

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

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2015**

**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 2014 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 2014 except as described below.

**Joint venture**

The Group’s interest in the joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint venture is initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income.

**Share-based payment transactions**

The Group operates an equity settled share-based compensation plan under which the Group receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense with a corresponding increase to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, excluding the impact of any service and non-market performance vesting conditions.

The results of the associates are based on unaudited management accounts. The power generating facility operated by Cambodia Utilities Pte. Ltd. (“CUPL”) under a build, operate and transfer agreement with Electricite Du Cambodge expired on 8 May 2015. Upon its expiration, the balance of the investment in CUPL will be represented by liquid assets.

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

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

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 2014. The amendments to published standards effective for financial year beginning on 1 January 2015 that are applicable and adopted by the Group as follows:

- Annual Improvements to MFRS 2010 – 2012 Cycle (Amendments to MFRS 2 Share Based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures and MFRS 138 Intangible Assets)
- Annual Improvements to MFRS 2011 – 2013 Cycle (Amendments to MFRS 3 Business Combination, MFRS 13 Fair Value Measurement and MFRS 140 Investment Property)
- Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions

The adoption of the above Annual improvements and Amendments to MFRS do not have a material impact to the Group for the financial year ending 31 December 2015.

The Group has not early adopted the following accounting standards and amendments to published standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial period beginning on or after 1 January 2016.

|  |   |
|--|---|
| Amendments to MFRS 116   | Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)                               |
| Amendments to MFRS 138   | Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)   |
| Amendments to MFRS 10  | Consolidated Financial Statements (effective 1 January 2016)  |
| Amendments to MFRS 128   | Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates/Joint Ventures (effective 1 January 2016) |
| Amendments to MFRS 127   | Separate Financial Statements – Equity Accounting in Separate Financial Statements (effective 1 January 2016)   |
| Amendments to MFRS 101   | Disclosure Initiative (effective 1 January 2016)  |
| Annual improvements to MFRS 2012 – 2014 cycle (effective 1 January 2016) |   |
| MFRS 15  | Revenue from Contracts with Customers (effective 1 January 2017)  |
| MFRS 9   | Financial instruments (effective 1 January 2018)  |

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

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

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

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 Revenue and MFRS 111 Construction contracts and related interpretations.

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

**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 correlated with that of the oil and gas operators and contractors in Malaysia. Any significant change in their level of activities will likewise have an impact on the Group.

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

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

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

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

**A5. EQUITY AND DEBT SECURITIES**

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

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**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 March 2015.

**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 March 2015.

**A8. DIVIDENDS PAID**

During the current quarter under review, the Company paid the following second interim single tier dividend of 5 sen per share of RM0.50 each on 400,000,000 ordinary shares, in respect of the financial year ended 31 December 2014.

|   |               |
|---|---------------|
|   | <b>RM'000</b> |
| Second interim single tier dividend of 5 sen per share on<br>400,000,000 ordinary shares, paid on 26 March 2015 | <u>20,000</u> |

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

**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, including complete installation turnkey for new installations, package renewals and retrofit;
  - 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 slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of oilfield chemicals; and
  - Provision of drilling equipment and services and other oilfield products and technical services.
  
- Maintenance, Repair and Overhaul – Mainly consists of:-
  - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps; and
  - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.

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

**A9. SEGMENT INFORMATION (Cont'd)**

Segmental information for the financial period ended 31 March 2015 is as follows:

|                                  | Quarter and year-to-date ended |                                  |
|----------------------------------|--------------------------------|----------------------------------|
|                                  | 31/03/2015<br>RM'000           | 31/03/2014<br>Restated<br>RM'000 |
| <u>Segment Revenue</u>           |                                |                                  |
| Power and Machinery              |                                |                                  |
| External revenue                 | 95,129                         | 64,462                           |
| Power and Machinery              | 95,129                         | 64,462                           |
| Oilfield Services                |                                |                                  |
| External revenue                 | 36,742                         | 24,916                           |
| Oilfield Services                | 36,742                         | 24,916                           |
| Maintenance, Repair and Overhaul |                                |                                  |
| External revenue                 | 3,996                          | 11,981                           |
| Maintenance, Repair and Overhaul | 3,996                          | 11,981                           |
| Total Group revenue              | 135,867                        | 101,359                          |

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

**A9. SEGMENT INFORMATION (Cont'd)**

|  | Quarter and year-to-date ended |                                  |
|--|--------------------------------|----------------------------------|
|  | 31/03/2015<br>RM'000           | 31/03/2014<br>Restated<br>RM'000 |
| <u>Segment Results</u>                                     |                                |                                  |
| Power and Machinery  | 13,119                         | 10,290                           |
| Oilfield Services  | 2,562                          | 5,770                            |
| Maintenance, Repair and Overhaul                           | (5,028)                        | (545)                            |
| Segment results  | 10,653                         | 15,515                           |
| Unallocated income ^                                       | 26                             | 53                               |
| Unallocated corporate expenses #                           | (2,321)                        | (3,688)                          |
| Share of results of associates *                           | 3,567                          | 3,966                            |
| Tax expense *  | (2,673)                        | (3,407)                          |
| Profit from continuing operations                          | 9,252                          | 12,439                           |
| Profit / (loss) from discontinued operation,<br>net of tax | 1,041                          | (113)                            |
| Profit for the financial period                            | 10,293                         | 12,326                           |

^ Unallocated income comprised mainly interest earned by the Group.

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

\* Tax expense and results of 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)**

**A9. SEGMENT INFORMATION (Cont'd)**

|                                    | <b>As at 31/03/2015<br/>RM'000</b> | <b>As at 31/12/2014<br/>RM'000</b> |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Segment Assets</u>              |                                    |                                    |
| Power and Machinery                | 199,252                            | 236,575                            |
| Oilfield Services                  | 308,104                            | 303,991                            |
| Maintenance, Repair and Overhaul   | 28,979                             | 27,797                             |
| Segment assets                     | 536,335                            | 568,363                            |
| Unallocated corporate assets ^     | 100,987                            | 74,506                             |
| Assets classified as held for sale | 0                                  | 27,266                             |
| <b>Total assets</b>                | <b>637,322</b>                     | <b>670,135</b>                     |

|   | <b>As at 31/03/2015<br/>RM'000</b> | <b>As at 31/12/2014<br/>RM'000</b> |
|---|------------------------------------|------------------------------------|
| <u>Segment Liabilities</u>              |                                    |                                    |
| Power and Machinery                     | 113,896                            | 133,088                            |
| Oilfield Services                       | 203,553                            | 201,573                            |
| Maintenance, Repair and Overhaul        | 5,532                              | 7,534                              |
| Segment liabilities                     | 322,981                            | 342,195                            |
| Unallocated corporate liabilities #     | 24,287                             | 21,033                             |
| Liabilities classified as held for sale | 0                                  | 1,985                              |
| <b>Total liabilities</b>                | <b>347,268</b>                     | <b>365,213</b>                     |

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

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



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

**A10. ACQUISITIONS AND DISPOSALS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

During the current and cumulative quarters ended 31 March 2015, the acquisitions and disposals of plant and equipment and intangible assets by the Group are as follows:

|                                | Quarter and year-to-date ended |                      |
|--------------------------------|--------------------------------|----------------------|
|                                | 31/03/2015<br>RM'000           | 31/03/2014<br>RM'000 |
| Acquisitions at cost: -        |                                |                      |
| - Plant and equipment          | 12,115                         | 33,916               |
| - Intangible assets            | 149                            | 304                  |
| Disposals at net book value: - |                                |                      |
| - Plant and equipment          | 163                            | 0                    |

**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-to-date other than as reported in note B8.

**A13. CONTINGENT LIABILITIES / ASSETS**

As at 31 March 2015, 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 RM29.9 million (31 December 2014: RM26.2 million).

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

**A14. COMMITMENTS**

(a) Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 31 March 2015 are as follows:

|                                   | <b>As at 31/03/2015<br/>RM'000</b> | <b>As at 31/12/2014<br/>RM'000</b> |
|-----------------------------------|------------------------------------|------------------------------------|
| Authorised but not contracted for |                                    |                                    |
| - Plant and machinery             | 27,099                             | 37,813                             |
| - Land and building               | 9,000                              | 10,800                             |
| - Others                          | 9,978                              | 9,948                              |
| Authorised and contracted for     |                                    |                                    |
| - Plant and machinery             | 11,466                             | 14,181                             |
| - Others                          | 396                                | 465                                |
|                                   | <b>57,939</b>                      | <b>73,207</b>                      |

(b) Operating lease commitment

The Group has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments are as follows:

|                           | <b>As at 31/03/2015<br/>RM'000</b> | <b>As at 31/12/2014<br/>RM'000</b> |
|---------------------------|------------------------------------|------------------------------------|
| Within one year           | 473                                | 660                                |
| Between two to five years | 432                                | 432                                |
| More than five years      | 90                                 | 117                                |
|                           | <b>995</b>                         | <b>1,209</b>                       |

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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.

|  | <b>Quarter and year-to-date ended</b> |                              |
|--|---------------------------------------|------------------------------|
|  | <b>31/03/2015<br/>RM'000</b>          | <b>31/03/2014<br/>RM'000</b> |
| Purchases and technical services from Solar Turbines International Company | 55,446                                | 34,556                       |

Significant outstanding balance arising from the above transactions as at 31 March 2015 is as follows:

|  | <b>31/03/2015<br/>RM'000</b> | <b>31/12/2014<br/>RM'000</b> |
|--|------------------------------|------------------------------|
| Amount due to Solar Turbines International Company | 43,093                       | 48,040                       |

- (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.

|  | <b>Quarter and year-to-date ended</b> |                              |
|--|---------------------------------------|------------------------------|
|  | <b>31/03/2015<br/>RM'000</b>          | <b>31/03/2014<br/>RM'000</b> |
| Purchases from Dresser Italia S.R.L                    | 0                                     | 103                          |
| Purchases from related parties of Dresser Italia S.R.L | 6,504                                 | 4,009                        |

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

**A15. RELATED PARTY TRANSACTIONS (Cont'd)**

Significant outstanding balance arising from the above transactions as at 31 March 2015 is as follows:

|   | <b>31/03/2015<br/>RM'000</b> | <b>31/12/2014<br/>RM'000</b> |
|---|------------------------------|------------------------------|
| Amount due to related parties of Dresser Italia S.R.L | 4,183                        | 3,555                        |

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

|  | <b>Quarter and year-to-date ended</b> |                              |
|--|---------------------------------------|------------------------------|
|  | <b>31/03/2015<br/>RM'000</b>          | <b>31/03/2014<br/>RM'000</b> |
| Directors' fees  | 251                                   | 233                          |
| Salaries, bonuses, allowances and other staff related expenses | 2,499                                 | 2,042                        |
| Defined contribution plan                                      | 260                                   | 235                          |
|  | 3,010                                 | 2,510                        |

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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 and year-to-date

|                                  | Q1'15   | Q1'14              | Variance | Variance |
|----------------------------------|---------|--------------------|----------|----------|
|                                  | RM'000  | Restated<br>RM'000 | RM'000   | %        |
| <b>Revenue</b>                   |         |                    |          |          |
| Power and Machinery              | 95,129  | 64,462             | 30,667   | 47.6     |
| Oilfield Services                | 36,742  | 24,916             | 11,826   | 47.5     |
| Maintenance, Repair and Overhaul | 3,996   | 11,981             | (7,985)  | (66.6)   |
|                                  | 135,867 | 101,359            | 34,508   | 34.0     |

Group revenue in the current quarter expanded by RM34.5 million compared with the corresponding quarter. The prime contributors to the increase were the Power and Machinery and the Oilfield Services segment.

On the segment basis, revenue of the **Power and Machinery** segment recorded an increase of RM30.7 million against the corresponding quarter mainly attributable to higher revenue contribution from parts and repairs of RM11.8 million, retrofits projects of RM11.2 million, exchange engines RM5.5 million and the supply, install, repair and maintenance of valves and flow regulators of RM4.5 million. This was then partially offset by lower revenue from field service representatives activities of RM2.7 million and sales of gas turbine packages of RM1.6 million due to the completion of certain oil and gas projects.

The **Oilfield Services** segment experienced a revenue increase of RM11.8 million in the current quarter largely due to improvement from slickline activities of RM8.7 million on account of the Pan Malaysia Slickline Contracts and higher level of oilfield chemicals activities of RM3.1 million.

The revenue contribution from the **Maintenance, Repair and Overhaul** segment decreased by RM8.0 million compared to the corresponding quarter. Rotary experienced a reduction in revenue of RM5.4 million due to a contraction in orders for repairs and maintenance of motors and generators on the back of reduced customers' spending as a consequence of the lower oil prices. Revenue from the maintenance activities of integrated corrosion were similarly affected and contracted by RM2.6 million as a number of work orders were deferred to subsequent quarters.

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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 and year-to-date

|                                  | Q1'15<br>RM'000 | Q1'14<br>Restated<br>RM'000 | Variance<br>RM'000 | Variance<br>% |
|----------------------------------|-----------------|-----------------------------|--------------------|---------------|
| Power and Machinery              | 13,119          | 10,290                      | 2,829              | 27.5          |
| Oilfield Services                | 2,562           | 5,770                       | (3,208)            | (55.6)        |
| Maintenance, Repair and Overhaul | (5,028)         | (545)                       | (4,483)            | (822.6)       |
| Segment results                  | <u>10,653</u>   | <u>15,515</u>               | <u>(4,862)</u>     | <u>(31.3)</u> |
| Share of associates' results     | 3,567           | 3,966                       | (399)              | (10.1)        |
| Profit before tax                | <u>11,925</u>   | <u>15,846</u>               | <u>(3,921)</u>     | <u>(24.7)</u> |

Profit before tax decreased by RM3.9 million from RM15.8 million in the corresponding quarter to RM11.9 million in the current quarter due to lower contributions from the Oilfield Services segment and the Maintenance, Repair and Overhaul segment.

The results of the **Power and Machinery** segment was higher by RM2.8 million and was mainly attributable to higher margin earned for exchange engines, retrofits projects and the supply, install, repair and maintenance of valves and flow regulators in the current quarter and higher forex gains of RM1.1 million, offset partially against higher operating expenses by RM1.1 million which were mainly staff related.

The **Oilfield Services** segment recorded a lower profit of RM3.2 million mainly attributable to higher costs incurred in slickline activities mainly manpower and insurance cost, consumables and equipment rentals. Interest expense also increased by RM1.5 million in line with the full drawdown of term loan facility at the end of previous financial year.

The **Maintenance, Repair and Overhaul** segment's performance was affected by lower than anticipated maintenance activities, with the result that revenue earned were insufficient to meet direct and indirect operating costs.

**Share of associates' results** decreased from RM4.0 million in the corresponding quarter to RM3.6 million for the current quarter and was mainly attributable to lower throughput from Malaysian Mud And Chemicals Sdn. Bhd. by RM0.8 million, offset by higher contribution from CUPL by RM0.4 million mainly attributable to higher margin earned.

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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)**

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

|                                  | Q1'15<br>RM'000 | Q4'14<br>RM'000 | Variance<br>RM'000 | Variance<br>% |
|----------------------------------|-----------------|-----------------|--------------------|---------------|
| Power and Machinery              | 13,119          | 16,048          | (2,929)            | (18.3)        |
| Oilfield Services                | 2,562           | 7,156           | (4,594)            | (64.2)        |
| Maintenance, Repair and Overhaul | (5,028)         | (3,003)         | (2,025)            | 67.4          |
| Segment results                  | <u>10,653</u>   | <u>20,201</u>   | <u>(9,548)</u>     | <u>(47.3)</u> |
| Share of associates' results     | 3,567           | 3,148           | 419                | 13.3          |
| Profit before tax                | <u>11,925</u>   | <u>21,457</u>   | <u>(9,532)</u>     | <u>(44.4)</u> |

The level of oil and gas activities in Malaysia contracted compared with the previous quarter as the major players plans to cut back their capital and operating budgets begin to take effect. The reduced spending has impacted the Group's performance for the quarter. Consequently, the segments posted a lower result by RM9.5 million for the current quarter over the preceding quarter.

**Power and Machinery** segment recorded a result of RM13.1 million for the current quarter compared with RM16.0 million in the preceding quarter. The less than favorable variance was attributable to lower revenue derived from parts and repairs and exchange engines.

**Oilfield Services** segment also recorded a result of RM2.6 million for the current quarter compared with RM7.2 million in the preceding quarter. The lower result was mainly attributable to lower slickline and oilfield chemicals activities during the quarter and higher finance cost of RM0.3 million offset by lower foreign exchange losses by RM1.8 million.

**Maintenance, Repair and Overhaul** segment recorded a higher loss by RM2.0 million for the current quarter and was mainly attributable to lower activities from repairs and maintenance of motors and generators and integrated corrosion maintenance.

**Share of associates' results** increased by RM0.4 million attributable to higher contribution from CUPL of RM0.3 million and MMC of RM0.1 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)**

**B3. PROSPECTS**

Oil prices continue to be volatile and though they staged a rebound in February 2015 following a sharp drop in prices from June 2014 to January 2015, there is still going forward considerable downward pressure attributed to a recent strong U.S. Dollar and supply and demand imbalances. Against this backdrop the major oil and gas players in Malaysia are observed to be cutting back and/or deferring capital and operating expenditures. This trend of reduced spending has impacted the Group's performance in the first quarter of this financial year and we expect this trend to continue in the coming quarters. Therefore the Group continues to stay vigilant ahead of the downside risks and will exercise caution and prudence in our operations without compromising our ability and capacity to service our existing customers and when business picks up.

**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 March 2014 and 2015 has reflected this change.

|  | <b>Quarter and year-to-date ended</b> |                            |
|--|---------------------------------------|----------------------------|
|  | <b>31/03/2015</b>                     | <b>31/03/2014</b>          |
|  | <b>RM'000</b>                         | <b>Restated<br/>RM'000</b> |
| Current tax – current year                                       | 5,211                                 | 1,656                      |
| Deferred tax – origination and reversal of temporary differences | (2,538)                               | 1,751                      |
| <b>Total income tax expense</b>                                  | <b>2,673</b>                          | <b>3,407</b>               |



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

Including the associates' results which are presented net of tax, the effective tax rate of the Group for the financial period ended 31 March 2015 is lower than the statutory tax rate as shown below.

|  | Quarter and year-to-date ended |                 |
|--|--------------------------------|-----------------|
|  | 31/03/2015<br>%                | 31/03/2014<br>% |
| 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                              | 3               |
| - Share of results of associates   | (7)                            | (6)             |
| - Expenses eligible for double deduction   | 0                              | (1)             |
| - Change in statutory tax rate   | 1                              | 0               |
| Effective tax rate   | 22                             | 21              |

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

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

**B7. QUOTED SECURITIES**

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

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**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

- (i) Reference is made to the announcements dated 11 March 2014, 25 March 2014, 14 April 2014, 5 May 2014 and 10 October 2014 in relation to the Long-Term Incentive Plan (“LTIP”).

Pursuant to Paragraph 9.19(51) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors announced on 2 March 2015 that the first grant of 2,396,500 ordinary shares of RM0.50 each in the Company (“Deleum Shares”) under the LTIP (“1<sup>st</sup> Grant”) to the selected Eligible Employees of the Group to whom an award of Deleum Shares is made pursuant to the LTIP (“Selected Employee(s)”), the details of which are set out in the table below:

| <b>No.</b> | <b>Description</b>  | <b>LTIP</b>  |
|------------|---|--|
| 1.         | Date of 1 <sup>st</sup> Grant   | 2 March 2015   |
| 2.         | Exercise price  | Not applicable as the Deleum Shares will be awarded upon vesting to the Selected Employees without any cash consideration, upon achieving the applicable performance measurements.   |
| 3.         | Number of Deleum Shares granted   | 1,254,300 Deleum Shares under Restricted Share Incentive Plan (“RS Award”)<br><br>1,142,200 Deleum Shares under Performance Share Incentive Plan (“PS Award”).   |
| 4.         | Closing market price of Deleum Shares on the Date of 1 <sup>st</sup> Grant. | RM1.72   |
| 5.         | Vesting Period  | RS Award – One-third annually from the date of 1 <sup>st</sup> Grant over 3 years, with the first vesting commencing on 2 March 2016 or such other date to be determined by the Plan Committee.<br><br>PS Award – Over 3 years from the date of 1 <sup>st</sup> Grant, with vesting on 2 March 2018 or such other date to be determined by the Plan Committee. |

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**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED (Cont'd)**

- (ii) On 24 March 2015, the Company announced that Turboservices Overhaul Sdn. Bhd. ("TOSB"), a wholly owned subsidiary of the Company, had on 24 March 2015, entered into the following agreements:
- (a) a subscription agreement with the Company and Solar Turbines International Company ("STICO") in which STICO has agreed to subscribe for 3,440,000 ordinary shares of RM1.00 each and two (2) redeemable convertible preference shares of RM0.01 each ("RCPS"), representing 19.45% of the total enlarged issued and paid-up capital of TOSB, for a consideration of RM7.0 million ("Consideration") to be satisfied by the delivery of one (1) Test Skid by STICO to TOSB ("Proposed Subscription"). The two (2) RCPS will carry a total issue price of RM3,560,000 which translates to a nominal value of RM0.01 with a share premium of RM1,779,999.99 each.
  - (b) a test skid agreement with STICO whereby TOSB has agreed to accept and STICO has agreed to deliver one (1) Test Skid as payment in kind for the subscription of shares by STICO in satisfaction of the Consideration pursuant to the Proposed Subscription.

On 30 March 2015, the Company announced that the above transactions had been completed.

Upon completion of the Proposed Subscription, TOSB became a joint venture of the Company and STICO. Consequent to the change in TOSB's status, TOSB's results and its net assets thereafter shall be accounted for under the equity method of accounting.

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**B9. ASSOCIATES**

|   | <b>As at<br/>31/03/2015<br/>RM'000</b> | <b>As at<br/>31/03/2014<br/>RM'000</b> |
|---|--|--|
| Group's share of net assets of associates | 44,556                                 | 41,150                                 |

In the opinion of the Directors, MMC and CUPL are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and country of incorporation are set out in the audited financial statements for the financial year ended 31 December 2014. The associates have share capital 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 its shares.

The power generating facility operated by Cambodia Utilities Pte. Ltd. ("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 Company's interest in CUPL at that date will be represented by current assets which are expected to be liquidated and returned to the Company in the form of cash. The share of results from this associate and its contribution to the profit attributable to the shareholders of the Company in the financial period ended 31 March 2015 amounted to RM2,171,000 (31 March 2014: RM1,735,000) and RM1,302,600 (31 March 2014: RM1,041,000) respectively.

Summarised statement of comprehensive income

|                                      | <b>MMC</b>                                |                   | <b>CUPL</b>                               |                   | <b>Total</b>                              |                   |
|--------------------------------------|---|-------------------|---|-------------------|---|-------------------|
|                                      | <b>Quarter and<br/>year-to-date ended</b> |                   | <b>Quarter and<br/>year-to-date ended</b> |                   | <b>Quarter and<br/>year-to-date ended</b> |                   |
|                                      | <b>31/03/2015</b>                         | <b>31/03/2014</b> | <b>31/03/2015</b>                         | <b>31/03/2014</b> | <b>31/03/2015</b>                         | <b>31/03/2014</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 before tax                    | 5,661                                     | 9,306             | 11,757                                    | 9,374             | 17,418                                    | 18,680            |
| Income tax expense                   | (1,298)                                   | (2,333)           | (900)                                     | (699)             | (2,198)                                   | (3,032)           |
| Profit for the period                | <u>4,363</u>                              | <u>6,973</u>      | <u>10,857</u>                             | <u>8,675</u>      | <u>15,220</u>                             | <u>15,648</u>     |
| Interest in associates<br>(32%; 20%) |   |                   |   |                   |   |                   |
| Share of results                     | <u>1,396</u>                              | <u>2,231</u>      | <u>2,171</u>                              | <u>1,735</u>      | <u>3,567</u>                              | <u>3,966</u>      |

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**B10. GROUP BORROWINGS**

The Group borrowings as at 31 March 2015 were as follows:

|                          | <b>Short<br/>Term<br/>RM '000</b> | <b>Long<br/>Term<br/>RM '000</b> | <b>Total<br/>RM '000</b> |
|--------------------------|-----------------------------------|----------------------------------|--------------------------|
| <b><u>31/03/2015</u></b> |                                   |                                  |                          |
| Borrowings - secured     | 24,635                            | 98,427                           | 123,062                  |
| - unsecured              | 29,000                            | 0                                | 29,000                   |
|                          | <u>53,635</u>                     | <u>98,427</u>                    | <u>152,062</u>           |
| <b><u>31/12/2014</u></b> |                                   |                                  |                          |
| Borrowings - secured     | 18,484                            | 104,587                          | 123,071                  |
| - unsecured              | 32,300                            | 0                                | 32,300                   |
|                          | <u>50,784</u>                     | <u>104,587</u>                   | <u>155,371</u>           |

The borrowings were all denominated in Ringgit Malaysia.

|   | <b>Note</b> | <b>As at 31/03/2015<br/>RM'000</b> | <b>As at 31/12/2014<br/>RM'000</b> |
|---|-------------|------------------------------------|------------------------------------|
| Revolving credits                       | (i)         | 29,000                             | 32,300                             |
| Finance lease liabilities               | (ii)        | 62                                 | 71                                 |
| Term loan                               | (iii)       | 123,000                            | 123,000                            |
|   |             | <u>152,062</u>                     | <u>155,371</u>                     |
| Less: Amount repayable within 12 months |             |                                    |                                    |
| Revolving credits                       |             | (29,000)                           | (32,300)                           |
| Finance lease liabilities               |             | (35)                               | (34)                               |
| Term loan                               |             | (24,600)                           | (18,450)                           |
|   |             | <u>(53,635)</u>                    | <u>(50,784)</u>                    |
| Amount repayable after 12 months        |             | <u>98,427</u>                      | <u>104,587</u>                     |

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**B10. GROUP BORROWINGS (Cont'd)**

- (i) Revolving credits are rolled over on a monthly basis at an average rate of 5.07% (1.25% per annum above the bank's cost of funds).
- (ii) Interest on the leases ranged from 2.55% - 2.56% per annum.
- (iii) Term loan consist of term loan 3 which carries an average rate of 5.17% (1.15% per annum above the bank's cost of funds). The tenure of the loan is 5 years.

**B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There was no off balance sheet financial instrument as at 31 March 2015.

**B12. MATERIAL LITIGATION**

Following from the Company's announcement on 24 November 2014 in relation to the legal suit filed against NSE Resources Corporation (M) Sdn. Bhd. ("NSERC"), namely that a Consent Judgement was entered into on 24 November 2014 against NSERC for the outstanding sum of RM3.8 million, NSERC has since defaulted in the payment of the Judgement sum in its entirety.

The Company has been informed by its solicitors that the sealed Consent Judgement was extracted from the Court on 24 February 2015 and that the same was served on the Defendant's solicitors on or about 27 February 2015 with a demand for immediate settlement of the entire Judgement sum. Nevertheless, the Defendant has to date, remained in default of the Judgement. The statutory demand pursuant to section 218 (2) (a) of the Companies Act 1965 has been issued to the Defendant on 18 May 2015.

The legal suit is not expected to have any material adverse impact on the Company's and the Group's financial position and performance for the financial year-to-date ended 31 March 2015.

Other than as disclosed above, there was no material litigation as at 13 May 2015 (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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**B13. DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE**

As reported in note B8, subsequent to the Subscription Agreement with STICO, TOSB became a joint venture of the Group. The result of TOSB was a discontinued operation and classified as held for sale as at 31 December 2014.

Profit attributable to the discontinued operation was as follows:

|   | <b>Quarter and<br/>year-to-date ended</b> |                   |
|---|---|-------------------|
|   | <b>31/03/2015</b>                         | <b>31/03/2014</b> |
|   | <b>RM'000</b>                             | <b>RM'000</b>     |
| Revenue   | 787                                       | 794               |
| Expenses  | (895)                                     | (945)             |
|   | <hr/>                                     | <hr/>             |
| Results from operating activities                       | (108)                                     | (151)             |
| Income tax expense                                      | 22  | 38                |
|   | <hr/>                                     | <hr/>             |
| Results from operating activities, net of tax           | (86)                                      | (113)             |
| Gain on sale of discontinued operation                  | 1,127                                     | 0                 |
|   | <hr/>                                     | <hr/>             |
| Profit / (loss) from discontinued operation, net of tax | <u>1,041</u>                              | <u>(113)</u>      |

The profit from discontinued operation of RM1,041,000 (2014: loss of RM113,000) is attributable entirely to the owners of the Company.

|  | <b>Quarter and<br/>year-to-date ended</b> |                   |
|--|---|-------------------|
|  | <b>31/03/2015</b>                         | <b>31/03/2014</b> |
|  | <b>RM'000</b>                             | <b>RM'000</b>     |
| Net cash generated from operating activities | 564                                       | 2,022             |
| Net cash used in investing activities        | (239)                                     | (22)              |
| Net cash used in financing activities        | (148)                                     | (197)             |
|  | <hr/>                                     | <hr/>             |
| Effect on cash flows                         | <u>177</u>                                | <u>1,803</u>      |

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**B13. DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE (Cont'd)**

Effect of disposal on the financial position of the Group

|   | <b>As at<br/>31/03/2015<br/>RM'000</b> |
|---|--|
| Property, plant and equipment               | 19,082                                 |
| Intangible assets                           | 148                                    |
| Deferred tax assets                         | 71                                     |
| Amounts due from related companies          | 258                                    |
| Trade receivables                           | 540                                    |
| Other receivables, deposits and prepayments | 1,184                                  |
| Cash and cash equivalents                   | 5,878                                  |
| Trade payables                              | (31)                                   |
| Other payables and accruals                 | (405)                                  |
| Amounts due to related companies            | (94)                                   |
| Taxation                                    | (5)                                    |
| Borrowings                                  | (1,506)                                |
|   | 25,120                                 |
| Net assets                                  | 25,120                                 |
| Gain on disposal of discontinued operation  | 1,127                                  |
|   | 26,247                                 |
| Investment in a joint venture               | 26,247                                 |
|   | 0                                      |
| Consideration received, satisfied in kind   | 0                                      |
| Cash and cash equivalents disposed of       | (5,878)                                |
|   | (5,878)                                |
| Net cash outflow                            | (5,878)                                |

**B14. DIVIDEND**

The Board of Directors, on 24 February 2015 declared a second interim single tier dividend of 5 sen per share on 400,000,000 ordinary shares in respect of the financial year ended 31 December 2014, totaling RM20,000,000. The dividend was paid on 26 March 2015.

No dividend was declared during the quarter under review for the financial year ending 31 December 2015.



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**B15. EARNINGS PER SHARE (“EPS”)**

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

|   | Quarter and year-to-date ended |                      |
|---|--------------------------------|----------------------|
|   | 31/03/2015<br>RM'000           | 31/03/2014<br>RM'000 |
| <b>Basic earnings per share</b>                                       |                                |                      |
| Profit attributable to equity holders of the Company (RM'000)         | 8,228                          | 9,753                |
| Number of ordinary shares at the beginning of the year ('000)         | 400,000                        | 150,000              |
| Effect of bonus issue ('000)  | 0                              | 50,000               |
| Effect of share split ('000)  | 0                              | 200,000              |
| Adjusted weighted average number of ordinary shares (Restated) ('000) | 400,000                        | 400,000              |
| Basic earnings per share (Restated) (sen)                             |                                |                      |
| - From continuing operations  | 1.80                           | 2.47                 |
| - From discontinued operation   | 0.26                           | (0.03)               |
| Basic earnings per share  | 2.06                           | 2.44                 |

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**B15. 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):

|   | Quarter and year-to-date ended |                      |
|---|--------------------------------|----------------------|
|   | 31/03/2015<br>RM'000           | 31/03/2014<br>RM'000 |
| <b>Diluted earnings per share</b>   |                                |                      |
| Profit attributable to equity holders of the Company (RM'000)   | 8,228                          | 9,753                |
| Adjusted weighted average number of ordinary shares as per basic earnings per share (Restated) ('000) | 400,000                        | 400,000              |
| Effect of potential vesting of LTIP   | 799                            | 799                  |
| Weighted average number of ordinary shares ('000)   | 400,799                        | 400,799              |
| Diluted earnings per share (Restated) (sen)   |                                |                      |
| - From continuing operations  | 1.79                           | 2.46                 |
| - From discontinued operation   | 0.26                           | (0.03)               |
| Diluted earnings per share  | 2.05                           | 2.43                 |

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**B16. PROFIT BEFORE TAX**

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

|  | <b>Quarter and year-to-date ended</b> |                              |
|--|---------------------------------------|------------------------------|
|  | <b>31/03/2015<br/>RM'000</b>          | <b>31/03/2014<br/>RM'000</b> |
| Interest income                                    | (354)                                 | (286)                        |
| Other income including investment income           | (339)                                 | (238)                        |
| Interest expenses                                  | 2,015                                 | 431                          |
| Depreciation and amortisation                      | 7,293                                 | 4,478                        |
| Write back of impairment for doubtful debts        | (45)                                  | (95)                         |
| Bad debts written off                              | 105                                   | 0                            |
| Impairment for doubtful debts                      | 347                                   | 793                          |
| Foreign exchange (gains) / losses                  |                                       |                              |
| - Realised   | (178)                                 | (1,318)                      |
| - Unrealised                                       | (1,403)                               | 132                          |
| Reversal of allowance for slow moving inventories  | (5)                                   | (8)                          |
| Provision for liquidated damages                   | 0                                     | 241                          |
| Gains on disposal of property, plant and equipment | (13)                                  | 0                            |

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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**B17. REALISED AND UNREALISED PROFITS**

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

| <b>RM'000</b>   | <b>Cumulative<br/>Quarter ended<br/>31/03/2015</b> | <b>Cumulative<br/>Quarters ended<br/>31/12/2014</b> |
|---|--|---|
| Total retained profits of the Company and its subsidiaries: |  |   |
| Realised  | 107,144  | 125,593   |
| Unrealised  | (9,465)  | (11,314)  |
|   | 97,679   | 114,279   |
| Total share of retained profits from associated companies:  |  |   |
| Realised  | 45,857   | 42,458  |
| Unrealised  | (3,853)  | (4,021)   |
|   | 42,004   | 38,437  |
| Less: Consolidation adjustments                             | (23,612)   | (24,873)  |
| Total Group's retained profits                              | 116,071  | 127,843   |

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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**B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the financial year ended 31 December 2014 was unqualified.

**B19. 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 20 May 2015.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)  
Lim Hooi Mooi (MAICSA no. 0799764)  
Company Secretaries  
Kuala Lumpur  
20 May 2015