

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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2018**

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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2018**

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR-TO-DATE ENDED	YEAR-TO-DATE ENDED
		30/09/2018	30/09/2017	30/09/2018	30/09/2017
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	A11	175,437	167,785	423,238	364,209
Cost of sales		(139,377)	(129,463)	(330,105)	(267,347)
Gross profit		36,060	38,322	93,133	96,862
Other operating income		1,072	768	2,811	1,951
Selling and distribution costs		(8,447)	(7,398)	(25,628)	(22,160)
Administrative expenses		(12,735)	(11,802)	(35,404)	(34,065)
Other operating (losses)/income *		(2,199)	9	(3,172)	(6,311)
Operating profit		13,751	19,899	31,740	36,277
Finance costs		(690)	(974)	(2,143)	(3,136)
Share of results of a joint venture (net of tax)	B9	322	311	990	716
Share of results of associates (net of tax)	B10	857	(637)	1,719	89
Profit before tax	B18	14,240	18,599	32,306	33,946
Income tax expense	B5	(3,223)	(4,890)	(10,278)	(10,503)
<b>Profit for the period</b>		<b>11,017</b>	<b>13,709</b>	<b>22,028</b>	<b>23,443</b>
<b>Other comprehensive income</b>					
Currency translation differences		98	(73)	81	(269)
<b>Total comprehensive income for the period</b>		<b>11,115</b>	<b>13,636</b>	<b>22,109</b>	<b>23,174</b>
<b>Profit attributable to:</b>					
- Equity holders of the Company		9,117	10,802	19,692	18,819
- Non-controlling interests		1,900	2,907	2,336	4,624
		11,017	13,709	22,028	23,443
<b>Total comprehensive income attributable to:</b>					
- Equity holders of the Company		9,124	10,788	19,705	18,782
- Non-controlling interests		1,991	2,848	2,404	4,392
		11,115	13,636	22,109	23,174
<b>Earnings per share (EPS) attributable to equity holders of the Company (sen)</b>					
- Basic EPS	B16	2.28	2.70	4.91	4.70
- Diluted EPS	B16	2.26	2.68	4.89	4.67
* Other operating (losses)/income include the following:					
Foreign exchange (losses)/gains					
- Realised		(750)	554	(58)	(1,785)
- Unrealised		(352)	(264)	(378)	(3,807)
Fair value (loss)/gain on forward foreign currency exchange contracts		(300)	1	(552)	1
Tax penalty	B5	0	0	(838)	0

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2018**

RM'000	Note	As at 30/09/2018 Unaudited	As at 31/12/2017 Audited
<b>ASSETS</b>			
Property, plant and equipment		151,038	163,525
Investment properties		800	818
Intangible assets		1,123	1,644
Associates	B10	36,613	38,595
Joint venture	B9	29,553	28,563
Deferred tax assets		2,332	2,010
Other long-term receivables		4,922	4,922
<b>Non-current Assets</b>		<b>226,381</b>	<b>240,077</b>
Inventories		24,403	18,341
Amounts due from an associate		0	6
Amounts due from a joint venture		269	140
Trade receivables	B11	124,051	112,251
Contract assets		120,280	82,034
Other receivables, deposits and prepayments		11,821	13,683
Tax recoverable		2,220	1,740
Cash and bank balances		99,817	141,388
<b>Current Assets</b>		<b>382,861</b>	<b>369,583</b>
<b>TOTAL ASSETS</b>		<b>609,242</b>	<b>609,660</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		201,354	200,206
Equity - share based payment		1,013	2,452
Retained earnings		174,352	172,044
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,710)	(2,723)
Equity attributable to equity holders of the Company		324,009	321,979
Non-controlling interests		29,823	28,889
<b>Total Equity</b>		<b>353,832</b>	<b>350,868</b>
Borrowings	B12	12,300	30,750
Deferred tax liabilities		23,045	22,724
<b>Non-current Liabilities</b>		<b>35,345</b>	<b>53,474</b>
Trade payables		141,158	120,299
Contract liabilities		548	1,973
Other payables and accruals		18,425	27,890
Amounts due to an associate		7,246	7,051
Amounts due to a joint venture		15	0
Derivative financial instrument	A7	7	24
Taxation		2,843	2,783
Borrowings	B12	49,823	45,298
<b>Current Liabilities</b>		<b>220,065</b>	<b>205,318</b>
<b>Total Liabilities</b>		<b>255,410</b>	<b>258,792</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>609,242</b>	<b>609,660</b>

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	←----- Attributable to equity holders of the Company ----->						Non-controlling interests	Total equity	
	Issued and fully paid ordinary shares		-----Non-distributable-----			Distributable			Total
	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			
At 1 January 2017	400,000	200,000	654	(2,654)	(50,000)	152,769	300,769	27,672	328,441
Profit for the financial period	0	0	0	0	0	18,819	18,819	4,624	23,443
Other comprehensive income for the financial period	0	0	0	(37)	0	0	(37)	(232)	(269)
Total comprehensive income for the financial period	0	0	0	(37)	0	18,819	18,782	4,392	23,174
Long-Term Incentive Plan ("LTIP"):									
- Share based payment	0	0	1,763	0	0	0	1,763	0	1,763
- Ordinary shares issued pursuant to the LTIP	195	206	(206)	0	0	0	0	0	0
Dividend	0	0	0	0	0	(13,002)	(13,002)	(1,960)	(14,962)
At 30 September 2017	<u>400,195</u>	<u>200,206</u>	<u>2,211</u>	<u>(2,691)</u>	<u>(50,000)</u>	<u>158,586</u>	<u>308,312</u>	<u>30,104</u>	<u>338,416</u>
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	19,692	19,692	2,336	22,028
Other comprehensive income for the financial period	0	0	0	13	0	0	13	68	81
Total comprehensive income for the financial period	0	0	0	13	0	19,692	19,705	2,404	22,109
LTIP:									
- Share based payment	0	0	355	0	0	0	355	0	355
- 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	(646)	0	0	646	0	0	0
Dividend	0	0	0	0	0	(18,030)	(18,030)	(1,470)	(19,500)
At 30 September 2018	<u>401,125</u>	<u>201,354</u>	<u>1,013</u>	<u>(2,710)</u>	<u>(50,000)</u>	<u>174,352</u>	<u>324,009</u>	<u>29,823</u>	<u>353,832</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 2017 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 PERIOD ENDED 30 SEPTEMBER 2018**

<b>RM'000</b>	<b>YEAR-TO-DATE-ENDED</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	22,028	23,443
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	7	0
- write back of impairment	(66)	(100)
Contract assets		
- impairment made	102	0
- write back of impairment	(57)	0
Allowance for slow moving inventories:		
- allowance made	0	318
- write back of allowance	(15)	(113)
Amortisation of intangible assets	545	541
Financial guarantee receivables	0	(9)
Depreciation:		
- property, plant and equipment	22,782	23,090
- investment properties	18	18
Bad debts written off:		
- other receivables	0	2
Provision for liquidated damages		
- provision made	254	0
- write back of allowance	(12)	(157)
Gain on disposals of plant and equipment	(262)	0
Write-off:		
- property, plant and equipment	1	39
- inventories	64	19
Interest income	(2,271)	(1,679)
Finance costs	2,143	3,136
Share based payment expense	355	1,763
Share of results of associates	(1,719)	(89)
Share of results of a joint venture	(990)	(716)
Tax expense	10,278	10,503
Unrealised foreign exchange losses	378	3,807
Fair value loss/(gain) on forward foreign currency exchange contracts	552	(1)
<b>Operating profit before working capital changes</b>	<b>54,115</b>	<b>63,815</b>
<u>Changes in working capital</u>		
Inventories	(6,111)	(2,551)
Amounts due from a joint venture	(40)	(67)
Trade receivables	(11,538)	5,810
Contract assets	(38,141)	46,883
Other receivables, deposits and prepayments	1,736	307
Trade payables	19,688	(54,608)
Other payables and accruals	(9,876)	(987)
Contract liabilities	(1,425)	(6,608)
<b>Cash generated from operations</b>	<b>8,408</b>	<b>51,994</b>
Tax paid	(10,777)	(8,072)
Tax refunded	78	352
Interest paid	(2,009)	(3,104)
<b>Net cash (used in) / generated from operating activities</b>	<b>(4,300)</b>	<b>41,170</b>

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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Fair value (loss)/gain on forward foreign currency exchange contracts**

<b>RM'000</b>	<b>YEAR-TO-DATE-ENDED</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,302	1,645
Addition on property, plant and equipment	(10,296)	(1,721)
Proceeds from disposals	262	0
Addition on intangible assets	(24)	0
Downpayment for an investment	0	(2,455)
Dividend received from associates	3,840	0
Amounts due from an associate	6	10
Amounts due from a joint venture	(89)	0
Amounts due to an associate	0	(502)
Amounts due to a joint venture	15	(78)
<b>Net cash used in investing activities</b>	<b>(3,984)</b>	<b>(3,101)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Revolving credit		
- Drawn down	15,000	0
- Repayment	(8,000)	(6,050)
Loans against import		
- Drawn down	3,490	2,041
- Repayment	(5,966)	(707)
Term loan		
- Repayment	(18,449)	(18,449)
Repayment of hire purchase under finance lease	0	(11)
Dividends paid to:		
- Shareholders	(18,030)	(13,002)
- Non-controlling interest	(1,470)	(2,106)
Decrease in restricted cash	(86)	93
<b>Net cash used in financing activities</b>	<b>(33,511)</b>	<b>(38,191)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(41,795)</b>	<b>(122)</b>
Foreign currency translation	138	(3,552)
Cash and cash equivalents at beginning of the year	130,648	129,611
<b>Cash and cash equivalents at end of period</b>	<b>88,991</b>	<b>125,937</b>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits	66,522	97,025
Cash and bank balances	33,295	39,642
	99,817	136,667
Restricted cash	(10,826)	(10,730)
<b>Cash and cash equivalents at end of period</b>	<b>88,991</b>	<b>125,937</b>

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

Ringgit Malaysia	83,580	103,127
US Dollar	5,298	22,608
Others	113	202
	<u>88,991</u>	<u>125,937</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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

**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 2017 and the attached explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

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 2017 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 2018.

The new standards, amendments to published standards and IC Interpretation effective for financial year beginning on 1 January 2018 that are applicable and adopted by the Group as follows:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	Transfer of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS 2014 – 2016 cycle	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investment in Associates and Joint Ventures

The adoption of the above new accounting standards, amendment to published standards and IC Interpretation did not have any material impact to the Group for the financial year ending 31 December 2018 upon their initial application. The Group has adopted these standards retrospectively from 1 January 2018, with the practical expedients as permitted under the relevant standards.

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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 above adoption will also result in a change in the accounting policies to the Group with the changes arising from these adoptions are as described below:

MFRS 9 Financial Instruments

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 on the classification and measurement of financial assets and financial liabilities and on hedge accounting. MFRS 9 also introduces the expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139 which applies to financial assets measured at amortised costs, contract assets under MFRS 15, lease receivables, loan commitments and certain financial guarantee contracts and debt instruments measured at fair value through other comprehensive income ("FVOCI"), but not to equity investments.

On the date of initial application, MFRS 9 did not affect the classification and measurement on the financial assets and financial liabilities. The impact on the application of the ECL model on receivables, deposits and contract assets of the Group is not material and thus, the incremental impact on the impairment provisions were charged out in the Consolidated Statement of Comprehensive Income in the current period.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue and MFRS 111 Construction Contracts and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers focusing on the identification and satisfaction of the performance obligations.

On revenue recognition, the standard specifies that the revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use of and obtain the benefits from the goods or service via a five-step process model, moving from the transfer of risks and rewards principles.



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

**A1. BASIS OF PREPARATION (Cont'd)**

MFRS 15 Revenue from Contracts with Customers (Cont'd)

In the assessment undertaken by the Group to evaluate the impact of adopting this new standard, the Group has identified the following areas that were affected:

- The initial application of MFRS 15 on the new guidance on revenue recognition did not have a material impact on the method and timing of the Group's revenue recognition; and
- Assets recorded in the Consolidated Statement of Financial Position as "Accrued Revenue" as at 31 December 2017 and included in "Trade and Other Receivables" and "Deferred Costs" were reclassified as "Contract Assets". "Deferred Revenue" were reclassified as "Contract Liabilities". Accordingly, the above items were reclassified in the Consolidated Statement of Cash Flows (Note B17).

The initial application of MFRS 15 did not have any material impact to the Group other than as noted in the paragraph above.

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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 accounting standards, IC interpretation and amendments to published standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial period beginning on or after 1 January 2019 or where the effective date has been deferred to a date to be determined by the MASB is as follows:

MFRS 16	Leases (effective 1 January 2019)
Amendments to MFRS 9	Prepayment Features with Negative Compensation (effective 1 January 2019)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
IC Interpretation 23	Uncertainty over Income Tax Treatments (effective 1 January 2019)
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 (effective 1 January 2019)
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
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 aforementioned accounting standards, amendments to published standards and IC Interpretations are not expected to have any material impact to the financial statements of the Group except as mentioned below:

MFRS 16 Leases

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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.

The adoption of MFRS 16 will result in a change in accounting policy. Based on the assessments undertaken to date, the Group expects no material financial impact upon the adoption of the MFRS 16.

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**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 other than the high tax expense and tax penalty incurred due to the additional taxes raised by the tax authority for prior years of assessment from 2010 to 2015 on the Company following the completion of a tax review as disclosed in Note B5.

**A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES**

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

**A5. EQUITY AND DEBT SECURITIES**

On 12 March 2018, the Company issued and listed 297,200 ordinary shares in the Company at an issuance price of RM1.567 per share to eligible employees under the Third Tranche of the First Grant under Restricted Share Incentive Plan of the Group's Long Term Incentive Plan ("LTIP").

On 30 March 2018, the Company issued and listed 450,100 ordinary shares in the Company at an issuance price of RM1.100 per share to eligible employees under the Second Tranche of the Second Grant under Restricted Share Incentive Plan of the Group's LTIP.

On 21 June 2018, the Company issued and listed 183,100 ordinary shares in the Company at an issuance price of RM1.022 per share to eligible employees under the Second Tranche of the Special Grant under Restricted Share Incentive Plan of the Group's 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.

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**UNAUDITED INTERIM FINANCIAL REPORT  
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**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 30 September 2018 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 30/09/2018		As at 31/12/2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	99,261	76,563	109,506	97,055
Others	2,587	556	125	259
	<u>101,848</u>	<u>77,119</u>	<u>109,631</u>	<u>97,314</u>
<b>Closing exchange rate</b>				
US Dollar	<u>4.141</u>	<u>4.141</u>	<u>4.062</u>	<u>4.062</u>

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**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 30 September 2018, the notional principal amount of the outstanding forward foreign currency exchange contracts was RM665,000.

Details of derivative on forward foreign currency exchange contracts that remained outstanding as at 30 September 2018 is as follows:

<b>Type of derivatives</b>	<b>Contract/ Notional amount RM'000</b>	<b>Fair Value Liabilities RM'000</b>
Forward foreign currency exchange contracts ("FX Contract")		
- Less than 1 year	665	7

**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 30 September 2018 amounted to a fair value loss of RM7,000 with a corresponding unrealised foreign currency exchange gain on the hedge item of RM5,000.

**A9. DIVIDENDS PAID**

During the first quarter under review, the Company paid the following second interim single tier dividend of 3.25 sen per share on 400,492,500 ordinary shares, in respect of the financial year ended 31 December 2017.

	<b>RM'000</b>
Second interim single tier dividend of 3.25 sen per share on 400,492,500 ordinary shares, paid on 28 March 2018	13,016

During the current quarter under review, the Company paid the following first interim single tier dividend of 1.25 sen per share on 401,125,700 ordinary shares, in respect of the financial year ending 31 December 2018.

	<b>RM'000</b>
First interim single tier dividend of 1.25 sen per share on 401,125,700 ordinary shares, paid on 25 September 2018	5,014

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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; and
  - Provision of subsurface engineering services.
  
- Integrated Corrosion Solution (“ICS”) – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
  
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2018.

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

**A10. SEGMENT INFORMATION (Cont'd)**

Segmental information for the financial period ended 30 September 2018 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	90,438	122,764	234,985	245,607
Power and Machinery	90,438	122,764	234,985	245,607
Oilfield Services				
External revenue	35,333	32,882	93,909	88,547
Oilfield Services	35,333	32,882	93,909	88,547
Integrated Corrosion Solution				
External revenue	49,538	12,028	94,021	29,727
Integrated Corrosion Solution	49,538	12,028	94,021	29,727
Other non-reportable segment				
External revenue	128	111	323	328
Other non-reportable segment	128	111	323	328
Total Group revenue	175,437	167,785	423,238	364,209

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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	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
<u>Segment Results</u>				
Power and Machinery	9,960	13,162	26,215	23,826
Oilfield Services	3,577	5,451	13,984	10,594
Integrated Corrosion Solution	175	1,768	(6,379)	2,658
Other non-reportable segment	22	19	40	39
Segment results	13,734	20,400	33,860	37,117
Unallocated income ^	193	43	362	151
Unallocated corporate expenses #	(866)	(1,518)	(4,625)	(4,127)
Share of results of a joint venture *	322	311	990	716
Share of results of associates *	857	(637)	1,719	89
Tax expense (Note B5) *	(3,223)	(4,890)	(10,278)	(10,503)
Profit for the financial period	11,017	13,709	22,028	23,443

^ 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. The sum of RM4,625,000 included the tax penalty of RM838,000 due to 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.



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

**A10. SEGMENT INFORMATION (Cont'd)**

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
<u>Segment Assets</u>		
Power and Machinery	211,161	243,797
Oilfield Services	219,322	234,289
Integrated Corrosion Solution	84,491	37,089
Segment assets	514,974	515,175
Unallocated corporate assets <sup>^</sup>	94,268	94,485
<b>Total assets</b>	<b>609,242</b>	<b>609,660</b>

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
<u>Segment Liabilities</u>		
Power and Machinery	91,887	113,543
Oilfield Services	66,017	93,641
Integrated Corrosion Solution	63,216	15,588
Segment liabilities	221,120	222,772
Unallocated corporate liabilities <sup>#</sup>	34,290	36,020
<b>Total liabilities</b>	<b>255,410</b>	<b>258,792</b>

<sup>^</sup> 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.

<sup>#</sup> 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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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)**

**A11. REVENUE**

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Sale of equipment	29,335	50,128	81,209	106,238
Rendering of services	145,550	116,693	338,100	255,148
Marketing fee	424	853	3,606	2,495
Dividend income	11	11	11	11
Management fee	117	100	312	317
	175,437	167,785	423,238	364,209

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

During the current quarter ended 30 September 2018, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Acquisitions at cost:-				
- Plant and equipment	5,262	1,200	10,296	1,721
- Intangible assets	0	0	24	0
Disposals at net book value:-				
- Plant and equipment	0	0	0	231
Depreciation:-				
- Plant and equipment	7,729	7,621	22,782	23,090
- Investment properties	6	6	18	18
Amortisation of intangible assets	182	191	545	541

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

**A13. MATERIAL EVENTS DURING THE REPORTING DATE**

On 25 September 2018, the Company announced the following:

- (i) Deleum Primera Sdn. Bhd. ("DPSB"), a 60% owned subsidiary of the Group, has been awarded with two (2) new contracts by Petronas Carigali Sdn. Bhd. under the Integrated Corrosion segment which comprised: -
  - (a) Provision of Alternative Blasting and Painting (Package B: Spongejet, Vapor and Other Methods) for a contract period of three (3) years with one (1) year extension option; and
  - (b) Provision of Riser Corrosion Prevention System and Maintenance (Package B: Sabah Asset and Package C – Peninsular Malaysia Asset) for a contract period of three (3) years with one (1) year extension option.
- (ii) Deleum Oilfield Services Sdn. Bhd. ("DOSSB"), a wholly-owned subsidiary of the Group, has been awarded with a new contract by Sarawak Shell Berhad ("SSB") and Sabah Shell Petroleum Company Limited ("SSPC") under the Oilfield Services segment on the Provision of Slickline Equipment and Services for a contract period of three (3) years with one (1) extension option of two (2) years.

The 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.

Save as disclosed as above, there was no other item, transaction or event of a material and unusual nature which had arisen since 30 September 2018 to 12 November 2018 (being the latest practicable date) which would substantially affect the financial results of the Group.

**A14. CHANGES IN THE COMPOSITION OF THE GROUP**

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

**A15. CONTINGENT LIABILITIES / ASSETS**

As at 30 September 2018, 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 RM42.2 million (31 December 2017: RM32.9 million).

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

**A16. COMMITMENTS**

(a) Capital commitment

Capital commitments for investment, property, plant and equipment and intangible assets not provided for as at 30 September 2018 were as follows:

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Authorised but not contracted for		
- Plant and machinery	22,176	30,221
- Others	9,656	13,707
Authorised and contracted for		
- Plant and machinery	3,242	2,480
- Others	6,280	6,221
	41,354	52,629
Share of capital commitment of joint venture	59	59
	<b>41,413</b>	<b>52,688</b>

(b) Operating lease commitment

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

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Within one year	2,128	648
Between two to five years	1,576	606
	<b>3,704</b>	<b>1,254</b>

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

**A17. 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	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	1,407	718	5,084	1,642
Rental income from an affiliate company of STICO	14	100	41	100
Purchases and technical services from STICO and its affiliated company	59,837	70,620	146,912	148,878

Significant outstanding balance arising from the above transactions as at 30 September 2018 was as follows:

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Amount due from STICO and its affiliated company	1,586	5,774
Amount due to STICO and its affiliated company	74,881	85,989

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

**A17. 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..

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Sales to related parties of Dresser Italia S.R.L	393	0	528	21
Purchases from Dresser Italia S.R.L and its related parties	4,636	8,767	15,195	19,730

Significant outstanding balance arising from the above transactions as at 30 September 2018 was as follows:

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Amount due from related parties of Dresser Italia S.R.L	451	0
Amount due to related parties of Dresser Italia S.R.L	2,779	3,104

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Sales to STICO	1,484	1,484	4,452	4,452
Rental income from affiliate company of STICO	207	207	621	621

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

**A17. 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 30 September 2018 was as follows:

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Amount due from STICO and its affiliated company	784	538

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

	<b>Individual Quarter ended</b>		<b>Cumulative Quarters ended</b>	
	<b>30/09/2018 RM'000</b>	<b>30/09/2017 RM'000</b>	<b>30/09/2018 RM'000</b>	<b>30/09/2017 RM'000</b>
Directors' fees	228	236	699	707
Salaries, bonuses, allowances and other staff related expenses	2,389	2,249	8,850	8,787
Defined contribution plan	256	231	772	883
	<b>2,873</b>	<b>2,716</b>	<b>10,321</b>	<b>10,377</b>

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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

<u>Group</u>	Q3'18 RM'000	Q3'17 RM'000	Variance RM'000	Variance %
Revenue	175,437	167,785	7,652	4.6
Operating profit	13,751	19,899	(6,148)	(30.9)
Share of results of a joint venture, net of tax	322	311	11	3.5
Share of results of associates, net of tax	857	(637)	1,494	234.5
Profit before interest and tax	14,232	18,867	(4,635)	(24.6)
Profit before tax	14,240	18,599	(4,359)	(23.4)
Profit after tax	11,017	13,709	(2,692)	(19.6)
Profit attributable to equity holders of the Company	9,117	10,802	(1,685)	(15.6)

Crude oil prices continued to strengthen on the back of supply concerns, trading within a range of US\$70 to US\$80 per barrel as compared to around US\$50 per barrel a year ago.

Given the firmer oil price, the demand for services and oil and gas assets from upstream oil and gas contractors gathered momentum with roll-outs of local contracts especially on maintenance and services related jobs. Nevertheless, despite the rise in oil price, spending budgets remained tight depressing margins.

In the current quarter, the Group posted an increase in revenue of RM7.7 million against the corresponding quarter on the back of new revenue generated from the Maintenance, Construction and Modification (“MCM”) project alongside a higher revenue contribution from Oilfield Services segment but offset by the softer revenue from Power and Machinery segment. Notwithstanding a higher revenue recorded, the Group’s profit attributable to equity holders of the Company declined by RM1.7 million as a result of lower operating results from all reportable segments and unfavourable foreign exchange movement on MYR against USD which resulted in a net loss of RM1.1 million against a net gain of RM0.4 million in the corresponding quarter.

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

Share of results of associates were higher by RM1.5 million mainly that the corresponding quarterly result was affected by the impairment charge on assets of Malaysia Mud and Chemicals Sdn. Bhd. (“2MC”) in which our share was RM1.0 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)**

**B1. PERFORMANCE REVIEW (Cont'd)**

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

	Q3'18 RM'000	Q3'17 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	90,438	122,764	(32,326)	(26.3)
Operating profit	9,960	13,162	(3,202)	(24.3)
Profit before interest and tax	9,356	12,575	(3,219)	(25.6)
Profit before tax	9,960	13,162	(3,202)	(24.3)

The Power and Machinery segment's revenue contracted by RM32.3 million against the corresponding quarter affected mainly by softer demand for valves and flow regulators and a lower volume of turbine related work orders for exchange engines and ancillary parts and services, offset by higher orders for retrofit projects.

The segment result was lower by RM3.2 million impacted by the lower revenue reported and unfavourable foreign exchange movement in which a net foreign exchange loss of RM1.0 million was recorded in the current quarter compared with a net foreign exchange gain of RM0.3 million in the corresponding quarter.

	Q3'18 RM'000	Q3'17 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	35,333	32,882	2,451	7.5
Operating profit	4,151	6,389	(2,238)	(35.0)
Profit before interest and tax	4,090	6,295	(2,205)	(35.0)
Profit before tax	3,577	5,451	(1,874)	(34.4)

The Oilfield Services segment revenue grew by RM2.5 million to RM35.3 million compared against the corresponding quarter of RM32.9 million mainly attributable to the higher revenue from slickline services of RM5.0 million offset by lower work orders from wellhead maintenance activities of RM1.7 million and lower sales on oilfield chemicals of RM0.7 million.

Notwithstanding the higher revenue earned in the current period, the segment result retreated by RM1.9 million due to downward pressure on margins but mitigated by reduced finance costs due to lower borrowings.

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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)

	Q3'18 RM'000	Q3'17 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	49,538	12,028	37,510	311.9
Operating profit	291	1,804	(1,513)	(83.9)
Profit before interest and tax	291	1,804	(1,513)	(83.9)
Profit before tax	175	1,768	(1,593)	(90.1)

The Integrated Corrosion Solution segment revenue lifted by RM37.5 million compared to the corresponding quarter revenue of RM12.0 million due to the additional revenue generated from the MCM services contract but offset by the reduced contribution from Pan Malaysia Blasting Contract which expired in November 2017. Whilst the MCM contract generated top line revenue, the segment result contracted by RM1.6 million due to loss of RM1.0 million attributed to operating costs of the sponge jet blasting business in anticipation of securing fresh contracts, mitigated by a profit of RM1.2 million arising from the MCM contract.

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

**B1. PERFORMANCE REVIEW (Cont'd)**

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'18 RM'000	Q3'17 RM'000		
<u>Group</u>				
Revenue	423,238	364,209	59,029	16.2
Operating profit	31,740	36,277	(4,537)	(12.5)
Share of results of a joint venture, net of tax	990	716	274	38.3
Share of results of associates, net of tax	1,719	89	1,630	1,831.5
Profit before interest and tax	32,178	35,403	(3,225)	(9.1)
Profit before tax	32,306	33,946	(1,640)	(4.8)
Profit after tax	22,028	23,443	(1,415)	(6.0)
Profit attributable to equity holders of the Company	19,692	18,819	873	4.6

The Group's profit attributable to equity holders of the Company increased by RM0.9 million supported by higher results from both Power and Machinery and Oilfield Services segments coupled with a favorable foreign exchange movement of which a lower net foreign exchange loss of RM0.4 million was reported as opposed to a loss of RM5.6 million in the corresponding period. This was offset by the lower results registered by Integrated Corrosion Solution segment and higher tax charge following the completion of the tax review by the tax authorities as disclosed in Note B5.

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

Share of results of associates were higher by RM1.6 million. The lower share of results of associates in the corresponding period was affected by an impairment change on 2MC's operating assets.

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

**B1. PERFORMANCE REVIEW (Cont'd)**

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'18 RM'000	Q3'17 RM'000		
<u>Power and Machinery</u>				
Revenue	234,985	245,607	(10,622)	(4.3)
Operating profit	26,215	23,826	2,389	10.0
Profit before interest and tax	24,462	22,535	1,927	8.6
Profit before tax	26,215	23,826	2,389	10.0

The Power and Machinery segment revenue was lower by RM10.6 million as compared to the corresponding period due to weak work orders for turbine parts, repairs, maintenance, valve and flow regulators mitigated by higher work orders for exchange engines and commission earned on oil and gas projects.

Despite lower revenue reported, the segment result improved by RM2.4 million as a result of lower net foreign exchange loss in the current period of RM0.4 million compared to RM5.9 million in the corresponding period.

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'18 RM'000	Q3'17 RM'000		
<u>Oilfield Services</u>				
Revenue	93,909	88,547	5,362	6.1
Operating profit	15,972	13,616	2,356	17.3
Profit before interest and tax	15,625	13,344	2,281	17.1
Profit before tax	13,984	10,594	3,390	32.0

The Oilfield Services segment revenue was better by RM5.4 million against the corresponding period driven by the higher revenue contribution from slickline activities offset by lower work orders on well intervention and enhancement services and oilfield chemicals.

The segment results was lifted by RM3.4 million in tandem with the higher revenue reported in the current period coupled with the reduction in finance costs.

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**B1. PERFORMANCE REVIEW (Cont'd)**

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'18 RM'000	Q3'17 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	94,021	29,727	64,294	216.3
Operating (loss)/profit	(6,224)	2,772	(8,996)	(324.5)
(Loss)/Profit before interest and tax	(6,224)	2,772	(8,996)	(324.5)
(Loss)/Profit before tax	(6,379)	2,658	(9,037)	(340.0)

The Integrated Corrosion Solution segment revenue of RM94.0 million recorded in the current period compares favourably with the revenue of RM29.7 million in the comparative period. The increase was driven primarily from the newly secured MCM contract.

Notwithstanding the increase in top line metric, the segment incurred a pre-tax loss of RM6.4 million compared with a profit of RM2.7 million in the corresponding period. The asymmetry was due to costs attributed to maintaining the sponge jet blasting business in anticipation of securing fresh contracts under bidding. As noted in A13(i) the segment secured two new contracts in the Quarter.

(C) Consolidated Statement of Financial Position

Group total assets as at 30 September 2018 stood at RM609.2 million against RM609.7 million at the end of the previous financial year, representing a decline of RM0.5 million. This was mainly due to the lower holdings on cash and bank balances by RM41.6 million and lower carrying value of fixed assets, offset by an increase in contract assets by RM38.2 million and trade and other receivables by RM9.9 million.

Meanwhile, Group total liabilities declined by RM3.4 million mainly due to net repayment made on borrowings of RM13.9 million and lower contract liabilities of RM1.4 million offset by the higher trade and other payables of RM11.4 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances was lower at RM99.8 million compared with RM141.4 million as at 31 December 2017. The change was due to net cash used in operations of RM4.3 million mainly on account of higher working capital requirements, net repayment on borrowings of RM13.9 million and dividends paid totalling RM19.5 million.

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

	Q3'18 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	175,437	139,294	36,143	25.9
Operating profit	13,751	13,353	398	3.0
Share of results of a joint venture, net of tax	322	392	(70)	(17.9)
Share of results of associates, net of tax	857	287	570	198.6
Profit before interest and tax	14,232	13,312	920	6.9
Profit before tax	14,240	13,344	896	6.7
Profit after tax	11,017	9,644	1,373	14.2
Profit attributable to equity holders of the Company	9,117	9,173	(56)	(0.6)

Quarter on quarter, the Group's profit attributable to equity holders of the Company was down marginally by 0.6% against the immediate preceding quarter affected by lower results from both Power and Machinery and Oilfield Services segments. This was offset by the positive result from the Integrated Corrosion Solution segment.

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

Share of results of associates increased by RM0.6 million affected by the higher throughput from 2MC in the current quarter.

	Q3'18 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	90,438	79,532	10,906	13.7
Operating profit	9,960	11,138	(1,178)	(10.6)
Profit before interest and tax	9,356	10,578	(1,222)	(11.6)
Profit before tax	9,960	11,138	(1,178)	(10.6)

Power and Machinery segment results contracted by RM1.1 million to RM10.0 million reported in the current quarter affected by the net foreign exchange loss of RM1.0 million as opposed to a net foreign exchange gain of RM0.7 million in the immediate preceding quarter due to unfavorable foreign exchange movement. However, the results were alleviated by higher contribution from valve and flows regulators and exchange engines.

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

	Q3'18 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	35,333	31,253	4,080	13.1
Operating profit	4,151	6,803	(2,652)	(39.0)
Profit before interest and tax	4,090	6,679	(2,589)	(38.8)
Profit before tax	<u>3,577</u>	<u>6,136</u>	<u>(2,559)</u>	<u>(41.7)</u>

Oilfield Services segment results fell by RM2.6 million notwithstanding higher revenue reported due to downward pressure on margins.

	Q3'18 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	49,538	28,413	21,125	74.3
Operating profit/(loss)	291	(2,928)	3,219	109.9
Profit/(Loss) before interest and tax	291	(2,928)	3,219	109.9
Profit/(Loss) before tax	<u>175</u>	<u>(2,949)</u>	<u>3,124</u>	<u>105.9</u>

Integrated Corrosion Solution segment results reversed from a loss of RM2.9 million in the immediate preceding quarter to a profit of RM0.2 million in the current quarter riding on the back of higher revenue generated from the MCM projects which recorded a profit of RM1.2 million and lower losses suffered in the sponge jet blasting business. The segment results recorded in the immediate preceding quarter was affected by the ongoing operating costs of the sponge jet blasting business.

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**B3. PROSPECTS**

Crude oil prices remained firm advancing on the back of supply concerns. This development led to a noticeable increase in activity levels by customers which impacted the Group's top line. However, downward pressures on margins continue to be an ongoing challenge on the Group's financial performance as attributable earnings remain flat year on year.

With these developments in mind, the Group continues to concentrate on meeting its mission of long term sustainability and resilience by enhancing capabilities across all business segments and where appropriate in conjunction with synergistic alliances, alongside strong project execution and rigorous budget management.

The Power and Machinery segment continues to focus its efforts in supporting its customers by providing excellent after sales services to the installed turbine base and working with customers to provide cost effective solutions. It is at the same time looking into further opportunities to expand the provision of project management and installation services for gas turbines, retrofits and refurbishments regionally. With the anticipated increase in activity levels and improved trading conditions, the segment is expected to contribute positively for the remainder of the financial year.

The Oilfield Services segment focuses primarily on upstream activities in the sub-surface sector in particular the provision of slickline services and equipment. This activity is expected to contribute positively to the segment's revenue in 2018. However, this business is underpinned by the Pan Malaysian Slickline Contracts with expiry in third quarter 2018 and first quarter 2019. The segment has successfully secured a new slickline contract as disclosed in note A13, whilst waiting for the bidding outcome from other customers. The Board is cautiously optimistic on the outcome of these bidding exercises as the segment is currently a market leader in the provision of slickline services. Nevertheless, downside risks remain as these biddings are highly price sensitive.

The Integrated Corrosion Solution segment booked higher revenues in the year to date primarily driven by work orders flowing from the MCM contract which commenced operations this financial year. However, the segment suffered a loss in the year to date in part due to the on-going operating costs of the sponge jet blasting business. The segment performed better in the current quarter and reported a marginal profit. With the work orders in hand and together with the recently secured contracts as disclosed in note A13, the segment is expected to make a positive contribution to the Group earnings for the remainder of this financial year.



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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	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Current tax – current year	2,158	3,463	8,577	7,065
(Over)/Under provision in prior years*	(53)	8	1,702	47
Deferred tax – origination and reversal of temporary differences	1,118	1,419	(1)	3,391
<b>Total income tax expense</b>	<b>3,223</b>	<b>4,890</b>	<b>10,278</b>	<b>10,503</b>

\* Included in under provision in prior years relate to additional taxes 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 line Other operating expenses 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 period ended 30 September 2018 was higher than the headline tax rate as shown below.

	<b>Cumulative Quarters ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>
	%	%
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	3	7
- Income not subject to tax	(1)	0
- Share of results of associates and joint venture	(2)	(1)
- Under provision in prior years	8	1
Effective tax rate	32	31

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

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

**B7. QUOTED SECURITIES**

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

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**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

There was no corporate proposal announced which was not completed as of 12 November 2018 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

**B9. JOINT VENTURE**

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Group's share of net assets of joint venture	29,553	28,563

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.

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**B9. JOINT VENTURE (Cont'd)**

Summarised statement of comprehensive income

	Quarter ended		Year-to-date ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Profit before tax	509	483	1,560	1,192
Income tax expense	(109)	(97)	(331)	(303)
Profit for the period	<u>400</u>	<u>386</u>	<u>1,229</u>	<u>889</u>
Interest in joint venture (80.55%) Share of results	<u>322</u>	<u>311</u>	<u>990</u>	<u>716</u>

**B10. ASSOCIATES**

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Group's share of net assets of associates	<u>36,613</u>	<u>38,595</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 2017. 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 from this associate and its contribution to the loss attributable to the shareholders of the Company in the financial period ended 30 September 2018 amounted to RM400 (30 September 2017: RM252,000) and RM240 (30 September 2017: RM151,200) respectively.

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**B10. ASSOCIATES (Cont'd)**

Summarised statement of comprehensive income

	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>	<b>Quarter ended</b>
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit / (loss) before tax	2,528	(1,608)	(5)	19	2,523	(1,589)
Income tax expense	153	(393)	0	0	153	(393)
Profit / (loss) for the period	<u>2,681</u>	<u>(2,001)</u>	<u>(5)</u>	<u>19</u>	<u>2,676</u>	<u>(1,982)</u>
Interest in associates (32%; 20%)						
Share of results	<u>858</u>	<u>(641)</u>	<u>(1)</u>	<u>4</u>	<u>857</u>	<u>(637)</u>
	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>	<b>Year-to-date ended</b>
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit / (loss) before tax	6,022	1,769	(2)	(1,259)	6,020	510
Income tax expense	(649)	(703)	0	0	(649)	(703)
Profit / (loss) for the period	<u>5,373</u>	<u>1,066</u>	<u>(2)</u>	<u>(1,259)</u>	<u>5,371</u>	<u>(193)</u>
Interest in associates (32%; 20%)						
Share of results	<u>1,719</u>	<u>341</u>	<u>0</u>	<u>(252)</u>	<u>1,719</u>	<u>89</u>

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**B11. TRADE RECEIVABLES**

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Neither past due nor impaired	52,911	84,553
1 to 30 days past due not impaired	43,462	14,478
31 to 60 days past due not impaired	13,137	9,007
61 to 90 days past due not impaired	10,700	2,511
91 to 120 days past due not impaired	636	482
More than 121 days past due not impaired	3,205	1,220
	124,051	112,251
Past due and impaired:		
31 to 60 days past due and impaired	1	0
61 to 90 days past due and impaired	21	64
91 to 120 days past due not impaired	0	0
More than 121 days past due and impaired	1,789	1,986
	125,862	114,301
Less: Impairment of receivables	(1,811)	(2,050)
	124,051	112,251

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 RM71.1 million (31 December 2017: RM27.7 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 30 September 2018 were as follows:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b><u>30/09/2018</u></b>			
Borrowings - secured	24,600	12,300	36,900
- unsecured	25,223	0	25,223
	<u>49,823</u>	<u>12,300</u>	<u>62,123</u>
<b><u>31/12/2017</u></b>			
Borrowings - secured	24,599	30,750	55,349
- unsecured	20,699	0	20,699
	<u>45,298</u>	<u>30,750</u>	<u>76,048</u>

The borrowings were all denominated in Ringgit Malaysia.

	<b>Note</b>	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
Revolving credits	(i)	24,800	17,800
Term loan	(ii)	36,900	55,349
Loans against import	(iii)	423	2,899
		<u>62,123</u>	<u>76,048</u>
Less: Amount repayable within 12 months			
Revolving credit		(24,800)	(17,800)
Term loan		(24,600)	(24,599)
Loans against import		(423)	(2,899)
		<u>(49,823)</u>	<u>(45,298)</u>
Amount repayable after 12 months		<u>12,300</u>	<u>30,750</u>

The decrease in borrowings is due to net repayment on loans against import of RM2.5 million, term loan repayment of RM18.4 million and net draw down on revolving credits of RM7.0 million.

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**B12. GROUP BORROWINGS (Cont'd)**

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 5.21% (average interest of 1.00% per annum above the bank's cost of funds).
- (ii) Term loan carries an average interest rate of 4.21% (0.90% per annum above the KLIBOR). The tenure of the loan is 5 years.
- (iii) Loans against import carry an interest of 4.63% (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 30 September 2018 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 12 November 2018 (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**

Save as disclosed in Note A9, there were no other dividend declared during the quarter under review for the financial year ending 31 December 2018.

**B16. EARNINGS PER SHARE (“EPS”)**

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	9,117	10,802	19,692	18,819
Weighted average number of shares in issue ('000)	400,291	400,195	400,789	400,195
Basic earnings per share (sen)	2.28	2.70	4.91	4.70

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**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):

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
<b>Diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	9,117	10,802	19,692	18,819
Weighted average number of shares in issue ('000) (Basic)	400,291	400,195	400,789	400,195
Effect of potential vesting of Long Term Incentive Plan	2,831	2,432	1,766	2,660
Weighted average number of ordinary shares ('000)	403,122	402,627	402,555	402,885
Diluted earnings per share (sen)	2.26	2.68	4.89	4.67

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**B17. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period's presentation as disclosed below:

Consolidated Statement of Financial Position

	<b>As restated As at 31/12/2017 RM'000</b>	<b>As previously stated As at 31/12/2017 RM'000</b>
<u>Current Assets</u>		
Trade receivables	112,251	192,910
Deferred costs	0	1,352
Amounts due from a joint venture	140	163
Contract assets	82,034	0
<u>Current Liabilities</u>		
Deferred revenue	0	1,973
Contract liabilities	1,973	0

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**B17. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period's presentation as disclosed below (Cont'd):

Consolidated Statement of Cash Flows

	Year-to-date ended	
	As restated 30/9/2017 RM'000	As previously stated 30/9/2017 RM'000
<u>Cash Flows from Operating Activities</u>		
Changes in working capital:		
Amounts due from an associate	0	10
Trade receivables	5,810	49,355
Deferred costs	0	3,338
Contract assets	46,883	0
Deferred revenue	0	(6,608)
Contract liabilities	(6,608)	0
<u>Cash Flows from Investing Activities</u>		
Amounts due from an associate	10	0

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

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

**B18. PROFIT BEFORE TAX**

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Inventories consumed and recognised as cost of sales	17,113	37,359	53,783	77,888
Purchase of products, parts and consumable	8,568	1,314	15,710	6,190
Costs of services purchased	71,839	72,056	155,262	130,766
Interest income	(698)	(706)	(2,271)	(1,679)
Other income including investment income	(112)	(62)	(278)	(272)
Interest expenses	690	974	2,143	3,136
Depreciation and amortisation	7,917	7,818	23,345	23,649
Write back of impairment for doubtful debts				
- Trade receivables	(2)	(61)	(66)	(100)
- Contract assets	(48)	0	(57)	0
Bad debts written off				
- Other receivables	0	0	0	2
Impairment of doubtful debts				
- Trade receivables	(20)	0	7	0
- Contract assets	2	0	102	0
Allowance for slow moving inventories	0	221	0	318
Reversal of allowance for slow moving inventories	(1)	(79)	(15)	(113)

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**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

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

**B18. PROFIT BEFORE TAX (Cont'd)**

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Gain on disposals of plant and equipment	(262)	0	(262)	0
Property, plant and equipment written off	0	2	1	39
Inventories written off	36	19	64	19
Foreign exchange losses / (gains)				
- Realised	750	(554)	58	1,785
- Unrealised	352	264	378	3,807
Provision for liquidated damages	9	0	254	0
Reversal of allowance for provision of liquidated damages	(3)	(30)	(12)	(157)
Fair value loss/(gain) on forward foreign currency exchange contracts	300	(1)	552	(1)
Tax penalty	0	0	838	0

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.

**DELEUM BERHAD (715640-T)**  
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**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

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

**B19. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the financial year ended 31 December 2017 was unqualified.

**B20. 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 19 November 2018.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)  
Lim Hooi Mooi (MAICSA no. 0799764)  
Company Secretaries  
Kuala Lumpur  
19 November 2018