

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

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 MFRSs 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 MFRSs 2011 – 2013 Cycle (Amendments to MFRS 3 Business Combination, MFRS 13 Fair Value Measurement and MFRS 140 Investment Property)
- Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The adoption of the Annual improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

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 12	Disclosure of Interests in Other Entities (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 MFRSs 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)

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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 core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. 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.

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

A5. EQUITY AND DEBT SECURITIES

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

A6. OUTSTANDING DERIVATIVES

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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 second quarter of the financial year, 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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

A9. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial year ended 31 December 2015 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2015 RM'000	31/12/2014 Restated RM'000	31/12/2015 RM'000	31/12/2014 Restated RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	151,906	145,265	465,939	493,066
Power and Machinery	151,906	145,265	465,939	493,066
Oilfield Services				
External revenue	36,985	53,389	137,942	146,473
Oilfield Services	36,985	53,389	137,942	146,473
Integrated Corrosion Solution				
External revenue	13,817	7,143	45,243	17,734
Integrated Corrosion Solution	13,817	7,143	45,243	17,734
Other non-reportable segment				
External revenue	116	0	274	0
Other non-reportable segment	116	0	274	0
Total Group revenue	202,824	205,797	649,398	657,273

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

A9. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2015 RM'000	31/12/2014 Restated RM'000	31/12/2015 RM'000	31/12/2014 Restated RM'000
<u>Segment Results</u>				
Power and Machinery	19,210	15,894	63,811	64,611
Oilfield Services	718	7,156	8,292	28,301
Integrated Corrosion Solution	1,319	(1,249)	962	(2,028)
Other non-reportable segment	5	0	13	0
Segment results	21,252	21,801	73,078	90,884
Unallocated income ^	21	24	95	175
Unallocated corporate expenses #	(1,990)	(3,516)	(8,439)	(12,793)
Share of results of a joint venture *	(13)	0	775	0
Share of results of associates *	(340)	3,148	5,642	13,727
Tax expense *	(5,599)	(3,821)	(16,653)	(21,359)
Profit from continuing operations	13,331	17,636	54,498	70,634
Profit from discontinued operation, net of tax	0	579	1,041	17
Profit for the financial period / year	13,331	18,215	55,539	70,651

^ 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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

A9. SEGMENT INFORMATION (Cont'd)

	As at 31/12/2015	As at 31/12/2014
	RM'000	Restated RM'000
<u>Segment Assets</u>		
Power and Machinery	253,817	249,413
Oilfield Services	280,931	303,991
Integrated Corrosion Solution	33,039	14,959
Segment assets	567,787	568,363
Unallocated corporate assets ^	104,979	74,506
Assets classified as held for sale	0	27,266
Total assets	672,766	670,135

	As at 31/12/2015	As at 31/12/2014
	RM'000	Restated RM'000
<u>Segment Liabilities</u>		
Power and Machinery	142,813	135,620
Oilfield Services	155,912	201,573
Integrated Corrosion Solution	20,737	5,002
Segment liabilities	319,462	342,195
Unallocated corporate liabilities #	34,317	21,033
Liabilities classified as held for sale	0	1,985
Total liabilities	353,779	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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 December 2015, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Acquisitions at cost: -				
- Plant and equipment	1,999	30,194	26,295	137,481
- Intangible assets	227	193	758	1,108
Disposals at net book value: -				
- Plant and equipment	3	0	334	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.

A13. CONTINGENT LIABILITIES / ASSETS

As at 31 December 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 RM30.7 million (31 December 2014: RM26.2 million).

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 December 2015 were as follows:

	As at 31/12/2015 RM'000	As at 31/12/2014 RM'000
Authorised but not contracted for		
- Plant and machinery	18,012	37,813
- Land and building	0	10,800
- Others	6,368	9,948
Authorised and contracted for		
- Plant and machinery	433	14,181
- Others	472	465
	25,285	73,207
Share of capital commitment of joint venture	1,420	0
	26,705	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 31/12/2015 RM'000	As at 31/12/2014 RM'000
Within one year	667	660
Between two to five years	771	432
More than five years	9	117
	1,447	1,209

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Purchases and technical services from STICO	87,071	109,640	277,579	321,526

Significant outstanding balance arising from the above transactions as at 31 December 2015 was as follows:

	As at 31/12/2015 RM'000	As at 31/12/2014 RM'000
Amount due to STICO	83,365	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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Purchases from Dresser Italia S.R.L	16	21	16	129
Purchases from related parties of Dresser Italia S.R.L	12,812	4,054	29,949	19,144

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 31 December 2015 was as follows:

	As at 31/12/2015 RM'000	As at 31/12/2014 RM'000
Amount due to related parties of Dresser Italia S.R.L	7,903	3,555

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

	Individual Quarter ended		Cumulative Quarters Ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Sales to STICO	1,400	0	4,915	0
Rental income from affiliate company of STICO	207	0	621	0

Significant outstanding balance arising from the above transactions as at 31 December 2015 were as follows:

	As at 31/12/2015 RM'000	As at 31/12/2014 RM'000
Amount due from STICO	1,062	0

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Directors' fees	235	232	962	930
Salaries, bonuses, allowances and other staff related expenses	2,153	5,243	8,985	11,981
Defined contribution plan	242	627	984	1,385
	2,630	6,102	10,931	14,296

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	Q4'15	Q4'14 Restated	Variance	Variance
Revenue	RM'000	RM'000	RM'000	%
Power and Machinery	151,906	145,265	6,641	4.6
Oilfield Services	36,985	53,389	(16,404)	(30.7)
Integrated Corrosion Solution	13,817	7,143	6,674	93.4
Other non-reportable segment	116	0	116	100.0
	202,824	205,797	(2,973)	(1.4)

Quarter on quarter, Group revenue was marginally lower despite the difficult trading conditions. Satisfactory growth were recorded by Power and Machinery and Integrated Corrosion Solution but Oilfield Services revenue dropped sharply on account of lower oilfield chemicals activities.

The **Power and Machinery** segment recorded an increase in revenue by RM6.6 million against the corresponding quarter mainly attributable to higher revenue contribution from the supply, install, repair and maintenance of valves, flow regulators and other production related equipment of RM13.8 million and training and machinery management system of RM4.1 million, offset partially against lower revenue contribution from parts and repairs of RM6.4 million, exchange engines of RM3.6 million and field service representative of RM1.6 million.

The **Oilfield Services** segment experienced a revenue contraction of RM16.4 million against the corresponding quarter mainly attributable to lower revenue contribution from oilfield chemicals for production enhancements of RM14.4 million and lower utilisation of slickline assets.

The revenue contribution from the **Integrated Corrosion Solution** segment experienced an increase of RM6.7 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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B1. PERFORMANCE REVIEW (Cont'd)

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

	Q4'15	Q4'14 Restated	Variance	Variance
	RM'000	RM'000	RM'000	%
Power and Machinery	19,210	15,894	3,316	20.9
Oilfield Services	718	7,156	(6,438)	(90.0)
Integrated Corrosion Solution	1,319	(1,249)	2,568	205.6
Other non-reportable segment	5	0	5	100.0
Segment results	21,252	21,801	(549)	(2.5)
Share of results of a joint venture	(13)	0	(13)	100.0
Share of results of associates	(340)	3,148	(3,488)	(110.8)
Profit before tax	18,930	21,457	(2,527)	(11.8)

Profit before tax decreased by RM2.5 million from RM21.4 million in the corresponding quarter to RM18.9 million in the current quarter due to lower contributions from associates.

The results of the **Power and Machinery** segment were higher by RM3.3 million and in line with higher revenue contribution from the supply, install, repair and maintenance of valves, flow regulators and other production related equipment and field service representatives.

The **Oilfield Services** segment results were lower by RM6.4 million on the account of reduced revenue and margins from oilfield chemicals and slickline activities as customers cut back on operating expenditures in response to low oil prices.

The **Integrated Corrosion Solution** segment continues to register a favorable result after it turned around in the preceding quarter, posting a profit of RM1.3 million against a loss of RM1.2 million in the corresponding quarter on the back of an increase in work orders for corrosion protection and maintenance stemming from the Pan Malaysia Blasting Contract.

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

Share of results of associates decreased from RM3.1 million in the corresponding quarter to a loss of RM0.3 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. CUPL suffered a loss of RM1.1 million against a profit of RM1.9 million due to additional withholding tax provision.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 %
	Q4'15 RM'000	Q4'14 Restated RM'000		
Revenue				
Power and Machinery	465,939	493,066	(27,127)	(5.5)
Oilfield Services	137,942	146,473	(8,531)	(5.8)
Integrated Corrosion Solution	45,243	17,734	27,509	155.1
Other non-reportable segment	274	0	274	100.0
	<u>649,398</u>	<u>657,273</u>	<u>(7,875)</u>	<u>(1.2)</u>

Cumulative performance in the current year was lower by RM7.9 million compared with last year. Within the segments, the Power and Machinery and Oilfield Services segments revenue contracted but Integrated Corrosion Solution segment revenue increased by more than twofold.

The **Power and Machinery** segment recorded a decrease in revenue by RM27.1 million compared to last year. The decrease was mainly attributable to lower revenue contribution from retrofit projects of RM51.9 million, lower activities from the oil and gas projects of RM2.5 million and lower third party revenue of RM4.2 million offset by higher sales from parts and services for scheduled maintenance and exchange engines totaling RM31.4 million.

The **Oilfield Services** segment revenue decreased by RM8.5 million in the current year largely due to lower oilfield chemicals activities of RM14.9 million and lower centralizers revenue of RM2.6 million offset by an improvement from slickline activities as the full impact of the Pan Malaysia Slickline contracts took effect in this financial year by RM8.9 million.

The revenue contribution from the **Integrated Corrosion Solution** segment increased by RM27.5 million compared to last year 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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 %
	Q4'15 RM'000	Q4'14 Restated RM'000		
Power and Machinery	63,811	64,611	(800)	(1.2)
Oilfield Services	8,292	28,301	(20,009)	(70.7)
Integrated Corrosion Solution	962	(2,028)	2,990	147.4
Other non-reportable segment	13	0	13	100.0
Segment results	73,078	90,884	(17,806)	(19.6)
Share of results of a joint venture	775	0	775	100.0
Share of results of associates	5,642	13,727	(8,085)	(58.9)
Profit before tax	71,151	91,993	(20,842)	(22.7)

The Group recorded profit before tax of RM71.2 million for the current year compared to RM92.0 million last year. The reduction was mainly attributable to lower contributions from the Oilfield Services segment and the associates.

Notwithstanding suffering a revenue contraction of 5.5% year on year, the results of **Power and Machinery** was little changed as the contraction was mainly in the lower margin activities. Its performance was further boosted by an exchange gain of RM1.1 million.

The results of **Oilfield Services** declined sharply by 70.7% whilst revenue was lower by 5.8%. The asymmetry was due to the impact of compressed margins from slickline activities and higher depreciation and borrowing costs on slickline assets. The results were also impacted by an exchange loss of RM1.1 million on US dollar payables mainly incurred on acquisition of slickline related assets.

The **Integrated Corrosion Solution** segment recorded a profit of RM1.0 million for the current year compared to a loss of RM2.0 million last year with the increase in blasting and other corrosion related services. However, the improved margin earned of RM6.1 million from higher revenue was offset by higher operating costs of RM2.7 million to support the increased activities and interest expense of RM0.4 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 RM13.7 million last year to RM5.6 million for the current year mainly attributable to lower throughput from 2MC by RM3.4 million and CUPL by RM4.7 million.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	Q4'15 RM'000	Q3'15 RM'000	Variance RM'000	Variance %
Revenue				
Power and Machinery	151,906	87,516	64,390	73.6
Oilfield Services	36,985	24,520	12,465	50.8
Integrated Corrosion Solution	13,817	16,657	(2,840)	(17.0)
Other non-reportable segment	116	79	37	46.8
	202,824	128,772	74,052	57.5

	Q4'15 RM'000	Q3'15 RM'000	Variance RM'000	Variance %
Power and Machinery	19,210	18,864	346	1.8
Oilfield Services	718	(3,372)	4,090	(121.3)
Integrated Corrosion Solution	1,319	1,527	(208)	(13.6)
Other non-reportable segment	5	4	1	25.0
Segment results	21,252	17,023	4,229	24.8
Share of results of a joint venture	(13)	175	(188)	(107.4)
Share of results of associates	(340)	726	(1,066)	(146.8)
Profit before tax	18,930	16,199	2,731	16.9

The Group experienced an improvement in activity levels during the current quarter despite the challenging environment affecting the industry attributable mainly to the Power and Machinery segment with orders received for high value spares and an increase in manpower services for retrofit projects and higher slickline activities for the Oilfield Services segment. The Integrated Corrosion Solution segment activity was lower in the current quarter compared to the preceding quarter with completion of projects. In tandem with the improved revenue performance, the Group recorded profit before tax of RM18.9 million for the current quarter compared to RM16.2 million for the preceding quarter.

Power and Machinery segment recorded a profit of RM19.2 million for the current quarter compared with RM18.9 million in the preceding quarter. Despite a marked increase in revenue there was a marginal increase in profit of RM0.3 million attributable mainly to lower margin earned from parts and services for scheduled maintenance and exchange engines and foreign exchange losses of RM1.2 million.

Oilfield Services segment recorded higher revenue in the current quarter as demand for slickline services and equipment improved. Contribution improved by RM4.1 million in line with higher revenue and lower foreign exchange losses by RM1.2 million.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 (Cont'd)

Integrated Corrosion Solution segment recorded a lower profit of RM1.3 million for the current quarter compared with RM1.5 million in the preceding quarter. The lower result was the result of higher operating expenses.

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

Share of results of associates decreased by RM1.1 million attributable to the loss that CUPL suffered during the current quarter of RM1.2 million due to higher tax provision offset by an increase of RM0.1 million in 2MC's results.

B3. PROSPECTS

In the three and half years period prior to the decline and subsequent collapse in the middle of 2014, the price of oil remained largely in the range of USD 90-120 per barrel. Since then oil price had been in free fall and currently trading at USD 30-35. The market consensus is that oil price will stay low due to the imbalance between supply and demand. It is estimated that production is at least one million barrels a day in excess of demand.

Ever since the headwinds started enveloping the oil and gas industry, the oil majors have been restructuring and re positioning their activities. The bottom line is that there have been considerable downward pressures on capital expenditures and operating costs, which negatively impacted the entire supply chain. These pressures are reflected in the performance of the Group. While year on year revenue was a whisker lower by 1%, segmental results recorded a decline in double digits at 18.9% due to compression of margins; a direct result of cost cutting measures implemented by the oil companies.

We anticipate the challenged operating environment to continue into the current financial year and will remain so in the mid-term. In reviewing the prospect of the Group, the Board is confident with our strong principal partnerships especially in the Power and Machinery segment and the ongoing contracts in hand secured by Oilfield Services and Integrated Corrosion Solution segments activity levels will not be materially affected but the squeeze on margins will remain unabated and its consequence on net earnings. On controllable spending, the Group will continue with the measures taken in the previous financial year by monitoring cost structures closely, defer non critical capital investments and the proactive management of working capital and borrowings. Against this backdrop cash generation is expected to be satisfactory to support ongoing operations and dividend payments.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B4. PROFIT FORECAST

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

B5. INCOME TAX EXPENSE

Current income tax is calculated at the statutory rate of 25% of the assessable profit for the year. The statutory tax rate will be reduced to 24% from the current year's statutory rate of 25% effective year of assessment 2016. The computation of the deferred tax as at 31 December 2014 and 2015 had reflected this change.

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Current tax – current year	6,514	1,691	17,347	13,339
Over provision in prior year	0	0	(1)	(8)
Deferred tax – origination and reversal of temporary differences	(915)	2,130	(693)	8,028
Total income tax expense	5,599	3,821	16,653	21,359

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B5. INCOME TAX EXPENSE (Cont'd)

Including the joint venture's and associates' results which were presented net of tax, the effective tax rate of the Group for the financial year ended 31 December 2015 was lower than the headline tax rate as shown below.

	Cumulative Quarters ended	
	31/12/2015 %	31/12/2014 %
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	1	2
- Share of results of associates and joint venture	(3)	(4)
Effective tax rate	23	23

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

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

B7. QUOTED SECURITIES

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

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Saved as disclosed in the third quarter announcement dated 18 November 2015, there is no corporate proposal announced which is not completed as of 16 February 2016 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 31/12/2015 RM'000	As at 31/12/2014 RM'000
Group's share of net assets of joint venture	27,022	0

TOSB was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities included the provision of gas turbine overhaul and maintenance services. In March 2015, the Group entered into a Subscription Agreement with STICO, which resulted in the Group having an equity interest of 80.55%. However, there are certain reserved matters within the Subscription Agreement that require the approval of both parties. Accordingly under current accounting rules and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted for under the equity method of accounting.

The capital of TOSB consists of ordinary shares and redeemable convertible preference shares. It is a private company and there is no readily available quoted market price available for its shares.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B9. JOINT VENTURE (Cont'd)

Summarised statement of comprehensive income

	Quarter ended		Year-to-date ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
(Loss) / profit before tax	(23)	0	1,319	0
Income tax expense	7	0	(357)	0
(Loss) / profit for the period / year	<u>(16)</u>	<u>0</u>	<u>962</u>	<u>0</u>
Interest in joint venture (80.55%) Share of results	<u>(13)</u>	<u>0</u>	<u>775</u>	<u>0</u>

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B10. ASSOCIATES

	As at 31/12/2015 RM'000	As at 31/12/2014 RM'000
Group's share of net assets of associates	44,750	40,645

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 year ended 31 December 2015 amounted to RM2,221,300 (31 December 2014: RM6,946,800) and RM1,332,800 (31 December 2014: RM4,168,100) respectively.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit / (loss) before tax	2,985	4,965	(5,196)	10,449	(2,211)	15,414
Income tax expense	(741)	(982)	(96)	(1,080)	(837)	(2,062)
Profit / (loss) for the period	<u>2,244</u>	<u>3,983</u>	<u>(5,292)</u>	<u>9,369</u>	<u>(3,048)</u>	<u>13,352</u>
Interest in associates (32%; 20%) Share of results	<u>718</u>	<u>1,274</u>	<u>(1,058)</u>	<u>1,874</u>	<u>(340)</u>	<u>3,148</u>
	2MC		CUPL		Total	
	Year-to-date ended	Year-to-date ended	Year-to-date ended	Year-to-date ended	Year-to-date ended	Year-to-date ended
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	14,031	28,399	12,683	38,169	26,714	66,568
Income tax expense	(3,341)	(7,210)	(1,578)	(3,435)	(4,919)	(10,645)
Profit for the financial year	<u>10,690</u>	<u>21,189</u>	<u>11,105</u>	<u>34,734</u>	<u>21,795</u>	<u>55,923</u>
Interest in associates (32%; 20%) Share of results	<u>3,421</u>	<u>6,780</u>	<u>2,221</u>	<u>6,947</u>	<u>5,642</u>	<u>13,727</u>

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B11. GROUP BORROWINGS

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

	Short Term RM '000	Long Term RM '000	Total RM '000
<u>31/12/2015</u>			
Borrowings - secured	26,626	79,960	106,586
- unsecured	30,800	0	30,800
	<u>57,426</u>	<u>79,960</u>	<u>137,386</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 31/12/2015 RM'000	As at 31/12/2014 RM'000
Revolving credits	(i)	32,800	32,300
Finance lease liabilities	(ii)	37	71
Term loan	(iii)	104,549	123,000
		<u>137,386</u>	<u>155,371</u>
Less: Amount repayable within 12 months			
Revolving credits		(32,800)	(32,300)
Finance lease liabilities		(26)	(34)
Term loan		(24,600)	(18,450)
		<u>(57,426)</u>	<u>(50,784)</u>
Amount repayable after 12 months		<u>79,960</u>	<u>104,587</u>

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B11. GROUP BORROWINGS (Cont'd)

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.82% (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 4.92% (0.85% per annum above the bank's cost of funds). The tenure of the loan is 5 years.

B12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 31 December 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. The Winding Up Petition has been served on NSERC, together with the Affidavit Verifying Petition on 21 September 2015. The Winding Up Petition which was initially fixed for hearing on 8 January 2016 was subsequently adjourned to 12 February 2016 due to the non-availability of the Judge on that date.

On 12 February 2015, Counsel for NSERC has sought an adjournment of the hearing of the Winding Up Petition, which the Court was prepared to allow provided that NSERC pays to the Company a sum of RM1.5 million, being part-payment of the Judgment sum, by way of a Banker's Cheque on the same day. NSERC complied with the Court's directions and the Court then adjourned the hearing of the Winding Up Petition to 25 April 2016, whereupon if NSERC fails to pay the balance of the Judgment sum, together with costs and interest thereon (to be agreed by the parties), the Court will proceed with the hearing of the Winding Up Petition.

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 16 February 2016 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Revenue	0	2,153	787	4,559
Expenses	0	(1,378)	(895)	(4,523)
Results from operating activities	0	775	(108)	36
Income tax expense	0	(196)	22	(19)
Results from operating activities, net of tax	0	579	(86)	17
Gain on sale of discontinued operation	0	0	1,127	0
Profit from discontinued operation, net of tax	0	579	1,041	17

The profit from discontinued operation for the financial year ended 31 December 2015 of RM1,041,000 (2014: RM17,000) is attributable entirely to the owners of the Company.

	Year-to-date ended	
	31/12/2015 RM'000	31/12/2014 RM'000
Net cash generated from operating activities	564	2,529
Net cash used in investing activities	(239)	(1,175)
Net cash used in financing activities	(148)	(811)
Effect on cash flows	177	543

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

Effect of disposal on the financial position of the Group

	As at 31/12/2015 RM'000
Property, plant and equipment	19,082
Intangible assets	146
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	(29)
Other payables and accruals	(405)
Amounts due to related companies	(95)
Taxation	(5)
Borrowings	(1,505)
	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)

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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 31/12/2015 RM'000
Equity interest at 1 January 2015	12,807
Effect of increase in Company's ownership interest	3,173
Share of comprehensive income	7,290
Share based payment	22
Dividend	(8,007)
	<hr/>
Equity interest at 31 December 2015	<u>15,285</u>

B16. DIVIDEND

The Board of Directors have, in respect of financial year ended 31 December 2015, declared a second interim single tier dividend of 3.5 sen per share on 400,000,000 ordinary shares.

The dividend will be payable on 25 March 2016 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 15 March 2016.

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

- (i) shares transferred into the Depositor's securities account before 4 p.m on 15 March 2016 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

Total dividend for the current financial year ended 31 December 2015 is 5.5 sen per ordinary share. There will be no final dividend declared for the financial year ended 31 December 2015.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	11,036	16,798	45,408	59,324
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 ('000)	400,000	400,000	400,000	400,000
Basic earnings per share (sen)				
- From continuing operations	2.76	4.06	11.09	14.83
- From discontinued operation	0.00	0.14	0.26	0.00
Basic earnings per share	2.76	4.20	11.35	14.83

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	11,036	16,798	45,408	59,324
Adjusted weighted average number of ordinary shares as per basic earnings per share ('000)	402,003	402,003	400,000	400,000
Effect of potential vesting of Long Term Incentive Plan ('000)	0	0	2,003	2,003
Weighted average number of ordinary shares ('000)	402,003	402,003	402,003	402,003
Diluted earnings per share (sen)				
- From continuing operations	2.75	4.04	11.04	14.76
- From discontinued operation	0.00	0.14	0.26	0.00
Diluted earnings per share	2.75	4.18	11.30	14.76

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

B18. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Interest income	(305)	(294)	(1,164)	(1,157)
Other income including investment income	(261)	(272)	(1,066)	(979)
Interest expenses	1,667	1,608	7,461	4,121
Depreciation and amortisation	8,137	7,439	29,807	21,867
Write back of impairment for doubtful debts				
- Trade receivables	0	(11)	(301)	(497)
- Other receivables	(1,500)	0	(1,500)	0
Bad debts written off	111	0	216	0
Impairment for doubtful debts				
- Trade receivables	60	0	636	929
Foreign exchange losses / (gains)				
- Realised	685	(1,011)	2,239	(414)
- Unrealised	952	(1,379)	(5,560)	(3,121)
Allowance for slow moving inventories	220	147	220	147
Write off of inventories	0	0	0	18
Reversal of allowance for slow moving inventories	(17)	(34)	(49)	(92)
Provision for liquidated damages	0	83	2	355
Reversal of provision for liquidated damages	0	(203)	0	(203)
Gain on disposals of property, plant and equipment	0	(17)	(162)	(17)
Gain on sale of discontinued operation	(1,127)	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.

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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 31/12/2015	Cumulative Quarters ended 31/12/2014
Total retained profits of the Company and its subsidiaries:		
Realised	115,243	125,593
Unrealised	(7,551)	(11,314)
	107,692	114,279
Total share of retained profits from associated companies:		
Realised	45,200	42,458
Unrealised	(3,917)	(4,021)
	41,283	38,437
Total share of retained profits of joint venture:		
Realised	987	0
Unrealised	(212)	0
	775	0
Less: Consolidation adjustments	(4,495)	(24,873)
Total Group's retained profits	145,255	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 YEAR ENDED 31 DECEMBER 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 23 February 2016.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
23 February 2016