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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

<u>Table of Contents</u>

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

		QUARTER AND YEAR-TO-DATE ENDED	
RM'000		**31/03/2019**	31/03/2018
		Unaudited	Unaudited
Revenue	A11	127,502	108,507
Cost of sales		(106,739)	(83,819)
Gross profit		20,763	24,688
Other operating income		963	923
Selling and distribution costs		(8,361)	(9,011)
Administrative expenses		(11,922)	(10,689)
Other operating losses[1]		(24)	(1,275)
Operating profit		1,419	4,636
Finance costs		(703)	(765)
Share of results of a joint venture (net of tax)	B9	394	276
Share of results of associates (net of tax)	B10	1,538	575
Profit before tax	B17	2,648	4,722
Income tax expense	B5	(1,955)	(3,355)
Profit for the period		693	1,367
Other comprehensive income			
Currency translation differences		(53)	(202)
Total comprehensive income for the period		640	1,165
Profit attributable to:			
- Equity holders of the Company		2,813	1,402
- Non-controlling interests		(2,120)	(35)
		693	1,367
Total comprehensive income attributable to:			
- Equity holders of the Company		2,811	1,374
- Non-controlling interests		(2,171)	(209)
		640	1,165
Earnings per share (EPS) attributable to equity holders of the Company (sen)			
- Basic EPS	B16	0.70	0.35
- Diluted EPS[2]	B16	N/A	0.35

[1] Other operating losses include the following:			
Foreign exchange (losses)/gains			
- Realised		(74)	(304)
- Unrealised		311	190
Fair value loss on forward foreign currency exchange contracts		(57)	(30)
Tax penalty	B5	0	(838)

[2] Diluted earnings per share of the Company for the quarter and year-to-date ended 31 March 2019 is not applicable ("N/A") as the Company has no dilutive potential ordinary shares in issue at the end of the reporting period following the expiry on all outstanding share grants issued by the Company previously with the remaining share grants unexercised has accordingly lapsed and/or forfeited.

The above unaudited condensed interim consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

RM'000	Note	As at 31/03/2019 Unaudited	As at 31/12/2018 Audited
ASSETS			
Property, plant and equipment		152,083	151,324
Investment properties		788	794
Right-of-use assets		2,844	0
Intangible assets		811	954
Associates	B10	37,001	35,565
Joint venture	B9	30,096	29,702
Deferred tax assets		3,730	3,062
Other receivables		17,549	11,081
Non-current Assets		244,902	232,482
Inventories		25,302	22,499
Amounts due from an associate		0	1,600
Amounts due from a joint venture		115	160
Trade receivables	B11	83,610	92,983
Contract assets		152,694	163,855
Other receivables, deposits and prepayments		10,692	10,168
Derivative financial instrument	A7	4	7
Tax recoverable		1,983	1,698
Cash and bank balances		131,593	134,907
Current Assets		405,993	427,877
TOTAL ASSETS		650,895	660,359
EQUITY AND LIABILITIES			
Share capital		201,802	201,354
Equity - share based payment		0	1,081
Retained earnings		176,258	181,830
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,707)	(2,705)
Equity attributable to equity holders of the Company		325,353	331,560
Non-controlling interests		20,461	24,102
Total Equity		345,814	355,662
Borrowings	B12	6,344	7,785
Deferred tax liabilities		22,790	22,785
Non-current Liabilities		29,134	30,570
Trade payables		170,206	183,646
Contract liabilities		7,574	6,477
Other payables and accruals		23,075	19,488
Amounts due to an associate		7,142	7,242
Taxation		1,862	1,878
Borrowings	B12	66,088	55,396
Current Liabilities		275,947	274,127
Total Liabilities		305,081	304,697
TOTAL EQUITY AND LIABILITIES		650,895	660,359

The above unaudited condensed interim consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019

	Attributable to equity holders of the Company: Issued and fully paid ordinary shares		Non-distributable			Distributable		Non-controlling interests	Total equity
	Number of shares	Share capital	Share based payment	Foreign currency translation	Merger deficit	Retained earnings	Total		
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	400,195	200,206	2,452	(2,723)	(50,000)	172,044	321,979	28,889	350,868
Profit for the financial period	0	0	0	0	0	1,402	1,402	(35)	1,367
Other comprehensive income for the financial period	0	0	0	(28)	0	0	(28)	(174)	(202)
Total comprehensive income for the financial period	0	0	0	(28)	0	1,402	1,374	(209)	1,165
Long-Term Incentive Plan ("LTIP"):									
- Share based payment	0	0	144	0	0	0	144	0	144
- Ordinary shares issued pursuant to the LTIP	747	961	(961)	0	0	0	0	0	0
Dividend	0	0	0	0	0	(13,016)	(13,016)	(1,470)	(14,486)
At 31 March 2018	400,942	201,167	1,635	(2,751)	(50,000)	160,430	310,481	27,210	337,691
At 1 January 2019	401,125	201,354	1,081	(2,705)	(50,000)	181,830	331,560	24,102	355,662
Profit for the financial period	0	0	0	0	0	2,813	2,813	(2,120)	693
Other comprehensive income for the financial period	0	0	0	(2)	0	0	(2)	(51)	(53)
Total comprehensive income for the financial period	0	0	0	(2)	0	2,813	2,811	(2,171)	640
LTIP:									
- Share based payment	0	0	7	0	0	0	7	0	7
- Ordinary shares issued pursuant to the LTIP	428	448	(448)	0	0	0	0	0	0
- Transfer of lapsed share grants	0	0	(640)	0	0	640	0	0	0
Dividend	0	0	0	0	0	(9,025)	(9,025)	(1,470)	(10,495)
At 31 March 2019	401,553	201,802	0	(2,707)	(50,000)	176,258	325,353	20,461	345,814

The above unaudited condensed interim consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

	YEAR-TO-DATE-ENDED	
RM'000	**31/03/2019**	**31/03/2018**
	Unaudited	**Unaudited**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	693	1,367
Adjustments for:		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	6	35
- write back of impairment	(1)	(64)
Contract assets		
- impairment made	0	45
- write back of impairment	(3)	(9)
Allowance for slow moving inventories:		
- write back of allowance	0	(9)
Amortisation of intangible assets	143	181
Depreciation:		
- property, plant and equipment	7,960	7,510
- investment properties	6	6
- right-of-use assets	401	0
Bad debts written off:		
- other receivables	4	0
Provision for liquidated damages		
- provision made	63	3
- write back of provision	0	(9)
Interest income	(903)	(853)
Finance costs	703	765
Share based payment expense	7	144
Share of results of associates	(1,538)	(575)
Share of results of a joint venture	(394)	(276)
Tax expense	1,955	3,355
Unrealised foreign exchange gains	(311)	(190)
Fair value loss on forward foreign currency exchange contracts	57	30
Operating profit before working capital changes	8,848	11,456
Changes in working capital		
Inventories	(2,803)	(3,066)
Amounts due from a joint venture	46	70
Trade receivables	9,219	34,322
Contract assets	10,703	(16,884)
Other receivables, deposits and prepayments	(139)	5,321
Trade payables	(12,534)	(12,610)
Other payables and accruals	3,518	(5,868)
Contract liabilities	1,097	(1,109)
Cash generated from operations	17,955	11,632
Tax paid	(2,924)	(4,385)
Tax refunded	5	78
Interest paid	(669)	(784)
Net cash generated from operating activities	**14,367**	**6,541**

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

	YEAR-TO-DATE-ENDED	
RM'000	**31/03/2019**	**31/03/2018**
	Unaudited	**Unaudited**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	507	878
Addition on plant and equipment*	(15,187)	(1,124)
Addition on intangible assets	0	(22)
Dividend received from an associate	1,600	0
Amounts due from an associate	0	2
Amounts due from/to a joint venture	(1)	0
Net cash used in investing activities	**(13,081)**	**(266)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	0	(3,000)
Loans against import		
- Drawn down	15,472	428
- Repayment	(5,872)	(2,899)
Term loans		
- Drawn down	2,960	0
- Repayment	(6,150)	(6,149)
Finance lease liabilities		
- Repayment	(5)	0
Lease liabilities on right-of-use assets		
- Repayment	(399)	0
Dividends paid to:		
- Shareholders	(9,025)	(13,016)
- Non-controlling interest	(1,470)	(1,470)
(Decrease)/Increase in restricted cash	(51)	54
Net cash used in financing activities	**(4,540)**	**(26,052)**
Net decrease in cash and cash equivalents	**(3,254)**	**(19,777)**
Foreign currency translation	(111)	(308)
Cash and cash equivalents at beginning of the year	124,276	130,648
Cash and cash equivalents at end of period	**120,911**	**110,563**
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	99,465	99,228
Cash and bank balances	32,128	22,021
	131,593	121,249
Restricted cash	(10,682)	(10,686)
Cash and cash equivalents at end of period	**120,911**	**110,563**

* Included in the non-current other receivables is advance payments made on capital expenditure of RM6,468,000.

The currency profile of cash and cash equivalents is as follows:

Ringgit Malaysia	113,430	105,489
US Dollar	7,370	4,954
Others	111	120
	120,911	110,563

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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", paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Companies Act 2016 in Malaysia, where applicable.

The unaudited interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the attached explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

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 2018 except for the newly issued Malaysian Financial Reporting Standards ("MFRS"), IC Interpretations and amendments to published standards which is to be applied by all Entities Other That Private Entities that is effective for the financial periods beginning on or after 1 January 2019.

The new standards, amendments to published standards and IC Interpretation effective for financial year beginning on 1 January 2019 that are applicable and adopted by the Group as follows:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015 – 2017 cycle	Amendments to MFRS 3 Business Combinations, Amendments to MFRS 11 Joint Arrangements, Amendments to MFRS 112 Income Taxes, Amendments to MFRS 123 Borrowing Costs
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement

The adoption of the above new accounting standards, amendments to published standards and IC Interpretation did not have any material impact to the Group for the financial year ending 31 December 2019 upon their initial application except for the adoption of MFRS 16 Leases as disclosed in the foregoing paragraph below. The Group has adopted these standards retrospectively from 1 January 2019, with the practical expedients as permitted under the relevant standards.

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

A1. BASIS OF PREPARATION (Cont'd)

Adoption of MFRS 16 Leases

The Group adopted MFRS 16 Leases ("MFRS 16") on 1 January 2019 which replaces the previous leasing guidance under MFRS 117 Leases.

The newly adopted MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

As allowed by the transitional provision of MFRS 16, the Group elected to apply the simplified transition approach and not to restate the comparatives amounts for the year prior to first adoption. Right-of-use assets and the corresponding lease liabilities on right-of-use assets will be measured on transition as if the new rules had always been applied.

On the date of initial application of MFRS 16, the impact to the Group is as follows:

	Impact of MFRS 16 adoption to opening balance at 1 January 2019
	RM'000
Right-of-use assets	3,245
Lease liabilities on right-of-use assets	(3,245)

The Group has not early adopted the following amendments to published standards that have been issued by the Malaysian Accounting Standards Board ("MASB") as these are effective for the financial year beginning on or after 1 January 2020 or where the effective date has been deferred to a date to be determined by the MASB is as follows:

Amendments to MFRS 3	Business Combinations - Definition of a Business (effective 1 January 2010)
Amendments to MFRS 101 and MFRS 108	Definition of Material (effective 1 January 2020)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is deferred to a date to be determined by MASB)

The initial application of the above-mentioned amendments to published standards are not expected to have any material impact to the financial statements of the Group.

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 results.

A5. EQUITY AND DEBT SECURITIES

On 27 March 2019 the Company issued and allotted 427,800 new ordinary shares in the Company at an issuance price of RM1.047 per share to eligible employees under the Third Tranche of the Second Grant under Restricted Share Incentive Plan of the Group's Long-Term Incentive Plan ("LTIP").

Other than as disclosed above, the Group did not undertake any other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year-to-date.

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

A6. FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities expose it to a variety of financial risks and these include market risk, credit risk and liquidity risk. To mitigate these risks, the Group operates within defined policies and guidelines as approved by the Board.

The information on the forward foreign currency exchange contracts that remained outstanding at 31 March 2019 is set out in Note A7.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than Ringgit Malaysia were as follows:

	As at 31/03/2019		As at 31/12/2018*	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	136,439	117,503	134,737	110,926
Others	4,529	441	2,063	962
	140,968	117,944	136,800	111,888
Closing exchange rate				
US Dollar	4.081	4.081	4.139	4.139

* Comparative figures have been restated to conform with the current period's presentation.

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contracts

Forward foreign currency exchange contracts are used to manage foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The forward foreign currency exchange contracts entered into by the Group has a maturity period of less than one year from the current reporting date. As at 31 March 2019, the notional principal amount of the outstanding forward foreign currency exchange contracts was RM5,749,000.

Details of derivative on forward foreign currency exchange contracts that remained outstanding as at 31 March 2019 is as follows:

Type of derivatives	Contract/ Notional amount	Fair Value Assets
	RM'000	RM'000
Forward foreign currency exchange contracts ("FX Contract)		
- Less than 1 year	5,749	4

A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

The fair value of forward foreign currency exchange contracts is determined by using the forward exchange rates as at each reporting date.

During the financial year-to-date, the fair value changes arising from the forward foreign currency exchange contracts entered into by the Group and remained outstanding as at 31 March 2019 amounted to a fair value gain of RM4,000.

A9. DIVIDENDS PAID

During the current quarter under review, the Company paid the following second interim single tier dividend of 2.25 sen per share on 401,125,700 ordinary shares, in respect of the financial year ended 31 December 2018.

	RM'000
Second interim single tier dividend of 2.25 sen per share on 401,125,700 ordinary shares, paid on 22 March 2019	9,025

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

A10. 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 renewal and retrofit;
  - Supply and commission of 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 well intervention and cased hole logging services;
  - Provision of specialty chemicals and well stimulation services;
  - Provision of drilling and completions services; and
  - Provision of subsurface engineering services.

- Integrated Corrosion Solution ("ICS") – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities, 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 threshold for a reporting segment in 2019.

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

A10. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial period ended 31 March 2019 was as follows:

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Segment Revenue		
Power and Machinery		
External revenue	69,875	65,015
Power and Machinery	69,875	65,015
Oilfield Services		
External revenue	31,767	27,323
Oilfield Services	31,767	27,323
Integrated Corrosion Solution		
External revenue	25,749	16,070
Integrated Corrosion Solution	25,749	16,070
Other non-reportable segment		
External revenue	111	99
Other non-reportable segment	111	99
Total Group revenue	127,502	108,507

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

A10. SEGMENT INFORMATION (Cont'd)

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Segment Results		
Power and Machinery	4,911	5,117
Oilfield Services	4,041	4,271
Integrated Corrosion Solution	(7,350)	(3,605)
Other non-reportable segment	10	9
Segment results	1,612	5,792
Unallocated income ^	80	102
Unallocated corporate expenses #	(976)	(2,023)
Share of results of a joint venture *	394	276
Share of results of associates *	1,538	575
Tax expense (Note B5) *	(1,955)	(3,355)
Profit for the financial period	693	1,367

^ Unallocated income comprised mainly interest income earned by the Group.

Unallocated corporate expenses represented the Group's corporate expenses including depreciation of property, plant and equipment of corporate assets and other common corporate overhead costs that are not charged to business segments. Included in the Group's corporate expenses in the previous corresponding financial period was a tax penalty of RM838,000 arising from the additional taxes raised by the tax authority for prior years of assessment from 2010 to 2015 as disclosed in Note B5.

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

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 31/03/2019 RM'000	**As at 31/12/2018 RM'000**
Segment Assets		
Power and Machinery	251,263	264,705
Oilfield Services	214,946	215,323
Integrated Corrosion Solution	89,237	83,924
Segment assets	555,446	563,952
Unallocated corporate assets ^	95,449	96,407
Total assets	650,895	660,359

	As at 31/03/2019 RM'000	**As at 31/12/2018 RM'000**
Segment Liabilities		
Power and Machinery	136,354	141,800
Oilfield Services	55,794	61,733
Integrated Corrosion Solution	78,626	66,714
Segment liabilities	270,774	270,247
Unallocated corporate liabilities #	34,307	34,450
Total liabilities	305,081	304,697

^ Unallocated corporate assets represent 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 represent 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)

A11. REVENUE

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Revenue from contracts with customers	127,391	108,408
Revenue from other sources:		
- Management fee	111	99
	127,502	108,507

Revenue from contracts with customers:

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Sale of gas turbine packages and after sales support and services	53,026	54,752
Commission based income services	377	571
Principal based income services	303	108
Sale of valves and flow regulators and after sales support and services	14,502	8,932
Sale, repair and maintenance of motors, generators and transformers	1,970	760
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and drilling and production services	30,818	26,525
Provision of services on production optimisation and flow assurance	646	690
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	6,936	7,692
Provision of maintenance, construction and modification maintenance services	18,813	8,378
	127,391	108,408

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

A12. ACQUISITIONS AND DISPOSALS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter ended 31 March 2019, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Acquisitions at cost:		
- Plant and equipment *	8,719	1,124
- Intangible assets	0	22
Depreciation:		
- Plant and equipment	7,960	7,510
- Investment properties	6	6
Amortisation of intangible assets	143	181

***** Exclude advance payments made amounting to RM6,468,000 for the purchases of plant and equipment that are pending fulfilment on the asset recognition prerequisites.

A13. MATERIAL EVENTS DURING THE REPORTING DATE

On 15 January 2019, the Company announced that Deleum Oilfield Services Sdn. Bhd. ("DOSSB"), a wholly-owned subsidiary of the Group, had received a Letter of Award for the Provision of Slickline Equipment and Services for Petronas Carigali Sdn. Bhd. under the Oilfield Services segment for a contract period of three (3) years.

On 18 February 2019, the Company announced that DOSSB had received a Letter of Award for the Provision of Gas Lift Valves and Insert Strings Equipment, Accessories and Services for Petronas Carigali Sdn. Bhd. under the Oilfield Services segment for a contract period of three (3) years with one (1) year extension option.

The above-mentioned contracts will have no effect on the issued share capital of the Company and is expected to contribute positively towards the earnings and net assets of the Group going forward.

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

A14. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

There were no material events after the end of the reporting date.

A15. CHANGES IN THE COMPOSITION OF THE GROUP

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

A16. CONTINGENT LIABILITIES / ASSETS

As at 31 March 2019, 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 RM41.1 million (31 December 2018: RM38.1 million).

A17. COMMITMENTS

<u>Capital commitment</u>

Capital commitments for investment, property, plant and equipment and intangible assets not provided for as at 31 March 2019 were as follows:

	As at 31/03/2019 RM'000	**As at 31/12/2018 RM'000**
Authorised but not contracted for		
- Plant and machinery	23,890	41,201
- Others	10,611	11,387
Authorised and contracted for		
- Plant and machinery	49,285	12,213
- Others	5,816	6,839
	89,602	71,640
Share of capital commitment of joint venture	878	899
	90,480	72,539

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

A18. RELATED PARTY DISCLOSURES

(a) The following transactions were with a corporate shareholder and affiliated companies of corporate shareholder of a subsidiary of the Group, Turboservices Sdn. Bhd..

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	877	2,403
Rental income from an affiliate company of STICO	14	14
Purchases and technical services from STICO and its affiliated company	39,923	42,947

Significant outstanding balances arising from the above transactions as at 31 March 2019 were as follows:

	As at 31/03/2019 RM'000	**As at 31/12/2018 RM'000**
Amount due from STICO and its affiliated company	2,116	2,186
Amount due to STICO and its affiliated company	107,335	116,123

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

A18. 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..

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Sales to related parties of Dresser Italia S.R.L	36	56
Purchases of goods and services from related parties of Dresser Italia S.R.L	7,340	4,002

Significant outstanding balances arising from the above transactions as at 31 March 2019 were as follows:

	As at 31/03/2019 RM'000	**As at 31/12/2018 RM'000**
Amount due from related parties of Dresser Italia S.R.L	26	230
Amount due to related parties of Dresser Italia S.R.L	4,227	2,902

(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:

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Sales to STICO	1,484	1,484
Rental income from an affiliated company of STICO	207	207

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

A18. RELATED PARTY TRANSACTIONS (Cont'd)

(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 (Cont'd):

Significant outstanding balance arising from the above transactions as at 31 March 2019 was as follows:

	As at 31/03/2019 RM'000	**As at 31/12/2018 RM'000**
Amount due from STICO and its affiliated company	991	1,471

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

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Directors' fees	225	236
Salaries, bonuses, allowances and other staff related expenses	2,287	2,556
Defined contribution plan	249	266
	2,761	3,058

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

	Q1'19 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Group				
Revenue	127,502	108,507	18,995	17.5
Operating profit	1,419	4,636	(3,217)	(69.4)
Share of results of a joint venture, net of tax	394	276	118	42.8
Share of results of associates, net of tax	1,538	575	963	167.5
Profit before interest and tax	2,446	4,634	(2,188)	(47.2)
Profit before tax	2,648	4,722	(2,074)	(43.9)
Profit after tax	693	1,367	(674)	(49.3)
Profit attributable to equity holders of the Company	2,813	1,402	1,411	100.6

In the current quarter, the Group posted an increase in revenue of RM19.0 million against the corresponding quarter riding on the back of higher revenue contributions across all reportable segments with strong revenue growth booked by the Integrated Corrosion Solution segment mainly from its Maintenance, Construction and Modification ("MCM") project.

The Group's profit attributable to equity holders of the Company increased by RM1.4 million as a result of higher tax expense incurred in the corresponding period affected by the additional taxes and penalty raised by the tax authority over differences in interpretation of certain expenses incurred as explained in Note B5, share of higher results from an associate company of RM1.0 million and a favourable foreign exchange movement on MYR against USD in the current period which resulted in a net gain of RM0.2 million as opposed to a net loss of RM0.1 million incurred in the corresponding period but was offset by the lower operating results recorded from all reportable segments with weaker margins earned.

Share of results of joint venture was contributed by the overhaul and repairs of gas turbines. The higher share of results is due to lower service costs and overhead expenses incurred on repair and maintenance works in the current quarter.

Share of results of associates were higher by RM1.0 million as a result of better performance from Malaysia Mud and Chemicals Sdn. Bhd. ("2MC") driven by stronger throughput achieved from both its dry bulk and liquid mud businesses.

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)

(A) Performance of the current quarter against the corresponding quarter (Cont'd)

	Q1'19 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Power and Machinery				
Revenue	69,875	65,015	4,860	7.5
Operating profit	4,925	5,117	(192)	(3.8)
Profit before interest and tax	4,179	4,528	(349)	(7.7)
Profit before tax	4,911	5,117	(206)	(4.0)

The Power and Machinery segment's revenue grew by RM4.9 million to RM69.9 million compared against the corresponding quarter of RM65.0 million mainly contributed by the higher demand for valves and flow regulator services, turbine parts and repair, and increase in revenue contribution from retrofit projects. The increase was offset by the weaker work orders for exchange engines and other ancillary services.

Notwithstanding the higher revenue earned, the segment results declined by RM0.2 million impacted by the unfavourable change in sales mix and downward pressure on margins.

	Q1'19 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Oilfield Services				
Revenue	31,767	27,323	4,444	16.3
Operating profit	4,463	5,018	(555)	(11.1)
Profit before interest and tax	4,384	4,856	(472)	(9.7)
Profit before tax	4,041	4,271	(230)	(5.4)

The Oilfield Services segment reported an increase in revenue of RM4.4 million to RM31.8 million compared against the corresponding quarter of RM27.3 million mainly attributable to the stronger work orders from well intervention and enhancement services. The segment results however declined by RM0.2 million due to weaker margins earned from slickline activities.

B1. PERFORMANCE REVIEW (Cont'd)

(A) Performance of the current quarter against the corresponding quarter (Cont'd)

	Q1'19 RM'000	Q1'18 RM'000	Variance RM'000	Variance %
Integrated Corrosion Solution				
Revenue	25,749	16,070	9,679	60.2
Operating loss	(7,084)	(3,587)	(3,497)	(97.5)
Loss before interest and tax	(7,084)	(3,587)	(3,497)	(97.5)
Loss before tax	(7,350)	(3,605)	(3,745)	(103.9)

The Integrated Corrosion Solution segment registered a revenue growth of RM9.7 million to RM25.7 million compared against the corresponding quarter revenue of RM16.0 million as a result of the additional revenue generated from the MCM contract.

Notwithstanding the higher revenue earned, the segment results declined by RM3.7 million and recorded a loss of RM7.4 million due to pressure on margins with higher operations cost incurred to support the MCM contract.

(B) Consolidated Statement of Financial Position

The Group's total assets as at 31 March 2019 stood at RM650.9 million against RM660.4 million at the end of the previous financial year, representing a decrease of RM9.5 million. This was mainly due to lower contract assets and trade and other receivables by RM11.2 million and RM8.8 million respectively. The decline was offset by the increase in non-current assets by RM12.4 million following higher capital expenditure incurred for the Oilfield Services segment to support its newly secured slickline contracts.

Meanwhile, the Group's total liabilities increased marginally by RM0.4 million mainly due to higher borrowings by RM9.3 million and increased in contract liabilities of RM1.1 million but offset by the decrease in trade and other payables by RM9.9 million.

(C) Consolidated Statement of Cash Flows

The Group's cash and bank balances was lower at RM131.6 million compared to RM134.9 million as at 31 December 2018. The change was due to acquisition of plant and equipment of RM15.2 million and dividends paid totalling RM10.5 million. The decrease was offset by net cash generated from operating activities of RM14.4 million, dividend received from an associate company of RM1.6 million and net draw down on borrowings by RM6.0 million.

B2. MATERIAL CHANGE IN THE CURRENT QUARTER PERFORMANCE AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PERFORMANCE

	Q1'19 RM'000	Q4'18 RM'000	Variance RM'000	Variance %
Group				
Revenue	127,502	200,447	(72,945)	(36.4)
Operating profit	1,419	10,246	(8,827)	(86.2)
Share of results of a joint venture, net of tax	394	149	245	164.4
Share of results of associates, net of tax	1,538	556	982	176.6
Profit before interest and tax	2,446	10,324	(7,878)	(76.3)
Profit before tax	2,648	10,242	(7,594)	(74.1)
Profit after tax	693	7,801	(7,108)	(91.1)
Profit attributable to equity holders of the Company	2,813	7,477	(4,664)	(62.4)

Quarter on quarter, the Group's profit attributable to equity holders of the Company decreased by RM4.7 million against the immediate preceding quarter due to the lower segment contributions from both Power and Machinery and Integrated Corrosion Solution segments offset by the stronger results from Oilfield Services segment.

Share of results of joint venture was contributed by the overhaul and repairs of gas turbines. The higher share of results is due to lower service costs and overhead expenses incurred on repair and maintenance works in the current quarter.

Share of results of associates increased by RM1.0 million as a result of higher throughput from 2MC in the current quarter.

	Q1'19 RM'000	Q4'18 RM'000	Variance RM'000	Variance %
Power and Machinery				
Revenue	69,875	125,194	(55,319)	(44.2)
Operating profit	4,925	9,826	(4,901)	(49.9)
Profit before interest and tax	4,179	9,287	(5,108)	(55.0)
Profit before tax	4,911	9,826	(4,915)	(50.0)

Power and Machinery segment results contracted to RM4.9 million as compared to RM9.8 million in the immediate preceding quarter. The adverse variance was due to lower orders from exchange engines, decrease in contribution from retrofit projects, weaker work orders from other ancillary services and lower commission income earned on oil and gas projects. The decrease was offset by higher demand for valves and flow regulators, turbine parts and repair and maintenance.

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 CURRENT QUARTER PERFORMANCE AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PERFORMANCE (Cont'd)

	Q1'19 RM'000	Q4'18 RM'000	Variance RM'000	Variance %
Oilfield Services				
Revenue	31,767	30,902	865	2.8
Operating profit	4,463	938	3,525	375.8
Profit before interest and tax	4,384	872	3,512	402.8
Profit before tax	4,041	439	3,602	820.5

Oilfield Services segment results increased by RM3.6 million following higher work orders on well intervention and enhancement services and higher utilisation of slickline assets offset by slower orders in the chemicals business.

	Q1'19 RM'000	Q4'18 RM'000	Variance RM'000	Variance %
Integrated Corrosion Solution				
Revenue	25,749	44,192	(18,443)	(41.7)
Operating profit	(7,084)	88	(7,172)	(8,150.0)
(Loss)/Profit before interest and tax	(7,084)	88	(7,172)	(8,150.0)
Loss before tax	(7,350)	(122)	(7,228)	(5,924.6)

Integrated Corrosion Solution segment recorded a pre-tax loss of RM7.4 million compared to a loss of RM0.1 million recorded in the immediate preceding quarter affected mainly by the slowdown in work orders coupled with the higher cost to serve to support the MCM contract.

B3. PROSPECTS

The oil and gas environment remains challenging in 2019 and Petroleum Nasional Bhd. (PETRONAS) is expected to continue striving for cost efficiency. Based on its Activity Outlook 2019-2021, greater market volatility is expected to persist in 2019. Nevertheless, it was recently reported that for the upstream oil and gas segment, PETRONAS expects its capital expenditure to increase to above RM50 billion in 2019 from RM46.8 billion in previous year. The Group will still remain cautious due to the market volatility and shall continue to enhance integration efforts across all core businesses by leveraging on its financial strengths and resources.

The Power and Machinery segment will continue to provide after sales support and services to its existing installed turbines base customers and at the same time continues working with its business partners to provide additional products and services to its customers.

With the success of securing various slickline contracts with new and existing customers in 2018, the Oilfield Services segment has maintained its market leader position in the provision of slickline services and is focusing on its efforts in mobilising all its contracts to customers. The segment is also practising stringent cost management to mitigate the compressed margin pressures faced by the segment.

The Integrated Corrosion Solution segment will concentrate its effort to improve its financial performance for the year. Various initiatives and measures are underway to improve the financial performance of the segment in the upcoming quarters.

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

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Current tax – current period	2,618	2,556
Under provision in prior years	0	1,862*
Deferred tax		
– origination and reversal of temporary differences	(433)	(1,063)
– recognition of previously unrecognised temporary differences	(230)	0
Total income tax expense	**1,955**	**3,355**

* Included in the under provision of tax in prior years in the corresponding period was additional taxes raised for the years of assessment 2010 to 2015 arising from the differences on the interpretation on the deductibility of certain expenses incurred by the Company with the tax authority. In addition, a tax penalty amounting to RM838,000 was raised by the tax authority under Section 113(2) of the Income Tax Act 1967. This amount was included in the other operating losses in the Consolidated Statement of Comprehensive Income.

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 period ended 31 March 2019 was higher than the headline tax rate as shown below.

	Quarter and year-to-date ended	
	31/03/2019	**31/03/2018**
	%	**%**
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	24
Tax effects of:		
- Expenses not deductible for tax purposes	9	10
- Income not subject to tax	(4)	(3)
- Share of results of associates and joint venture	(17)	(4)
- Deferred tax assets not recognised	71	5
- Under provision in prior years*	0	39
- Recognition of previously unrecognised temporary differences	(9)	0
Effective tax rate	74	71

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.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 20 May 2019 (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 31/03/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of joint venture	30,096	29,702

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, both parties approval on relevant activities is required as stated in the Subscription Agreement. 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 statement of comprehensive income

	Quarter and year-to-date ended 31/03/2019 RM'000	31/03/2018 RM'000
Profit before tax	628	434
Income tax expense	(139)	(91)
Profit for the period	489	343
Interest in joint venture (80.55%)		
Share of results	394	276

B10. ASSOCIATES

	As at 31/03/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of associates	37,001	35,565

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 2018. The associates have share capitals 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 continues from this associate and its contribution to the loss attributable to the shareholders of the Company in the financial period ended 31 March 2019 amounted to RM1,000 (31 March 2018: RM2,000) and RM600 (31 March 2018: RM1,200) 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 statement of comprehensive income

	2MC Quarter and year-to-date ended		CUPL Quarter and year-to-date ended		Total Quarter and year-to-date ended	
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Profit before tax	5,967	2,383	4	8	5,971	2,391
Income tax expense	(1,164)	(592)	0	0	(1,164)	(592)
Profit for the period	4,803	1,791	4	8	4,807	1,799
Interest in associates (32%; 20%) Share of results	1,537	573	1	2	1,538	575

B11. TRADE RECEIVABLES

	As at 31/03/2019 RM'000	As at 31/12/2018 RM'000
Neither past due nor impaired	50,765	53,168
1 to 30 days past due not impaired	17,000	20,929
31 to 60 days past due not impaired	2,294	4,303
61 to 90 days past due not impaired	8,722	7,452
91 to 120 days past due not impaired	651	6,534
More than 121 days past due not impaired	4,178	597
	83,610	92,983
Not past due but impaired	0	1
Past due and impaired:		
31 to 60 days past due and impaired	0	0
61 to 90 days past due and impaired	0	0
91 to 120 days past due and impaired	0	0
More than 121 days past due and impaired	1,738	1,732
	85,348	94,716
Less: Impairment of receivables	(1,738)	(1,733)
	83,610	92,983

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are debtors with good payment history. A number of these debtors are from the oil and gas industry. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM32.8 million (31 December 2018: RM39.8 million) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

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

B12. GROUP BORROWINGS

The Group borrowings as at 31 March 2019 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
31/03/2019			
Borrowings - secured	27,579	4,960	32,539
- unsecured	38,509	1,384	39,893
	66,088	6,344	72,432
31/12/2018			
Borrowings - secured	27,948	7,785	35,733
- unsecured	27,448	0	27,448
	55,396	7,785	63,181

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 31/03/2019 RM'000	As at 31/12/2018 RM'000
Revolving credits	(i)	24,800	24,800
Finance lease liabilities	(ii)	75	80
Lease liabilities on right-of-use assets	(iii)	2,846	0
Term loans	(iv)	32,463	35,653
Loans against import	(v)	12,248	2,648
		72,432	63,181
Less: Amount repayable within 12 months			
Revolving credits		(24,800)	(24,800)
Finance lease liabilities		(18)	(18)
Lease liabilities on right-of-use assets		(1,462)	0
Term loans		(27,560)	(27,930)
Loans against import		(12,248)	(2,648)
		(66,088)	(55,396)
Amount repayable after 12 months		6,344	7,785

The increase in borrowings was due to net draw down on loans against import of RM9.6 million, effects on the adoptions of the new MFRS 16 which gave rise to the recognition on the corresponding lease liabilities for right-of-use assets with an outstanding balance at reporting date of RM2.8 million offset by net repayment on term loans of RM3.2 million.

B12. GROUP BORROWINGS (Cont'd)

(i) Revolving credits are rolled over on a monthly basis at an average interest rate of 5.22% (average interest of 1.00% per annum above the bank's cost of funds).

(ii) Finance lease liabilities carry interest rate of 2.46% per annum.

(iii) Lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% per annum.

(iv) Term loans carry an average interest rate of 4.23% (0.90% per annum above the KLIBOR). The tenure of the loan is 5 years.

(v) Loans against import carry an interest of 4.62% (1.15% per annum above the bank's cost of funds). The tenure of the import line is 90 days.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument as at 31 March 2019 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

B14. MATERIAL LITIGATION

There was no material litigation as at 20 May 2019 (being the latest practicable date which shall not be earlier than 7 days from the date of issuance of this report).

B15. DIVIDEND

The Board of Directors have, in respect of financial year ended 31 December 2018, declared a second interim single tier dividend of 2.25 sen per share on 401,125,700 ordinary shares, totaling RM9,025,000. The dividend was paid on 22 March 2019.

No dividend was declared during the quarter under review for the financial year ending 31 December 2019.

B16. EARNINGS PER SHARE ("EPS")

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

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Basic earnings per share		
Profit attributable to equity holders of the Company (RM'000)	2,813	1,402
Weighted average number of shares in issue ('000)	400,917	400,271
Basic earnings per share (sen)	0.70	0.35

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

B16. EARNINGS PER SHARE ("EPS") (Cont'd)

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

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Diluted earnings per share		
Profit attributable to equity holders of the Company (RM'000)	2,813	1,402
Weighted average number of shares in issue ('000) (Basic)	400,917	400,271
Effect of potential vesting of Long Term Incentive Plan	N/A^	3,403
Weighted average number of ordinary shares ('000)	N/A^	403,674
Diluted earnings per share (sen)	N/A^	0.35

^N/A – Not applicable

B17. PROFIT BEFORE TAX

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

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Inventories consumed and recognised as cost of sales	21,012	15,264
Purchase of products, parts and consumable	5,143	1,708
Costs of services purchased	45,609	40,867
Interest income	(903)	(853)
Other income including investment income	(60)	(70)
Interest expenses	703	765
Depreciation and amortisation	8,510	7,697
Write back of impairment for doubtful debts		
- Trade receivables	(1)	(64)
- Contract assets	(3)	(9)
Impairment of doubtful debts		
- Trade receivables	6	35
- Contract assets	0	45
Bad debt written off:		
- Other receivables	4	0
Reversal of allowance for slow moving inventories	0	(9)

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

B17. PROFIT BEFORE TAX (Cont'd)

The following items were charged / (credited) in arriving at profit before tax (Cont'd):

	Quarter and year-to-date ended	
	31/03/2019 RM'000	**31/03/2018 RM'000**
Foreign exchange losses / (gains)		
- Realised	74	304
- Unrealised	(311)	(190)
Provision for liquidated damages	63	3
Write back of provision of liquidated damages	0	(9)
Fair value loss on forward foreign currency exchange contracts	57	30
Tax penalty	0	838

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

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

B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2018 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 27 May 2019.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
27 May 2019