

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 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.

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, 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, interest 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.

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

A1. BASIS OF PREPARATION (Cont'd)

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 2018)
MFRS 9	Financial instruments (effective 1 January 2018)

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A1. BASIS OF PREPARATION (Cont'd)

The initial application of the aforementioned 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

Other than the expiration of Cambodia Utilities Pte. Ltd's. ("CUPL") build, operate and transfer agreement as disclosed in Note B10, 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 30 September 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 30 September 2015.

A8. DIVIDENDS PAID

During the first 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.

	RM'000
Second interim single tier dividend of 5.0 sen per share on 400,000,000 ordinary shares, paid on 26 March 2015	<u>20,000</u>

During the current quarter under review, the Company paid a first interim single tier dividend of 2.0 sen per share of RM0.50 each on 400,000,000 ordinary shares, in respect of the financial year ending 31 December 2015.

	RM'000
First interim single tier dividend of 2.0 sen per share on 400,000,000 ordinary shares, paid on 25 September 2015	<u>8,000</u>

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A9. SEGMENT INFORMATION

The segments of the Group are as follows:

- Power and Machinery (“P&M”) – Mainly consists of:-
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewals and retrofit projects;
 - Supply and commission combined heat and power plants;
 - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
 - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.
- Oilfield Services (“OS”) – Mainly consists of:-
 - Provision of slickline equipment and services;
 - Provision of integrated wellhead maintenance services;
 - Provision of oilfield chemicals; and
 - Provision of drilling equipment and services and other oilfield products and technical services.
- Integrated Corrosion Solution (“ICS”) – Mainly consists of:-
 - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative thresholds for reporting segment in 2015.

In the preceding quarter, Maintenance, Repair and Overhaul (“MRO”) segment was renamed Integrated Corrosion Solution and the results of Deleum Rotary Services Sdn. Bhd. which were previously reported under MRO segment was reclassified to P&M segment. The change in reportable segment is in line with the way resource allocation is assessed by the Chief Operating Decision Maker who is also the Group Managing Director. Accordingly, prior period segment information had been restated to reflect the change.

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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 30 September 2015 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 Restated RM'000	30/09/2015 RM'000	30/09/2014 Restated RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	87,516	151,120	314,033	347,801
Power and Machinery	87,516	151,120	314,033	347,801
Oilfield Services				
External revenue	24,520	33,812	100,957	93,084
Oilfield Services	24,520	33,812	100,957	93,084
Integrated Corrosion Solution				
External revenue	16,657	2,684	31,426	10,591
Integrated Corrosion Solution	16,657	2,684	31,426	10,591
Other non-reportable segment				
External revenue	79	0	158	0
Other non-reportable segment	79	0	158	0
Total Group revenue	128,772	187,616	446,574	451,476

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

A9. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 Restated RM'000	30/09/2015 RM'000	30/09/2014 Restated RM'000
<u>Segment Results</u>				
Power and Machinery	18,864	24,484	44,601	48,717
Oilfield Services	(3,372)	5,962	7,574	21,145
Integrated Corrosion Solution	1,527	(748)	(357)	(779)
Other non-reportable segment	4	0	8	0
Segment results	17,023	29,698	51,826	69,083
Unallocated income ^	18	35	74	151
Unallocated corporate expenses #	(1,743)	(2,667)	(6,449)	(9,277)
Share of results of a joint venture *	175	0	788	0
Share of results of associates *	726	2,680	5,982	10,579
Tax expense *	(3,640)	(8,161)	(11,054)	(17,538)
Profit from continuing operations	12,559	21,585	41,167	52,998
(Loss) / profit from discontinued operation, net of tax	0	(278)	1,041	(562)
Profit for the financial period	12,559	21,307	42,208	52,436

^ Unallocated income comprised mainly interest earned by the Group.

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

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

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A9. SEGMENT INFORMATION (Cont'd)

	As at 30/09/2015	As at 31/12/2014
	RM'000	Restated RM'000
<u>Segment Assets</u>		
Power and Machinery	194,184	249,413
Oilfield Services	285,442	303,991
Integrated Corrosion Solution	36,105	14,959
Segment assets	515,731	568,363
Unallocated corporate assets ^	105,041	74,506
Assets classified as held for sale	0	27,266
Total assets	620,772	670,135

	As at 30/09/2015	As at 31/12/2014
	RM'000	Restated RM'000
<u>Segment Liabilities</u>		
Power and Machinery	97,239	135,620
Oilfield Services	160,987	201,573
Integrated Corrosion Solution	25,741	5,002
Segment liabilities	283,967	342,195
Unallocated corporate liabilities #	30,317	21,033
Liabilities classified as held for sale	0	1,985
Total liabilities	314,284	365,213

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

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

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

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

During the current and cumulative quarters ended 30 September 2015, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Acquisitions at cost: -				
- Plant and equipment	6,154	45,442	24,296	107,287
- Intangible assets	166	392	531	915
Disposals at net book value: -				
- Plant and equipment	156	1	331	1

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

On 30 March 2015, Turboservices Overhaul Sdn. Bhd. ("TOSB") and Solar Turbines International Company ("STICO") entered into a subscription agreement which resulted in TOSB becoming a joint venture of the Group.

On 1 September 2015, Delcom Holdings Sdn. Bhd. ("DHSB"), an indirect 80% owned subsidiary of the Company, had completed the acquisition of the remaining 20% equity interest of DHSB for a total cash consideration of RM3,169,000. Accordingly, DHSB is now a wholly-owned subsidiary of the Company via its wholly-owned subsidiary, Deleum Services Sdn. Bhd. ("DSSB").

Other than the above, there were no material changes in the composition of the Group during the financial year-to-date.

A13. CONTINGENT LIABILITIES / ASSETS

As at 30 September 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 RM30.8 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 30 September 2015 were as follows:

	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
Authorised but not contracted for		
- Plant and machinery	7,652	37,813
- Land and building	9,000	10,800
- Others	9,013	9,948
Authorised and contracted for		
- Plant and machinery	1,465	14,181
- Others	700	465
	27,830	73,207
Share of capital commitment of joint venture	1,682	0
	29,512	73,207

(b) Operating lease commitment

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

	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
Within one year	549	660
Between two to five years	432	432
More than five years	36	117
	1,017	1,209

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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 corporate shareholder of a subsidiary of the Group, Turboservices Sdn. Bhd.

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Purchases and technical services from STICO	45,342	93,015	190,508	211,886

Significant outstanding balance arising from the above transactions as at 30 September 2015 was as follows:

	30/09/2015 RM'000	31/12/2014 RM'000
Amount due to STICO	41,160	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.

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Purchases from Dresser Italia S.R.L	0	0	0	108
Purchases from related parties of Dresser Italia S.R.L	5,893	6,150	17,137	15,090

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

A15. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) The following transactions were with a corporate shareholder and affiliate companies of corporate shareholder of a subsidiary of the Group, Penaga Dresser Sdn. Bhd. (cont'd)

Significant outstanding balance arising from the above transactions as at 30 September 2015 was as follows:

	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
Amount due to related parties of Dresser Italia S.R.L	4,845	3,555

- (c) TOSB is a joint venture between Deleum Berhad and STICO and the related party transactions during the period were as follows:

	Individual Quarter ended		Cumulative Quarters Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Sales to STICO	1,400	0	3,515	0
Rental income from affiliate company of STICO	207	0	414	0

Significant outstanding balance arising from the above transactions as at 30 September 2015 were as follows:

	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
Amount due from STICO	989	0

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

A15. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Directors' fees	236	233	727	698
Salaries, bonuses, allowances and other staff related expenses	1,814	1,707	6,832	5,735
Defined contribution plan	237	195	742	646
	2,287	2,135	8,301	7,079

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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

	Q3'15	Q3'14 Restated	Variance	Variance
Revenue	RM'000	RM'000	RM'000	%
Power and Machinery	87,516	151,120	(63,604)	(42.1)
Oilfield Services	24,520	33,812	(9,292)	(27.5)
Integrated Corrosion Solution	16,657	2,684	13,973	520.6
Other non-reportable segment	79	0	79	100.0
	<u>128,772</u>	<u>187,616</u>	<u>(58,844)</u>	<u>(31.4)</u>

Operating condition during the quarter was difficult on the back of low oil prices. Performance was mixed as both the Power and Machinery and Oilfield Services segments posted significantly lower revenues, but revenues from Integrated Corrosion Solution increased more than fivefold compared with the corresponding quarter as orders started to flow in from the Pan Malaysia Blasting contract.

The **Power and Machinery** segment recorded a decrease in revenue of RM63.6 million against the corresponding quarter mainly attributable to lower revenue contribution from retrofit projects of RM53.2 million and field service representative of RM5.9 million, whereby a number of projects were delayed or postponed due to customers spending cuts in response to the collapse in oil prices.

The **Oilfield Services** segment experienced a revenue decrease of RM9.3 million against the corresponding quarter mainly attributable to lower revenue contribution from oilfield chemicals activities of RM3.3 million, slickline activities of RM2.8 million and well intervention and enhancement activities of RM1.4 million.

The revenue contribution from the **Integrated Corrosion Solution** segment experienced an increase of RM14.0 million compared to the corresponding quarter due to the improved work orders for corrosion protection and maintenance stemming from the Pan Malaysia Blasting Contract.

Other non-reportable segment comprised provision of management services to the joint venture.

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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

	Q3'15	Q3'14 Restated	Variance	Variance
	RM'000	RM'000	RM'000	%
Power and Machinery	18,864	24,484	(5,620)	(23.0)
Oilfield Services	(3,372)	5,962	(9,334)	(156.6)
Integrated Corrosion Solution	1,527	(748)	2,275	304.1
Other non-reportable segment	4	0	4	100.0
Segment results	<u>17,023</u>	<u>29,698</u>	<u>(12,675)</u>	<u>(42.7)</u>
Share of results of a joint venture	175	0	175	100.0
Share of results of associates	<u>726</u>	<u>2,680</u>	<u>(1,954)</u>	<u>(72.9)</u>
Profit before tax	<u>16,199</u>	<u>29,746</u>	<u>(13,547)</u>	<u>(45.5)</u>

Profit before tax decreased by RM13.5 million from RM29.7 million in the corresponding quarter to RM16.2 million in the current quarter due to lower contributions from the Power and Machinery and Oilfield Services segments and the associates.

The results of the **Power and Machinery** segment were lower by RM5.6 million due in part to lower revenue and offset by a favorable exchange variance of RM4.0 million on account of the weaker Ringgit Malaysia measured against the US Dollar.

The **Oilfield Services** segment suffered a loss of RM3.4 million against a profit of RM6.0 million. Performance was dragged down by reduced revenue and margins from slickline activities as customers cut back on operating expenditures in response to low oil prices. Additionally, the segment recorded an exchange loss of RM1.4 million on foreign currency denominated liabilities.

The **Integrated Corrosion Solution** segment turned around in the quarter to register a profit of RM1.5 million against a loss of RM0.7 million in the corresponding quarter on the back of a fivefold increase in revenue.

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

Share of results of associates decreased from RM2.7 million in the corresponding quarter to RM0.7 million for the current quarter and was attributable to lower throughput from Malaysian Mud And Chemicals Sdn. Bhd. ("2MC") by RM0.5 million on the back of lower drilling activities. Contribution from CUPL decreased by RM1.4 million with the expiration of the build, operate and transfer agreement with Electricite Du Cambodge on 8 May 2015.

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3'15 RM'000	Q3'14 Restated RM'000		
Revenue				
Power and Machinery	314,033	347,801	(33,768)	(9.7)
Oilfield Services	100,957	93,084	7,873	8.5
Integrated Corrosion Solution	31,426	10,591	20,835	196.7
Other non-reportable segment	158	0	158	100.0
	<u>446,574</u>	<u>451,476</u>	<u>(4,902)</u>	<u>(1.1)</u>

Cumulative performance in the current period was flat compared with the corresponding period. Within the segments, the Power and Machinery segment revenue contracted but both the Oilfield Services and Integrated Corrosion Solution segments posted higher revenues.

The **Power and Machinery** segment recorded a decrease in revenue of RM33.8 million compared to the corresponding period. The decrease was mainly attributable to lower revenue contribution from retrofit projects of RM52.7 million offset by better sales from parts and services for scheduled maintenance.

The **Oilfield Services** segment revenue increased by RM7.9 million in the current 9-months period largely due to improvement from slickline activities as the full impact of the Pan Malaysia Slickline contracts took effect in this financial year.

The revenue contribution from the **Integrated Corrosion Solution** segment increased by RM20.8 million compared to the corresponding period due to improved work orders for corrosion protection and maintenance riding on the back of the Pan Malaysia Blasting contract.

Other non-reportable segment comprised provision of management services to a joint venture.

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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)

(D) Profit before tax for the current year-to-date against the corresponding year-to-date

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3'15 RM'000	Q3'14 Restated RM'000		
Power and Machinery	44,601	48,717	(4,116)	(8.4)
Oilfield Services	7,574	21,145	(13,571)	(64.2)
Integrated Corrosion Solution	(357)	(779)	422	54.2
Other non- reportable segment	8	0	8	100.0
Segment results	51,826	69,083	(17,257)	(25.0)
Share of results of a joint venture	788	0	788	100.0
Share of results of associates	5,982	10,579	(4,597)	(43.5)
Profit before tax	52,221	70,536	(18,315)	(26.0)

The Group recorded profit before tax of RM52.2 million for the current 9-months period compared to RM70.5 million in the corresponding period. The reduction was mainly attributable to lower contributions from the Power and Machinery and Oilfield Services segments and the associates.

The results of the **Power and Machinery** segment were lower by RM4.1 million on account of lower revenue and incremental staff costs offset by higher foreign exchange gain of RM4.7 million.

The **Oilfield Services** segment recorded a lower profit by RM13.6 million despite an 8.5% increase in revenue. This change was due to lower margins earned, higher foreign exchange loss on US Dollar denominated liabilities of RM2.9 million and interest expense of RM3.1 million on borrowings for the acquisition of slickline equipment.

Loss of the **Integrated Corrosion Solution** segment declined from RM0.8 million to RM0.4 million as blasting and other corrosion related services picked up. However, the improved margin earned of RM2.8 million was offset by higher operating costs of RM2.1 million to support the increased activities and interest expense of RM0.3 million on higher borrowings for working capital and purchase of equipment.

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

Share of results of associates decreased from RM10.6 million in the corresponding quarter to RM6.0 million for the current quarter mainly attributable to lower throughput from 2MC by RM2.8 million and CUPL by RM1.8 million.

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

	Q3'15 RM'000	Q2'15 RM'000	Variance RM'000	Variance %
Revenue				
Power and Machinery	87,516	130,004	(42,488)	(32.7)
Oilfield Services	24,520	39,695	(15,175)	(38.2)
Integrated Corrosion Solution	16,657	12,157	4,500	37.0
Other non-reportable segment	79	79	0	0.0
	128,772	181,935	(53,163)	(29.2)

	Q3'15 RM'000	Q2'15 RM'000	Variance RM'000	Variance %
Power and Machinery	18,864	14,715	4,149	28.2
Oilfield Services	(3,372)	8,384	(11,756)	(140.2)
Integrated Corrosion Solution	1,527	1,047	480	45.8
Other non-reportable segment	4	4	0	0.0
Segment results	17,023	24,150	(7,127)	(29.5)
Share of results of a joint venture	175	613	(438)	(71.5)
Share of results of associates	726	1,689	(963)	(57.0)
Profit before tax	16,199	24,097	(7,898)	(32.8)

Quarter on quarter, the Group experienced a sharp contraction in activity levels as the impact of the cut backs implemented by customers since the onset of the decline in oil prices in June 2014 began to take hold and this trend is expected to continue for the rest of the financial year and beyond. Consequently, the Group recorded profit before tax of RM16.2 million for the current quarter compared to RM24.1 million for the preceding quarter.

Power and Machinery segment recorded a profit of RM18.9 million for the current quarter compared with RM14.7 million in the preceding quarter. Whilst revenue reduced by 32.7%, margin wise there was marginal impact as profit increased by RM4.1 million due to foreign exchange gain of RM5.3 million.

Oilfield Services segment recorded lower revenue in the current quarter as demand for slickline services and equipment eased as customers reduced production and impact of the revision of the contracted prices. Contribution was affected adversely and fell short of ongoing operating costs. As a result the segment suffered a loss of RM3.4 million in the current quarter. Whilst management had implemented cost saving measures to counteract the lower business activities, the majority of costs including staff costs are fixed as supply of skilled technicians and operators continue to be tight.

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B2. MATERIAL CHANGE IN THE PROFIT BEFORE TAX AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PROFIT BEFORE TAX (Cont'd)

Integrated Corrosion Solution segment recorded a profit of RM1.5 million for the current quarter compared with a profit of RM1.0 million in the preceding quarter. The higher profit was the result of higher corrosion protection and maintenance activities.

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

Share of results of associates decreased by RM1.0 million attributable to attributable to lower throughput from 2MC by RM0.1 million and CUPL by RM0.9 million.

B3. PROSPECTS

The operating environment in the oil and gas sector continues to be challenging following the plunge in crude oil prices and is expected to stay low in the current financial year and beyond. The cost cutting exercises undertaken by the major oil and gas operators in response are fully experienced throughout the whole supply chain. Consequently slower project rollouts, delays in tenders, postponement of new projects and renegotiations of existing contracts will translate into lower revenue and profit margins.

The Group's activities, are mainly concentrated in the provision of goods and services that are necessary for production of hydrocarbons and together with the long term contracts secured to date will sustain ongoing revenue generating activities. However, overall demand for the Group's products and services, especially slickline services and retrofit projects are expected to be subdued. Against this backdrop the Board and management expect performance to come under pressure and are monitoring the situation closely by moderating capital expenditures, reduction in working capital and cost containment to conserve cash.

B4. PROFIT FORECAST

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

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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 30 September 2014 and 2015 had reflected this change.

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Current tax – current year	1,554	5,224	10,833	11,648
Under / (Over) provision in prior year	73	9	(1)	(8)
Deferred tax – origination and reversal of temporary differences	2,013	2,928	222	5,898
Total income tax expense	3,640	8,161	11,054	17,538

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B5. INCOME TAX EXPENSE (Cont'd)

Including the joint venture's and associates' results which were presented net of tax, the effective tax rate of the Group for the financial period ended 30 September 2015 was lower than the statutory tax rate as shown below.

	Cumulative Quarters ended	
	30/09/2015 %	30/09/2014 %
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	0	4
- Income not subject to tax	(1)	0
- Share of results of associates and joint venture	(3)	(4)
Effective tax rate	21	25

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

On 19 August 2015, the Company announced that DSSB, a wholly-owned subsidiary of the Company, had entered into a Share Sale Agreement (“SSA”) with Tan Sri Dato’ Seri Abdul Ghani Bin Abdul Aziz (“Tan Sri”), a shareholder of DHSB to acquire 20,000 ordinary shares of RM1.00 each in DHSB, representing 20% equity interest of DHSB from Tan Sri for a total cash consideration of RM3,169,000. The transaction was completed on 1 September 2015. Accordingly, DHSB is now a wholly-owned subsidiary of DSSB.

Other than as disclosed above, there is no corporate proposal announced which is not completed as of 18 November 2015.

B9. JOINT VENTURE

	As at 30/09/2015 RM'000	As at 30/09/2014 RM'000
Group's share of net assets of joint venture	<u>27,035</u>	<u>0</u>

In the opinion of the Directors, TOSB is a material joint venture to the Group of which the Group has an effective equity interest of 80.55%. The joint venture was incorporated in Malaysia and provides gas turbine overhaul and maintenance services. TOSB has share capital consisting of ordinary shares and redeemable convertible preference shares, which are held directly by the Company.

TOSB is a private company and there is no quoted market price available for its shares.

Subsequent to the subscription agreement entered into with STICO on 30 March 2015, TOSB became a joint venture of the Group. Consequent to the change in TOSB's status, TOSB's results and its net assets thereafter are accounted for under the equity method of accounting.

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B9. JOINT VENTURE (Cont'd)

Summarised statement of comprehensive income

	Quarter ended		Year-to-date ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax	288	0	1,342	0
Income tax expense	(71)	0	(364)	0
Profit for the period	<u>217</u>	<u>0</u>	<u>978</u>	<u>0</u>
Interest in joint venture (80.55%) Share of results	<u>175</u>	<u>0</u>	<u>788</u>	<u>0</u>

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B10. ASSOCIATES

	As at 30/09/2015 RM'000	As at 30/09/2014 RM'000
Group's share of net assets of associates	48,436	42,815

In the opinion of the Directors, 2MC and CUPL are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and 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 the shares.

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired on 8 May 2015. Upon its expiration, the Company will continue to equity account for the results of CUPL until it ceases to be an associate. The share of results from this associate and its contribution to the profit attributable to the shareholders of the Company in the financial period ended 30 September 2015 amounted to RM3,279,400 (30 September 2014: RM5,073,600) and RM1,967,600 (30 September 2014: RM3,044,200) respectively.

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B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter ended 30/09/2015 RM'000	Quarter ended 30/09/2014 RM'000	Quarter ended 30/09/2015 RM'000	Quarter ended 30/09/2014 RM'000	Quarter ended 30/09/2015 RM'000	Quarter ended 30/09/2014 RM'000
Profit before tax	2,241	5,044	736	8,640	2,977	13,684
Income tax expense	(394)	(1,581)	(60)	(780)	(454)	(2,361)
Profit for the period	<u>1,847</u>	<u>3,463</u>	<u>676</u>	<u>7,860</u>	<u>2,523</u>	<u>11,323</u>
Interest in associates (32%; 20%) Share of results	<u>591</u>	<u>1,108</u>	<u>135</u>	<u>1,572</u>	<u>726</u>	<u>2,680</u>

	2MC		CUPL		Total	
	Year-to-date ended 30/09/2015 RM'000	Year-to-date ended 30/09/2014 RM'000	Year-to-date ended 30/09/2015 RM'000	Year-to-date ended 30/09/2014 RM'000	Year-to-date ended 30/09/2015 RM'000	Year-to-date ended 30/09/2014 RM'000
Profit before tax	11,046	23,434	17,879	27,720	28,925	51,154
Income tax expense	(2,600)	(6,228)	(1,482)	(2,355)	(4,082)	(8,583)
Profit for the financial year	<u>8,446</u>	<u>17,206</u>	<u>16,397</u>	<u>25,365</u>	<u>24,843</u>	<u>42,571</u>
Interest in associates (32%; 20%) Share of results	<u>2,703</u>	<u>5,506</u>	<u>3,279</u>	<u>5,073</u>	<u>5,982</u>	<u>10,579</u>

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B11. GROUP BORROWINGS

The Group borrowings as at 30 September 2015 were as follows:

	Short Term RM '000	Long Term RM '000	Total RM '000
<u>30/09/2015</u>			
Borrowings - secured	29,636	86,115	115,751
- unsecured	30,800	0	30,800
	<u>60,436</u>	<u>86,115</u>	<u>146,551</u>
<u>31/12/2014</u>			
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.

	Note	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
Revolving credits	(i)	33,800	32,300
Finance lease liabilities	(ii)	46	71
Term loan	(iii)	110,699	123,000
Loans against import	(iv)	2,006	0
		<u>146,551</u>	<u>155,371</u>
Less: Amount repayable within 12 months			
Revolving credits		(33,800)	(32,300)
Finance lease liabilities		(30)	(34)
Term loan		(24,600)	(18,450)
Loans against import		(2,006)	(0)
		<u>(60,436)</u>	<u>(50,784)</u>
Amount repayable after 12 months		<u>86,115</u>	<u>104,587</u>

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B11. GROUP BORROWINGS (Cont'd)

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.90% (average interest of 1.20% per annum above the bank's cost of funds).
- (ii) Finance lease liabilities carry interest rate of 2.55% - 2.56% per annum.
- (iii) Term loan carries an average interest rate of 5.05% (0.85% per annum above the bank's cost of funds). The tenure of the loan is 5 years.
- (iv) Loans against import carry an interest of 4.73% (1.15% per annum above the bank's cost of funds). The tenure of the import line is 90 days.

B12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 30 September 2015.

B13. 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 Judgment 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 Judgment sum in its entirety.

A statutory demand pursuant to section 218(2)(a) of the Companies Act 1965 was issued to NSERC on 18 May 2015. Pursuant to the aforementioned and as a result of NSERC 's continued default, a Winding Up Petition pursuant to section 218(1)(e) and/or 218(1)(i) of the Companies Act 1965 was presented at the High Court of Malaya at Shah Alam and the Affidavit Verifying Petition was filed on 18 September 2015. The Winding-Up Petition has been served on NSERC, together with the Affidavit Verifying Petition on 21 September 2015. The Affidavit of Service has been filed on 29 September 2015. The Winding Up Petition is fixed for hearing on 8 January 2016.

The filing of the Winding Up Petition is not expected to have any material adverse impact on the Group's financial position and performance for the financial year ending 31 December 2015.

Other than as disclosed above, there was no material litigation as at 11 November 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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B14. DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE

Subsequent to the Subscription Agreement with STICO on 30 March 2015, TOSB became a joint venture of the Group. The results of TOSB were classified as a discontinued operation and its assets and liabilities were classified as held for sale as at 31 December 2014.

Profit attributable to the discontinued operation was as follows:

	Quarter ended		Year-to-date ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Revenue	0	705	787	2,406
Expenses	0	(1,067)	(895)	(3,144)
Results from operating activities	0	(362)	(108)	(738)
Income tax expense	0	84	22	176
Results from operating activities, net of tax	0	(278)	(86)	(562)
Gain on sale of discontinued operation	0	0	1,127	0
(Loss) / profit from discontinued operation, net of tax	0	(278)	1,041	(562)

The profit from discontinued operation for the financial period ended 30 September 2015 of RM1,041,000 (2014: loss of RM562,000) is attributable entirely to the owners of the Company.

	Year-to-date ended	
	30/09/2015 RM'000	30/09/2014 RM'000
Net cash generated from operating activities	564	2,740
Net cash used in investing activities	(239)	(472)
Net cash used in financing activities	(148)	(603)
Effect on cash flows	177	1,665

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B14. DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE (Cont'd)

Effect of disposal on the financial position of the Group

	As at 30/09/2015 RM'000
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)

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B15. ACQUISITION OF NON-CONTROLLING INTERESTS

On 1 September 2015, the Group acquired an additional 20% interest in DHSB for RM3,169,000 in cash, increasing its ownership from 80% to 100%. The carrying amount of DHSB's net assets in the Group's financial statements on the date of the acquisition was RM12,694,000. The Group recognised a decrease in non-controlling interest of RM3,173,000 and an increase in retained earnings of RM4,000.

The following summarises the effect of changes in the equity interest in DHSB that is attributable to the owners of the Company:

	As at 30/09/2015 RM'000
Equity interest at 1 January 2015	12,807
Effect of increase in Company's ownership interest	3,173
Share of comprehensive income	4,568
Share based payment	15
Dividend	(3,672)
	<hr/>
Equity interest at 30 September 2015	<u>16,891</u>

B16. DIVIDEND

Save as disclosed in A8, there were no other dividends declared / paid during the quarter under review for the financial year ending 31 December 2015.

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B17. EARNINGS PER SHARE (“EPS”)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	9,056	16,834	34,372	42,526
Number of ordinary shares at the beginning of the year ('000)	400,000	150,000	400,000	150,000
Effect of bonus issue ('000)	0	50,000	0	50,000
Effect of share split ('000)	0	200,000	0	200,000
Adjusted weighted average number of ordinary shares (Restated) ('000)	400,000	400,000	400,000	400,000
Basic earnings per share (Restated) (sen)				
- From continuing operations	2.26	4.28	8.33	10.77
- From discontinued operation	0.00	(0.07)	0.26	(0.14)
Basic earnings per share	2.26	4.21	8.59	10.63

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B17. EARNINGS PER SHARE (“EPS”) (Cont'd)

The calculations of basic and diluted earnings per share for the reporting periods are computed as follows (Cont'd):

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	9,056	16,834	34,372	42,526
Adjusted weighted average number of ordinary shares as per basic earnings per share (Restated) ('000)	401,870	401,870	400,000	400,000
Effect of potential vesting of Long Term Incentive Plan ('000)	0	0	1,870	1,870
Weighted average number of ordinary shares ('000)	401,870	401,870	401,870	401,870
Diluted earnings per share (Restated) (sen)				
- From continuing operations	2.25	4.26	8.29	10.72
- From discontinued operation	0.00	(0.07)	0.26	(0.14)
Diluted earnings per share	2.25	4.19	8.55	10.58

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B18. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Interest income	(278)	(325)	(859)	(863)
Other income including investment income	(263)	(348)	(805)	(707)
Interest expenses	1,794	1,322	5,794	2,513
Depreciation and amortisation	7,295	5,283	21,670	14,428
Write back of impairment for doubtful debts	0	(55)	(301)	(491)
Bad debts written off	0	0	105	0
Impairment for doubtful debts	229	135	576	933
Foreign exchange losses / (gains)				
- Realised	2,953	347	1,554	(1,426)
- Unrealised	(6,688)	(1,530)	(6,512)	(1,742)
Reversal of allowance for slow moving inventories	(13)	(5)	(32)	(58)
Provision for liquidated damages	0	25	2	272
Gain on disposals of property, plant and equipment	(151)	0	(162)	0
Gain on sale of discontinued operation	0	0	(1,127)	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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FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

B19. REALISED AND UNREALISED PROFITS

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

RM'000	Cumulative Quarters ended 30/09/2015	Cumulative Quarters ended 31/12/2014
Total retained profits of the Company and its subsidiaries:		
Realised	122,524	125,593
Unrealised	(7,469)	(11,314)
	115,055	114,279
Total share of retained profits from associated companies:		
Realised	48,278	42,458
Unrealised	(3,859)	(4,021)
	44,419	38,437
Less: Consolidation adjustments	(25,255)	(24,873)
Total Group's retained profits	134,219	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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

B20. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

B21. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 18 November 2015.

By order of the Board

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