

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

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

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	A11	296,511	175,437	636,172	423,238
Cost of sales		(248,257)	(139,377)	(530,416)	(330,105)
Gross profit		48,254	36,060	105,756	93,133
Other operating income		781	1,072	2,696	2,811
Selling and distribution costs		(9,165)	(8,447)	(27,152)	(25,628)
Administrative expenses		(15,856)	(12,735)	(41,718)	(35,404)
Other operating losses ⁽¹⁾		(1,371)	(2,199)	(3,533)	(3,172)
Operating profit		22,643	13,751	36,049	31,740
Finance costs		(852)	(690)	(2,347)	(2,143)
Share of results of a joint venture (net of tax)	B9	377	322	1,127	990
Share of results of associates (net of tax)	B10	1,301	857	4,568	1,719
Profit before tax	B17	23,469	14,240	39,397	32,306
Income tax expense	B5	(5,072)	(3,223)	(7,894)	(10,278)
Profit for the period		18,397	11,017	31,503	22,028
Other comprehensive income					
Currency translation differences		(39)	98	53	81
Total comprehensive income for the period		18,358	11,115	31,556	22,109
Profit attributable to:					
- Equity holders of the Company		13,107	9,117	24,582	19,692
- Non-controlling interests		5,290	1,900	6,921	2,336
		18,397	11,017	31,503	22,028
Total comprehensive income attributable to:					
- Equity holders of the Company		13,071	9,124	24,594	19,705
- Non-controlling interests		5,287	1,991	6,962	2,404
		18,358	11,115	31,556	22,109
Earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Basic EPS	B16	3.26	2.28	6.13	4.91
- Diluted EPS ⁽²⁾	B16	N/A	2.26	N/A	4.89
⁽¹⁾ Other operating losses include the following:					
Foreign exchange losses					
- Realised		(242)	(750)	(1,373)	(58)
- Unrealised		(354)	(352)	(848)	(378)
Fair value gain/(loss) on forward foreign currency exchange contracts		50	(300)	(73)	(552)
Tax penalty	B5	0	0	0	(838)

⁽²⁾ Diluted earnings per share of the Company for the quarter and year-to-date ended 30 September 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 SEPTEMBER 2019

RM'000	Note	As at 30/09/2019 Unaudited	As at 31/12/2018 Audited
ASSETS			
Property, plant and equipment		170,567	151,324
Investment properties		776	794
Right-of-use assets		2,139	0
Intangible assets		571	954
Associates	B10	36,379	35,565
Joint venture	B9	30,829	29,702
Deferred tax assets		3,183	3,062
Other receivables		28,547	11,081
Non-current Assets		272,991	232,482
Inventories		32,798	22,499
Amounts due from an associate		0	1,600
Amounts due from a joint venture		89	160
Trade receivables	B11	103,700	92,983
Contract assets		254,827	163,855
Other receivables, deposits and prepayments		10,818	10,168
Derivative financial instrument	A7	0	7
Tax recoverable		2,901	1,698
Cash and bank balances		106,379	134,907
Current Assets		511,512	427,877
TOTAL ASSETS		784,503	660,359
EQUITY AND LIABILITIES			
Share capital		201,802	201,354
Equity - share based payment		0	1,081
Retained earnings		192,405	181,830
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,693)	(2,705)
Equity attributable to equity holders of the Company		341,514	331,560
Non-controlling interests		29,594	24,102
Total Equity		371,108	355,662
Borrowings	B12	11,532	7,785
Deferred tax liabilities		23,796	22,785
Non-current Liabilities		35,328	30,570
Trade payables		286,978	183,646
Contract liabilities		2,727	6,477
Other payables and accruals		26,791	19,488
Amounts due to an associate		7,327	7,242
Derivative financial instrument	A7	1	0
Taxation		2,181	1,878
Borrowings	B12	52,062	55,396
Current Liabilities		378,067	274,127
Total Liabilities		413,395	304,697
TOTAL EQUITY AND LIABILITIES		784,503	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 SEPTEMBER 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	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
Long-Term Incentive Plan ("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>
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	24,582	24,582	6,921	31,503
Other comprehensive income for the financial period	0	0	0	12	0	0	12	41	53
Total comprehensive income for the financial period	0	0	0	12	0	24,582	24,594	6,962	31,556
LTIP:									
- Share based payment	0	0	7	0	0	0	7	0	7
- Ordinary shares issued pursuant to the LTIP	428	448	(448)	0	0	0	0	0	0
- Transfer of lapsed share grants	0	0	(640)	0	0	640	0	0	0
Dividend	0	0	0	0	0	(14,647)	(14,647)	(1,470)	(16,117)
At 30 September 2019	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,693)</u>	<u>(50,000)</u>	<u>192,405</u>	<u>341,514</u>	<u>29,594</u>	<u>371,108</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 SEPTEMBER 2019

RM'000	YEAR-TO-DATE-ENDED	
	30/09/2019	30/09/2018
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	31,503	22,028
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	26	7
- write back of impairment	(8)	(66)
Contract assets		
- impairment made	0	102
- write back of impairment	(4)	(57)
Other receivables		
- impairment made	10	0
Allowance for slow moving inventories:		
- write back of allowance	(23)	(15)
Amortisation of intangible assets	383	545
Depreciation:		
- property, plant and equipment	23,834	22,782
- investment properties	18	18
- right-of-use assets	1,207	0
Bad debts written off:		
- other receivables	4	0
Provision for liquidated damages		
- provision made	135	254
- write back of provision	0	(12)
Gain on disposals of plant and equipment	0	(262)
Write-off:		
- property, plant and equipment	178	1
- inventories	0	64
Interest income	(2,277)	(2,271)
Finance costs	2,347	2,143
Share based payment expense	7	355
Share of results of associates	(4,568)	(1,719)
Share of results of a joint venture	(1,127)	(990)
Tax expense	7,894	10,278
Unrealised foreign exchange losses	848	378
Fair value loss on forward foreign currency exchange contracts	73	552
Operating profit before working capital changes	60,460	54,115
<u>Changes in working capital</u>		
Inventories	(10,276)	(6,111)
Amounts due from a joint venture	71	(40)
Trade receivables	(10,913)	(11,538)
Contract assets	(90,757)	(38,141)
Other receivables, deposits and prepayments	(673)	1,736
Trade payables	102,385	19,688
Other payables and accruals	7,126	(9,876)
Contract liabilities	(3,750)	(1,425)
Cash generated from operations	53,673	8,408
Tax paid	(9,658)	(10,777)
Tax refunded	1,754	78
Interest paid	(2,323)	(2,009)
Net cash generated from/(used in) operating activities	43,446	(4,300)

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

RM'000	YEAR-TO-DATE-ENDED	
	30/09/2019	30/09/2018
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,283	2,302
Addition on plant and equipment*	(60,721)	(10,296)
Proceeds from disposals on plant and equipment	0	262
Addition on intangible assets	0	(24)
Dividend received from an associate	5,440	3,840
Amounts due from an associate	0	6
Amounts due from a joint venture	0	(74)
Net cash used in investing activities	(52,998)	(3,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	5,000	15,000
- Repayment	0	(8,000)
Loans against import		
- Drawn down	29,686	3,490
- Repayment	(29,278)	(5,966)
Term loans		
- Drawn down	11,681	0
- Repayment	(18,820)	(18,449)
Finance lease liabilities		
- Repayment	(14)	0
Lease liabilities on right-of-use assets		
- Repayment	(1,188)	0
Dividends paid to:		
- Shareholders	(14,647)	(18,030)
- Non-controlling interest	(1,470)	(1,470)
Increase/(Decrease) in restricted cash	3,022	(86)
Net cash used in financing activities	(16,028)	(33,511)
Net decrease in cash and cash equivalents	(25,580)	(41,795)
Foreign currency translation	74	138
Cash and cash equivalents at beginning of the year	124,276	130,648
Cash and cash equivalents at end of period	98,770	88,991
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	76,298	66,522
Cash and bank balances	30,081	33,295
	106,379	99,817
Restricted cash	(7,609)	(10,826)
Cash and cash equivalents at end of period	98,770	88,991

* Included in the non-current other receivables is advance payments made on capital expenditure for the current period of RM17,466,000.

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

Ringgit Malaysia	91,018	83,580
US Dollar	7,640	5,298
Others	112	113
	<u>98,770</u>	<u>88,991</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 SEPTEMBER 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 comparative 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 2020)
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform (effective 1 January 2020)
Amendments to MFRS 101 and MFRS 108	Definition of Material (effective 1 January 2020)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is deferred to a date to be determined by MASB)

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

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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 correlated with that of the oil and gas operators and contractors in Malaysia. Any significant change in their level of activities will likewise have an impact on the Group.

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

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the 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
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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 contract that remained outstanding at 30 September 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 30/09/2019		As at 31/12/2018*	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	138,198	170,169	134,737	110,926
Others	<u>1,557</u>	<u>235</u>	<u>2,063</u>	<u>962</u>
	<u>139,755</u>	<u>170,404</u>	<u>136,800</u>	<u>111,888</u>
Closing exchange rate				
US Dollar	<u>4.187</u>	<u>4.187</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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FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contract

Forward foreign currency exchange contract is used to manage foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The forward foreign currency exchange contract entered into by the Group has a maturity period of less than one year from the current reporting date. As at 30 September 2019, the notional principal amount of the outstanding forward foreign currency exchange contract was RM537,000.

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

Type of derivatives	Contract/ Notional amount RM'000	Fair Value Liability RM'000
Forward foreign currency exchange contract ("FX Contract")		
- Less than 1 year	<u>537</u>	<u>1</u>

A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

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

During the financial year-to-date, the fair value changes arising from the forward foreign currency exchange contract entered into by the Group and remained outstanding as at 30 September 2019 amounted to a fair value loss of RM1,000.

A9. DIVIDENDS PAID

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

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

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

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

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

A10. SEGMENT INFORMATION

The segments of the Group are as follows:

- Power and Machinery (“P&M”) – Mainly consists of:
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
 - Supply and commission of combined heat and power plants;
 - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
 - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.

- Oilfield Services (“OS”) – Mainly consists of:
 - Provision of slickline equipment and services;
 - Provision of integrated wellhead maintenance services;
 - Provision of well intervention and cased hole logging services;
 - Provision of specialty chemicals and well stimulation services;
 - Provision of drilling and completions services; 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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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A10. SEGMENT INFORMATION (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
<u>Segment Revenue</u>				
Power and Machinery External revenue	179,746	90,438	345,657	234,985
Power and Machinery	179,746	90,438	345,657	234,985
Oilfield Services External revenue	37,081	35,333	108,658	93,909
Oilfield Services	37,081	35,333	108,658	93,909
Integrated Corrosion Solution External revenue	79,541	49,538	181,479	94,021
Integrated Corrosion Solution	79,541	49,538	181,479	94,021
Other non-reportable segment External revenue	143	128	378	323
Other non-reportable segment	143	128	378	323
Total Group revenue	296,511	175,437	636,172	423,238

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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 (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
<u>Segment Results</u>				
Power and Machinery	18,842	9,960	29,921	26,215
Oilfield Services	180	3,577	1,595	13,984
Integrated Corrosion Solution	3,586	175	4,967	(6,379)
Other non-reportable segment	27	22	48	40
Segment results	22,635	13,734	36,531	33,860
Unallocated income ^	22	193	106	362
Unallocated corporate expenses #	(866)	(866)	(2,935)	(4,625)
Share of results of a joint venture *	377	322	1,127	990
Share of results of associates *	1,301	857	4,568	1,719
Tax expense (Note B5) *	(5,072)	(3,223)	(7,894)	(10,278)
Profit for the financial period	18,397	11,017	31,503	22,028

^ 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.

* 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 30/09/2019 RM'000	As at 31/12/2018 RM'000
<u>Segment Assets</u>		
Power and Machinery	303,445	264,705
Oilfield Services	251,277	215,323
Integrated Corrosion Solution	137,416	83,924
Segment assets	692,138	563,952
Unallocated corporate assets ^	92,365	96,407
Total assets	784,503	660,359

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	198,753	141,800
Oilfield Services	67,541	61,733
Integrated Corrosion Solution	112,445	66,714
Segment liabilities	378,739	270,247
Unallocated corporate liabilities #	34,656	34,450
Total liabilities	413,395	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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Revenue from contracts with customers	296,368	175,309	635,794	422,915
Revenue from other sources:				
- Management fee	143	128	378	323
	296,511	175,437	636,172	423,238

Revenue from contracts with customers:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Sale of gas turbine packages and after sales support and services	143,645	74,477	273,129	190,366
Commission based income services	796	0	3,211	2,972
Principal based income services	470	425	852	634
Sale of valves and flow regulators and after sales support and services	33,627	14,027	63,972	37,815
Sale, repair and maintenance of motors, generators and transformers	1,678	1,934	5,345	3,832
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and drilling and production services	33,143	33,476	103,051	90,709
Provision of services on Specialty Chemical and Well Stimulation	3,468	1,432	4,755	2,566
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	19,113	3,953	44,808	12,473
Provision of maintenance, construction and modification maintenance services	60,428	45,585	136,671	81,548
	296,368	175,309	635,794	422,915

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

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Acquisitions at cost:-				
- Plant and equipment	26,066	5,262	43,255	10,296
- Intangible assets	0	0	0	24
Depreciation:-				
- Plant and equipment	7,993	7,729	23,834	22,782
- Investment properties	6	6	18	18
- Right-of-use assets	407	0	1,207	0
Amortisation of intangible assets	120	182	383	545

* Exclude advance payments made amounting to RM17,466,000 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 September 2019, the Group did not have any contingent liabilities or assets except for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts of RM36.6 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 September 2019 were as follows:

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Authorised but not contracted for		
- Plant and machinery	21,905	41,201
- Others	8,919	11,387
Authorised and contracted for		
- Plant and machinery	45,184	12,213
- Others	9,514	6,839
	85,522	71,640
Share of capital commitment of joint venture	803	899
	86,325	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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	891	1,407	1,909	5,084
Rental income from an affiliate company of STICO	14	14	41	41
Purchases and technical services from STICO and its affiliated company	112,529	59,837	216,528	146,912

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

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Amount due from STICO and its affiliated company	3,819	2,186
Amount due to STICO and its affiliated company	161,152	116,123

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Sales to related parties of Dresser Italia S.R.L	0	393	90	528
Purchases of goods and services from related parties of Dresser Italia S.R.L	16,732	4,636	29,398	15,195

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

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Amount due from related parties of Dresser Italia S.R.L	101	230
Amount due to related parties of Dresser Italia S.R.L	9,533	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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 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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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 September 2019 was as follows:

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Amount due from STICO and its affiliated company	985	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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Directors' fees	246	228	723	699
Salaries, bonuses, allowances and other staff related expenses	2,437	2,389	8,439	8,850
Defined contribution plan	264	256	936	772
	2,947	2,873	10,098	10,321

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B1. PERFORMANCE REVIEW

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

	Q3'19 RM'000	Q3'18 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	296,511	175,437	121,074	69.0
Operating profit	22,643	13,751	8,892	64.7
Share of results of a joint venture, net of tax	377	322	55	17.1
Share of results of associates, net of tax	1,301	857	444	51.8
Profit before interest and tax	23,735	14,232	9,503	66.8
Profit before tax	23,469	14,240	9,229	64.8
Profit after tax	18,397	11,017	7,380	67.0
Profit attributable to equity holders of the Company	13,107	9,117	3,990	43.8

During the current quarter, the Group recorded an increase in revenue by 69% or RM121.1 million to RM296.5 million against the corresponding quarter of RM175.4 million with higher sales achieved across all reportable segments supported mainly by the solid revenue growth booked by both Power and Machinery and Integrated Corrosion Solution segments.

The Group's profit attributable to equity holders of the Company had improved by RM4.0 million attributable to the strong results recorded from both Power and Machinery and Integrated Corrosion Solution segments on the back of higher revenue achieved, higher share of results from an associate company of RM0.4 million coupled with lower net loss recorded on the re-translation of foreign exchange differences on MYR against USD of RM0.6 million against RM1.1 million in the corresponding quarter. However, this increase was offset by the lower operating results from Oilfield Services segment affected by the downward pressure on margins.

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

Share of results of associates were higher by RM0.4 million due to the improvement in the operating results of Malaysia Mud and Chemicals Sdn. Bhd. ("2MC") following strong orders secured with higher throughput achieved from both its dry bulk and liquid mud businesses.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q3'19	Q3'18	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	179,746	90,438	89,308	98.8
Operating profit	18,857	9,960	8,897	89.3
Profit before interest and tax	18,348	9,356	8,992	96.1
Profit before tax	<u>18,842</u>	<u>9,960</u>	<u>8,882</u>	<u>89.2</u>

The Power and Machinery segment revenue grew by 98.8% or RM89.3 million to RM179.7 million compared to the corresponding quarter of RM90.4 million driven by the strong deliveries in exchange engines, higher valve and flow regulators services provided, increase in sales from retrofit projects due to higher project hardware supplies, increase in turbine parts and repair services and third party sales. This however, was offset by the lower sales in machinery management system and training services.

The segment results had improved by RM8.9 million in tandem with the higher revenue reported and lower net loss on the re-translation of foreign exchange differences on MYR against USD of RM0.6 million versus RM1.0 million recorded in the corresponding quarter but softened by lower margins due to change in sales mix.

	Q3'19	Q3'18	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	37,081	35,333	1,748	4.9
Operating profit	555	4,151	(3,596)	(86.6)
Profit before interest and tax	501	4,090	(3,589)	(87.8)
Profit before tax	<u>180</u>	<u>3,577</u>	<u>(3,397)</u>	<u>(95.0)</u>

The Oilfield Services segment revenue improved by 4.9% or RM1.7 million to RM37.0 million compared to the corresponding quarter of RM35.3 million contributed mainly by revenue generated from Gas Lift Valve ("GLV") services, higher work orders from well intervention and enhancement services and increase in sales from the Specialty Chemical and Well Stimulation ("SCWS") but offset by the lower slickline activities.

Notwithstanding the higher revenue earned from these activities, the segment results fell to a meagre profit of RM0.2 million compared against the corresponding quarter profit of RM3.6 million due to the downward pressure on margins from local slickline operations affected by the high equipment rental costs incurred coupled with the slowdown in slickline activities in the West Malaysia region and losses on overseas slickline operations.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q3'19	Q3'18	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	79,541	49,538	30,003	60.6
Operating profit	4,046	291	3,755	1,290.4
Profit before interest and tax	4,046	291	3,755	1,290.4
Profit before tax	<u>3,586</u>	<u>175</u>	<u>3,411</u>	<u>1,949.1</u>

The Integrated Corrosion Solution segment registered a strong growth in revenue by 60.6% or RM30.0 million to RM79.5 million compared against the corresponding quarter revenue of RM49.5 million underpinned by the robust activity levels from its on-going projects with strong momentum in sales growth from its Sponge-Jet Blasting business following the renewal of the Pan Malaysia Painting and Blasting Contracts ("PMPBC") coupled with higher works performed on its Maintenance, Construction and Modification services ("MCM") contract.

The segment results increased by RM3.4 million on the back of higher work order deliveries and better sales mix with higher margins earned from Sponge-Jet Blasting business.

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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 %
	Q3'19 RM'000	Q3'18 RM'000		
<u>Group</u>				
Revenue	636,172	423,238	212,934	50.3
Operating profit	36,049	31,740	4,309	13.6
Share of results of a joint venture, net of tax	1,127	990	137	13.8
Share of results of associates, net of tax	4,568	1,719	2,849	165.7
Profit before interest and tax	39,467	32,178	7,289	22.7
Profit before tax	39,397	32,306	7,091	21.9
Profit after tax	31,503	22,028	9,475	43.0
Profit attributable to equity holders of the Company	24,582	19,692	4,890	24.8

The Group's nine months cumulative revenue climbed by 50.3% or RM212.9 million against the corresponding period to RM636.2 million supported by the solid growth in revenue across all reportable segments.

The Group's profit attributable to equity holders of the Company had improved by 24.8% or RM4.9 million against the corresponding period to RM19.7 million on the back of strong results reported from both Power and Machinery and Integrated Corrosion Solution segments, higher share of results from an associate company of RM2.8 million in the current period. The results in the corresponding period was 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. The current period results were however offset by the lower results registered in Oilfield Services segment and was exacerbated by the unfavorable re-translation of foreign exchange differences which resulted in a higher net foreign exchange losses of RM2.2 million versus RM0.4 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 RM2.8 million attributable to the strong performance recorded by 2MC on the back of higher throughput achieved from both its dry bulk and liquid mud businesses driven by strong orders.

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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 %
	Q3'19 RM'000	Q3'18 RM'000		
<u>Power and Machinery</u>				
Revenue	345,657	234,985	110,672	47.1
Operating profit	29,964	26,215	3,749	14.3
Profit before interest and tax	27,997	24,462	3,535	14.5
Profit before tax	29,921	26,215	3,706	14.1

The Power and Machinery segment revenue increased by 47.1% or RM110.7 million against the corresponding period to RM345.7 million. This is supported by the higher revenue recorded but offset by thinner operating margins due to unfavourable change in sales mix and impact of higher losses in the re-translation of foreign exchange differences which resulted in a net loss of RM2.3 million compared to RM0.4 million in the corresponding period.

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'19 RM'000	Q3'18 RM'000		
<u>Oilfield Services</u>				
Revenue	108,658	93,909	14,749	15.7
Operating profit	2,792	15,972	(13,180)	(82.5)
Profit before interest and tax	2,588	15,625	(13,037)	(83.4)
Profit before tax	1,595	13,984	(12,389)	(88.6)

The Oilfield Services segment revenue increased by 15.7% or RM14.7 million against the corresponding period to RM108.7 million. Notwithstanding the higher revenue reported, the segment results declined by RM12.4 million due to margins compression on its local slickline services with higher equipment rental costs incurred, losses from its overseas slickline operations and adverse results in SCWS operations but mitigated by the additional profits generated from GLV services and stronger contribution recorded from well intervention and enhancement services.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q3'19 RM'000	Q3'18 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	181,479	94,021	87,458	93.0
Operating profit	6,066	(6,224)	12,290	197.5
Profit before interest and tax	6,066	(6,224)	12,290	197.5
Profit before tax	4,967	(6,379)	11,346	177.9

The Integrated Corrosion Solution segment registered a revenue of RM181.5 million, representing an increase by RM87.5 million or 93% 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 also turnaround and registered a profit of RM5.0 million from a loss of RM6.4 million on the back of higher revenue reported coupled with improvement in margins earned following better sales mix in the current period and absence of high expediting costs incurred for the closure of PMPBC contract incurred during the last corresponding period.

(C) Consolidated Statement of Financial Position

Group total assets as at 30 September 2019 stood at RM784.5 million against RM660.4 million at the end of the previous financial year, representing an increase of RM124.1 million. This was mainly due to the higher carrying value of non-current assets by RM40.5 million following higher capital expenditure incurred for the Oilfield Services segment for the fulfilment of its new slickline contract secured previously, higher inventories, trade receivables and contract assets balances totalling to RM112.0 million offset by lower holdings on cash and bank balances by RM28.5 million.

In tandem, Group total liabilities climbed by RM108.7 million as a result of an increase in trade and other payable balances by RM110.6 million offset by the reduction of contract liabilities balances of RM3.8 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances stood at RM106.4 million against RM134.9 million as at 31 December 2018. The change was due to cash outflows incurred on capital expenditure of RM60.7 million and dividends paid to shareholders and non-controlling shareholders' totalling to RM16.1 million offset by net cash generated from operations of RM43.4 million and dividend received from an associate of RM5.4 million.

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

	Q3'19 RM'000	Q2'19 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	296,511	212,159	84,352	39.8
Operating profit	22,643	11,987	10,656	88.9
Share of results of a joint venture, net of tax	377	356	21	5.9
Share of results of associates, net of tax	1,301	1,729	(428)	(24.8)
Profit before interest and tax	23,735	13,284	10,451	78.7
Profit before tax	23,469	13,280	10,189	76.7
Profit after tax	18,397	12,413	5,984	48.2
Profit attributable to equity holders of the Company	13,107	8,662	4,445	51.3

Quarter on quarter, the Group's profit attributable to equity holders of the Company increased by RM4.4 million against the immediate preceding quarter due to stronger segment contributions from Power and Machinery and a turnaround in Oilfield Services segment results but was offset by the lower results from Integrated Corrosion Solution segment due to downward pressure on margins from its MCM contracts.

Share of results of joint venture is contributed by the overhaul and repairs of gas turbines. The higher share of results is due to higher interest income received in current quarter.

Share of results of associates decreased by RM0.4 million as a result of lower throughput achieved from its liquid mud business.

	Q3'19 RM'000	Q2'19 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	179,746	96,036	83,710	87.2
Operating profit	18,857	6,182	12,675	205.0
Profit before interest and tax	18,348	5,470	12,878	235.4
Profit before tax	18,842	6,168	12,674	205.5

Power and Machinery segment results increased to RM18.8 million as compared to RM6.2 million in the immediate preceding quarter. The higher results were driven by strong orders from exchange engines, turbine parts and repair, valve and flow regulators services, increase in income from third party sales and other ancillary services and higher supply of local field service representative offset by lower commission income earned on oil and gas projects and decreased contribution from retrofit projects.

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

	Q3'19 RM'000	Q2'19 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	37,081	39,810	(2,729)	(6.9)
Operating profit	555	(2,226)	2,781	124.9
Profit before interest and tax	501	(2,297)	2,798	121.8
Profit before tax	180	(2,626)	2,806	106.9

Oilfield Services segment reported a segment profit of RM0.2 million against RM2.6 million loss recorded in the immediate preceding quarter driven mainly by the stronger contribution from GLV services and better operating profits from both SCWS and well intervention and enhancement services riding on the back of higher revenue reported. However, this profits were offset by margin compressions and slowdown in activities from its slickline operations.

	Q3'19 RM'000	Q2'19 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	79,541	76,189	3,352	4.4
Operating profit	4,046	9,104	(5,058)	(55.6)
Profit before interest and tax	4,046	9,104	(5,058)	(55.6)
Profit before tax	3,586	8,731	(5,145)	(58.9)

Integrated Corrosion Solution segment posted lower result with a pre-tax profit of RM3.6 million compared to a RM8.7 million recorded in the immediate preceding quarter affected by the downward pressure on margins for its MCM project in the current quarter.

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B3. PROSPECTS

In light of the continuing uncertainties affecting the global oil market and in an effort to avoid a destabilising build-up in oil inventories, OPEC and non-OPEC countries participating in the Declaration of Cooperation agreed to extend voluntary production adjustments until 31 March 2020, reaffirming their continued commitment to promote and enhance oil market stability. The industry is showing signs that it has somewhat found balance in the current price level with activity levels recovering. However, it is still cautious due to the on-going volatility and uncertainties.

Deleum will continue to remain focus on its Six Key Focus Areas of the Company's Strategic Plan to ensure the business sustainability in this challenging market environment. For the remaining of the financial year ending 31 December 2019, Deleum shall remain cautious on its financial outlook by focusing on its business deliverables, cost efficiencies and effectiveness and performance excellence.

Following the strong financial performance in this quarter, the Power and Machinery segment is expected to remain as the largest contributor to the profitability of the Group.

The Oilfield Services segment's results have been impacted adversely by the mobilisation cost of its newly secured slickline contracts awarded at the end of the previous financial year. The segment is focusing on fulfilling all of its contractual requirements and working on improvement of margin by practising stringent cost management whilst maintaining its performance quality.

Further to the turnaround in last quarter, the Integrated Corrosion Solution segment continued to report profitability in the current quarter. The segment will continue with its initiatives and measures to maintain its financial performance 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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Current tax – current year	3,527	2,158	6,985	8,577
Under/(Over) provision in prior years*	19	(53)	19	1,702
Deferred tax				
– origination and reversal of temporary differences	1,603	1,118	1,510	(1)
– recognition of previously unrecognised temporary differences	(77)	0	(620)	0
Total income tax expense	5,072	3,223	7,894	10,278

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

	Cumulative Quarters ended	
	30/09/2019	30/09/2018
	%	%
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	(3)	(2)
- Under provision in prior years	(1)	8
- Recognition of previously unrecognised temporary differences	(2)	0
Effective tax rate	20	32

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 14 November 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 30/09/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of joint venture	30,829	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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Profit before tax	561	509	1,760	1,560
Income tax expense	(93)	(109)	(361)	(331)
Profit for the period	<u>468</u>	<u>400</u>	<u>1,399</u>	<u>1,229</u>
Interest in joint venture (80.55%) Share of results	<u>377</u>	<u>322</u>	<u>1,127</u>	<u>990</u>

B10. ASSOCIATES

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Group's share of net assets of associates	<u>36,379</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 loss from this associate and its loss attributable to the shareholders of the Company in the financial period ended 30 September 2019 amounted to RM18 (30 September 2018: RM400) and RM11 (30 September 2018: RM240) respectively.

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B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	30/09/2019	30/09/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit / (loss) before tax	5,683	2,528	(1)	(5)	5,682	2,523
Income tax expense	(1,616)	153	0	0	(1,616)	153
Profit / (loss) for the period	<u>4,067</u>	<u>2,681</u>	<u>(1)</u>	<u>(5)</u>	<u>4,066</u>	<u>2,676</u>
Interest in associates (32%; 20%)						
Share of results	<u>1,301</u>	<u>858</u>	<u>0</u>	<u>(1)</u>	<u>1,301</u>	<u>857</u>
	2MC		CUPL		Total	
	Year-to-date	Year-to-date	Year-to-date	Year-to-date	Year-to-date	Year-to-date
	ended	ended	ended	ended	ended	ended
	30/09/2019	30/09/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	18,511	6,022	0	(2)	18,511	6,020
Income tax expense	(4,236)	(649)	0	0	(4,236)	(649)
Profit for the period	<u>14,275</u>	<u>5,373</u>	<u>0</u>	<u>(2)</u>	<u>14,275</u>	<u>5,371</u>
Interest in associates (32%; 20%)						
Share of results	<u>4,568</u>	<u>1,719</u>	<u>0</u>	<u>0</u>	<u>4,568</u>	<u>1,719</u>

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B11. TRADE RECEIVABLES

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Neither past due nor impaired	68,400	53,168
1 to 30 days past due not impaired	19,058	20,929
31 to 60 days past due not impaired	11,510	4,303
61 to 90 days past due not impaired	1,122	7,452
91 to 120 days past due not impaired	1,340	6,534
More than 121 days past due not impaired	2,270	597
	103,700	92,983
Not past due but impaired	0	1
Past due and impaired:		
31 to 60 days past due and impaired	1	0
61 to 90 days past due and impaired	0	0
91 to 120 days past due and impaired	8	0
More than 121 days past due and impaired	957	1,732
	104,666	94,716
Less: Impairment of receivables	(966)	(1,733)
	103,700	92,983

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM35.3 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 September 2019 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>30/09/2019</u>			
Borrowings - secured	17,773	10,807	28,580
- unsecured	<u>34,289</u>	<u>725</u>	<u>35,014</u>
	<u>52,062</u>	<u>11,532</u>	<u>63,594</u>
<u>31/12/2018</u>			
Borrowings - secured	27,948	7,785	35,733
- unsecured	<u>27,448</u>	<u>0</u>	<u>27,448</u>
	<u>55,396</u>	<u>7,785</u>	<u>63,181</u>

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Revolving credits	(i)	29,800	24,800
Finance lease liabilities	(ii)	66	80
Lease liabilities on right-of-use assets	(iii)	2,158	0
Term loans	(iv)	28,514	35,653
Loans against import	(v)	<u>3,056</u>	<u>2,648</u>
		63,594	63,181
Less: Amount repayable within 12 months			
Revolving credits		(29,800)	(24,800)
Finance lease liabilities		(19)	(18)
Lease liabilities on right-of-use assets		(1,433)	0
Term loans		(17,754)	(27,930)
Loans against import		<u>(3,056)</u>	<u>(2,648)</u>
		<u>(52,062)</u>	<u>(55,396)</u>
Amount repayable after 12 months		<u>11,532</u>	<u>7,785</u>

The increase in borrowings was due to net draw down on loans against import of RM0.4million, 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 RM2.2 million offset by net repayment on term loans of RM7.1 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 5.01% (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 4.09% 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 4.52% (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 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 14 November 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

Save as disclosed in Note A9, there were no other dividend declared during the quarter under review for the financial year ending 31 December 2019.

B16. EARNINGS PER SHARE (“EPS”)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	13,071	9,117	24,582	19,692
Weighted average number of shares in issue ('000)	401,175	400,291	401,175	400,789
Basic earnings per share (sen)	3.26	2.28	6.13	4.91

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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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	13,071	9,117	24,582	19,692
Weighted average number of shares in issue ('000) (Basic)	401,175	400,291	401,175	400,789
Effect of potential vesting of Long Term Incentive Plan	N/A^	2,831	N/A^	1,766
Weighted average number of ordinary shares ('000)	N/A^	403,122	N/A^	402,555
Diluted earnings per share (sen)	N/A^	2.26	N/A^	4.89

^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	
	30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Inventories consumed and recognised as cost of sales	37,426	17,113	78,607	53,783
Purchase of products, parts and consumable	14,941	8,568	31,455	15,710
Costs of services purchased	133,253	71,839	264,028	155,262
Interest income	(586)	(698)	(2,277)	(2,271)
Other income including investment income	(195)	(112)	(419)	(278)
Interest expenses	852	690	2,347	2,143
Depreciation and amortisation	8,526	7,917	25,442	23,345
Write back of impairment for doubtful debts				
- Trade receivables	(4)	(2)	(8)	(66)
- Contract assets	1	(48)	(4)	(57)
Bad debts written off				
- Other receivables	0	0	4	0
Impairment of doubtful debts				
- Trade receivables	18	(20)	26	7
- Contract assets	0	2	0	102
- Other receivables	10	0	10	0
Reversal of allowance for slow moving inventories	(12)	(1)	(23)	(15)

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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	
	30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Gain on disposals of plant and equipment	0	(262)	0	(262)
Property, plant and equipment written off	168	0	178	1
Inventories written off	0	36	0	64
Foreign exchange losses / (gains)				
- Realised	242	750	1,373	58
- Unrealised	354	352	848	378
Provision for liquidated damages	28	9	135	254
Write back of provision of liquidated damages	0	(3)	0	(12)
Fair value loss on foreign currency exchange forward contract	(50)	300	73	552
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 21 November 2019.

By order of the Board

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