

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019

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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 JUNE 2019**

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED
		30/06/2019	30/06/2018	30/06/2019	30/06/2018
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	A11	212,159	139,294	339,661	247,801
Cost of sales		(175,420)	(106,909)	(282,159)	(190,728)
Gross profit		36,739	32,385	57,502	57,073
Other operating income		952	816	1,915	1,739
Selling and distribution costs		(9,626)	(8,170)	(17,987)	(17,181)
Administrative expenses		(13,940)	(11,980)	(25,862)	(22,669)
Other operating (losses)/income ⁽¹⁾		(2,138)	302	(2,162)	(973)
Operating profit		11,987	13,353	13,406	17,989
Finance costs		(792)	(688)	(1,495)	(1,453)
Share of results of a joint venture (net of tax)	B9	356	392	750	668
Share of results of associates (net of tax)	B10	1,729	287	3,267	862
Profit before tax	B17	13,280	13,344	15,928	18,066
Income tax expense	B5	(867)	(3,700)	(2,822)	(7,055)
Profit for the period		12,413	9,644	13,106	11,011
Other comprehensive income					
Currency translation differences		145	185	92	(17)
Total comprehensive income for the period		12,558	9,829	13,198	10,994
Profit attributable to:					
- Equity holders of the Company		8,662	9,173	11,475	10,575
- Non-controlling interests		3,751	471	1,631	436
		12,413	9,644	13,106	11,011
Total comprehensive income attributable to:					
- Equity holders of the Company		8,712	9,207	11,523	10,581
- Non-controlling interests		3,846	622	1,675	413
		12,558	9,829	13,198	10,994
Earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Basic EPS	B16	<u>2.16</u>	<u>2.29</u>	<u>2.86</u>	<u>2.64</u>
- Diluted EPS ⁽²⁾	B16	<u>N/A</u>	<u>2.28</u>	<u>N/A</u>	<u>2.62</u>
⁽¹⁾ Other operating (losses)/income include the following:					
Foreign exchange (losses)/gains					
- Realised		(1,057)	996	(1,131)	692
- Unrealised		(805)	(216)	(494)	(26)
Fair value loss on forward foreign currency exchange contracts		(66)	(222)	(123)	(252)
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-to-date ended 30 June 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.

DELEUM BERHAD (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

RM'000	Note	As at 30/06/2019 Unaudited	As at 31/12/2018 Audited
ASSETS			
Property, plant and equipment		152,662	151,324
Investment properties		782	794
Right-of-use assets		2,434	0
Intangible assets		691	954
Associates	B10	35,095	35,565
Joint venture	B9	30,452	29,702
Deferred tax assets		4,202	3,062
Other receivables		29,107	11,081
Non-current Assets		255,425	232,482
Inventories		35,044	22,499
Amounts due from an associate		0	1,600
Amounts due from a joint venture		139	160
Trade receivables	B11	64,943	92,983
Contract assets		198,214	163,855
Other receivables, deposits and prepayments		10,968	10,168
Derivative financial instrument	A7	0	7
Tax recoverable		2,499	1,698
Cash and bank balances		102,058	134,907
Current Assets		413,865	427,877
TOTAL ASSETS		669,290	660,359
EQUITY AND LIABILITIES			
Share capital		201,802	201,354
Equity - share based payment		0	1,081
Retained earnings		184,920	181,830
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,657)	(2,705)
Equity attributable to equity holders of the Company		334,065	331,560
Non-controlling interests		24,307	24,102
Total Equity		358,372	355,662
Borrowings	B12	6,054	7,785
Deferred tax liabilities		23,289	22,785
Non-current Liabilities		29,343	30,570
Trade payables		185,941	183,646
Contract liabilities		7,761	6,477
Other payables and accruals		17,637	19,488
Amounts due to an associate		7,248	7,242
Derivative financial instrument	A7	41	0
Taxation		876	1,878
Borrowings	B12	62,071	55,396
Current Liabilities		281,575	274,127
Total Liabilities		310,918	304,697
TOTAL EQUITY AND LIABILITIES		669,290	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 PERIOD ENDED 30 JUNE 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	(2,723)	(50,000)	172,044	321,979	28,889	350,868
Profit for the financial period	0	0	0	0	0	10,575	10,575	436	11,011
Other comprehensive income for the financial period	0	0	0	6	0	0	6	(23)	(17)
Total comprehensive income for the financial period	0	0	0	6	0	10,575	10,581	413	10,994
Long-Term Incentive Plan ("LTIP"):									
- Share based payment	0	0	295	0	0	0	295	0	295
- 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	(13,016)	(13,016)	(1,470)	(14,486)
At 30 June 2018	<u>401,125</u>	<u>201,354</u>	<u>953</u>	<u>(2,717)</u>	<u>(50,000)</u>	<u>170,249</u>	<u>319,839</u>	<u>27,832</u>	<u>347,671</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 period	0	0	0	0	0	11,475	11,475	1,631	13,106
Other comprehensive income for the financial period	0	0	0	48	0	0	48	44	92
Total comprehensive income for the financial period	0	0	0	48	0	11,475	11,523	1,675	13,198
LTIP:									
- Share based payment	0	0	7	0	0	0	7	0	7
- Ordinary shares issued pursuant to the LTIP	428	448	(448)	0	0	0	0	0	0
- Transfer of lapsed share grants	0	0	(640)	0	0	640	0	0	0
Dividend	0	0	0	0	0	(9,025)	(9,025)	(1,470)	(10,495)
At 30 June 2019	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,657)</u>	<u>(50,000)</u>	<u>184,920</u>	<u>334,065</u>	<u>24,307</u>	<u>358,372</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 PERIOD ENDED 30 JUNE 2019

RM'000	YEAR-TO-DATE-ENDED	
	30/06/2019	30/06/2018
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	13,106	11,011
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	8	27
- write back of impairment	(4)	(64)
Contract assets		
- impairment made	0	100
- write back of impairment	(5)	(9)
Allowance for slow moving inventories:		
- allowance made	11	0
- write back of allowance	0	(14)
Amortisation of intangible assets	263	363
Depreciation:		
- property, plant and equipment	15,841	15,053
- investment properties	12	12
- right-of-use assets	800	0
Bad debts written off:		
- other receivables	4	0
Provision for liquidated damages		
- provision made	107	245
- write back of provision	0	(9)
Write-off:		
- property, plant and equipment	10	1
- inventories	0	28
Interest income	(1,691)	(1,573)
Finance costs	1,495	1,453
Share based payment expense	7	295
Share of results of associates	(3,267)	(862)
Share of results of a joint venture	(750)	(668)
Tax expense	2,822	7,055
Unrealised foreign exchange losses	494	26
Fair value loss on forward foreign currency exchange contracts	123	252
Operating profit before working capital changes	29,386	32,722
<u>Changes in working capital</u>		
Inventories	(12,556)	(1,951)
Amounts due from a joint venture	21	29
Trade receivables	27,665	9,357
Contract assets	(34,599)	(21,012)
Other receivables, deposits and prepayments	(795)	4,526
Trade payables	2,349	(5,064)
Other payables and accruals	(2,033)	(13,751)
Contract liabilities	1,284	114
Cash generated from operations	10,722	4,970
Tax paid	(5,369)	(8,501)
Tax refunded	108	78
Interest paid	(1,435)	(1,471)
Net cash generated from/(used in) operating activities	4,026	(4,924)

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019

RM'000	YEAR-TO-DATE-ENDED	
	30/06/2019	30/06/2018
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,674	1,603
Addition on plant and equipment*	(35,215)	(5,034)
Addition on intangible assets	0	(24)
Dividend received from an associate	5,440	2,240
Amounts due from an associate	0	6
Net cash used in investing activities	(28,101)	(1,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	5,000	3,000
- Repayment	0	(6,000)
Loans against import		
- Drawn down	24,607	1,095
- Repayment	(18,120)	(3,328)
Term loans		
- Drawn down	3,694	0
- Repayment	(12,670)	(12,299)
Finance lease liabilities		
- Repayment	(9)	0
Lease liabilities on right-of-use assets		
- Repayment	(792)	0
Dividends paid to:		
- Shareholders	(9,025)	(13,016)
- Non-controlling interest	(1,470)	(1,470)
(Decrease)/Increase in restricted cash	(22)	67
Net cash used in financing activities	(8,807)	(31,951)
Net decrease in cash and cash equivalents	(32,882)	(38,084)
Foreign currency translation	11	(42)
Cash and cash equivalents at beginning of the year	124,276	130,648
Cash and cash equivalents at end of period	91,405	92,522
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	77,189	69,995
Cash and bank balances	24,869	33,200
	102,058	103,195
Restricted cash	(10,653)	(10,673)
Cash and cash equivalents at end of period	91,405	92,522
* Included in the non-current other receivables is advance payments made on capital expenditure for the current period of RM18,026,000.		
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	83,889	84,022
US Dollar	7,403	8,389
Others	113	111
	<u>91,405</u>	<u>92,522</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 PERIOD ENDED 30 JUNE 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 ending 31 December 2019 upon their initial application except for the adoption of MFRS 16 Leases as disclosed in the foregoing paragraph below. The Group has adopted these standards retrospectively from 1 January 2019, with the practical expedients as permitted under the relevant standards.

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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)

Adoption of MFRS 16 Leases

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

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

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

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

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

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

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

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

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

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

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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.

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

A5. EQUITY AND DEBT SECURITIES

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

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

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2019**

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 June 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 30/06/2019		As at 31/12/2018*	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	84,252	89,772	134,737	110,926
Others	<u>1,340</u>	<u>3,175</u>	<u>2,063</u>	<u>962</u>
	<u>85,592</u>	<u>92,947</u>	<u>136,800</u>	<u>111,888</u>
Closing exchange rate				
US Dollar	<u>4.142</u>	<u>4.142</u>	<u>4.139</u>	<u>4.139</u>

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

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**UNAUDITED INTERIM FINANCIAL REPORT
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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 June 2019, the notional principal amount of the outstanding forward foreign currency exchange contracts was RM7,158,000.

Details of derivative on forward foreign currency exchange contracts that remained outstanding as at 30 June 2019 is as follows:

Type of derivatives	Contract/ Notional amount RM'000	Fair Value Liability RM'000
Forward foreign currency exchange contracts ("FX Contract")		
- Less than 1 year	7,158	41

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 June 2019 amounted to a fair value loss of RM41,000.

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.

Second interim single tier dividend of 2.25 sen per share on 401,125,700 ordinary shares, paid on 22 March 2019	RM'000 <u>9,025</u>
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No dividend was paid in the current quarter under review.

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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; 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.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2019**

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

A10. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial period ended 30 June 2019 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	96,036	79,532	165,911	144,547
Power and Machinery	96,036	79,532	165,911	144,547
Oilfield Services				
External revenue	39,810	31,253	71,577	58,576
Oilfield Services	39,810	31,253	71,577	58,576
Integrated Corrosion Solution				
External revenue	76,189	28,413	101,938	44,483
Integrated Corrosion Solution	76,189	28,413	101,938	44,483
Other non-reportable segment				
External revenue	124	96	235	195
Other non-reportable segment	124	96	235	195
Total Group revenue	212,159	139,294	339,661	247,801

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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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
<u>Segment Results</u>				
Power and Machinery	6,168	11,138	11,079	16,255
Oilfield Services	(2,626)	6,136	1,415	10,407
Integrated Corrosion Solution	8,731	(2,949)	1,381	(6,554)
Other non-reportable segment	11	9	21	18
Segment results	12,284	14,334	13,896	20,126
Unallocated income ^	4	67	84	169
Unallocated corporate expenses #	(1,093)	(1,736)	(2,069)	(3,759)
Share of results of a joint venture *	356	392	750	668
Share of results of associates *	1,729	287	3,267	862
Tax expense (Note B5) *	(867)	(3,700)	(2,822)	(7,055)
Profit for the financial period	12,413	9,644	13,106	11,011

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

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

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

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A10. SEGMENT INFORMATION (Cont'd)

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
<u>Segment Assets</u>		
Power and Machinery	219,711	264,705
Oilfield Services	238,468	215,323
Integrated Corrosion Solution	117,986	83,924
Segment assets	576,165	563,952
Unallocated corporate assets ^	93,125	96,407
Total assets	669,290	660,359

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	125,847	141,800
Oilfield Services	54,999	61,733
Integrated Corrosion Solution	97,545	66,714
Segment liabilities	278,391	270,247
Unallocated corporate liabilities #	32,527	34,450
Total liabilities	310,918	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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Revenue from contracts with customers	212,035	139,198	339,426	247,606
Revenue from other sources: - Management fee	124	96	235	195
	212,159	139,294	339,661	247,801

Revenue from contracts with customers:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Sale of gas turbine packages and after sales support and services	76,458	61,137	129,484	115,889
Commission based income services	2,038	2,401	2,415	2,972
Principal based income services	79	101	382	209
Sale of valves and flow regulators and after sales support and services	15,843	14,856	30,345	23,788
Sale, repair and maintenance of motors, generators and transformers	1,697	1,138	3,667	1,898
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and drilling and production services	39,090	30,708	69,908	57,233
Provision of services on production optimisation and flow assurance	641	444	1,287	1,134
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	18,759	828	25,695	8,520
Provision of maintenance, construction and modification maintenance services	57,430	27,585	76,243	35,963
	212,035	139,198	339,426	247,606

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

During the current quarter ended 30 June 2019, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Acquisitions at cost:-				
- Plant and equipment	8,470	3,910	17,189	5,034
- Intangible assets	0	2	0	24
Disposals at net book value:-				
- Plant and equipment	0	0	0	0
Depreciation:-				
- Plant and equipment	7,881	7,543	15,841	15,053
- Investment properties	6	6	12	12
- Right-of-use assets	399	0	800	0
Amortisation of intangible assets	120	182	263	363

* Exclude advance payments made amounting to RM18,026,000 in the current period for the purchases of plant and equipment that are pending fulfilment on the asset recognition prerequisites.

A13. MATERIAL EVENTS DURING THE REPORTING DATE

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

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

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

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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-to-date.

A16. CONTINGENT LIABILITIES / ASSETS

As at 30 June 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 RM31.8 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 30 June 2019 were as follows:

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Authorised but not contracted for		
- Plant and machinery	35,192	41,201
- Others	8,857	11,387
Authorised and contracted for		
- Plant and machinery	48,002	12,213
- Others	6,092	6,839
Share of capital commitment of joint venture	98,143	71,640
	878	899
	99,021	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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	141	1,274	1,018	3,677
Rental income from an affiliate company of STICO	13	13	27	27
Purchases and technical services from STICO and its affiliated company	64,076	44,128	103,999	87,075

Significant outstanding balances arising from the above transactions as at 30 June 2019 were as follows:

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Amount due from STICO and its affiliated company	1,583	2,186
Amount due to STICO and its affiliated company	86,647	116,123

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Sales to related parties of Dresser Italia S.R.L	54	79	90	135
Purchases of goods and services from related parties of Dresser Italia S.R.L	5,326	6,557	12,666	10,559

Significant outstanding balances arising from the above transactions as at 30 June 2019 were as follows:

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Amount due from related parties of Dresser Italia S.R.L	52	230
Amount due to related parties of Dresser Italia S.R.L	6,497	2,902

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Sales to STICO	1,484	1,484	2,968	2,968
Rental income from affiliate company of STICO	207	207	414	414

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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 period were as follows (Cont'd):

Significant outstanding balance arising from the above transactions as at 30 June 2019 was as follows:

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Amount due from STICO and its affiliated company	491	1,471

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Directors' fees	252	235	477	471
Salaries, bonuses, allowances and other staff related expenses	3,715	3,905	6,002	6,461
Defined contribution plan	423	250	672	516
	4,390	4,390	7,151	7,448

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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>	Q2'19 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
Revenue	212,159	139,294	72,865	52.3
Operating profit	11,987	13,353	(1,366)	(10.2)
Share of results of a joint venture, net of tax	356	392	(36)	(9.2)
Share of results of associates, net of tax	1,729	287	1,442	502.4
Profit before interest and tax	13,284	13,312	(28)	(0.2)
Profit before tax	13,280	13,344	(64)	(0.5)
Profit after tax	12,413	9,644	2,769	28.7
Profit attributable to equity holders of the Company	8,662	9,173	(511)	(5.6)

In the current quarter, the Group posted an increase in revenue by 52.3% or RM72.9 million to RM212.2 million against the corresponding quarter of RM139.3 million riding on the back of higher revenue contributions across all reportable segments with strong revenue growth booked by the Integrated Corrosion Solution segment mainly from its Maintenance, Construction and Modification (“MCM”) project.

Notwithstanding the higher revenue earned, the Group’s profit attributable to equity holders of the Company declined by RM0.5 million due to weaker results recorded from both Power and Machinery and Oilfield Services segments. The results were affected by the downward pressure on margins coupled with the adverse impact on the foreign exchange movement on MYR against USD in the current period which resulted in a net loss of RM1.9 million as opposed to a net gain of RM0.8 million recorded in the corresponding period. Nevertheless, the downward results were mitigated by the strong performance in Integrated Corrosion Solution segment, higher share of results from an associate company of RM1.4 million and that the corresponding period was affected by high tax expense incurred due to additional taxes and penalty raised by the tax authority over differences in interpretation of certain expenses incurred as explained in Note B5 which did not recur during the current period.

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

Share of results of associates were higher by RM1.4 million as a result of better performance from Malaysia Mud and Chemicals Sdn. Bhd. (“2MC”) driven by strong orders from customers with higher throughput achieved from both its dry bulk and liquid mud businesses.

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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)

	Q2'19 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	96,036	79,532	16,504	20.8
Operating profit	6,182	11,138	(4,956)	(44.5)
Profit before interest and tax	5,470	10,578	(5,108)	(48.3)
Profit before tax	6,168	11,138	(4,970)	(44.6)

The Power and Machinery segment posted an increase in revenue by 20.8% or RM16.5 million to RM96.0 million compared against the corresponding quarter of RM79.5 million driven mainly by higher work orders secured for exchange engines, valves and flow regulator services and higher revenue contribution from retrofit projects due to increase in project hardware deliveries but was offset by the weaker work orders on turbine parts and repair, decrease in commission income earned on oil and gas projects and lower sales from third party and other ancillary services.

The segment results contracted by RM5.0 million despite higher revenue recorded due to the unfavourable change in sales mix with downward pressure on margins as well as the adverse movement in foreign exchange differences on MYR against USD which resulted in a net loss of RM1.7 million as opposed to a net gain of RM0.7 million recorded in the corresponding quarter.

	Q2'19 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	39,810	31,253	8,557	27.4
Operating (loss)/profit	(2,226)	6,803	(9,029)	(132.7)
(Loss)/Profit before interest and tax	(2,297)	6,679	(8,976)	(134.4)
(Loss)/Profit before tax	(2,626)	6,136	(8,762)	(142.8)

The Oilfield Services segment revenue improved by 27.4% or RM8.6 million to RM39.8 million compared against the corresponding quarter of RM31.3 million mainly attributable to the higher work orders from well intervention and enhancement services and increase in slickline services in the East Malaysia region offset by lower slickline activities in the West Malaysia region.

Notwithstanding the higher revenue earned, the segment results fell to a loss of RM2.6 million compared against the corresponding quarter profit of RM6.1 million due to downward pressure on margins earned from local slickline operation with lower slickline activities in the West Malaysia region, losses from its overseas slickline operations and adverse results in Production Optimisation and Flow Assurance ("POFAS") operations but cushioned by the stronger contribution from well intervention and enhancement services.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2'19 RM'000	Q2'18 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	76,189	28,413	47,776	168.1
Operating profit/(loss)	9,104	(2,928)	12,032	410.9
Profit/(Loss) before interest and tax	9,104	(2,928)	12,032	410.9
Profit/(Loss) before tax	8,731	(2,949)	11,680	396.1

The Integrated Corrosion Solution segment reported a strong growth in revenue by 168.1% or RM47.8 million to RM76.2 million compared against the corresponding quarter revenue of RM28.4 million driven by the robust activity levels from its on-going projects with higher sales generated from its Maintenance, Construction and Modification services (“MCM”) contract as well as pickup in sales from its Sponge-Jet Blasting business following the renewal of Pan Malaysia Painting and Blasting Contract (“PMPBC”) which had expired in November 2017.

The segment had managed to turnaround its results from a loss of RM2.9 million recorded in the previous corresponding quarter to a profit of RM8.7 million in the current quarter underpin by higher work order deliveries and better sales mix with higher margins earned from the MCM and PMPBC contracts.

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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 %
	Q2'19 RM'000	Q2'18 RM'000		
<u>Group</u>				
Revenue	339,661	247,801	91,860	37.1
Operating profit	13,406	17,989	(4,583)	(25.5)
Share of results of a joint venture, net of tax	750	668	82	12.3
Share of results of associates, net of tax	3,267	862	2,405	279.0
Profit before interest and tax	15,732	17,946	(2,214)	(12.3)
Profit before tax	15,928	18,066	(2,138)	(11.8)
Profit after tax	13,106	11,011	2,095	19.0
Profit attributable to equity holders of the Company	11,475	10,575	900	8.5

The Group's half yearly revenue climbed by 37.1% or RM91.9 million against the corresponding period to RM339.7 million riding on the back of revenue growth registered across all reportable segments.

The Group's profit attributable to equity holders of the Company had improved by 8.5% or RM0.9 million against the corresponding period to RM11.5 million on the back of strong results reported from Integrated Corrosion Solution segment, higher tax charges reported in the corresponding period affected by the additional taxes and penalties raised by the tax authority over differences in interpretation of certain expenses incurred as explained in Note B5 and higher share of results from an associate company of RM2.4 million in the current period. The results were however offset by the adverse results registered in both Power and Machinery and Oilfield Services segments and was further aggravated by the unfavorable foreign exchange movement which resulted in a net loss of RM1.6 million as opposed to a net gain of RM0.7 million recorded in the corresponding period.

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

Share of results of associates was higher by RM2.4 million mainly attributable to the higher throughput achieved from both its dry bulk and liquid mud businesses driven by strong orders from its major customers.

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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 %
	Q2'19 RM'000	Q2'18 RM'000		
<u>Power and Machinery</u>				
Revenue	165,911	144,547	21,364	14.8
Operating profit	11,107	16,255	(5,148)	(31.7)
Profit before interest and tax	9,649	15,106	(5,457)	(36.1)
Profit before tax	11,079	16,255	(5,176)	(31.8)

The Power and Machinery segment revenue increased by 14.8% or RM21.4 million against the corresponding period to RM165.9 million. The segment results however fell by RM5.2 million even with a higher revenue reported in the current period affected by tighter operating margins and adverse results in the retranslation of foreign exchange differences which resulted in a net loss of RM1.6 million compared to a net gain of RM0.7 million in the corresponding period.

	Cumulative quarters ended		Variance RM'000	Variance %
	Q2'19 RM'000	Q2'18 RM'000		
<u>Oilfield Services</u>				
Revenue	71,577	58,576	13,001	22.2
Operating profit	2,237	11,821	(9,584)	(81.1)
Profit before interest and tax	2,087	11,535	(9,448)	(81.9)
Profit before tax	1,415	10,407	(8,992)	(86.4)

The Oilfield Services segment revenue increased by 22.2% or RM13.0 million against the corresponding period to RM71.6 million. Despite higher revenue reported, the segment results retreated by RM9.0 million due to margins compression on its local slickline services with higher operational costs incurred, losses from its overseas slickline operations and adverse results in POFAS operations but mitigated by the stronger contribution from well intervention and enhancement services.

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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 %
	Q2'19 RM'000	Q2'18 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	101,938	44,483	57,455	129.2
Operating profit/(loss)	2,020	(6,515)	8,535	131.0
Profit/(Loss) before interest and tax	2,020	(6,515)	8,535	131.0
Profit/(Loss) before tax	1,381	(6,554)	7,935	121.1

The Integrated Corrosion Solution segment registered a revenue of RM101.9 million, increased by RM57.5 million or 129.2% as compared with the corresponding period driven by the high activity levels and work order deliveries from its on-going projects. The segment results had improved by RM7.9 million in tandem with the higher revenue reported, higher margin earned on better sales mix in the current period and that the previous corresponding period results was affected by the higher costs incurred to close out the PMPBC contract.

(C) Consolidated Statement of Financial Position

Group total assets as at 30 June 2019 stood at RM669.3 million against RM660.4 million at the end of the previous financial year, representing an increase of RM8.9 million. This was mainly due to higher carrying value of non-current assets by RM22.9 million mainly attributable to the increase in advance payments made on capital expenditure requirements, higher inventories and contract assets balances totalling to RM46.9 million offset by lower holdings on cash and bank balances by RM32.8 million and a reduction in trade receivables by RM28.0 million.

In tandem, Group total liabilities climbed by RM6.2 million as a result of an increase in net borrowings of RM4.9 million owing to the additional lease liabilities of RM2.4 million and higher funding required to finance the capital and working capital requirements of the Group along with higher contract liabilities balances of RM1.3 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances was lower at RM102.1 million compared with RM134.9 million as at 31 December 2018. The change was due to cash outflows incurred on capital expenditure of RM35.2 million and dividends paid to shareholders of RM9.0 million offset by net cash generated from operations of RM4.0 million, dividend received from an associate of RM5.4 million and net borrowings (excluding lease liabilities) raised of RM2.5 million.

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

	Q2'19 RM'000	Q1'19 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	212,159	127,502	84,657	66.4
Operating profit	11,987	1,419	10,568	744.7
Share of results of a joint venture, net of tax	356	394	(38)	(9.6)
Share of results of associates, net of tax	1,729	1,538	191	12.4
Profit before interest and tax	13,284	2,446	10,838	443.1
Profit before tax	13,280	2,648	10,632	401.5
Profit after tax	12,413	693	11,720	1,691.2
Profit attributable to equity holders of the Company	8,662	2,813	5,849	207.9

Quarter on quarter, the Group's profit attributable to equity holders of the Company increased by RM5.8 million against the immediate preceding quarter due to stronger segment contributions from both Power and Machinery and Integrated Corrosion Solution segments offset by lower results from Oilfield Services segment due to margins compression for its slickline services.

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

Share of results of associates increased by RM0.2 million as a result of stronger contribution recorded from 2MC in both its dry bulk and liquid mud businesses in the current quarter.

	Q2'19 RM'000	Q1'19 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	96,036	69,875	26,161	37.4
Operating profit	6,182	4,925	1,257	25.5
Profit before interest and tax	5,470	4,179	1,291	30.9
Profit before tax	6,168	4,911	1,257	25.6

Power and Machinery segment results increased to RM6.2 million as compared to RM4.9 million in the immediate preceding quarter. The higher results achieved was due to strong orders from exchange engines, increase in contribution from retrofit projects on the back of higher project hardware deliveries, higher commission income earned on oil and gas projects, higher income from third party and other ancillary services offset by lower contribution from turbine parts and repair and valves and flow regulators services.

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

	Q2'19 RM'000	Q1'19 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	39,810	31,767	8,043	25.3
Operating (loss)/profit	(2,226)	4,463	(6,689)	(149.9)
(Loss)/Profit before interest and tax	(2,297)	4,384	(6,681)	(152.4)
(Loss)/Profit before tax	(2,626)	4,041	(6,667)	(165.0)

Oilfield Services segment results declined by RM6.7 million affected by the margin compressions on its slickline services and weaker contribution from well intervention and enhancement services against the immediate preceding quarter.

	Q2'19 RM'000	Q1'19 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	76,189	25,749	50,440	195.9
Operating profit/(loss)	9,104	(7,084)	16,188	228.5
Profit/(Loss) before interest and tax	9,104	(7,084)	16,188	228.5
Profit/(Loss) before tax	8,731	(7,350)	16,081	218.8

Integrated Corrosion Solution segment posted stronger results with a pre-tax profit of RM8.7 million compared to a loss of RM7.4 million recorded in the immediate preceding quarter in tandem with the significantly higher revenue reported from its major projects coupled with higher margins earned on better sales mix in the current quarter.

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B3. PROSPECTS

The oil and gas industry continue to remain volatile. The oil price had increased from US46 per barrel in January 2019 to its peak at US63 per barrel at the end of April but dropped to US53 per barrel in August 2019.

Although the domestic upstream sector has seen some increase in activity within the quarter, it is unsure how long this positive trend will sustain. Deleum shall remain cautious on its performance outlook for the remaining of the financial year and will continue to push for cost efficiencies and effectiveness in order to enhance its sustainability and to improve its profit margin.

The Power and Machinery segment will continue to provide after sales support and services to its existing installed turbines base customers. The segment is expecting improved activities and performance for the remainder of the financial year and remains the main contributor to the profitability of the Group.

The Oilfield Services segment had incurred higher cost to fulfil the new contractual requirements for the newly secured slickline contracts at the end of the previous financial year. Whilst maintaining its excellent quality performance, the segment is also focusing on effective cost management to mitigate the compressed margin pressures faced by the segment and to improve its profitability in the upcoming quarters. Should the current activity levels sustain, the segment is also expected to improve its performance for the remaining half of the year.

The Integrated Corrosion Solution segment has reported a strong growth in revenue and profitability during the quarter and has successfully turnaround the results of the segment. The segment will continue with its proven initiatives and measures to further improve its financial performance of the segment for the remainder of the 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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Current tax – current year	840	3,863	3,458	6,419
(Over)/Under provision in prior years*	0	(107)	0	1,755
Deferred tax				
– origination and reversal of temporary differences	340	(56)	(93)	(1,119)
– recognition of previously unrecognised temporary differences	(313)	0	(543)	0
Total income tax expense	867	3,700	2,822	7,055

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

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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 June 2019 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/06/2019	30/06/2018
	%	%
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	3	3
- Income not subject to tax	(1)	(1)
- Share of results of associates and joint venture	(6)	(2)
- Deferred tax assets not recognised	1	2
- Under provision in prior years	0	13
- Recognition of previously unrecognised temporary differences	(3)	0
Effective tax rate	18	39

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 15 August 2019 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of joint venture	30,452	29,702

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-to-date ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	571	617	1,199	1,051
Income tax expense	(129)	(131)	(268)	(222)
Profit for the period	<u>442</u>	<u>486</u>	<u>931</u>	<u>829</u>
Interest in joint venture (80.55%) Share of results	<u>356</u>	<u>392</u>	<u>750</u>	<u>668</u>

B10. ASSOCIATES

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of associates	<u>35,095</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 contribution attributable to the shareholders of the Company in the financial period ended 30 June 2019 amounted to RM200 (30 June 2018: RM1,000) and RM120 (30 June 2018: RM600) respectively.

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B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter ended 30/06/2019 RM'000	30/06/2018 RM'000	Quarter ended 30/06/2019 RM'000	30/06/2018 RM'000	Quarter ended 30/06/2019 RM'000	30/06/2018 RM'000
Profit / (loss) before tax	6,861	1,111	(3)	(5)	6,858	1,106
Income tax expense	(1,456)	(210)	0	0	(1,456)	(210)
Profit / (loss) for the period	<u>5,405</u>	<u>901</u>	<u>(3)</u>	<u>(5)</u>	<u>5,402</u>	<u>896</u>
Interest in associates (32%; 20%)						
Share of results	<u>1,730</u>	<u>288</u>	<u>(1)</u>	<u>(1)</u>	<u>1,729</u>	<u>287</u>
	2MC		CUPL		Total	
	Year-to-date ended 30/06/2019 RM'000	30/06/2018 RM'000	Year-to-date ended 30/06/2019 RM'000	30/06/2018 RM'000	Year-to-date ended 30/06/2019 RM'000	30/06/2018 RM'000
Profit before tax	12,828	3,494	1	3	12,829	3,497
Income tax expense	(2,620)	(802)	0	0	(2,620)	(802)
Profit for the period	<u>10,208</u>	<u>2,692</u>	<u>1</u>	<u>3</u>	<u>10,209</u>	<u>2,695</u>
Interest in associates (32%; 20%)						
Share of results	<u>3,267</u>	<u>861</u>	<u>0</u>	<u>1</u>	<u>3,267</u>	<u>862</u>

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B11. TRADE RECEIVABLES

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Neither past due nor impaired	35,931	53,168
1 to 30 days past due not impaired	19,109	20,929
31 to 60 days past due not impaired	4,184	4,303
61 to 90 days past due not impaired	1,430	7,452
91 to 120 days past due not impaired	604	6,534
More than 121 days past due not impaired	<u>3,685</u>	<u>597</u>
	64,943	92,983
Not past due but impaired	0	1
Past due and impaired:		
31 to 60 days past due and impaired	2	0
61 to 90 days past due and impaired	0	0
91 to 120 days past due and impaired	0	0
More than 121 days past due and impaired	<u>1,736</u>	<u>1,732</u>
	66,681	94,716
Less: Impairment of receivables	<u>(1,738)</u>	<u>(1,733)</u>
	<u>64,943</u>	<u>92,983</u>

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 RM29.0 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 30 June 2019 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>30/06/2019</u>			
Borrowings - secured	21,793	4,955	26,748
- unsecured	40,278	1,099	41,377
	<u>62,071</u>	<u>6,054</u>	<u>68,125</u>
<u>31/12/2018</u>			
Borrowings - secured	27,948	7,785	35,733
- unsecured	27,448	0	27,448
	<u>55,396</u>	<u>7,785</u>	<u>63,181</u>

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Revolving credits	(i)	29,800	24,800
Finance lease liabilities	(ii)	71	80
Lease liabilities on right-of-use assets	(iii)	2,442	0
Term loans	(iv)	26,677	35,653
Loans against import	(v)	9,135	2,648
		<u>68,125</u>	<u>63,181</u>
Less: Amount repayable within 12 months			
Revolving credits		(29,800)	(24,800)
Finance lease liabilities		(19)	(18)
Lease liabilities on right-of-use assets		(1,343)	0
Term loans		(21,774)	(27,930)
Loans against import		(9,135)	(2,648)
		<u>(62,071)</u>	<u>(55,396)</u>
Amount repayable after 12 months		<u>6,054</u>	<u>7,785</u>

The increase in borrowings was due to net draw down on loans against import of RM6.5 million, net draw down on revolving credits of RM5.0 million, effects on the adoptions of the new MFRS 16 which gave rise to the recognition on the corresponding lease liabilities for right-of-use assets with an outstanding balance at reporting date of RM2.4 million offset by net repayment on term loans of RM9.0 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 4.63% (average interest of 1.00% per annum above the bank's cost of funds).
- (ii) Finance lease liabilities carry interest rate of 2.46% per annum.
- (iii) Lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% per annum.
- (iv) Term loans carry interest rates ranging from 4.21% to 4.33% per annum (0.90% per annum above the KLIBOR). The tenure of the loan is 5 years.
- (v) Loans against import carry an interest of 4.56% (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 June 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 15 August 2019 (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 2018, declared a second interim single tier dividend of 2.25 sen per share on 401,125,700 ordinary shares, totaling RM9,025,000. The dividend was paid on 22 March 2019.

The Board of Directors have, in respect of financial year ending 31 December 2019, declared a first interim single tier dividend of 1.40 sen (31 December 2018: 1.25 sen) per ordinary share on 401,553,500 ordinary shares.

The dividend will be payable on 20 September 2019 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 10 September 2019.

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

- (i) shares transferred into the Depositor’s securities account before 4p.m on 10 September 2019 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.

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	
	30/06/2019 RM’000	30/06/2018 RM’000	30/06/2019 RM’000	30/06/2018 RM’000
Basic earnings per share				
Profit attributable to equity holders of the Company (RM’000)	8,662	9,173	11,475	10,575
Weighted average number of shares in issue (’000)	401,111	400,291	401,111	400,618
Basic earnings per share (sen)	2.16	2.29	2.86	2.64

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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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	8,662	9,173	11,475	10,575
Weighted average number of shares in issue ('000) (Basic)	401,111	400,291	401,111	400,618
Effect of potential vesting of Long Term Incentive Plan	N/A^	2,831	N/A^	2,301
Weighted average number of ordinary shares ('000)	N/A^	403,122	N/A^	402,919
Diluted earnings per share (sen)	N/A^	2.28	N/A^	2.62

^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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Inventories consumed and recognised as cost of sales	20,169	21,406	41,181	36,670
Purchase of products, parts and consumable	11,371	5,434	16,514	7,142
Costs of services purchased	85,166	42,556	130,775	83,423
Interest income	(788)	(720)	(1,691)	(1,573)
Other income including investment income	(164)	(96)	(224)	(166)
Interest expenses	792	688	1,495	1,453
Depreciation and amortisation	8,406	7,731	16,916	15,428
Write back of impairment for doubtful debts				
- Trade receivables	(3)	0	(4)	(64)
- Contract assets	(2)	0	(5)	(9)
Bad debts written off				
- Other receivables	0	0	4	0
Impairment of doubtful debts				
- Trade receivables	2	(8)	8	27
- Contract assets	0	55	0	100
Allowance for slow moving inventories	11	0	11	0
Reversal of allowance for slow moving inventories	0	(5)	0	(14)

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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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Property, plant and equipment written off	10	1	10	1
Inventories written off	0	28	0	28
Foreign exchange losses / (gains)				
- Realised	1,057	(996)	1,131	(692)
- Unrealised	805	216	494	26
Provision for liquidated damages	44	242	107	245
Write back of provision of liquidated damages	0	0	0	(9)
Fair value loss on foreign currency exchange forward contract	66	222	123	252
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 22 August 2019.

By order of the Board

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