

DELEUM BERHAD
200501033500 (715640-T)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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DELEUM BERHAD
200501033500 (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		Unaudited	Unaudited	Unaudited	Audited
Revenue	A11	232,127	200,447	868,299	623,685
Cost of sales		(194,267)	(169,130)	(724,683)	(499,235)
Gross profit		37,860	31,317	143,616	124,450
Other operating income		1,089	742	3,785	3,553
Selling and distribution costs		(10,708)	(10,016)	(37,860)	(35,644)
Administrative expenses		(12,817)	(11,182)	(54,535)	(46,586)
Other operating gains/ (losses) ⁽¹⁾		692	(615)	(2,841)	(3,787)
Operating profit		16,116	10,246	52,165	41,986
Finance costs		(876)	(709)	(3,223)	(2,852)
Share of results of a joint venture (net of tax)	B9	247	149	1,374	1,139
Share of results of associates (net of tax)	B10	189	556	4,757	2,275
Profit before tax	B17	15,676	10,242	55,073	42,548
Income tax expense	B5	(3,175)	(2,441)	(11,069)	(12,719)
Profit for the period/ year		12,501	7,801	44,004	29,829
Other comprehensive income					
Currency translation differences		(119)	2	(66)	84
Total comprehensive income for the period/ year		12,382	7,803	43,938	29,913
Profit attributable to:					
- Equity holders of the Company		8,566	7,477	33,148	27,169
- Non-controlling interests		3,935	324	10,856	2,660
		12,501	7,801	44,004	29,829
Total comprehensive income attributable to:					
- Equity holders of the Company		8,524	7,482	33,118	27,187
- Non-controlling interests		3,858	321	10,820	2,726
		12,382	7,803	43,938	29,913
Earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Basic EPS	B16	<u>2.14</u>	<u>1.87</u>	<u>8.26</u>	<u>6.78</u>
- Diluted EPS ⁽²⁾	B16	<u>N/A</u>	<u>1.85</u>	<u>N/A</u>	<u>6.75</u>
⁽¹⁾ Other operating gains/ (losses) include the following:					
Foreign exchange (losses)/ gains					
- Realised		(158)	(278)	(1,531)	(336)
- Unrealised		1,220	237	372	(141)
Fair value gain/(loss) on forward foreign currency exchange contracts		8	(98)	(65)	(650)
Tax penalty	B5	<u>0</u>	<u>0</u>	<u>0</u>	<u>(838)</u>

⁽²⁾ Diluted earnings per share of the Company for the quarter and year ended 31 December 2019 is not applicable ("N/A") as the Company has no dilutive 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.

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

RM'000	Note	As at 31/12/2019 Unaudited	As at 31/12/2018 Audited
ASSETS			
Property, plant and equipment		180,962	151,324
Investment properties		770	794
Right-of-use assets		1,838	0
Intangible assets		460	954
Associates	B10	34,800	35,565
Joint venture	B9	31,076	29,702
Deferred tax assets		3,329	3,062
Other receivables		19,527	11,081
Non-current Assets		272,762	232,482
Inventories		44,641	22,499
Amounts due from an associate		1,600	1,600
Amounts due from a joint venture		127	160
Trade receivables	B11	119,318	92,983
Contract assets		138,181	163,855
Other receivables, deposits and prepayments		9,315	10,168
Derivative financial instrument	A7	0	7
Tax recoverable		1,587	1,698
Cash and bank balances		159,958	134,907
Current Assets		474,727	427,877
TOTAL ASSETS		747,489	660,359
EQUITY AND LIABILITIES			
Share capital		201,802	201,354
Equity - share based payment		0	1,081
Retained earnings		200,971	181,830
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,735)	(2,705)
Equity attributable to equity holders of the Company		350,038	331,560
Non-controlling interests		28,484	24,102
Total Equity		378,522	355,662
Borrowings	B12	22,442	7,785
Deferred tax liabilities		23,165	22,785
Non-current Liabilities		45,607	30,570
Trade payables		205,117	183,646
Contract liabilities		12,698	6,477
Other payables and accruals		29,260	19,488
Amounts due to an associate		7,162	7,242
Derivative financial instrument	A7	11	0
Taxation		2,535	1,878
Borrowings	B12	66,577	55,396
Current Liabilities		323,360	274,127
Total Liabilities		368,967	304,697
TOTAL EQUITY AND LIABILITIES		747,489	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.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	←----- Attributable to equity holders of the Company ----->						Non-controlling interests	Total equity	
	Issued and fully paid ordinary shares		-----Non-distributable-----		Distributable				
	Number of shares '000	Share capital RM'000	Share based payment RM'000	Foreign currency translation RM'000	Merger deficit RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2018	400,195	200,206	2,452	(2,724)	(50,000)	172,044	321,978	28,889	350,867
Profit for the financial year	0	0	0	0	0	27,169	27,169	2,660	29,829
Other comprehensive income for the financial year	0	0	0	19	0	0	19	65	84
Total comprehensive income for the financial year	0	0	0	19	0	27,169	27,188	2,725	29,913
Long-Term Incentive Plan ("LTIP"):									
- Share based payment	0	0	424	0	0	0	424	0	424
- Ordinary shares issued pursuant to the LTIP	930	1,148	(1,148)	0	0	0	0	0	0
- Transfer of lapsed share grants	0	0	(647)	0	0	647	0	0	0
Dividend	0	0	0	0	0	(18,030)	(18,030)	(7,512)	(25,542)
At 31 December 2018	<u>401,125</u>	<u>201,354</u>	<u>1,081</u>	<u>(2,705)</u>	<u>(50,000)</u>	<u>181,830</u>	<u>331,560</u>	<u>24,102</u>	<u>355,662</u>
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 year	0	0	0	0	0	33,148	33,148	10,856	44,004
Other comprehensive loss for the financial year	0	0	0	(30)	0	0	(30)	(36)	(66)
Total comprehensive income for the financial year	0	0	0	(30)	0	33,148	33,118	10,820	43,938
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	(14,647)	(14,647)	(6,438)	(21,085)
At 31 December 2019	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,735)</u>	<u>(50,000)</u>	<u>200,971</u>	<u>350,038</u>	<u>28,484</u>	<u>378,522</u>

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.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

RM'000	YEAR ENDED	
	31/12/2019	31/12/2018
	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	44,004	29,829
<u>Adjustments for:</u>		
Trade receivables		
- impairment made	57	10
- write back of impairment	(8)	(136)
Contract assets		
- impairment made	2	23
- write back of impairment	(15)	(9)
Other receivables		
- impairment made	1	0
Allowance for slow moving inventories:		
- allowance made	828	209
- write back of allowance	(33)	(27)
Amortisation of intangible assets	494	716
Depreciation:		
- property, plant and equipment	32,359	30,646
- investment properties	24	24
- right-of-use assets	1,631	0
Bad debts written off:		
- other receivables	4	0
Provision for liquidated damages		
- provision made	341	60
- write back of provision	(18)	(58)
Gain on disposals of plant and equipment	(472)	(334)
Write-off:		
- property, plant and equipment	187	151
- inventories	47	64
Interest income	(2,834)	(2,898)
Finance costs	3,223	2,852
Share based payment expense	7	424
Share of results of associates	(4,757)	(2,275)
Share of results of a joint venture	(1,374)	(1,139)
Tax expense	11,069	12,719
Unrealised foreign exchange (gains)/ losses	(372)	141
Fair value loss on forward foreign currency exchange contracts	65	650
Operating profit before working capital changes	84,460	71,642
<u>Changes in working capital</u>		
Inventories	(22,984)	(4,404)
Trade receivables	(27,359)	16,375
Contract assets	25,117	(82,105)
Other receivables, deposits and prepayments	839	3,486
Trade payables	24,376	63,105
Other payables and accruals	8,431	(5,640)
Contract liabilities	6,221	4,504
Cash generated from operations	99,101	66,963
Tax paid	(13,505)	(14,652)
Tax refunded	3,317	78
Interest paid	(3,227)	(2,857)
Net cash generated from operating activities	85,686	49,532

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

RM'000	YEAR ENDED	
	31/12/2019	31/12/2018
	Unaudited	Audited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,832	2,922
Addition on plant and equipment*	(71,034)	(24,677)
Proceeds from disposals on plant and equipment	782	334
Addition on intangible assets	0	(26)
Dividend received from an associate	5,440	3,840
Amounts due from an associate	0	6
Amounts due from a joint venture	33	(22)
Net cash used in investing activities	(61,947)	(17,623)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	5,000	15,000
- Repayment	0	(8,000)
Loans against import		
- Drawn down	37,957	6,795
- Repayment	(31,735)	(7,045)
Term loans		
- Drawn down	38,632	4,903
- Repayment	(25,790)	(24,600)
Lease liabilities on right-of-use assets		
- Repayment	(1,601)	0
Dividends paid to:		
- Shareholders	(14,647)	(18,030)
- Non-controlling interest	(6,438)	(7,513)
(Decrease)/ Increase in restricted cash	(1,809)	109
Net cash used in financing activities	(431)	(38,381)
Net increase/ (decrease) in cash and cash equivalents	23,308	(6,472)
Foreign currency translation	(66)	100
Cash and cash equivalents at beginning of the year	124,276	130,648
Cash and cash equivalents at end of year	147,518	124,276
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	86,583	93,068
Cash and bank balances	73,375	41,839
	159,958	134,907
Restricted cash	(12,440)	(10,631)
Cash and cash equivalents at end of year	147,518	124,276

* Included in the non-current other receivables is advance payments made on capital expenditure for the current year of RM13,257,000 while RM4,811,000 were recognised as plant and equipment during the year from advance payment made in prior year.

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

Ringgit Malaysia	141,434	116,445
US Dollar	5,972	7,718
Others	112	113
	<u>147,518</u>	<u>124,276</u>

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.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 Than 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 ended 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.

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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 comparative amounts for the year prior to first adoption. Right-of-use assets and the corresponding lease liabilities on right-of-use assets are 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
	<u>RM'000</u>
Right-of-use assets	3,339
Property, plant and equipment	(94)
Lease liabilities on right-of-use assets	(3,325)
Finance lease liability	<u>80</u>

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UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A1. BASIS OF PREPARATION (Cont'd)

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 2020)
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform (effective 1 January 2020)
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.

A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

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

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

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

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.

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 contract that remained outstanding at 31 December 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 31/12/2019		As at 31/12/2018*	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	85,337	120,592	116,680	110,926
Others	1,711	487	2,063	962
	<u>87,048</u>	<u>121,079</u>	<u>118,743</u>	<u>111,888</u>
Closing exchange rate				
US Dollar	<u>4.093</u>	<u>4.093</u>	<u>4.139</u>	<u>4.139</u>

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

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contract

Forward foreign currency exchange contract is 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 contract entered into by the Group has a maturity period of less than one year from the current reporting date. As at 31 December 2019, the notional principal amount of the outstanding forward foreign currency exchange contract was RM557,000 (31 December 2018: RM2,602,000).

Details of derivative on forward foreign currency exchange contract that remained outstanding as at the financial year ended are as follows:

	As at 31/12/2019		As at 31/12/2018	
	Contract/ Notional amount RM'000	Fair Value Liabilities RM'000	Contract/ Notional amount RM'000	Fair Value Assets RM'000
Type of derivatives				
Forward foreign currency exchange contracts ("FX Contracts")				
- Less than 1 year	557	11	2,602	7

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

A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

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

During the financial year, the fair value changes arising from the forward foreign currency exchange contract entered into by the Group and remained outstanding as at 31 December 2019 amounted to a fair value loss of RM11,000. (31 December 2018: fair value gain of RM7,000).

A9. DIVIDENDS PAID

During the first 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	<u>9,025</u>

During the third quarter under review, the Company paid the following first interim single tier dividend of 1.40 sen per share on 401,553,500 ordinary shares, in respect of the financial year ended 31 December 2019.

	RM'000
First interim single tier dividend of 1.40 sen per share on 401,553,500 ordinary shares, paid on 20 September 2019	<u>5,622</u>

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UNAUDITED INTERIM FINANCIAL REPORT
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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;
 - Provision of gas lift valve and insert strings equipment, accessories and 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.

Segmental information for the financial year ended 31 December 2019 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>Segment Revenue</u>				
External revenue:				
Power and Machinery	140,507	125,194	486,164	360,179
Oilfield Services	35,582	30,902	144,240	124,811
Integrated Corrosion Solution	55,869	44,192	237,348	138,213
Other non-reportable segment	169	159	547	482
Total Group revenue	232,127	200,447	868,299	623,685

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>Segment Results</u>				
Power and Machinery	19,900	9,826	49,821	36,041
Oilfield Services	(651)	439	944	14,423
Integrated Corrosion Solution	(3,118)	(122)	1,849	(6,501)
Other non-reportable segment	16	14	64	54
Segment results	16,147	10,157	52,678	44,017
Unallocated income ^	9	94	115	456
Unallocated corporate expenses #	(916)	(714)	(3,851)	(5,339)
Share of results of a joint venture *	247	149	1,374	1,139
Share of results of associates *	189	556	4,757	2,275
Tax expense (Note B5) *	(3,175)	(2,441)	(11,069)	(12,719)
Profit for the financial period/ year	12,501	7,801	44,004	29,829

^ 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 year 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.

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

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A10. SEGMENT INFORMATION (Cont'd)

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
<u>Segment Assets</u>		
Power and Machinery	271,546	264,705
Oilfield Services	255,068	215,323
Integrated Corrosion Solution	128,158	83,924
Segment assets	654,772	563,952
Unallocated corporate assets ^	92,717	96,407
Total assets	747,489	660,359

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	157,666	141,800
Oilfield Services	69,843	61,733
Integrated Corrosion Solution	106,021	66,714
Segment liabilities	333,530	270,247
Unallocated corporate liabilities #	35,437	34,450
Total liabilities	368,967	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.

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A11. REVENUE

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Revenue from contracts with customers	231,958	200,288	867,752	623,203
Revenue from other sources:				
- Management fee	154	148	532	471
- Dividend income	15	11	15	11
	232,127	200,447	868,299	623,685

Revenue from contracts with customers:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Sale of gas turbine packages and after sales support and services	99,499	108,216	372,628	298,583
Commission based income services	(407)	1,410	2,804	4,382
Principal based income services	56	64	908	698
Sale of valves and flow regulators and after sales support and services	38,365	13,030	102,337	50,845
Sale, repair and maintenance of motors, generators and transformers	3,050	2,538	8,395	6,369
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	33,140	29,664	136,191	120,373
Provision of services on Specialty Chemical and Well Stimulation	2,386	1,174	7,141	3,740
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	22,611	7,704	67,419	20,177
Provision of maintenance, construction and modification maintenance services	33,258	36,488	169,929	118,036
	231,958	200,288	867,752	623,203

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

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Acquisitions at cost:-				
- Plant and equipment*	19,333	8,301	62,588	18,597
- Intangible assets	0	2	0	26
Disposals at net book value:-				
- Plant and equipment	310	1	310	1
Depreciation:-				
- Plant and equipment	8,525	7,864	32,359	30,646
- Investment properties	6	6	24	24
- Right-of-use assets	424	0	1,631	0
Amortisation of intangible assets	111	171	494	716

* Exclude advance payments made amounting to RM13,257,000 (2018: RM6,160,000) for the purchases of plant and equipment that are pending fulfilment on the asset recognition pre-requisites while RM4,811,000 were recognised as plant and equipment during the year from advance payment made in prior year.

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.

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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.

A16. CONTINGENT LIABILITIES / ASSETS

As at 31 December 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 RM36.2 million (31 December 2018: RM38.1 million).

A17. COMMITMENTS

Capital commitment

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

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Authorised but not contracted for		
- Plant and machinery	38,031	41,201
- Others	13,351	11,387
Authorised and contracted for		
- Plant and machinery	10,285	12,213
- Others	6,114	6,839
	67,781	71,640
Share of capital commitment of joint venture	1,215	899
	68,996	72,539

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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.

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	3,447	1,567	5,356	6,651
Rental income from an affiliate company of STICO	13	13	54	54
Purchases and technical services from STICO and its affiliated companies	84,873	85,804	301,401	232,716

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

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Amount due from STICO and its affiliated companies	5,218	2,186
Amount due to STICO and its affiliated companies	111,462	116,123

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Sales to related parties of Dresser Italia S.R.L	320	725	410	1,253
Purchases of goods and services from related parties of Dresser Italia S.R.L	12,591	4,539	41,989	19,734

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

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Amount due from related parties of Dresser Italia S.R.L	168	230
Amount due to related parties of Dresser Italia S.R.L	9,834	2,902

- (c) Turboservices Overhaul Sdn. Bhd. ("TOSB") is a joint venture between Deleum Berhad and STICO and the related party transactions during the quarter and year were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Sales to STICO	1,484	1,484	5,936	5,936
Rental income from affiliate company of STICO	207	207	828	828

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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 year were as follows (Cont'd):

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

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Amount due from STICO and its affiliated company	485	1,471

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Directors' fees	295	243	1,018	942
Salaries, bonuses, allowances and other staff related expenses	2,498	2,243	10,937	11,093
Defined contribution plan	271	448	1,207	1,220
	3,064	2,934	13,162	13,255

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

B1. PERFORMANCE REVIEW

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

	Q4'19	Q4'18	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	232,127	200,447	31,680	15.8
Operating profit	16,116	10,246	5,870	57.3
Share of results of a joint venture, net of tax	247	149	98	65.8
Share of results of associates, net of tax	189	556	(367)	(66.0)
Profit before interest and tax	15,995	10,324	5,671	54.9
Profit before tax	15,676	10,242	5,434	53.1
Profit after tax	12,501	7,801	4,700	60.2
Profit attributable to equity holders of the Company	8,566	7,477	1,089	14.6

The Group's turnover for the current quarter had increased by 15.8% or RM31.7 million to RM232.1 million against the corresponding quarter of RM200.4 million on the back of stronger revenue recorded across all reportable segments principally driven by the higher sales from the Power and Machinery segment coupled with the sustained sales growth from the Sponge-Jet blasting business in the Integrated Corrosion Solution segment.

The Group's profit attributable to equity holders of the Company had also improved by 14.6% or RM1.1 million to RM8.6 million against the corresponding quarter of RM7.5 million driven mainly by the stronger results from the Power and Machinery segment on the back of higher sales achieved with better operating margins earned, favourable foreign exchange movement with a net gain of RM1.1 million recorded on the re-translation of foreign exchange differences on MYR against USD versus a net loss of RM41,000 recorded in the corresponding quarter and a higher share of results from a joint venture company of RM0.1 million. However, this increase was offset by the lower operating results from Oilfield Services and Integrated Corrosion Solution segments despite higher revenue achieved affected by the downward pressure on margins due to high operational costs incurred.

Share of results of joint venture is contributed by the overhaul and repairs of gas turbines. The higher share of results was due to lower direct operating expenditure incurred and higher interest income earned in the current year.

Share of results of associates fell by RM0.4 million mainly due to the weaker operating results of Malaysia Mud and Chemicals Sdn. Bhd. ("2MC") affected by higher operational costs incurred in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q4'19	Q4'18	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	140,507	125,194	15,313	12.2
Operating profit	19,915	9,826	10,089	102.7
Profit before interest and tax	19,422	9,287	10,135	109.1
Profit before tax	<u>19,900</u>	<u>9,826</u>	<u>10,074</u>	<u>102.5</u>

The Power and Machinery segment revenue climbed by 12.2% or RM15.3 million to RM140.5 million compared to the corresponding quarter of RM125.2 million driven by the robust demand for valves and flow regulators services, higher supply of local field service representatives coupled with the increase in the level of sales for turbine parts and other ancillary services. This was however offset by the slowdown in exchange engines sales, decrease in revenue contribution from retrofit projects and lower commission income earned from oil and gas projects.

The segment results had improved by RM10.1 million riding on the back of higher revenue recorded along with healthier operating margins earned on account of better sales mix. The results were further improved by the favourable impact on the re-translation of foreign exchange differences on MYR against USD with a net foreign exchange gain of RM1.0 million against a minimal gain of RM22,000 recorded in the corresponding quarter.

	Q4'19	Q4'18	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	35,582	30,902	4,680	15.1
Operating (loss)/ profit	(125)	938	(1,063)	(113.3)
(Loss)/ Profit before interest and tax	(180)	872	(1,052)	(120.6)
(Loss)/ Profit before tax	<u>(651)</u>	<u>439</u>	<u>(1,090)</u>	<u>(248.3)</u>

The Oilfield Services segment revenue improved by 15.1% or RM4.7 million to RM35.6 million compared to the corresponding quarter of RM30.9 million supported by the additional revenue generated from Gas Lift Valve (“GLV”) services, increase in jobs performed from well intervention and enhancement services, higher slickline services in East Malaysia region and higher chemical sales generated under the unit of Specialty Chemical and Well Stimulation (“SCWS”) but offset by the lower slickline activities in the West Malaysia.

The segment results fell to a loss of RM0.7 million compared against the corresponding quarter profit of RM0.4 million despite higher revenue earned. This was affected by the downward pressure on margins from local slickline operations aggravated by the high equipment rental costs incurred coupled with the slowdown in slickline activities in the West Malaysia region.

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

B1. PERFORMANCE REVIEW (Cont’d)

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

	Q4'19	Q4'18	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Intergrated Corrosion Solution</u>				
Revenue	55,869	44,192	11,677	26.4
Operating (loss)/ profit	(2,785)	88	(2,873)	(3,264.8)
(Loss)/ Profit before interest and tax	(2,785)	88	(2,873)	(3,264.8)
Loss before tax	<u>(3,118)</u>	<u>(122)</u>	<u>(2,996)</u>	<u>(2,455.7)</u>

The Integrated Corrosion Solution segment recorded a strong growth in revenue by 26.4% or RM11.7 million to RM55.9 million compared against the corresponding quarter revenue of RM44.2 million driven by the revenue growth from its Sponge-Jet Blasting business following the renewal of the Pan Malaysia Painting and Blasting Contracts (“PMPBC”). The increase was offset by lower job executions on its Maintenance, Construction and Modification services (“MCM”) contract.

Notwithstanding the higher revenue earned, the segment results declined by RM3.0 million affected by the losses suffered from its MCM contact due to lower executions of project works coupled with the softer margins from its Sponge-Jet Blasting business.

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B1. PERFORMANCE REVIEW (Cont'd)

(B) Performance of the current year against the corresponding year

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'19 RM'000	Q4'18 RM'000		
<u>Group</u>				
Revenue	868,299	623,685	244,614	39.2
Operating profit	52,165	41,986	10,179	24.2
Share of results of a joint venture, net of tax	1,374	1,139	235	20.6
Share of results of associates, net of tax	4,757	2,275	2,482	109.1
Profit before interest and tax	55,462	42,502	12,960	30.5
Profit before tax	55,073	42,548	12,525	29.4
Profit after tax	44,004	29,829	14,175	47.5
Profit attributable to equity holders of the Company	33,148	27,169	5,979	22.0

The Group's revenue for the year was higher by 39.2% or RM244.6 million to RM868.3 million against the corresponding year to RM623.7 million as a result of the increase in revenue recorded across all reportable segments.

The Group's profit attributable to equity holders of the Company had improved by 22.0% or RM6.0 million against the corresponding year to RM27.2 million on the back of higher revenue with stronger results reported from Power and Machinery segment, a turnaround in the Integrated Corrosion Solution segment results, higher share of results from an associate company of RM2.5 million in the current year coupled with that the results in the corresponding year was affected by additional taxes and penalties imposed by the tax authority over differences in interpretation of certain expenses incurred as explained in Note B5. The current year results were however offset by the losses suffered by the Oilfield Services segment and aggravated by the unfavorable re-translation of foreign exchange differences which resulted in a wider net foreign exchange losses of RM1.2 million against RM0.5 million recorded in the corresponding year.

Share of results of joint venture is contributed from the overhaul and repairs works of gas turbines. The higher share of results was due to lower direct operating expenditure incurred and higher interest income earned in the current year.

Share of results of associates was higher by RM2.5 million underpinned by the strong performance in 2MC with higher throughput achieved from both its dry bulk and liquid mud businesses on the account of robust orders from its main customers.

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B1. PERFORMANCE REVIEW (Cont'd)

(B) Performance of the current year against the corresponding year (Cont'd)

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'19 RM'000	Q4'18 RM'000		
<u>Power and Machinery</u>				
Revenue	486,164	360,179	125,985	35.0
Operating profit	49,879	36,041	13,838	38.4
Profit before interest and tax	47,419	33,749	13,670	40.5
Profit before tax	49,821	36,041	13,780	38.2

The Power and Machinery segment result increased by 38.2% or RM13.8 million against the corresponding year to RM49.8 million as a result of higher revenue recorded on valves and flow regulator services, turbine parts, exchange engine, third party sales and sales in retrofit projects driven by the higher hardware supplies. The results were however impacted by the lower operating margins due to higher operational costs incurred on retrofit projects and Machinery Management Systems coupled with wider losses in the re-translation of foreign exchange differences which resulted in a net foreign exchange loss of RM1.3 million compared to RM0.4 million in the corresponding year.

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'19 RM'000	Q4'18 RM'000		
<u>Oilfield Services</u>				
Revenue	144,240	124,811	19,429	15.6
Operating profit	2,667	16,910	(14,243)	(84.2)
Profit before interest and tax	2,408	16,497	(14,089)	(85.4)
Profit before tax	944	14,423	(13,479)	(93.5)

Notwithstanding the higher revenue reported, the Oilfield Services segment recorded a lower profit of RM0.9 million against the corresponding year profit of RM14.4 million underpinned by severe compressions in margins on its local slickline services with higher equipment rental costs incurred, losses from its overseas slickline operations but mitigated by the additional profits generated from GLV services and stronger contribution recorded from well intervention and enhancement services.

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B1. PERFORMANCE REVIEW (Cont'd)

(B) Performance of the current year against the corresponding year (Cont'd)

	Cumulative quarters ended		Variance RM'000	Variance %
	Q4'19 RM'000	Q4'18 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	237,348	138,213	99,135	71.7
Operating profit/ (loss)	3,281	(6,136)	9,417	153.5
Profit/ (Loss) before interest and tax	3,281	(6,136)	9,417	153.5
Profit/ (Loss) before tax	1,849	(6,501)	8,350	128.4

The Integrated Corrosion Solution segment had turnaround its results to report a profit of RM1.8 million against a loss of RM6.5 million recorded in the previous corresponding year, representing an increase by RM8.4 million or 128.4% in profits. This was a result of stronger activity levels and work order deliveries from both its MCM and PMPBC contracts with its revenue increasing to RM237.3 million against RM138.2 million recorded in the previous corresponding year. In addition, the improved results were also due to margin improvements with better sales mix in the current year as well as absence of high expediting costs incurred for the closure of PMPBC contract during the last corresponding year.

(C) Consolidated Statement of Financial Position

The Group's total assets as at 31 December 2019 stood at RM747.5 million against RM660.4 million at the end of the previous financial year, representing an increase of RM87.1 million or 13.2%. This was mainly due to the higher carrying value of non-current assets by RM40.3 million as a result of higher capital expenditure incurred for the Oilfield Services segment for the fulfilment of its new slickline contract secured previously, higher inventories, trade receivables and cash and bank balances totalling to RM73.5 million offset by lower contract assets by RM25.7 million.

In tandem, Group's total liabilities increased by RM64.3 million following higher trade and other payable balances and contract liabilities by RM37.5 million and increase in borrowings of RM25.8 million mainly to finance the capital expenditure commitments incurred by the Oilfield Services segment.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances stood at RM160.0 million against RM134.9 million as at 31 December 2018. The positive variation was due to cash inflows from net cash generated from operations of RM85.7 million, net borrowings raised (exclude lease liabilities on right-of-use assets) of RM24.1 million and dividend received from an associate of RM5.4 million offset by capital expenditure incurred of RM71.0 million and dividends paid to shareholders and non-controlling shareholders' totalling to RM21.1 million.

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

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

	Q4'19	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	232,127	296,511	(64,384)	(21.7)
Operating profit	16,116	22,643	(6,527)	(28.8)
Share of results of a joint venture, net of tax	247	377	(130)	(34.5)
Share of results of associates, net of tax	189	1,301	(1,112)	(85.5)
Profit before interest and tax	15,995	23,735	(7,740)	(32.6)
Profit before tax	15,676	23,469	(7,793)	(33.2)
Profit after tax	12,501	18,397	(5,896)	(32.0)
Profit attributable to equity holders of the Company	8,566	13,107	(4,541)	(34.6)

Quarter on quarter, the Group's profit attributable to equity holders of the Company decreased by RM4.5 million against the immediate preceding quarter due to weaker revenue across all reportable segments with lower contributions from both Oilfield Services and Integrated Corrosion Solution segments due to lower work activities level and downward pressure on margins but was offset by the higher results from Power and Machinery segment despite the decline in revenue reported for the segment.

Share of results of joint venture was lower due to higher overhead expenses incurred on repair and maintenance works in the current quarter.

Share of results of associates decreased by RM1.1 million affected by higher operational costs incurred in the current quarter.

	Q4'19	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	140,507	179,746	(39,239)	(21.8)
Operating profit	19,915	18,857	1,058	5.6
Profit before interest and tax	19,422	18,348	1,074	5.9
Profit before tax	19,900	18,842	1,058	5.6

Power and Machinery segment results increased to RM19.9 million as compared to RM18.8 million in the immediate preceding quarter despite lower revenue recorded. This was supported by higher margins earned on better sales mix with proportionately higher contributions from valve and flow regulators services and higher supply of local field service representatives.

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B2. MATERIAL CHANGE IN THE CURRENT QUARTER PERFORMANCE AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PERFORMANCE (Cont'd)

	Q4'19	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	35,582	37,081	(1,499)	(4.0)
Operating (loss)/ profit	(125)	555	(680)	(122.5)
(Loss)/ Profit before interest and tax	(180)	501	(681)	(135.9)
(Loss)/ Profit before tax	(651)	180	(831)	(461.7)

Oilfield Services segment reported a segment loss of RM0.7 million against RM0.2 million profit recorded in the immediate preceding quarter affected by the weaker sales contributions from gas lift valve, well intervention and enhancement services and chemical sales and solution services but cushioned by the stronger results from its local slickline services.

	Q4'19	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	55,869	79,541	(23,672)	(29.8)
Operating (loss)/ profit	(2,785)	4,046	(6,831)	(168.8)
(Loss)/ Profit before interest and tax	(2,785)	4,046	(6,831)	(168.8)
(Loss)/ Profit before tax	(3,118)	3,586	(6,704)	(186.9)

Integrated Corrosion Solution segment posted a pre-tax loss of RM3.1 million compared to a profit of RM3.6 million recorded in the immediate preceding quarter affected by lower activity levels and job orders fulfilment for its MCM project in the current quarter coupled with weaker margins from its Sponge-Jet Blasting business.

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B3. PROSPECTS

Oil prices remain volatile due to global uncertainties coupled with the recent outbreak of the COVID-19 (coronavirus) in China end of 2019 and globally in early 2020.

Gearing up for the new financial year, Deleum remain focus on its key strategic plans to ensure business sustainability and growth amidst all the challenges and uncertainties in the industry.

The Power and Machinery segment has closed the financial year 2019 with achievement in stronger revenue and results reported and remained as the highest contributor to the Group's profitability. The segment is continuing its effort to further enhance its performance as well as expanding its businesses for the new financial year 2020.

The Oilfield Services segment's results have been impacted by the mobilisation cost of its newly secured slickline contracts awarded at the end of the previous financial year. The segment however, has managed to fulfil the required contractual obligation in the financial year 2019. Thus moving forward, the segment is expected to contribute positively, whilst continuing to maintain its performance. quality and improve on its profitability for the new financial year.

The Integrated Corrosion Solution segment has turnaround to report a profit in the financial year ended 2019. In 2020, the segment will continue with its initiatives and measures to further strengthen its financial performance as well as looking into other new business opportunities.

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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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Current tax – current year	3,952	3,430	10,937	12,007
Under provision in prior years*	0	0	19	1,702
Deferred tax				
– origination and reversal of temporary differences	(50)	(697)	1,460	(698)
– recognition of previously unrecognised temporary differences	(727)	(292)	(1,347)	(292)
Total income tax expense	3,175	2,441	11,069	12,719

* Included in the under provision of tax in prior years in the corresponding year 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.

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B5. INCOME TAX EXPENSE (Cont'd)

Including the joint venture's and associates' results which were presented net of tax, the effective tax rate of the Group for the financial year ended 31 December 2019 was lower than the headline tax rate as shown below.

	Cumulative Quarters ended	
	31/12/2019	31/12/2018
	%	%
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	24
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	2	4
- Income not subject to tax	(1)	(1)
- Share of results of associates and joint venture	(3)	(2)
- Under provision in prior years	0	6
- Recognition of previously unrecognised temporary differences	(2)	(1)
Effective tax rate	20	30

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

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

B7. QUOTED SECURITIES

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

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 19 February 2020 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of joint venture	<u>31,076</u>	<u>29,702</u>

TOSB was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities includes 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.

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B9. JOINT VENTURE (Cont'd)

Summarised statement of comprehensive income

	Quarter ended		Year ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Profit before tax	421	293	2,181	1,853
Income tax expense	(114)	(108)	(475)	(439)
Profit for the period/ year	<u>307</u>	<u>185</u>	<u>1,706</u>	<u>1,414</u>
Interest in joint venture (80.55%) Share of results	<u>247</u>	<u>149</u>	<u>1,374</u>	<u>1,139</u>

B10. ASSOCIATES

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of associates	<u>34,800</u>	<u>35,565</u>

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. Minimal share of profit from this associate and its profit attributable to the shareholders of the Company in the financial period ended 31 December 2019 amounted to RM900 (31 December 2018: RM200) and RM500 (31 December 2018: RM100) respectively.

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B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter ended		Quarter ended		Quarter ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	815	2,320	5	1	820	2,321
Income tax expense	(229)	(584)	0	0	(229)	(584)
Profit for the period	<u>586</u>	<u>1,736</u>	<u>5</u>	<u>1</u>	<u>591</u>	<u>1,737</u>
Interest in associates (32%; 20%) Share of results	<u>188</u>	<u>556</u>	<u>1</u>	<u>0</u>	<u>189</u>	<u>556</u>

	2MC		CUPL		Total	
	Year ended		Year ended		Year ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	19,326	8,342	5	(1)	19,331	8,341
Income tax expense	(4,465)	(1,233)	0	0	(4,465)	(1,233)
Profit for the year	<u>14,861</u>	<u>7,109</u>	<u>5</u>	<u>(1)</u>	<u>14,866</u>	<u>7,108</u>
Interest in associates (32%; 20%) Share of results	<u>4,756</u>	<u>2,275</u>	<u>1</u>	<u>0</u>	<u>4,757</u>	<u>2,275</u>

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B11. TRADE RECEIVABLES

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Neither past due nor impaired	74,403	53,168
1 to 30 days past due not impaired	26,685	20,929
31 to 60 days past due not impaired	11,186	4,303
61 to 90 days past due not impaired	4,003	7,452
91 to 120 days past due not impaired	1,241	6,534
More than 121 days past due not impaired	1,800	597
	<hr/>	<hr/>
	119,318	92,983
Not past due but impaired	0	1
Past due and impaired:		
More than 121 days past due and impaired	998	1,732
	<hr/>	<hr/>
	120,316	94,716
Less: Impairment of receivables	<hr/>	<hr/>
	(998)	(1,733)
	<hr/>	<hr/>
	119,318	92,983
	<hr/> <hr/>	<hr/> <hr/>

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 RM44.9 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.

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B12. GROUP BORROWINGS

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

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>31/12/2019</u>			
Borrowings - secured	26,810	21,746	48,556
- unsecured	39,767	696	40,463
	66,577	22,442	89,019
<u>31/12/2018</u>			
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 31/12/2019 RM'000	As at 31/12/2018 RM'000
Revolving credits	(i)	29,800	24,800
Finance lease liabilities	(ii)	0	80
Lease liabilities on right-of-use assets	(iii)	1,854	0
Term loans	(iv)	48,495	35,653
Loans against import	(v)	8,870	2,648
		89,019	63,181
Less: Amount repayable within 12 months			
Revolving credits		(29,800)	(24,800)
Finance lease liabilities		0	(18)
Lease liabilities on right-of-use assets		(1,116)	0
Term loans		(26,791)	(27,930)
Loans against import		(8,870)	(2,648)
		(66,577)	(55,396)
		22,442	7,785

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B12. GROUP BORROWINGS (Cont'd)

The increase in borrowings was due to net drawdown on term loan of RM12.8 million, net draw down on loans against import of RM6.2 million, net draw down on revolving credits of RM5.0 million and 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 RM1.8 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.96% (average interest of 1.00% per annum above the bank's cost of funds).
- (ii) Lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% per annum.
- (iii) Term loans carry interest rates ranging from 4.07% to 4.33% per annum (0.90% per annum above the KLIBOR). The tenure of the loan is 5 years.
- (iv) Loans against import carry an interest of 4.49% (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 December 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 19 February 2020 (being the latest practicable date which shall not be earlier than 7 days from the date of issuance of this report).

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B15. DIVIDEND

The Board of Directors have, in respect of financial year ended 31 December 2019, declared a second interim single tier dividend of 3.00 sen per share on 401,553,500 ordinary shares.

The dividend will be payable on 26 March 2020 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 13 March 2020.

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

- (i) shares transferred into the Depositor's securities account before 4 p.m on 13 March 2020 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

Total dividend for the current financial year ended 31 December 2019 is 4.40 sen per ordinary share.

There will be no final dividend declared for the financial year ended 31 December 2019.

B16. EARNINGS PER SHARE ("EPS")

The calculations of basic and diluted earnings per share for the current quarter and cumulative quarters were computed as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	8,566	7,477	33,148	27,169
Weighted average number of shares in issue ('000)	401,175	400,291	401,333	400,874
Basic earnings per share (sen)	2.14	1.87	8.26	6.78

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B16. EARNINGS PER SHARE (“EPS”) (Cont'd)

The calculations of basic and diluted earnings per share for the current quarter and cumulative quarters were computed as follows (Cont'd):

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	8,566	7,477	33,148	27,169
Weighted average number of shares in issue ('000) (Basic)	401,175	400,291	401,333	400,874
Effect of potential vesting of Long Term Incentive Plan	N/A^	3,438	N/A^	1,489
Weighted average number of ordinary shares ('000)	N/A^	403,729	N/A^	402,363
Diluted earnings per share (sen)	N/A^	1.85	N/A^	6.75

^N/A – Not applicable

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B17. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Inventories consumed and recognised as cost of sales	40,912	23,977	130,136	77,760
Purchase of products, parts and consumable	5,706	5,494	26,544	21,204
Costs of services purchased	96,146	98,455	360,174	253,717
Interest income	(557)	(627)	(2,834)	(2,898)
Other income including investment income	(60)	(43)	(479)	(321)
Interest expenses	876	709	3,223	2,852
Depreciation and amortisation	9,066	8,041	34,508	31,386
Write back of impairment for doubtful debts				
- Trade receivables	0	(70)	(8)	(136)
- Contract assets	(11)	48	(15)	(9)
Bad debts written off				
- Other receivables	0	0	4	0
Impairment of doubtful debts				
- Trade receivables	31	3	57	10
- Contract assets	2	(79)	2	23
- Other receivables	(9)	0	1	0
Allowance for slow moving inventories	828	209	828	209
Reversal of allowance for slow moving inventories	(10)	(12)	(33)	(27)

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B17. PROFIT BEFORE TAX (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Gain on disposals of plant and equipment	(472)	(72)	(472)	(334)
Property, plant and equipment written off	9	150	187	151
Inventories written off	47	0	47	64
Foreign exchange losses / (gains)				
- Realised	158	278	1,531	336
- Unrealised	(1,220)	(237)	(372)	141
Provision for liquidated damages	206	(194)	341	60
Write back of provision of liquidated damages	(18)	(46)	(18)	(58)
Fair value (gain)/ loss on foreign currency exchange forward contract	(8)	98	65	650
Tax penalty	0	0	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.

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B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 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 26 February 2020.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
26 February 2020