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Acquisitions at cost:-				
- Plant and equipment *	8,301	921	18,597	2,642
- Intangible assets	2	0	26	0
Disposals at net book value:-				
- Plant and equipment	1	87	1	318
Depreciation:-				
- Plant and equipment	7,864	7,633	30,646	30,723
- Investment properties	6	6	24	24
Amortisation of intangible assets	171	186	716	727

\* Includes a plant and equipment that is partially acquired by means of a hire purchase amounting to RM80,000 but exclude advance payments made amounting to RM6,160,000 for the purchases of plant and equipment that are pending fulfilment on the asset recognition prerequisites.

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

**A13. MATERIAL EVENTS DURING THE REPORTING DATE**

On 25 September 2018, the Company announced the following:

- (i) Deleum Primera Sdn. Bhd. ("DPSB"), a 60% owned subsidiary of the Group, has been awarded with two (2) new contracts by Petronas Carigali Sdn. Bhd. under the Integrated Corrosion Solution segment which comprised: -
  - (a) Provision of Alternative Blasting and Painting (Package B: SpongeJet, Vapor and Other Methods) for a contract period of three (3) years with one (1) year extension option; and
  - (b) Provision of Riser Corrosion Prevention System and Maintenance (Package B: Sabah Asset and Package C – Peninsular Malaysia Asset) for a contract period of three (3) years with one (1) year extension option.
- (ii) Deleum Oilfield Services Sdn. Bhd. ("DOSSB"), a wholly-owned subsidiary of the Group, has been awarded with a new contract by Sarawak Shell Berhad ("SSB") and Sabah Shell Petroleum Company Limited ("SSPC") under the Oilfield Services segment on the Provision of Slickline Equipment and Services for a contract period of three (3) years with one (1) extension option of two (2) years.

On 27 December 2018, the Company announced that DOSSB has been awarded with a new contract by ExxonMobil Exploration and Production Malaysia Inc. under the Oilfield Segment on the Provision of Slickline Equipment and Services for a contract period of three (3) years with one extension option of one (1) year.

The above mentioned contracts will have no effect on the issued share capital of the Company and is expected to contribute positively towards the earnings and net assets of the Group going forward.

**A14. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE**

On 15 January 2019, the Company announced that DOSSB, a wholly-owned subsidiary of the Group, had received a Letter of Award for the Provision of Slickline Equipment and Services for Petronas Carigali Sdn. Bhd. under the Oilfield Services segment for a contract period of three (3) years.

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

Save as disclosed as above, there was no other item, transaction or event of a material and unusual nature which had arisen since 31 December 2018 to 18 February 2019 (being the latest practicable date) which would substantially affect the financial results of the Group.

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

**A15. CHANGES IN THE COMPOSITION OF THE GROUP**

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

**A16. CONTINGENT LIABILITIES / ASSETS**

As at 31 December 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 RM38.1 million (31 December 2017: RM32.9 million).

**A17. COMMITMENTS**

(a) Capital commitment

Capital commitments for investment, property, plant and equipment and intangible assets not provided for as at 31 December 2018 were as follows:

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Authorised but not contracted for		
- Plant and machinery	41,201	30,221
- Others	11,387	13,707
Authorised and contracted for		
- Plant and machinery	12,213	2,480
- Others	6,839	6,221
	71,640	52,629
Share of capital commitment of joint venture	899	59
	72,539	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 31/12/2018 RM'000	As at 31/12/2017 RM'000
Within one year	1,908	648
Between two to five years	1,317	606
	3,225	1,254

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

**A18. 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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	1,567	2,400	6,651	4,042
Rental income from an affiliate company of STICO	13	13	54	113
Purchases and technical services from STICO and its affiliated company	85,804	75,770	232,716	224,648

Significant outstanding balance arising from the above transactions as at 31 December 2018 was as follows:

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Amount due from STICO and its affiliated company	2,186	5,774
Amount due to STICO and its affiliated company	116,123	85,989

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

**A18. 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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Sales to related parties of Dresser Italia S.R.L	725	0	1,253	21
Purchases from Dresser Italia S.R.L and its related parties	4,539	9,708	19,734	29,438

Significant outstanding balance arising from the above transactions as at 31 December 2018 was as follows:

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Amount due from related parties of Dresser Italia S.R.L	230	0
Amount due to related parties of Dresser Italia S.R.L	2,902	3,104

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Sales to STICO	1,484	1,484	5,936	5,936
Rental income from affiliate company of STICO	207	207	828	828

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

**A18. 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 year were as follows (Cont'd):

Significant outstanding balance arising from the above transactions as at 31 December 2018 was as follows:

	<b>As at 31/12/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Amount due from STICO and its affiliated company	1,471	538

- (d) The following transaction is with a person connected to Datuk Vivekananthan a/l M.V. Nathan, the Deputy Chairman and a major shareholder of the Company.

	<b>Individual Quarter ended</b>		<b>Cumulative Quarters ended</b>	
	<b>31/12/2018 RM'000</b>	<b>31/12/2017 RM'000</b>	<b>31/12/2018 RM'000</b>	<b>31/12/2017 RM'000</b>
Purchase of a motor vehicle	0	7	0	7

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

	<b>Individual Quarter ended</b>		<b>Cumulative Quarters ended</b>	
	<b>31/12/2018 RM'000</b>	<b>31/12/2017 RM'000</b>	<b>31/12/2018 RM'000</b>	<b>31/12/2017 RM'000</b>
Directors' fees	243	235	942	942
Salaries, bonuses, allowances and other staff related expenses	2,243	2,378	11,093	11,165
Defined contribution plan	448	250	1,220	1,133
	2,934	2,863	13,255	13,240



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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>	Q4'18 RM'000	Q4'17 RM'000	Variance RM'000	Variance %
Revenue	200,447	169,849	30,598	18.0
Operating profit	10,246	21,281	(11,035)	(51.9)
Share of results of a joint venture, net of tax	149	141	8	5.7
Share of results of associates, net of tax	556	(474)	1,030	217.3
Profit before interest and tax	10,324	20,242	(9,918)	(49.0)
Profit before tax	10,242	20,079	(9,837)	(49.0)
Profit after tax	7,801	15,818	(8,017)	(50.7)
Profit attributable to equity holders of the Company	<u>7,477</u>	<u>13,458</u>	<u>(5,981)</u>	<u>(44.4)</u>

In the current quarter, the Group posted an increase in revenue of RM30.6 million against the corresponding quarter riding on the back of higher revenue contributions across all reportable segments with strong revenue growth booked by Integrated Corrosion Solution segment mainly from its Maintenance, Construction and Modification (“MCM”) project.

Notwithstanding the higher revenue reported, the Group’s profit attributable to equity holders of the Company declined by RM6.0 million as a result of lower operating results from all reportable segments with weaker margins earned.

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

Share of results of associates were higher by RM1.0 million. Share of results in the corresponding quarter was affected by the impairment charge on assets of Malaysia Mud and Chemicals Sdn. Bhd. (“2MC”) in which our share was RM1.9 million.

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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)**

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

	Q4'18 RM'000	Q4'17 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	125,194	118,802	6,392	5.4
Operating profit	9,826	15,283	(5,457)	(35.7)
Profit before interest and tax	9,287	14,738	(5,451)	(37.0)
Profit before tax	<u>9,826</u>	<u>15,283</u>	<u>(5,457)</u>	<u>(35.7)</u>

The Power and Machinery segment's revenue grew by RM6.4 million to RM125.2 million compared against the corresponding quarter of RM118.8 million mainly driven by stronger work orders for exchange engines, increase in revenue contribution from retrofit projects and higher commission income earned on oil and gas projects. The increase was offset by the lower demand for valves and flow regulators, turbine parts, repair and maintenance and other ancillary services.

Notwithstanding the higher revenue earned, the segment result contracted by RM5.5 million impacted by the unfavourable change in sales compositions of the Power and Machinery products and services weighing down on the results of the current reporting quarter.

	Q4'18 RM'000	Q4'17 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	30,902	30,856	46	0.1
Operating profit	938	4,777	(3,839)	(80.4)
Profit before interest and tax	872	4,674	(3,802)	(81.3)
Profit before tax	<u>439</u>	<u>3,929</u>	<u>(3,490)</u>	<u>(88.8)</u>

The Oilfield Services segment revenue was flat quarter on quarter. However, the segment results retreated by RM3.5 million due to lower margins from slickline activities and the continued weakness in the chemicals business.

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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)**

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

	Q4'18 RM'000	Q4'17 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	44,192	20,019	24,173	120.8
Operating profit	88	1,435	(1,347)	(93.9)
Profit before interest and tax	88	1,435	(1,347)	(93.9)
(Loss)/Profit before tax	<u>(122)</u>	<u>1,414</u>	<u>(1,536)</u>	<u>(108.6)</u>

The Integrated Corrosion Solution segment registered revenue growth of RM24.2 million as compared to the corresponding quarter revenue of RM20.0 million as a result of the additional revenue generated from the MCM services contract offset by the lower sales generated from Pan Malaysia Blasting Contract which expired in November 2017.

Whilst the MCM contract contribute positively to the Group's top line revenue, the segment result declined by RM1.5 million suffering a loss of RM0.1 million attributed to the preparatory costs to service the new contracts awarded in September 2018 and mitigated by a net profit contribution of RM0.9 million arising from the MCM services contract. Work orders from the MCM contract started to flow from this financial year and there were a number of operational issues both within and without that management had to deal with and the net consequence is less than optimal utilisation of resources and costs escalations. These issues are being addressed internally and with our business partners to ensure seamless execution of work orders.

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

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

(B) Performance of the current year against the corresponding year

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'18 RM'000	Q4'17 RM'000		
<u>Group</u>				
Revenue	623,685	534,058	89,627	16.8
Operating profit	41,986	57,558	(15,572)	(27.1)
Share of results of a joint venture, net of tax	1,139	857	282	32.9
Share of results of associates, net of tax	2,275	(385)	2,660	690.9
Profit before interest and tax	42,502	55,645	(13,143)	(23.6)
Profit before tax	42,548	54,025	(11,477)	(21.2)
Profit after tax	29,829	39,261	(9,432)	(24.0)
Profit attributable to equity holders of the Company	27,169	32,277	(5,108)	(15.8)

The Group's profit attributable to equity holders of the Company fell by RM5.1 million affected by the lower results being reported across all reportable segments coupled with higher tax charge incurred following the completion of the tax review exercise by the tax authorities as disclosed in Note B5.

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

Share of results of associates were higher by RM2.7 million. The lower share of results of associates in the corresponding year was affected by impairment change on 2MC's operating assets.

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

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'18 RM'000	Q4'17 RM'000		
<u>Power and Machinery</u>				
Revenue	360,179	364,409	(4,230)	(1.2)
Operating profit	36,041	39,109	(3,068)	(7.8)
Profit before interest and tax	33,749	37,273	(3,524)	(9.5)
Profit before tax	36,041	39,109	(3,068)	(7.8)

Power and Machinery segment revenue decreased by RM4.2 million as compared to the corresponding year as a result of weak work orders for turbine parts, repairs and maintenance services and valve and flow regulators activities mitigated by higher orders on exchange engines, retrofit projects and commission income earned on oil and gas projects. But segment result contracted by RM3.1 million due to the unfavourable sales mix but mitigated by the lower net foreign exchange losses recorded of RM0.4 million in the current year versus a net foreign exchange loss of RM5.5 million reported in the corresponding year.

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'18 RM'000	Q4'17 RM'000		
<u>Oilfield Services</u>				
Revenue	124,811	119,403	5,408	4.5
Operating profit	16,910	18,393	(1,483)	(8.1)
Profit before interest and tax	16,497	18,018	(1,521)	(8.4)
Profit before tax	14,423	14,523	(100)	(0.7)

The Oilfield Services segment revenue was higher by RM5.4 million against the corresponding year driven by revenue from slickline activities offset by lower work orders on well intervention and enhancement services and oilfield chemicals. The segment result however declined by RM0.1 million despite higher revenue recorded due to softer pricing power.

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

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'18 RM'000	Q4'17 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	138,213	49,746	88,467	177.8
Operating (loss)/profit	(6,136)	4,207	(10,343)	(245.9)
(Loss)/Profit before interest and tax	(6,136)	4,207	(10,343)	(245.9)
(Loss)/Profit before tax	(6,501)	4,072	(10,573)	(259.7)

Integrated Corrosion Solution segment revenue of RM138.2 million recorded in the current year compared favourably with the revenue of RM49.7 million in the corresponding year. The increase was driven by the MCM services contract offset by the reduced contribution from Pan Malaysia Blasting Contract which expired in November 2017.

Despite the increase in revenue, the segment incurred a pre-tax loss of RM6.5 million compared with a profit of RM4.1 million in the corresponding year. The asymmetry was due to legacy costs of the Sponge Jet blasting business and preparatory costs to service the newly awarded contracts.

(C) Consolidated Statement of Financial Position

Group total assets as at 31 December 2018 stood at RM660.4 million against RM607.4 million at the end of the previous financial year, representing an increase of RM53.0 million. This was mainly due to higher carrying value of contract assets by RM81.8 million offset by the decline in trade and other receivables by RM14.4 million, lower carrying value of non-current assets by RM7.6 million and lower holding of cash and bank balances by RM6.5 million.

Meanwhile, Group total liabilities increased by RM48.2 million mainly due to increase in trade payables by RM62.8 million and higher contract liabilities by RM4.5 million offset by net repayment of borrowings of RM12.9 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances was lower at RM134.9 million compared with RM141.4 million as at 31 December 2017. The change was due to net repayment on borrowings of RM12.9 million, dividends paid totalling to RM25.5 million and RM24.7 million on acquisition of plant and equipment offset by net cash generated from operating activities of RM49.5 million and income received from investments of RM6.8 million.

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

	Q4'18 RM'000	Q3'18 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	200,447	175,437	25,010	14.3
Operating profit	10,246	13,751	(3,505)	(25.5)
Share of results of a joint venture, net of tax	149	322	(173)	(53.7)
Share of results of associates, net of tax	556	857	(301)	(35.1)
Profit before interest and tax	10,324	14,232	(3,908)	(27.5)
Profit before tax	10,242	14,240	(3,998)	(28.1)
Profit after tax	7,801	11,017	(3,216)	(29.2)
Profit attributable to equity holders of the Company	<u>7,477</u>	<u>9,117</u>	<u>(1,640)</u>	<u>(18.0)</u>

Quarter on quarter, the Group's profit attributable to equity holders of the Company decreased by RM1.6 million against the immediate preceding quarter adversely impacted by lower results from all reportable segments.

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

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

	Q4'18 RM'000	Q3'18 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	125,194	90,438	34,756	38.4
Operating profit	9,826	9,960	(134)	(1.3)
Profit before interest and tax	9,287	9,356	(69)	(0.7)
Profit before tax	<u>9,826</u>	<u>9,960</u>	<u>(134)</u>	<u>(1.3)</u>

Power and Machinery segment result was RM9.8 million in the current quarter compared to RM10.0 million in the immediate preceding quarter despite higher revenue reported due to unfavourable sales mix mitigated by the lower net foreign exchange loss.

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

	Q4'18 RM'000	Q3'18 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	30,902	35,333	(4,431)	(12.5)
Operating profit	938	4,151	(3,213)	(77.4)
Profit before interest and tax	872	4,090	(3,218)	(78.7)
Profit before tax	439	3,577	(3,138)	(87.7)

Oilfield Services segment result fell by RM3.1 million in tandem with the decrease in revenue following lower utilisation of slickline assets, slower orders for chemical and lower commission income earned from principal activities.

	Q4'18 RM'000	Q3'18 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	44,192	49,538	(5,346)	(10.8)
Operating profit	88	291	(203)	(69.8)
Profit before interest and tax	88	291	(203)	(69.8)
(Loss)/Profit before tax	(122)	175	(297)	(169.7)

Integrated Corrosion Solution segment recorded a pre-tax loss of RM0.1 million compared to a pre-tax profit of RM0.2 million in the immediate preceding quarter as a result of higher cost to serve mainly relating to increased headcount and facilities.



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**B3. PROSPECTS**

Crude oil prices continue to remain volatile in the last quarter of the financial year and dropped to US\$57 per barrel towards end of November 2018. Moving forward, oil prices are expected to remain volatile, against a backdrop of slower global growth and geo political concerns in the Middle East and Venezuela. However, in the markets in which the Group operates, chiefly Malaysia, oil and gas related activities is expected to remain stable as Petronas is committed to maintain current levels of production and development, and as noted elsewhere the Group had been successful in securing work contracts in the Oilfield Services and Integrated Corrosion Solution segments. However, the squeeze on prices continue unabated and coupled with the requirement to make further investments in plant and equipment, profit margins from these contracts are exposed to higher downside risks.

The Power and Machinery segment remains as the biggest contributor to the Group's revenue and operating profit. With a stable and sustainable business base, the segment will continue to focus its efforts in supporting its customers by providing excellent after sales services to the installed turbine base and working with our business partners to provide cost effective solutions.

The Oilfield Services segment focuses primarily on upstream activities in the sub-surface sector, in particular the provision of slickline services and equipment. The segment has successfully secured new slickline contracts with new and existing customers in 2018 as disclosed in note A13 and A14. With these development in the segment, the segment continues to be a market leader in the provision of slickline services.

The Integrated Corrosion Solution segment registered significant top line growth for the financial year primarily driven by work orders flowing from the MCM contract which commenced operations this financial year. However, the segment suffered a loss in the year to date in part, due to legacy costs relating to the Sponge Jet blasting business. With the work orders in hand and together with the recently secured contracts, the segment will concentrate on operational efficiencies and budget management to meet the desired outcomes.

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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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Current tax – current year	3,430	4,547	12,007	11,612
Under provision in prior years*	0	87	1,702	134
Deferred tax				
– origination and reversal of temporary differences	(697)	255	(698)	3,975
– recognition of previously unrecognised temporary differences	(292)	(628)	(292)	(957)
<b>Total income tax expense</b>	<b>2,441</b>	<b>4,261</b>	<b>12,719</b>	<b>14,764</b>

\* Included in 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.

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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 year ended 31 December 2018 was higher than the headline tax rate as shown below.

	<b>Cumulative Quarters ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>
	%	%
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	24
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	4	5
- Income not subject to tax	(1)	(1)
- Share of results of associates and joint venture	(2)	0
- Under provision in prior years	6	1
- Recognition of previously unrecognised temporary differences	(1)	(2)
Effective tax rate	30	27

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

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

**B7. QUOTED SECURITIES**

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

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**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

There was no corporate proposal announced which was not completed as of 18 February 2019 (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 31/12/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Group's share of net assets of joint venture	29,702	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.

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

Summarised statement of comprehensive income

	Quarter ended		Year ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Profit before tax	293	229	1,853	1,421
Income tax expense	(108)	(54)	(439)	(357)
Profit for the year	<u>185</u>	<u>175</u>	<u>1,414</u>	<u>1,064</u>
Interest in joint venture (80.55%) Share of results	<u>149</u>	<u>141</u>	<u>1,139</u>	<u>857</u>

**B10. ASSOCIATES**

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Group's share of net assets of associates	<u>35,565</u>	<u>38,595</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 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 loss from this associate and its contribution to the loss attributable to the shareholders of the Company in the financial year ended 31 December 2018 amounted to RM200 (31 December 2017: RM375,600) and RM100 (31 December 2017: RM225,400) respectively.

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

Summarised statement of comprehensive income

	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit / (loss) before tax	2,320	(2,082)	1	(619)	2,321	(2,701)
Income tax expense	(584)	987	0	0	(584)	987
Profit / (loss) for the year	<u>1,736</u>	<u>(1,095)</u>	<u>1</u>	<u>(619)</u>	<u>1,737</u>	<u>(1,714)</u>
Interest in associates (32%; 20%)						
Share of results	<u>556</u>	<u>(350)</u>	<u>0</u>	<u>(124)</u>	<u>556</u>	<u>(474)</u>
Profit / (loss) before tax	8,342	(313)	(1)	(1,878)	8,341	(2,191)
Income tax expense	(1,233)	284	0	0	(1,233)	284
Profit / (loss) for the year	<u>7,109</u>	<u>(29)</u>	<u>(1)</u>	<u>(1,878)</u>	<u>7,108</u>	<u>(1,907)</u>
Interest in associates (32%; 20%)						
Share of results	<u>2,275</u>	<u>(9)</u>	<u>0</u>	<u>(376)</u>	<u>2,275</u>	<u>(385)</u>

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**B11. TRADE RECEIVABLES**

	<b>As at 31/12/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Neither past due nor impaired	53,168	82,282
1 to 30 days past due not impaired	20,929	14,478
31 to 60 days past due not impaired	4,303	9,007
61 to 90 days past due not impaired	7,452	2,511
91 to 120 days past due not impaired	6,534	482
More than 121 days past due not impaired	597	1,220
	92,983	109,980
Not past due but impaired	1	0
Past due and impaired:		
31 to 60 days past due and impaired	0	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	1,732	1,986
	94,716	112,030
Less: Impairment of receivables	(1,733)	(2,050)
	92,983	109,980

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 RM39.8 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.

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**B12. GROUP BORROWINGS**

The Group borrowings as at 31 December 2018 were as follows:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b><u>31/12/2018</u></b>			
Borrowings - secured	27,948	7,785	35,733
- unsecured	<u>27,448</u>	<u>0</u>	<u>27,448</u>
	<u>55,396</u>	<u>7,785</u>	<u>63,181</u>
<b><u>31/12/2017</u></b>			
Borrowings - secured	24,599	30,750	55,349
- unsecured	<u>20,699</u>	<u>0</u>	<u>20,699</u>
	<u>45,298</u>	<u>30,750</u>	<u>76,048</u>

The borrowings were all denominated in Ringgit Malaysia.

	<b>Note</b>	<b>As at 31/12/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Revolving credits	(i)	24,800	17,800
Finance lease liabilities		80	0
Term loans	(ii)	35,653	55,349
Loans against import	(iii)	<u>2,648</u>	<u>2,899</u>
		63,181	76,048
Less: Amount repayable within 12 months			
Revolving credit		(24,800)	(17,800)
Finance lease liabilities		(18)	0
Term loans		(27,930)	(24,599)
Loans against import		<u>(2,648)</u>	<u>(2,899)</u>
		(55,396)	(45,298)
Amount repayable after 12 months		<u>7,785</u>	<u>30,750</u>

The decrease in borrowings was due to net repayment on loans against import of RM0.25 million, net repayment on term loans of RM19.7 million, net draw down on revolving credits of RM7.0 million and draw down of finance lease liabilities of RM0.08 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 5.21% (average interest of 1.00% per annum above the bank's cost of funds).
- (ii) Finance lease liabilities carry interest rate of 2.46% per annum.
- (iii) Term loan carries an average interest rate of 4.22% (0.90% per annum above the KLIBOR). The tenure of the loan is 5 years.
- (iv) Loans against import carry an interest of 4.64% (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 31 December 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 18 February 2019 (being the latest practicable date which shall not be earlier than 7 days from the date of issuance of this report).

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**B15. DIVIDEND**

The Board of Directors have, in respect of financial year ended 31 December 2018, declared a second interim single tier dividend of 2.25 sen per share on 401,125,700 ordinary shares.

The dividend will be payable on 22 March 2019 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 13 March 2019.

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

- (i) shares transferred into the Depositor’s securities account before 4 p.m on 13 March 2019 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

Total dividend for the current financial year ended 31 December 2018 is 3.5 sen per ordinary share.

There will be no final dividend declared for the financial year ended 31 December 2018.

**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	
	31/12/2018 RM’000	31/12/2017 RM’000	31/12/2018 RM’000	31/12/2017 RM’000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company (RM’000)	7,477	13,458	27,169	32,277
Weighted average number of shares in issue (’000)	400,291	400,195	400,874	400,195
Basic earnings per share (sen)	1.87	3.36	6.78	8.07

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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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
<b>Diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	7,477	13,458	27,169	32,277
Weighted average number of shares in issue ('000) (Basic)	400,291	400,195	400,874	400,195
Effect of potential vesting of Long Term Incentive Plan	3,438	3,669	1,489	2,777
Weighted average number of ordinary shares ('000)	403,729	403,864	402,363	402,972
Diluted earnings per share (sen)	1.85	3.33	6.75	8.01

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**B17. COMPARATIVE FIGURES**

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

Consolidated Statement of Financial Position

	<b>As restated As at 31/12/2017 RM'000</b>	<b>As previously stated As at 31/12/2017 RM'000</b>
<u>Current Assets</u>		
Trade receivables	109,980	192,910
Deferred costs	0	1,352
Amounts due from a joint venture	139	163
Contract assets	82,035	0
<u>Current Liabilities</u>		
Trade payables	120,810	120,299
Deferred revenue	0	1,973
Contract liabilities	1,973	0
Other payables and accruals	25,108	27,890

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**B17. COMPARATIVE FIGURES**

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

Consolidated Statement of Cash Flows

	Year ended	
	As restated 31/12/2017 RM'000	As previously stated 31/12/2017 RM'000
<u>Cash Flows from Operating Activities</u>		
Changes in working capital:		
Amount due from a joint venture	(33)	(58)
Trade receivables	12,235	23,193
Deferred costs	0	3,253
Contract assets	15,230	0
Deferred revenue	0	(5,389)
Trade payables	(41,498)	(41,968)
Other payables	4,206	5,720
Contract liabilities	(5,389)	0

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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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Inventories consumed and recognised as cost of sales	23,977	29,234	77,760	107,122
Purchase of products, parts and consumable	5,494	4,202	21,204	10,392
Costs of services purchased	98,455	69,369	253,717	200,135
Interest income	(627)	(706)	(2,898)	(2,385)
Other income including investment income	(43)	(213)	(321)	(485)
Interest expenses	709	869	2,852	4,005
Depreciation and amortisation	8,041	7,825	31,386	31,474
Write back of impairment for doubtful debts				
- Trade receivables	(70)	0	(136)	(100)
- Contract assets	48	0	(9)	0
Bad debts written off				
- Other receivables	0	2	0	2
Impairment of doubtful debts				
- Trade receivables	3	274	10	274
- Contract assets	(79)	91	23	91
- Other receivables	0	48	0	48
Allowance for slow moving inventories	209	0	209	318
Reversal of allowance for slow moving inventories	(12)	(7)	(27)	(120)

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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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Gain on disposals of plant and equipment	(72)	(77)	(334)	(77)
Property, plant and equipment written off	150	39	151	78
Inventories written off	0	69	64	88
Foreign exchange losses / (gains)				
- Realised	278	2,869	336	4,654
- Unrealised	(237)	(3,411)	141	396
Provision for liquidated damages	(194)	0	60	0
Reversal of allowance for provision of liquidated damages	(46)	(25)	(58)	(182)
Fair value loss on forward foreign currency exchange contracts	98	25	650	24
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.

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

The auditors' report on the financial statements for the financial year ended 31 December 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 25 February 2019.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)  
Lim Hooi Mooi (MAICSA no. 0799764)  
Company Secretaries  
Kuala Lumpur  
25 February 2019