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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2016

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 2015 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 2015.

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 2015.

The amendments to published standards effective for financial year beginning on 1 January 2016 that are applicable and adopted by the Group as follows:

- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127 Separate Financial Statements – Equity Accounting in Separate Financial Statements
- Annual Improvements to MFRS 2012 – 2014 cycle (Amendments to MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, MFRS 7 Financial Instruments: Disclosures, MFRS 119 Employee Benefits and MFRS 134 Interim Financial Reporting)
- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101 Presentation of Financial Statements – Disclosure Initiatives

The adoption of the above Annual Improvements and Amendments to MFRSs do not have a material impact to the Group for the financial year ending 31 December 2016.

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

A1. BASIS OF PREPARATION (Cont'd)

The Group has not early adopted the following accounting standards 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 2017.

Amendments to MFRS 107	Disclosure Initiatives (effective 1 January 2017)
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
MFRS 9	Financial instruments (effective 1 January 2018)
MFRS 15	Revenue from Contracts with Customers (effective 1 January 2018)
MFRS 16	Leases (effective 1 January 2019)

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 replaces MFRS 118 Revenue and MFRS 111 Construction contracts and related interpretations. The standard 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 adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

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

A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's operations are not affected by any significant seasonal or cyclical factors in the financial year under review. It should be noted that the Group operates predominantly in the oil and gas sector in Malaysia. Accordingly, the level of the Group's business activities is closely co-related with that of the oil and gas operators and contractors in Malaysia. Any significant change in their level of activities will likewise have an impact on the Group.

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

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

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. The Group did not have any outstanding derivative as at 30 June 2016.

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

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 June 2016.

A8. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 3.5 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
Second interim single tier dividend of 3.5 sen per share on 400,000,000 ordinary shares, paid on 25 March 2016	14,000

No dividend was paid in the current quarter under review.

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 2016.

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

A9. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial period ended 30 June 2016 was as follows:

	Individual Quarter ended		**Cumulative Quarters ended**	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Segment Revenue				
Power and Machinery				
External revenue	67,627	130,004	182,265	226,517
Power and Machinery	67,627	130,004	182,265	226,517
Oilfield Services				
External revenue	35,116	39,695	66,798	76,437
Oilfield Services	35,116	39,695	66,798	76,437
Integrated Corrosion Solution				
External revenue	13,400	12,157	18,867	14,769
Integrated Corrosion Solution	13,400	12,157	18,867	14,769
Other non-reportable segment				
External revenue	100	79	186	79
Other non-reportable segment	100	79	186	79
Total Group revenue	116,243	181,935	268,116	317,802

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

A9. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		**Cumulative Quarters ended**	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Segment Results				
Power and Machinery	7,562	14,715	17,563	25,737
Oilfield Services	2,882	8,384	5,201	10,946
Integrated Corrosion Solution	1,081	1,047	434	(1,884)
Other non-reportable segment	5	4	9	4
Segment results	11,530	24,150	23,207	34,803
Unallocated income ^	311	30	352	56
Unallocated corporate expenses #	(773)	(2,385)	(1,364)	(4,706)
Share of results of a joint venture *	180	613	308	613
Share of results of associates *	81	1,689	314	5,256
Tax expense *	(2,321)	(4,741)	(6,066)	(7,414)
Profit from continuing operations	9,008	19,356	16,751	28,608
Profit from discontinued operation, net of tax	0	0	0	1,041
Profit for the financial period	9,008	19,356	16,751	29,649

^ 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.

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

A9. SEGMENT INFORMATION (Cont'd)

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Segment Assets		
Power and Machinery	194,398	253,817
Oilfield Services	261,300	280,931
Integrated Corrosion Solution	32,591	33,039
Segment assets	488,289	567,787
Unallocated corporate assets ^	104,086	104,979
Total assets	592,375	672,766

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Segment Liabilities		
Power and Machinery	84,422	142,813
Oilfield Services	135,312	155,912
Integrated Corrosion Solution	20,011	20,737
Segment liabilities	239,745	319,462
Unallocated corporate liabilities #	32,356	34,317
Total liabilities	272,101	353,779

^ 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.

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 June 2016, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		**Cumulative Quarters ended**	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Acquisitions at cost: -				
- Plant and equipment	1,904	6,027	2,985	18,142
- Intangible assets	199	216	362	365
Disposals at net book value: -				
- Plant and equipment	148	12	301	175

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

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

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CONTINGENT LIABILITIES / ASSETS

As at 30 June 2016, 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 RM28.4 million (31 December 2015: RM30.7 million).

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 June 2016 were as follows:

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Authorised but not contracted for		
- Plant and machinery	6,560	18,012
- Others	5,143	6,368
Authorised and contracted for		
- Plant and machinery	388	433
- Others	182	472
	12,273	25,285
Share of capital commitment of joint venture	1,085	1,420
	13,358	26,705

(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 30/06/2016 RM'000	As at 31/12/2015 RM'000
Within one year	439	667
Between two to five years	537	771
More than five years	0	9
	976	1,447

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	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Purchases and technical services from Solar Turbines International Company ("STICO")	36,657	89,720	113,869	145,166

Significant outstanding balance arising from the above transactions as at 30 June 2016 was as follows:

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Amount due to STICO	42,066	83,365

(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	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Purchases from related parties of Dresser Italia S.R.L	8,566	4,740	15,880	11,244

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 June 2016 was as follows:

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Amount due to related parties of Dresser Italia S.R.L	4,432	7,903

(c) Turboservices Overhaul Sdn. Bhd. ("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	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Sales to STICO	1,400	2,115	2,800	2,115
Rental income from affiliate company of STICO	207	207	414	207

Significant outstanding balance arising from the above transactions as at 30 June 2016 were as follows:

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Amount due from STICO	1,063	1,062

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**	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Directors' fees	235	240	471	491
Salaries, bonuses, allowances and other staff related expenses	4,369	2,519	6,890	5,018
Defined contribution plan	452	245	707	505
	5,056	3,004	8,068	6,014

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

(A) Performance of the current quarter against the corresponding quarter

Revenue	Q2'16 RM'000	Q2'15 RM'000	Variance RM'000	Variance %
Power and Machinery	67,627	130,004	(62,377)	(48.0)
Oilfield Services	35,116	39,695	(4,579)	(11.5)
Integrated Corrosion Solution	13,400	12,157	1,243	10.2
Other non-reportable segment	100	79	21	26.6
	116,243	181,935	(65,692)	(36.1)

Business prospect remained subdued as the imbalance between supply and demand exerted downward pressures on oil prices. Major customers reacted to the situation by undertaking various cost saving measures including cutting down of exploration and production projects which were no longer feasible amid the low oil price environment. This has adversely affected the level of business activities in the entire supply chain. However, Integrated Corrosion Solution segment posted higher revenue on the back of the Pan Malaysia Blasting Contract.

The **Power and Machinery** segment recorded a decrease in revenue by RM62.3 million against the corresponding quarter mainly attributable to lower revenue contribution from the exchange engines of RM35.6 million which saw a significant increase in revenue in the corresponding quarter on the fulfilment of back orders secured in the previous financial year, lower retrofit revenue of RM21.9 million and lower parts and repairs revenue by RM10.0 million, offset partially against higher revenue contribution from the supply, install, repair and maintenance of valves, flow regulators and other production related equipment of RM5.0 million.

The **Oilfield Services** segment experienced a revenue contraction of RM4.6 million against the corresponding quarter mainly attributable to lower revenue contribution from softer slickline activities in West Malaysia of RM7.0 million, offset by improved utilisation of slickline assets in East Malaysia of RM1.5 million.

The revenue contribution from the **Integrated Corrosion Solution** segment experienced an increase of RM1.2 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.

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

	Q2'16 RM'000	Q2'15 RM'000	Variance RM'000	Variance %
Power and Machinery	7,562	14,715	(7,153)	(48.6)
Oilfield Services	2,882	8,384	(5,502)	(65.6)
Integrated Corrosion Solution	1,081	1,047	34	3.2
Other non-reportable segment	5	4	1	25.0
Segment results	11,530	24,150	(12,620)	(52.3)
Share of results of a joint venture, net of tax	180	613	(433)	(70.6)
Share of results of associates, net of tax	81	1,689	(1,608)	(95.2)
Profit before tax	11,329	24,097	(12,768)	(53.0)

Profit before tax decreased by RM12.8 million from RM24.1 million in the corresponding quarter to RM11.3 million in the current quarter. The reduction was mainly attributable to lower contributions from the Power and Machinery segment, the Oilfield Services segment and associates.

The results of the **Power and Machinery** segment were lower by RM7.2 million in line with lower revenue.

The **Oilfield Services** segment results were lower by RM5.5 million on the account of reduced revenue and margins in particular from slickline activities as customers cut back on operating expenditures in response to low oil prices.

The **Integrated Corrosion Solution** segment results were slightly higher by RM34,000 against the corresponding quarter despite an increase in revenue due to higher manpower and operating costs.

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

Share of results of associates decreased from RM1.7 million in the corresponding quarter to RM0.1 million in the current quarter and was attributable to lower throughput from Malaysian Mud And Chemicals Sdn. Bhd. ("2MC") by RM0.6 million on the back of lower drilling activities. CUPL suffered a loss of RM6,000 against a profit of RM1.0 million in the corresponding quarter and had ceased operations with the expiration of the build, operate and transfer agreement with Electricite Du Cambodge in May 2015.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended			
	Q2'16	Q2'15	Variance	Variance
Revenue	RM'000	RM'000	RM'000	%
Power and Machinery	182,265	226,517	(44,252)	(19.5)
Oilfield Services	66,798	76,437	(9,639)	(12.6)
Integrated Corrosion Solution	18,867	14,769	4,098	27.7
Other non-reportable segment	186	79	107	135.4
	268,116	317,802	(49,686)	(15.6)

Group revenue for the current 6-month period contracted by RM49.7 million compared with the corresponding period with lower contribution from the Power and Machinery segment and Oilfield Services segment.

The **Power and Machinery** segment recorded a decrease in revenue by RM44.3 million against the corresponding period mainly attributable to lower revenue contribution from retrofit projects of RM30.2 million, parts and repairs of RM17.8 million offset by higher revenue contribution from the supply, install, repair and maintenance of valves, flow regulators and other production related equipment of RM4.8 million.

The **Oilfield Services** segment experienced a revenue contraction of RM9.6 million against the corresponding period mainly attributable to lower utilisation of slickline assets by RM2.9 million, lower third party sales under slickline contracts by RM5.5 million and lower sale of drilling related products of RM1.5 million.

The revenue contribution from the **Integrated Corrosion Solution** segment contributed an increase of RM4.1 million compared to the corresponding period 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.

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			
	Q2'16 RM'000	Q2'15 RM'000	Variance RM'000	Variance %
Power and Machinery	17,563	25,737	(8,174)	(31.8)
Oilfield Services	5,201	10,946	(5,745)	(52.5)
Integrated Corrosion Solution	434	(1,884)	2,318	123.0
Other non-reportable segment	9	4	5	125.0
Segment results	23,207	34,803	(11,596)	(33.3)
Share of results of a joint venture, net of tax	308	613	(305)	(49.8)
Share of results of associates, net of tax	314	5,256	(4,942)	(94.0)
Profit before tax	22,817	36,022	(13,205)	(36.7)

The Group recorded profit before tax of RM22.8 million for the current 6-month period compared to RM36.0 million in the corresponding period. The reduction was mainly attributable to lower contributions from the Power and Machinery segment, the Oilfield Services segment and associates. However, the weaker results from the segments in the current period were offset by the receipt of RM2.3 million from a previously impaired debt.

The results of the **Power and Machinery** segment were lower by RM8.2 million in tandem with lower revenue earned in the current period.

The **Oilfield Services** segment results were lower by RM5.7 million on the account of reduced revenue and in particular the effects of the downward pressures on margins from slickline activities and sale of drilling related products.

The **Integrated Corrosion Solution** segment turned around its results from a loss of RM1.9 million to a profit of RM0.4 million in the current period on the back of improved work orders 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 RM5.2 million in the corresponding period to RM0.3 million in the current period and was attributable to lower throughput from Malaysian Mud And Chemicals Sdn. Bhd. ("2MC") by RM1.8 million on the back of lower drilling activities. The Group's share of loss from CUPL in the current period was RM12,000 against a profit of RM3.1 million in the corresponding period following the cessation of business in May 2015.

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

	Q2'16 RM'000	Q1'16 RM'000	Variance RM'000	Variance %
Revenue				
Power and Machinery	67,627	114,638	(47,011)	(41.0)
Oilfield Services	35,116	31,682	3,434	10.8
Integrated Corrosion Solution	13,400	5,467	7,933	145.1
Other non-reportable segment	100	86	14	16.3
	116,243	151,873	(35,630)	(23.5)

	Q2'16 RM'000	Q1'16 RM'000	Variance RM'000	Variance %
Power and Machinery	7,562	10,001	(2,439)	(24.4)
Oilfield Services	2,882	2,319	563	24.3
Integrated Corrosion Solution	1,081	(647)	1,728	(267.1)
Other non-reportable segment	5	4	1	25.0
Segment results	11,530	11,677	(147)	(1.3)
Share of results of a joint venture, net of tax	180	128	52	40.6
Share of results of associates, net of tax	81	233	(152)	(65.2)
Profit before tax	11,329	11,488	(159)	(1.4)

Quarter on quarter, the Group experienced a sharp contraction in revenue from the Power and Machinery segment impacted by the reduced spending by oil majors. The contraction was offset by increased revenue contribution from Oilfield Services segment and Integrated Corrosion Solution segment. Notwithstanding the sharp contraction in revenue earned, the profit before tax for the current quarter was only adversely impacted by RM159,000 due to lower cost to serve on account of our ongoing cost saving measures.

Power and Machinery segment recorded a profit of RM7.6 million for the current quarter compared with RM10.0 million in the preceding quarter. The adverse variance was attributable to lower revenue.

Oilfield Services segment recorded an improved result of RM2.9 million in the current quarter compared with RM2.3 million in the preceding quarter on the back of improved revenue, lower staff related expenses and lower operating expenses through cost cutting measures.

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 profit of RM1.1 million in the current quarter compared with a loss of RM0.6 million in the preceding quarter. The positive turnaround was due to improved work orders.

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

Share of results of associates decreased by RM0.2 million attributable to the decrease in 2MC's results.

B3. PROSPECTS

During the quarter to 30 June 2016, crude oil prices edged upwards from USD37 at end March to USD41, 46 and 48 at end April, May and June respectively. However, this rising trend was checked and the price eased to USD44 at end July. Prices fell further in early August to USD42. The fall was attributed to imbalance between supply and demand and negative price sentiments by oil market players. The oil price volatility is expected to persist in the near future and underscores the difficult trading conditions faced by the industry participants following the collapse of oil prices in mid 2014. Against this backdrop the Group suffered a marked contraction in business activities and is reflected in the weaker performance of the Group in the current period under review compared with the corresponding period. Quarter on quarter, activity levels contracted further especially in the Power and Machinery segment affecting after sales service revenue from exchange engines, retrofit and parts. Despite the negative outlook, the Board expects the level of the Group's operating activities for the rest of the financial year be maintained based on contracts in hand.

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 24% of the assessable profit for the year. The statutory tax rate was reduced to 24% from previous year's statutory tax rate of 25%. The computation of the deferred tax as at 30 June 2015 had reflected this change.

	Individual Quarter ended		**Cumulative Quarters ended**	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Current tax – current year	1,683	4,068	4,105	9,279
Over provision in prior year	(650)	(74)	(650)	(74)
Deferred tax – origination and reversal of temporary differences	1,288	747	2,611	(1,791)
Total income tax expense	**2,321**	**4,741**	**6,066**	**7,414**

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 June 2016 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/06/2016 %	**30/06/2015 %**
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	25
Tax effects of:		
- Expenses not deductible for tax purposes	5	0
- Share of results of associates and joint venture	(1)	(4)
- Deferred tax asset not recognised	2	0
- Over provision in prior year	(3)	0
Effective tax rate	27	21

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

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

B7. QUOTED SECURITIES

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

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

There were no corporate proposals announced which is not completed as of 11 August 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 30/06/2016 RM'000	As at 31/12/2015 RM'000
Group's share of net assets of joint venture	27,330	27,022

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 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.

B9. JOINT VENTURE (Cont'd)

Summarised statements of comprehensive income

	Quarter ended		Year-to-date ended	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Profit before tax	276	1,054	532	1,054
Income tax expense	(52)	(293)	(149)	(293)
Profit for the period	224	761	383	761
Interest in joint venture (80.55%)				
Share of results	180	613	308	613

B10. ASSOCIATES

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Group's share of net assets of associates	44,679	44,750

In the opinion of the Directors, 2MC and CUPL are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and place of business / country of incorporation are set out in the audited financial statements for the financial year ended 31 December 2015. 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 loss from this associate and its contribution to the loss attributable to the shareholders of the Company in the financial period ended 30 June 2016 amounted to RM12,000 (30 June 2015: profit of RM3,144,000) and RM7,200 (30 June 2015: profit of RM1,866,400) respectively.

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 statements of comprehensive income

	2MC Quarter ended		CUPL Quarter ended		Total Quarter ended	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
(Loss) / profit before tax	(12)	3,144	(31)	5,386	(43)	8,530
Income tax expense	285	(908)	1	(522)	286	(1,430)
Profit / (loss) for the period	273	2,236	(30)	4,864	243	7,100
Interest in associates (32%; 20%) Share of results	87	716	(6)	973	81	1,689

	2MC Year-to-date ended		CUPL Year-to-date ended		Total Year-to-date ended	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Profit before tax	970	8,805	27	17,143	997	25,948
Income tax expense	49	(2,206)	(86)	(1,422)	(37)	(3,628)
Profit / (loss) for the period	1,019	6,599	(59)	15,721	960	22,320
Interest in associates (32%; 20%) Share of results	326	2,112	(12)	3,144	314	5,256

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 30 June 2016 were as follows:

	Short Term RM '000	Long Term RM '000	Total RM '000
30/06/2016			
Borrowings - secured	24,619	67,651	92,270
- unsecured	32,664	0	32,664
	57,283	67,651	124,934
31/12/2015			
Borrowings - secured	24,626	79,960	104,586
- unsecured	32,800	0	32,800
	57,426	79,960	137,386

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Revolving credits	(i)	31,950	32,800
Loans against import	(ii)	714	0
Finance lease liabilities	(iii)	21	37
Term loan	(iv)	92,249	104,549
		124,934	137,386
Less: Amount repayable within 12 months			
Revolving credits		(31,950)	(32,800)
Loans against import		(714)	0
Finance lease liabilities		(19)	(26)
Term loan		(24,600)	(24,600)
		(57,283)	(57,426)
Amount repayable after 12 months		67,651	79,960

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 4.77% (average interest of 1.20% per annum above the bank's cost of funds).

(ii) Loans against import carry an interest of 4.55% (1.15% per annum above the bank's cost of funds). The tenure of the import line is 90 days.

(iii) Finance lease liabilities carry interest rate of 2.55% - 2.56% per annum.

(iv) Term loan carries an average interest rate of 4.21% (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 30 June 2016.

B13. MATERIAL LITIGATION

Following from the Company's announcement on 18 September 2015 in relation to the Winding-Up Petition filed and served against NSE Resources Corporation (M) Sdn. Bhd. ("NSERC"), for the Judgement sum of RM3.8 million together with interest and costs, the Winding-up Petition came up for hearing on 12 February 2016 and 25 April 2016 respectively, where the hearings were adjourned by the High Court of Malaya at Shah Alam on NSERC's request, upon presenting to the Company two (2) banker's cheques for the sums of RM1.5 million each.

NSERC has settled the balance of the Judgment sum together with interest and costs and the Winding-Up Petition was withdrawn by the Company against NSERC at the High Court of Malaya at Shah Alam on 24 June 2016.

Other than as disclosed above, there was no material litigation as at 11 August 2016 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B14. DIVIDEND

The Board of Directors, on 23 February 2016 declared a second interim single tier dividend of 3.5 sen per share on 400,000,000 ordinary shares in respect of the financial year ended 31 December 2015, totaling RM14,000,000. The dividend was paid on 25 March 2016.

The Board of Directors have, in respect of financial year ending 31 December 2016, declared a first interim single tier dividend of 1.25 sen (31 December 2015: 2.0 sen) per ordinary share on 400,000,000 ordinary shares of RM0.50 each.

The dividend will be payable on 26 September 2016 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 9 September 2016.

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

(i) shares transferred into the Depositor's securities account before 4.00 p.m, 9 September 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 declared to date for the current financial year ending 31 December 2016 is 1.25 sen (31 December 2015: 2.0 sen) per ordinary share.

B15. 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	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	7,335	17,088	13,288	25,316
Number of ordinary shares at the beginning of the year ('000)	400,000	400,000	400,000	400,000
Basic earnings per share (sen)				
- From continuing operations	1.83	4.27	3.32	6.07
- From discontinued operation	0.00	0.00	0.00	0.26
Basic earnings per share	1.83	4.27	3.32	6.33

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

B15. EARNINGS PER SHARE ("EPS") (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	7,335	17,088	13,288	25,316
Adjusted weighted average number of ordinary shares as per basic earnings per share ('000)	404,554	401,602	400,000	400,000
Effect of potential vesting of Long Term Incentive Plan	0	0	4,554	1,602
Weighted average number of ordinary shares ('000)	404,554	401,602	404,554	401,602
Diluted earnings per share (sen)				
- From continuing operations	1.81	4.25	3.28	6.04
- From discontinued operation	0.00	0.00	0.00	0.26
Diluted earnings per share	1.81	4.25	3.28	6.30

B16. PROFIT BEFORE TAX

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

	Individual Quarter ended		**Cumulative Quarters ended**	
	30/06/2016 RM'000	**30/06/2015 RM'000**	**30/06/2016 RM'000**	**30/06/2015 RM'000**
Interest income	(479)	(227)	(818)	(581)
Other income including investment income	(256)	(203)	(486)	(542)
Interest expenses	1,404	1,985	2,844	4,000
Depreciation and amortisation	8,392	7,083	16,951	14,375
Write back of impairment for doubtful debts				
- Trade receivables	0	(256)	0	(301)
- Other receivables	(800)	0	(2,300)	0
Bad debts written off				
- Trade receivables	0	0	0	105
- Other receivables	18	0	60	0
Impairment for doubtful debts				
- Trade receivables	171	0	171	347
Foreign exchange losses / (gains)				
- Realised	2,276	(1,221)	500	(1,399)
- Unrealised	(2,591)	1,579	(3,351)	176
Reversal of allowance for slow moving inventories	(41)	(14)	(62)	(19)
Provision for liquidated damages	36	2	38	2
(Gain) / loss on disposals of property, plant and equipment	(95)	2	(93)	(11)
Gain on sale of discontinued operation	0	0	0	(1,127)

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.

B17. REALISED AND UNREALISED PROFITS

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

RM'000	**Cumulative Quarters ended 30/06/2016**	**Cumulative Quarters ended 31/12/2015**
Total retained profits of the Company and its subsidiaries:		
Realised	125,690	115,243
Unrealised	(12,503)	(7,551)
	113,187	107,692
Total share of retained profits from associated companies:		
Realised	45,390	45,200
Unrealised	(3,793)	(3,917)
	41,597	41,283
Total share of retained profits of joint venture:		
Realised	1,402	987
Unrealised	(319)	(212)
	1,083	775
Less: Consolidation adjustments	(11,324)	(4,495)
Total Group's retained profits	144,543	145,255

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.

B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2015 was unqualified.

B19. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 18 August 2016.

By order of the Board

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