

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

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

The unaudited interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 2012. The results of the associates are based on unaudited accounts.

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 2012, together with the standards and amendments to published standards effective for financial year beginning on 1 January 2013 that are applicable and adopted by the Group as follows:

| | |
|-------------------------------------|--|
| MFRS 10 | Consolidated financial statements |
| MFRS 12 | Disclosures of interests in other entities |
| MFRS 13 | Fair value measurement |
| Revised MFRS 127 | Separate financial statements |
| Revised MFRS 128 | Investments in associates and joint ventures |
| Amendments to MFRS 101 | Presentation of items of other comprehensive income |
| Amendments to MFRS 119 | Employees benefits |
| Amendments to MFRS 7 | Financial Instruments: Disclosures |
| Amendments to MFRS 10,11 & 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance |
| Annual improvements 2009-2011 cycle | |

The Group has early adopted the following accounting standard:

| | |
|------------------------|---|
| Amendments to MFRS 136 | Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets |
|------------------------|---|

The adoption of the above MFRSs and Amendments to MFRSs has no material impact to the Group.

The Group has not early adopted the following accounting standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial periods beginning on or after 1 January 2014.

| | |
|------------------------|---|
| MFRS 9 | Financial Instruments |
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities |

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A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's operations are not affected by any significant seasonal or cyclical factors in the financial period 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 correlated with that of the oil and gas operators and contractors in Malaysia. Any change in their level of activities will likewise have an impact on the Group.

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

Other than as disclosed in note B14, there were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the financial year.

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

The purchase price allocation on the acquisition of Deleum Primera Sdn. Bhd. ("DPSB") on 5 October 2012 was determined provisionally in the prior year. The fair value exercise and purchase price allocation in respect of the said acquisition was completed in the quarter ended 31 March 2013. The effect of the fair value adjustment during the financial year is as follows:

| | Provisional 31/12/2012 RM'000 | Final 31/3/2013 RM'000 |
|--|-------------------------------------|------------------------------|
| Purchase consideration | 3,180 | 3,088 |
| Fair value of intangible assets which comprise of customer contracts and distributorship agreement | 2,192 | 2,066 |
| Deferred tax arising from fair valuation of intangible assets | (548) | (514) |

The changes to the fair values of the intangible assets resulted in a write back of amortisation charged to profit or loss of RM312,634 in the quarter ended 31 March 2013.

Save as disclosed above, there were no other material changes to estimates that had any material effect on the results of the Group for the financial year ended 31 December 2013.

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A5. EQUITY AND DEBT SECURITIES

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

A6. OUTSTANDING DERIVATIVES

The Group had not entered into any new type of derivative in the current interim quarter that was not disclosed in the preceding year's annual financial statements. In addition, the Group did not have any outstanding derivative as at 31 December 2013.

A7. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 December 2013.

A8. DIVIDENDS PAID

During the first quarter of the financial year, the Company paid the following second interim single tier dividend of 10 sen per share of RM1.00 each on 150,000,000 ordinary shares, in respect of the financial year ended 31 December 2012.

| | |
|--|---------------|
| | RM'000 |
| Second interim single tier dividend of 10 sen per share on 150,000,000 ordinary shares, paid on 25 March 2013 | <u>15,000</u> |

During the third quarter of the financial year, the Company paid a first interim single tier dividend of 6 sen per share of RM1.00 each on 150,000,000 ordinary shares, in respect of the financial year ended 31 December 2013.

| | |
|--|---------------|
| | RM'000 |
| First interim single tier dividend of 6 sen per share on 150,000,000 ordinary shares, paid on 25 September 2013 | <u>9,000</u> |

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A9. SEGMENT INFORMATION

The segments of the Group are as follows:

- Power and Machinery – Mainly consists of:-
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services;
 - Supply and commission combined heat and power plants; and
 - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment.

- Oilfield Services – Mainly consists of:-
 - Provision of wireline equipment and services;
 - Provision of integrated wellhead maintenance services;
 - Provision of oilfield chemicals, and
 - Provision of drilling equipment and services and other oilfield products and technical services.

- Maintenance, Repair and Overhaul – Mainly consists of:-
 - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps; and
 - Services in integrated corrosion, inspection and mitigation, primarily using Sponge Jet technology.

Tax expense is 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)

A9. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial year ended 31 December 2013 is as follows:

| | Individual Quarter ended | | Cumulative Quarters ended | |
|----------------------------------|--------------------------|----------------------|---------------------------|----------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| <u>Segment Revenue</u> | | | | |
| Power and Machinery | | | | |
| External revenue | 146,444 | 139,061 | 382,189 | 379,467 |
| Power and Machinery | 146,444 | 139,061 | 382,189 | 379,467 |
| Oilfield Services | | | | |
| External revenue | 20,879 | 7,695 | 75,201 | 76,938 |
| Oilfield Services | 20,879 | 7,695 | 75,201 | 76,938 |
| Maintenance, Repair and Overhaul | | | | |
| External revenue | 9,572 | 8,493 | 27,294 | 16,835 |
| Maintenance, Repair and Overhaul | 9,572 | 8,493 | 27,294 | 16,835 |
| Total Group revenue | 176,895 | 155,249 | 484,684 | 473,240 |

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A9. SEGMENT INFORMATION (Cont'd)

| | Individual Quarter ended | | Cumulative Quarters ended | |
|----------------------------------|--------------------------|----------------------|---------------------------|----------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| <u>Segment Results</u> | | | | |
| Power and Machinery | 21,224 | 21,342 | 64,048 | 58,127 |
| Oilfield Services | (1,249) | (1,459) | 7,286 | 5,063 |
| Maintenance, Repair and Overhaul | 161 | (628) | 1,869 | (987) |
| Segment results | 20,136 | 19,255 | 73,203 | 62,203 |
| Unallocated income ^ | 66 | 205 | 414 | 668 |
| Unallocated corporate expenses # | (3,930) | (3,738) | (13,999) | (10,979) |
| Share of results of associates | 3,920 | 3,588 | 15,973 | 15,579 |
| Tax expense | (3,550) | (2,588) | (16,930) | (13,257) |
| Profit for the financial period | 16,642 | 16,722 | 58,661 | 54,214 |

^ Unallocated income comprises interest earned by the Company.

Unallocated corporate expenses represent the Company's corporate expenses including depreciation of property, plant and equipment of corporate assets that are not driven by business segments.

| | As at 31/12/2013 RM'000 | As at 31/12/2012 RM'000 |
|----------------------------------|----------------------------|----------------------------|
| <u>Segment Assets</u> | | |
| Power and Machinery | 252,327 | 194,463 |
| Oilfield Services | 141,891 | 100,013 |
| Maintenance, Repair and Overhaul | 24,363 | 18,609 |
| Segment assets | 418,581 | 313,085 |
| Unallocated corporate assets ^ | 81,797 | 100,934 |
| Total assets | 500,378 | 414,019 |

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A9. SEGMENT INFORMATION (Cont'd)

| | As at 31/12/2013 RM'000 | As at 31/12/2012 RM'000 |
|-------------------------------------|----------------------------|----------------------------|
| <u>Segment Liabilities</u> | | |
| Power and Machinery | 139,158 | 103,584 |
| Oilfield Services | 58,131 | 32,197 |
| Maintenance, Repair and Overhaul | 8,185 | 6,252 |
| Segment liabilities | 205,474 | 142,033 |
| Unallocated corporate liabilities # | 23,658 | 25,691 |
| Total liabilities | 229,132 | 167,724 |

^ Unallocated corporate assets represent the Company's corporate assets including property, plant and equipment, investment properties, intangible assets, investment in associates, deferred tax assets and tax recoverable that are not driven by business segments.

Unallocated corporate liabilities represent the Company's corporate liabilities including deferred tax liabilities, taxation and dividend payable that are not driven by business segments.

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

During the current and cumulative quarters ended 31 December 2013, the acquisitions and disposals of property, plant and equipment and intangible assets by the Group are as follows:

| | Individual Quarter Ended | | Cumulative Quarters Ended | |
|---------------------------------|--------------------------|----------------------|---------------------------|----------------------|
| | 30/12/2013 RM'000 | 30/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| Acquisitions at cost: - | | | | |
| - Property, plant and equipment | 34,820 | 2,992 | 51,976 | 11,638 |
| - Intangible assets | 377 | 0 | 1,053 | 0 |
| Disposals at net book value: - | | | | |
| - Property, plant and equipment | 0 | 0 | 186 | 93 |

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

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

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

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CONTINGENT LIABILITIES / ASSETS

As at 31 December 2013, the Group did not have any contingent liabilities or assets except for contingent liabilities for guarantees in respect of credit facilities from licensed financial institutions of RM21.4 million (31 December 2012: RM22.6 million) for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts.

A14. COMMITMENTS

Capital commitments for property, plant and equipment not provided for as at 31 December 2013 were as follows:

| | As at 31/12/2013 RM'000 | As at 31/12/2012 RM'000 |
|-----------------------------------|------------------------------------|------------------------------------|
| Authorised but not contracted for | 120,995 | 11,123 |
| Authorised and contracted for | 75,812 | 2,415 |
| | 196,807 | 13,538 |

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

A15. RELATED PARTY DISCLOSURES

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

| | Individual Quarter ended | | Cumulative Quarters ended | |
|--|--------------------------|----------------------|---------------------------|----------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| Purchases and technical services from Solar Turbines International Company | 100,113 | 77,890 | 243,121 | 253,649 |

Significant outstanding balance arising from the above transactions as at 31 December 2013 is as follows:

| | As at 31/12/2013 RM'000 | As at 31/12/2012 RM'000 |
|--|----------------------------|----------------------------|
| Amount due to Solar Turbines International Company | 81,846 | 49,129 |

- (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 | |
|--|--------------------------|----------------------|---------------------------|----------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| Sales to related parties of Dresser Italia S.R.L | 2 | 0 | 2 | 2 |
| Purchases from Dresser Italia S.R.L | 145 | 60 | 443 | 429 |
| Purchases from related parties of Dresser Italia S.R.L | 3,173 | 6,904 | 17,242 | 17,183 |

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A15. RELATED PARTY TRANSACTIONS (Cont'd)

Significant outstanding balance arising from the above transactions as at 31 December 2013 is as follows:

| | As at 31/12/2013 RM'000 | As at 31/12/2012 RM'000 |
|--|------------------------------------|------------------------------------|
| Amount due to related parties of Dresser Italia S.R.L. | 3,841 | 3,204 |

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

| | Individual Quarter ended | | Cumulative Quarters ended | |
|--|---------------------------------|------------------------------|----------------------------------|------------------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| Directors' fees | 227 | 233 | 924 | 812 |
| Salaries, bonuses, allowances and other staff related expenses | 4,757 | 4,387 | 10,244 | 8,157 |
| Defined contribution plan | 559 | 531 | 1,160 | 920 |
| | 5,543 | 5,151 | 12,328 | 9,889 |

A16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 4 January 2013, the Company had accepted an offer made by NSE Resources Corporation (M) Sdn. Bhd. ("NSERC") to subscribe for new shares to be issued by NSERC, representing 55% equity interest in NSERC ("Subscription Shares") for a total consideration not exceeding RM23,100,000.

The proposed subscription has been terminated effective 30 September 2013. In view of the uncertainty on the collectability of the Earnest Deposit, the Company has made a provision for doubtful debts amounting to RM3.8 million representing the entire sum of the Earnest Deposit.

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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

| Revenue | Q4'13 RM'000 | Q4'12 RM'000 | Variance RM'000 | Variance % |
|----------------------------------|-----------------|-----------------|--------------------|---------------|
| Power and Machinery | 146,444 | 139,061 | 7,383 | 5.3 |
| Oilfield Services | 20,879 | 7,695 | 13,184 | 171.3 |
| Maintenance, Repair and Overhaul | 9,572 | 8,493 | 1,079 | 12.7 |
| | <u>176,895</u> | <u>155,249</u> | <u>21,646</u> | <u>13.9</u> |

Revenue of the **Power and Machinery** segment expanded by RM7.4 million quarter on quarter due to better performance from parts and services and exchange engines of RM23 million offset by lower revenue from retrofit projects of RM19 million due to timing of commencement and completion of projects.

The **Oilfield Services** segment experienced a revenue increase of RM13.2 million in the current quarter largely due to improvement from wireline activities and drilling related products of RM11.4 million as oil and gas activities in Malaysia continue to expand driven by PETRONAS drilling programme.

The revenue contribution from the **Maintenance, Repair and Overhaul** segment increased by RM1.1 million compared to the corresponding quarter mainly attributable to activities of Deleum Primera Sdn. Bhd. ("DPSB"), a subsidiary acquired in the fourth quarter of 2012.

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

B1. PERFORMANCE REVIEW (Cont'd)

(B) Profit before tax for the current quarter against the corresponding quarter

| | Q4'13 RM'000 | Q4'12 RM'000 | Variance RM'000 | Variance % |
|----------------------------------|-----------------|-----------------|--------------------|---------------|
| Power and Machinery | 21,224 | 21,342 | (118) | (0.6) |
| Oilfield Services | (1,249) | (1,459) | 210 | (14.4) |
| Maintenance, Repair and Overhaul | 161 | (628) | 789 | (125.6) |
| Segment results | <u>20,136</u> | <u>19,255</u> | <u>881</u> | <u>4.6</u> |
| Share of associates' results | <u>3,920</u> | <u>3,588</u> | <u>332</u> | <u>9.3</u> |
| Profit before tax | <u>20,192</u> | <u>19,310</u> | <u>882</u> | <u>4.6</u> |

Profit before tax increased by RM0.9 million over the corresponding quarter due to better performance from the Maintenance, Repair and Overhaul segment.

Despite an increase in revenue, the results of the **Power and Machinery** segment was broadly similar due to lower margin contribution from retrofit projects and on account of higher staff related costs.

Whilst revenue increased by RM13.2 million, the **Oilfield Services** segment registered a loss of RM1.2 million compared with a loss of RM1.5 million in the corresponding quarter. The negative result was mainly due to higher staff related costs, management fees and foreign exchange losses.

Maintenance, Repair and Overhaul segment recorded a profit of RM0.2 million for the current quarter as compared to a loss of RM0.6 million in the corresponding quarter in line with higher revenue and margin achieved during the current quarter.

Share of associates' results increased from RM3.6 million in the corresponding quarter to RM3.9 million for the current quarter and was mainly attributable to higher throughput from Malaysian Mud and Chemicals Sdn. Bhd. ("MMC") by RM0.5 million, offset by lower contribution from Cambodia Utilities Pte. Ltd. ("CUPL") of RM0.2 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)

(C) Revenue of the current year against the corresponding year

| | Cumulative Quarters ended | | Variance RM'000 | Variance % |
|----------------------------------|---------------------------|------------------|--------------------|---------------|
| | Q4 '13 RM'000 | Q4 '12 RM'000 | | |
| Revenue | | | | |
| Power and Machinery | 382,189 | 379,467 | 2,722 | 0.7 |
| Oilfield Services | 75,201 | 76,938 | (1,737) | (2.3) |
| Maintenance, Repair and Overhaul | 27,294 | 16,835 | 10,459 | 62.1 |
| | <u>484,684</u> | <u>473,240</u> | <u>11,444</u> | <u>2.4</u> |

The favorable variances of the **Power and Machinery** segment were attributable to higher marketing fees earned in connection with the provision of an offshore facility of RM9.4 million offset by lower revenue contribution from the retrofit projects.

The **Oilfield Services** segment experienced a reduction in revenue of RM1.7 million during the current year which was largely due to lower third party wireline sales and lower deployment of wireline equipment and services and related products.

The revenue contribution from the **Maintenance, Repair and Overhaul** segment increased by RM10.5 million during the current year compared to the corresponding year and was mainly attributable to the increase in contribution of RM9.8 million from DPSB.

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B1. PERFORMANCE REVIEW (Cont'd)

(D) Profit before tax of the current year against the corresponding year

| | Cumulative Quarters ended | | Variance RM'000 | Variance % |
|----------------------------------|---------------------------|------------------|--------------------|---------------|
| | Q4 '13 RM'000 | Q4 '12 RM'000 | | |
| Power and Machinery | 64,048 | 58,127 | 5,921 | 10.2 |
| Oilfield Services | 7,286 | 5,063 | 2,223 | 43.9 |
| Maintenance, Repair and Overhaul | 1,869 | (987) | 2,856 | (289.4) |
| Segment results | 73,203 | 62,203 | 11,000 | 17.7 |
| Share of associates' results | 15,973 | 15,579 | 394 | 2.5 |
| Profit before tax | 75,591 | 67,471 | 8,120 | 12.0 |

The Group recorded a profit before tax of RM75.6 million for the year compared to RM67.5 million in last year. The increase for the current year was largely due to improved results from all segments.

Power and Machinery segment recorded a result of RM64.0 million for the current year against RM58.1 million in the corresponding year mainly attributable to marketing fees earned in connection with the provision of an offshore facility of RM9.4 million offset by higher marketing and promotion costs.

Oilfield Services segment registered a result of RM7.3 million for the current year compared to RM5.1 million in the corresponding year. Margin improved despite a contraction in revenue which during the corresponding year had consisted mainly of lower margin third party wireline product sales and the one-off sale of critical spares under the wellhead maintenance contract.

Maintenance, Repair and Overhaul segment recorded a profit of RM1.9 million for the current year compared to a loss of RM1.0 million in the corresponding year mainly attributable to a full year's profit contribution from DPSB of RM2.9 million offset by a loss of RM1.0 million in Deleum Rotary Services Sdn. Bhd..

Share of associates' results for the current financial year is broadly similar to the corresponding year. Profit contribution from MMC was much higher by RM1.7 million but offset by reduced contribution from CUPL of RM1.3 million.

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B2. MATERIAL CHANGE IN THE PROFIT BEFORE TAX AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PROFIT BEFORE TAX

| | Q4 '13 RM'000 | Q3 '13 RM'000 | Variance RM'000 | Variance % |
|----------------------------------|------------------|------------------|--------------------|---------------|
| Power and Machinery | 21,224 | 20,836 | 388 | 1.9 |
| Oilfield Services | (1,249) | 3,444 | (4,693) | (136.3) |
| Maintenance, Repair and Overhaul | 161 | (408) | 569 | (139.5) |
| Segment results | <u>20,136</u> | <u>23,872</u> | <u>(3,736)</u> | <u>(15.7)</u> |
| Share of associates' results | <u>3,920</u> | <u>4,407</u> | <u>(487)</u> | <u>(11.1)</u> |
| Profit before tax | <u>20,192</u> | <u>23,067</u> | <u>(2,875)</u> | <u>(12.5)</u> |

The segments results for the current quarter decreased mainly due to lower performance from the Oilfield Services segment.

Power and Machinery segment recorded a result of RM21.2 million for the current quarter as compared with the results of RM20.8 million in the preceding quarter. There was minimal change in the results despite higher revenue of RM62.4 million and the margin arising therefrom was offset by higher marketing fees of RM7.7 million earned in the preceding quarter.

Oilfield Services segment result for the current quarter was a loss of RM1.2 million against RM3.4 million profits in the preceding quarter. The unfavorable variance was mainly attributable to lower profit contribution from lower segment revenue of RM2.0 million and higher staff related cost of RM2.8 million.

Maintenance, Repair and Overhaul segment recorded a gain of RM0.2 million for the current quarter against a loss of RM0.4 million in the preceding quarter mainly attributable to higher revenue of RM3.7 million mainly contributed by DPSB.

Share of associates' results decreased from RM4.4 million in the preceding quarter to RM3.9 million in the current quarter mainly attributable to lower throughput from MMC by RM0.9 million but mitigated by higher contribution from CUPL by RM0.4 million.

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B3. PROSPECTS

In the financial year just ended, the Malaysian oil and gas sector experienced good growth on the back of strong exploration and production activities undertaken by PETRONAS in its drive to enhance the domestic oil and gas production. This trend is expected to continue and points to another year of growth ahead, thereby enhancing the Group's opportunity to participate and contribute positively to the Group's performance.

B4. PROFIT FORECAST

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

B5. INCOME TAX EXPENSE

Current income tax is calculated at the statutory rate of 25% of the assessable profit for the year. The statutory tax rate will be reduced to 24% from the current year's statutory rate of 25% effective year of assessment 2016. The computation of the deferred tax as at 31 December 2013 has reflected these changes.

| | Individual Quarter ended | | Cumulative Quarters ended | |
|--|--------------------------|----------------------|---------------------------|----------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| Current tax – current year | 4,426 | 4,836 | 16,885 | 13,946 |
| (Over)/under provision in prior year | (60) | 54 | (21) | 206 |
| Deferred tax – origination and reversal of temporary differences | (816) | (2,302) | 66 | (895) |
| Total income tax expense | 3,550 | 2,588 | 16,930 | 13,257 |

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B5. INCOME TAX EXPENSE (CONT.)

Including the associates' results which are presented net of tax, the effective tax rate of the Group for the financial year ended 31 December 2013 is lower than the statutory tax rate as shown below.

| | Cumulative Quarters ended | |
|--|----------------------------------|------------------------|
| | 31/12/2013 % | 31/12/2012 % |
| Numerical reconciliation between the effective tax rate and the Malaysian tax rate | | |
| Malaysian tax rate | 25 | 25 |
| <u>Tax effects of:</u> | | |
| - Expenses not deductible for tax purposes | 3 | 1 |
| - Share of results of associates | (5) | (6) |
| - Change in statutory tax rate | (1) | 0 |
| Effective tax rate | 22 | 20 |

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.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There is no corporate proposal announced which is not completed as of 18 February 2014 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

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B9. GROUP BORROWINGS

The Group borrowings as at 31 December 2013 were as follows:

| | Short Term RM '000 | Long Term RM '000 | Total RM '000 |
|--------------------------|-----------------------------------|----------------------------------|--------------------------|
| <u>31/12/2013</u> | | | |
| Borrowings - secured | 2,114 | 11,731 | 13,845 |
| - unsecured | 15,800 | 0 | 15,800 |
| | 17,914 | 11,731 | 29,645 |
| <u>31/12/2012</u> | | | |
| Borrowings - secured | 5,792 | 3,368 | 9,160 |
| - unsecured | 9,800 | 0 | 9,800 |
| | 15,592 | 3,368 | 18,960 |

The borrowings were all denominated in Ringgit Malaysia.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 31 December 2013.

B11. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at 18 February 2014 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

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B12. DIVIDEND

The Board of Directors have, in respect of financial year ended 31 December 2013, declared a second interim single tier dividend of 11.0 sen per share on 150,000,000 ordinary shares.

The dividend will be payable on 26 March 2014 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 13 March 2014.

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 2014 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 2013 is 17.0 sen per ordinary share. There will be no final dividend declared for the financial year ended 31 December 2013.

B13. EARNINGS PER SHARE (“EPS”)

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

| RM '000 | Individual Quarter ended | | Cumulative Quarter ended | |
|--|--------------------------|----------------------|--------------------------|----------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| Basic earnings per share | | | | |
| Profit attributable to equity holders of the Company | 14,568 | 13,504 | 49,559 | 44,450 |
| Weighted average number of ordinary shares | 150,000 | 150,000 | 150,000 | 150,000 |
| Basic earnings per share | 9.71 sen | 9.00 sen | 33.04 sen | 29.63 sen |

The diluted earnings per share for the Group is not presented as there is no dilutive potential ordinary shares during the current financial year under review.

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B14. PROFIT BEFORE TAX

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

| RM '000 | Individual Quarter ended | | Cumulative Quarter ended | |
|--|--------------------------|----------------------|--------------------------|----------------------|
| | 31/12/2013 RM'000 | 31/12/2012 RM'000 | 31/12/2013 RM'000 | 31/12/2012 RM'000 |
| Interest income | (329) | (276) | (1,260) | (1,583) |
| Other income including investment income | (131) | (648) | (1,121) | (1,120) |
| Interest expenses | 323 | 289 | 1,120 | 1,223 |
| Depreciation and amortisation | 4,332 | 5,011 | 15,732 | 15,755 |
| Reversal of provision for trade receivables | (33) | 0 | (1,461) | (32) |
| Provision for trade receivables | 20 | 1,383 | 767 | 1,383 |
| Provision for other receivables | 0 | 0 | 3,800 | 0 |
| Loss on disposal of quoted investments | 0 | 258 | 0 | 258 |
| Foreign exchange losses | 1,022 | 749 | 133 | 575 |
| Provision for inventories | 225 | 38 | 225 | 38 |
| Reversal of provision for inventories | (1) | 0 | (11) | (41) |
| Provision for liquidated damages | 46 | 10 | 157 | 636 |
| Reversal of provision for liquidated damages | 0 | (523) | (260) | (523) |
| Gain on disposals of property, plant and equipment | (3) | 0 | (117) | (84) |

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

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B15. REALISED AND UNREALISED PROFITS

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

| RM'000 | Cumulative Quarters Ended 31/12/2013 | Cumulative Quarters Ended 31/12/2012 |
|---|---|---|
| Total retained profits of the Company and its subsidiaries: | | |
| Realised | 132,994 | 107,601 |
| Unrealised | (6,574) | (5,915) |
| | 126,420 | 101,686 |
| Total share of retained profits from associated companies: | | |
| Realised | 45,429 | 45,010 |
| Unrealised | (3,540) | (3,091) |
| | 41,889 | 41,919 |
| Less: Consolidation adjustments | (23,290) | (24,145) |
| Total Group's retained profits | 145,019 | 119,460 |

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

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

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B16. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2012 was unqualified.

B17. 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 2014.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
25 February 2014