

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2020

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DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2020

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED
		30/09/2020 Unaudited	30/09/2019 Unaudited	30/09/2020 Unaudited	30/09/2019 Unaudited
	A11	144,909	296,511	434,871	636,172
Revenue					
Cost of sales		(90,320)	(248,257)	(334,131)	(530,416)
Gross profit		54,589	48,254	100,740	105,756
Other operating income		754	781	2,558	2,696
Selling and distribution costs		(7,400)	(9,165)	(22,601)	(27,152)
Administrative expenses		(11,707)	(15,856)	(36,927)	(41,718)
Other operating losses ⁽¹⁾		(15,159)	(1,371)	(33,135)	(3,533)
Operating profit		21,077	22,643	10,635	36,049
Finance costs		(639)	(852)	(2,370)	(2,347)
Share of results of a joint venture (net of tax)	B9	377	377	941	1,127
Share of results of associates (net of tax)	B10	825	1,301	3,612	4,568
Profit before tax	B17	21,640	23,469	12,818	39,397
Income tax expense	B5	(10,988)	(5,072)	(9,544)	(7,894)
Profit for the period		10,652	18,397	3,274	31,503
Other comprehensive income					
Currency translation differences		(125)	(39)	65	53
Total comprehensive income for the period		10,527	18,358	3,339	31,556
Profit/(loss) attributable to:					
- Equity holders of the Company		8,916	13,107	(69)	24,582
- Non-controlling interests		1,736	5,290	3,343	6,921
		10,652	18,397	3,274	31,503
Total comprehensive income/(loss) attributable to:					
- Equity holders of the Company		8,862	13,071	(104)	24,594
- Non-controlling interests		1,665	5,287	3,443	6,962
		10,527	18,358	3,339	31,556
Earnings/(loss) per share (EPS) attributable to equity holders of the Company (sen)					
- Basic EPS	B16	2.22	3.26	(0.02)	6.13
⁽¹⁾ Other operating losses include the following:					
Foreign exchange (losses)/gains:					
- Realised		(985)	(242)	(2,032)	(1,373)
- Unrealised		1,116	(354)	226	(848)
Fair value gain/(loss) on forward foreign currency exchange contracts		382	50	510	(73)
Impairment/(reversal) made:					
- trade receivables		(216)	(18)	(1,089)	(26)
- contract assets		(22)	0	(99)	0
- other receivables		276	(10)	(1,471)	(10)
- plant and equipment		(15,244)	0	(25,844)	0
Inventories written back/(written off)		7	0	(1,773)	0

The above unaudited condensed interim consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

RM'000	Note	As at 30/09/2020 Unaudited	As at 31/12/2019 Audited
ASSETS			
Property, plant and equipment*		163,701	182,800
Investment properties		753	770
Intangible assets		245	460
Associates	B10	26,306	34,800
Joint venture	B9	32,017	31,076
Deferred tax assets		1,462	3,329
Other receivables		10,819	19,527
Non-current Assets		235,303	272,762
Inventories		26,535	44,641
Amounts due from an associate		3,200	1,600
Amounts due from a joint venture		64	127
Trade receivables	B11	51,081	119,318
Contract assets		103,153	138,181
Other receivables, deposits and prepayments		8,246	9,315
Tax recoverable		1,718	1,587
Cash and bank balances		214,297	159,958
Current Assets		408,294	474,727
TOTAL ASSETS		643,597	747,489
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Equity - share based payment		0	0
Retained earnings		192,002	200,971
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,047)	(2,735)
Equity attributable to equity holders of the Company		341,757	350,038
Non-controlling interests		21,197	28,484
Total Equity		362,954	378,522
Borrowings	B12	20,370	22,442
Deferred income		543	0
Deferred tax liabilities		19,518	23,166
Non-current Liabilities		40,431	45,608
Trade payables		128,127	205,117
Contract liabilities		29,725	12,698
Other payables and accruals		19,942	29,260
Amounts due to an associate		0	7,162
Amounts due to a joint venture		1	0
Derivative financial instrument	A7	25	11
Taxation		7,170	2,534
Borrowings	B12	55,222	66,577
Current Liabilities		240,212	323,359
Total Liabilities		280,643	368,967
TOTAL EQUITY AND LIABILITIES		643,597	747,489

* Inclusive of right-of-use assets

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 2019 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 2020

	←-----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 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
Long-Term Incentive Plan ("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>
At 1 January 2020	401,553	201,802	0	(2,735)	(50,000)	200,971	350,038	28,484	378,522
(Loss)/profit for the financial period	0	0	0	0	0	(69)	(69)	3,343	3,274
Other comprehensive (loss)/income for the financial period	0	0	0	(35)	0	0	(35)	100	65
Total comprehensive (loss)/income for the financial period	0	0	0	(35)	0	(69)	(104)	3,443	3,339
Dividend	0	0	0	0	0	(12,047)	(12,047)	(6,860)	(18,907)
Effect on dissolution of an associate	0	0	0	723	0	3,147	3,870	(3,870)	0
At 30 September 2020	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,047)</u>	<u>(50,000)</u>	<u>192,002</u>	<u>341,757</u>	<u>21,197</u>	<u>362,954</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 2019 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 2020

RM'000	YEAR TO-DATE-ENDED	
	30/09/2020	30/09/2019
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	3,274	31,503
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	1,089	26
- write back of impairment	(154)	(8)
Contract assets		
- impairment made	99	0
- write back of impairment	(1)	(4)
Other receivable		
- impairment made	1,471	10
Allowance for slow moving inventories:		
- allowance made	140	0
- write back of allowance	(16)	(23)
Amortisation of intangible assets	215	383
Depreciation:		
- property, plant and equipment	28,875	25,041
- investment properties	17	18
Impairment on plant and equipment	25,844	0
Bad debts written off:		
- other receivable	562	4
Provision for liquidated damages		
- provision made	9	135
- write back of provision	(34)	0
Gain on disposals of plant and equipment	(20)	0
Gain on lease modification and disposal	(1)	0
Gain on rental concession	(47)	0
Write-off:		
- property, plant and equipment	13	178
- inventories	1,773	0
Interest income	(2,290)	(2,277)
Finance costs	2,370	2,347
Share based payment expense	0	7
Share of results of associates	(3,612)	(4,568)
Share of results of a joint venture	(941)	(1,127)
Tax expense	9,544	7,894
Unrealised net foreign exchange (gains)/losses	(226)	848
Net fair value (gain)/loss on forward foreign currency exchange contracts	(510)	73
Operating profit before working capital changes	67,443	60,460
<u>Changes in working capital</u>		
Inventories	16,209	(10,276)
Amounts due from a joint venture	64	71
Trade receivables	67,691	(10,913)
Contract assets	34,425	(90,757)
Other receivables, deposits and prepayments	506	(673)
Trade payables	(76,113)	102,385
Other payables and accruals	(8,731)	7,126
Contract liabilities	17,027	(3,750)
Cash generated from operations	118,521	53,673
Tax paid	(6,820)	(9,658)
Tax refunded	0	1,754
Interest paid	(2,398)	(2,323)
Net cash generated from operating activities	109,303	43,446

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

RM'000	YEAR TO-DATE-ENDED	
	30/09/2020	30/09/2019
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,285	2,283
Addition on plant and equipment*	(24,580)	(60,721)
Long-term deposits paid	(1,790)	0
Proceeds from disposals on plant and equipment	20	0
Dividend received from an associate	3,200	5,440
Proceeds on net assets surplus distribution arising from the dissolution of an associate	148	0
Net cash used in investing activities	(20,717)	(52,998)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	0	5,000
- Repayment	(2,000)	0
Loans against import		
- Drawn down	8,375	29,686
- Repayment	(17,245)	(29,278)
Term loans		
- Drawn down	15,291	11,681
- Repayment	(18,660)	(18,820)
Lease liabilities on right-of-use assets		
- Repayment	(1,166)	(1,202)
Dividends paid to:		
- Shareholders	(12,047)	(14,647)
- Non-controlling interest	(6,860)	(1,470)
Decrease in restricted cash	4,190	3,022
Net cash used in financing activities	(30,122)	(16,028)
Net increase/(decrease) in cash and cash equivalents	58,464	(25,580)
Foreign currency translation	65	74
Cash and cash equivalents at beginning of the year	147,518	124,276
Cash and cash equivalents at end of period	206,047	98,770
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	187,879	76,298
Cash and bank balances	26,418	30,081
	214,297	106,379
Restricted cash	(8,250)	(7,609)
Cash and cash equivalents at end of period	206,047	98,770
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	199,177	91,018
US Dollar	6,761	7,640
Others	109	112
	206,047	98,770

* Included in the addition on plant and equipment is the capitalisation on the advance payment made in prior years of RM9,027,000 as plant and equipment upon fulfillment of the recognition criteria during the current period.

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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 2020

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 2019 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 2019.

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 2019 except for the 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 2020.

The amendments to published standards effective for financial year beginning on 1 January 2020 that are applicable and adopted by the Group as follows:

Amendments to MFRS 3	Business Combinations – Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current – Deferral of Effective Date

The amendment to published standard effective for financial period beginning on 1 June 2020 that is applicable and adopted by the group as follows:-

Amendments to MFRS 16	Leases - Covid-19 - Related Rent Concessions
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The adoption of the above amendments to published standards did not have any material impact to the Group for the financial year ending 31 December 2020 upon their initial application.

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

A1. BASIS OF PREPARATION (Cont'd)

The Group has not early adopted the following amendments to published standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial year beginning on or after 1 January 2021 or where the effective date has been deferred to a date to be determined by the MASB is as follows:

Amendments to MFRS9, MFRS 139, MFRS 7 and MFRS 16	Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
Amendments to MFRS 3	Reference to the Conceptual Framework (effective 1 January 2022)
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)
Amendments to MFRS 116	Property, plant and equipment – Proceeds before Intended Use (effective 1 January 2022)
Annual Improvements to MFRS Standards 2018 – 2020	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, Amendments MFRS 9 Financial Instruments, Amendments to the illustrative examples accompanying MFRS 16 Leases (effective 1 January 2022)
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current (effective 1 January 2023)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is deferred to a date to be determined by MASB)

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

A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the current financial year-to-date other than as disclosed in Note B17.

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

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

The Group did not undertake any other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial year-to-date.

A6. FINANCIAL RISK MANAGEMENT POLICIES

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

The information on the forward foreign currency exchange contracts that remained outstanding at 30 September 2020 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 30/09/2020		As at 31/12/2019	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	52,318	75,177	85,337	120,592
Others	488	1,297	1,711	487
	<u>52,806</u>	<u>76,474</u>	<u>87,048</u>	<u>121,079</u>
Closing exchange rate				
US Dollar	<u>4.159</u>	<u>4.159</u>	<u>4.093</u>	<u>4.093</u>

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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 September 2020, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM288,000.

	Net Notional amount RM'000	Net Fair Value Liabilities RM'000
Type of derivatives		
Forward foreign currency exchange contracts ("FX Contract")		
- Less than 1 year	288	25

A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

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

During the financial year-to-date, the fair value changes arising from the forward foreign currency exchange contracts entered into by the Group and remained outstanding as at 30 September 2020 amounted to a fair value loss of RM25,000.

A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 3.00 sen per share on 401,553,500 ordinary shares, in respect of the financial year ended 31 December 2019.

	RM'000
Second interim single tier dividend of 3.00 sen per share on 401,553,500 ordinary shares, paid on 26 March 2020	12,047

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;
 - Provision of gas lift valve and insert strings equipment, accessories and services; and
 - Provision of subsurface engineering services.

- Integrated Corrosion Solution (“ICS”) – Mainly consists of:
 - Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities, services for tanks, vessels, structures and piping.

- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2020.

Segmental information for the financial period ended 30 September 2020 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	83,069	179,746	267,407	345,657
Oilfield Services	30,888	37,081	82,326	108,658
Integrated Corrosion Solution	30,845	79,541	84,771	181,479
Other non-reportable segment	107	143	367	378
Total Group revenue	144,909	296,511	434,871	636,172

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
<u>Segment Results</u>				
Power and Machinery	14,168	18,842	31,976	29,921
Oilfield Services	2,928	180	(17,348)	1,595
Integrated Corrosion Solution	3,291	3,586	(2,293)	4,967
Other non-reportable segment	27	27	51	48
Segment results	20,414	22,635	12,386	36,531
Unallocated income ^	71	22	191	106
Unallocated corporate expenses #	(47)	(866)	(4,312)	(2,935)
Share of results of a joint venture *	377	377	941	1,127
Share of results of associates *	825	1,301	3,612	4,568
Tax expense (Note B5) *	(10,988)	(5,072)	(9,544)	(7,894)
Profit for the financial period	10,652	18,397	3,274	31,503

^ 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 unallocated corporate expenses during the current financial year-to-date is an impairment loss made on the Group's corporate long-term other receivable of RM1,471,000 as disclosed in Note B17.

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

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 30/09/2020	As at 31/12/2019
	RM'000	RM'000
<u>Segment Assets</u>		
Power and Machinery	242,198	271,546
Oilfield Services	232,798	255,068
Integrated Corrosion Solution	69,853	128,158
Segment assets	544,849	654,772
Unallocated corporate assets ^	98,748	92,717
Total assets	643,597	747,489

	As at 30/09/2020	As at 31/12/2019
	RM'000	RM'000
<u>Segment Liabilities</u>		
Power and Machinery	118,670	157,666
Oilfield Services	67,625	69,843
Integrated Corrosion Solution	64,858	106,021
Segment liabilities	251,153	333,530
Unallocated corporate liabilities #	29,490	35,437
Total liabilities	280,643	368,967

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

A11. REVENUE

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Revenue from contracts with customers	144,802	296,368	434,504	635,794
Revenue from other sources:				
- Management fee	88	128	348	363
- Dividend income	19	15	19	15
	144,909	296,511	434,871	636,172

Revenue from contracts with customers:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Sale of gas turbine packages and after sales support and services	59,600	143,645	210,728	273,129
Commission based income services	829	796	829	3,211
Principal based income services	102	470	308	852
Sale of valves and flow regulators and after sales support and services	21,808	33,627	53,218	63,972
Sale, repair and maintenance of motors, generators and transformers	832	1,678	2,632	5,345
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	27,993	33,143	78,041	103,051
Provision of specialty chemical and well stimulation	2,793	3,468	3,977	4,755
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	10,777	19,113	21,452	44,808
Provision of maintenance, construction and modification services	20,068	60,428	63,319	136,671
	144,802	296,368	434,504	635,794

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

During the current quarter ended 30 September 2020, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Acquisitions at cost:-				
- Plant and equipment*	12,123	26,066	33,608	43,255
Depreciation:-				
- Property, plant and equipment	9,486	8,400	28,875	25,041
- Investment properties	6	6	17	18
Amortisation of intangible assets	51	120	215	383

* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of RM9,027,000 as plant and equipment upon fulfilment of the recognition criteria during the current period.

A13. MATERIAL EVENTS DURING THE REPORTING DATE

There was no other material event during the reporting date.

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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 2020, 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 RM44.7 million (31 December 2019: RM36.2 million).

A17. COMMITMENTS

Capital commitment

Capital commitments for investment, property, plant and equipment and intangible assets not provided for as at 30 September 2020 were as follows:

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Authorised but not contracted for		
- Plant and machinery	3,163	38,031
- Others	710	13,351
Authorised and contracted for		
- Plant and machinery	11,520	10,285
- Others	234	6,114
	15,627	67,781
Share of capital commitment of joint venture	674	1,215
	16,301	68,996

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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	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	44	891	1,524	1,909
Rental income from an affiliate company of STICO	14	14	41	41
Purchases and technical services from STICO and its affiliated companies	34,242	112,529	162,480	216,528

Significant outstanding balances arising from the above transactions as at 30 September 2020 were as follows:

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Amount due from STICO and its affiliated companies	1,155	5,218
Amount due to STICO and its affiliated companies	71,316	111,462

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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	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Sales to related parties of Dresser Italia S.R.L	119	0	346	90
Purchases of goods and services from related parties of Dresser Italia S.R.L	9,415	16,732	24,810	29,398

Significant outstanding balances arising from the above transactions as at 30 September 2020 were as follows:

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Amount due from related parties of Dresser Italia S.R.L	157	168
Amount due to related parties of Dresser Italia S.R.L	7,197	9,834

- (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	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Sales to STICO	1,125	1,484	3,375	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 2020 was as follows:

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Amount due from STICO and its affiliated company	375	485

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Directors' fees	326	246	777	723
Salaries, bonuses, allowances and other staff related expenses	2,091	2,437	8,662	8,439
Defined contribution plan	216	264	967	936
	2,633	2,947	10,406	10,098

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

B1. PERFORMANCE REVIEW

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

<u>Group</u>	Q3'20	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
Revenue	144,909	296,511	(151,602)	(51.1)
Operating profit	21,077	22,643	(1,566)	(6.9)
Share of results of a joint venture, net of tax	377	377	0	0
Share of results of associates, net of tax	825	1,301	(476)	(36.6)
Profit before interest and tax	21,569	23,735	(2,166)	(9.1)
Profit before tax	21,640	23,469	(1,829)	(7.8)
Profit after tax	10,652	18,397	(7,745)	(42.1)
Profit attributable to equity holders of the Company	8,916	13,107	(4,191)	(32.0)

The Group's turnover for the current quarter fell by RM151.6 million or 51.1% to RM144.9 million against the corresponding quarter of RM296.5 million due to lower revenue recorded across all reportable segments principally affected by the lacklustre activity levels for aftersales support and services from the Power and Machinery segment coupled with the slowdown in maintenance activities for both Maintenance, Construction and Modification services ("MCM") and Sponge-Jet Blasting ("SPJ") businesses from the Integrated Corrosion Solution segment.

The Group's profit attributable to equity holders of the Company had similarly declined by RM4.2 million or 32.0% to RM8.9 million against the corresponding quarter of RM13.1 million. The decline was attributable to lower sales recorded following the slowdown in activity levels across all reportable segments and a non-recurring one-off impairment charge made on ICS segment's operating assets of RM15.2 million in the current quarter. The reduction was cushioned partially by the improved operating margins on the back of better sales composition from the Power and Machinery segment, absence of high mobilisation costs on the slickline operations from Oilfield Services segment that occurred in the corresponding quarter, coupled with various cost savings initiatives undertaken within the Group.

Share of results of a joint venture was contributed by the overhaul and repairs of gas turbines. The results shared was consistent against the corresponding quarter.

Share of results from associates was lower by RM0.5 million against the corresponding quarter mainly attributable to the lower operating results of Malaysian Mud and Chemicals Sdn. Bhd. ("2MC") affected by the reduced 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)

	Q3'20	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	83,069	179,746	(96,677)	(53.8)
Operating profit	14,187	18,857	(4,670)	(24.8)
Profit before interest and tax	13,670	18,348	(4,678)	(25.5)
Profit before tax	14,168	18,842	(4,674)	(24.8)

The Power and Machinery segment revenue reduced by 53.8% or RM96.7 million to RM83.0 million compared to the corresponding quarter of RM179.7 million affected by lacklustre exchange engines deliveries, lower turbine parts and services, lower sales in valves and flow regulators services, decrease in revenue contribution from retrofit projects, weaker orders from motors, generators and transformers maintenance services coupled with the decline in third party services.

The segment results reported a decrease of RM4.7 million in tandem with the lower revenue recorded but mitigated by the improvement in operating margins due to positive changes in the sales mix, lower overhead expenses due to cost savings initiatives undertaken as well as the favourable movement in foreign exchange difference on MYR against USD with a lower net loss reported of RM0.1 million compared to the net loss of RM0.6 million recorded in the corresponding quarter.

	Q3'20	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	30,888	37,081	(6,193)	(16.7)
Operating profit	3,355	555	2,800	504.5
Profit before interest and tax	3,279	501	2,778	554.5
Profit before tax	2,928	180	2,748	1,526.7

The Oilfield Services segment revenue contracted by 16.7% or RM6.2 million to RM30.9 million compared to the corresponding quarter of RM37.1 million. This was primarily due to the softer slickline activities in East Malaysia region, lower jobs performed for well intervention and enhancement services, decline in both chemical sales and gas lift valve services coupled with lower commission income earned from principal.

Despite lower revenue, the segment results improved by RM2.7 million to RM2.9 million against the corresponding quarter of RM0.2 million on account of lower overhead costs incurred as a result of cost savings initiatives undertaken and better margins earned due to absence of high mobilisation costs recorded in previous corresponding quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q3'20	Q3'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Intergrated Corrosion Solution</u>				
Revenue	30,845	79,541	(48,696)	(61.2)
Operating profit	3,483	4,046	(563)	(13.9)
Profit before interest and tax	3,436	4,046	(610)	(15.1)
Profit before tax	<u>3,291</u>	<u>3,586</u>	<u>(295)</u>	<u>(8.2)</u>

The Integrated Corrosion Solution segment recorded a decline in revenue by 61.2% or RM48.7 million to RM30.8 million compared against the corresponding quarter revenue of RM79.5 million. The lower revenue was mainly attributable to the slowdown in maintenance activity levels and work order deliveries for both of its MCM and Sponge-Jet Blasting projects.

The segment results had declined by RM0.3 million to RM3.3 million against the corresponding period of RM3.6 million in tandem with lower revenue recorded coupled with a non-recurring one-off impairment charge made on its operating assets of RM15.2 million. The decrease was mitigated by stronger margins earned supported by better sales mix with lower foreseeable losses recognised coupled with various cost savings initiatives undertaken.

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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 %
	Q3'20 RM'000	Q3'19 RM'000		
<u>Group</u>				
Revenue	434,871	636,172	(201,301)	(31.6)
Operating profit	10,635	36,049	(25,414)	(70.5)
Share of results of a joint venture, net of tax	941	1,127	(186)	(16.5)
Share of results of associates, net of tax	3,612	4,568	(956)	(20.9)
Profit before interest and tax	12,898	39,467	(26,569)	(67.3)
Profit before tax	12,818	39,397	(26,579)	(67.5)
Profit after tax	3,274	31,503	(28,229)	(89.6)
(Loss)/profit attributable to equity holders of the Company	(69)	24,582	(24,651)	(100.3)

The Group's nine months cumulative revenue was lower by 31.6% or RM201.3 million against the corresponding period to RM434.9 million as a result of the depressed revenue registered across all reportable segments.

The Group's results attributable to equity holders of the Company similarly fell to a loss of RM0.1 million as opposed to the corresponding period profit of RM24.6 million affected by the weak operating performance from both ICS and Oilfield Services segments. The segments' results were dragged down by lower activity levels and exacerbated by the non-recurring one-off impairment charges on slickline operating assets of RM10.6 million and ICS operating assets of RM15.2 million respectively, provision for doubtful debts on trade receivables of RM1.0 million and write-offs made on inventory and other receivable of RM2.3 million. However, the Group's result was partially cushioned by the stronger performance recorded in Power and Machinery segment on the back of stronger margins earned on favourable sales mix.

Share of results of a joint venture was contributed by the overhaul and repairs of gas turbines. The lower share of results was due to lower revenue earned from engine disassembly services but offset by lower direct operating expenditure incurred in the current period.

Share of results of associates was lower by RM1.0 million attributable mainly due to the weaker performance recorded by 2MC impacted by lower throughput achieved from both of its dry bulk and liquid mud businesses.

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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 %
	Q3'20 RM'000	Q3'19 RM'000		
<u>Power and Machinery</u>				
Revenue	267,407	345,657	(78,250)	(22.6)
Operating profit	32,024	29,964	2,060	6.9
Profit before interest and tax	30,215	27,997	2,218	7.9
Profit before tax	31,976	29,921	2,055	6.9

The Power and Machinery segment revenue decreased by 22.6% or RM78.3 million to RM267.4 million against the corresponding period of RM345.7 million. In contrast, the segment results increased by RM2.1 million or 6.9% on account of stronger margins earned on better sales mix coupled with lower operating expenses incurred against the corresponding period due to various cost savings initiatives undertaken.

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3'20 RM'000	Q3'19 RM'000		
<u>Oilfield Services</u>				
Revenue	82,326	108,658	(26,332)	(24.2)
Operating (loss)/profit	(15,882)	2,792	(18,674)	(668.8)
(Loss)/profit before interest and tax	(16,126)	2,588	(18,714)	(723.1)
(Loss)/profit before tax	(17,348)	1,595	(18,943)	(1,187.6)

The Oilfield Services segment revenue decreased by 24.2% or RM26.3 million to RM82.3 million compared to the corresponding quarter of RM108.6 million.

The segment results similarly fell to a loss of RM17.3 million compared against the corresponding period profit of RM1.6 million in tandem with the weaker revenue recorded during the current financial period. The adverse results in the Oilfield Services segment was further amplified by the non-recurring one-off impairment charge on its slickline operating assets of RM10.6 million, provision for doubtful debts on trade receivables of RM1.0 million and write-offs on its inventory and other receivable of RM1.8 million and RM0.5 million respectively.

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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 %
	Q3'20 RM'000	Q3'19 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	84,771	181,479	(96,708)	(53.3)
Operating (loss)/profit	(1,442)	6,066	(7,508)	(123.8)
(Loss)/profit before interest and tax	(1,489)	6,066	(7,555)	(124.5)
 (Loss)/profit before tax	<u>(2,293)</u>	<u>4,967</u>	<u>(7,260)</u>	<u>(146.2)</u>

The Integrated Corrosion Solution segment revenue declined to RM84.8 million, representing a decrease of RM96.7 million or 53.3% compared with the corresponding period of RM181.5 million as a result of lower maintenance service activity level performed for both of its MCM and Sponge-Jet Blasting contracts. Likewise, the segment results reported a loss of RM2.3 million against the previous corresponding period profit of RM5.0 million affected by the lower sales activity level and the non-recurring one-off impairment charge on its operating assets of RM15.2 million but cushioned by stronger margin on the back of better sales mix coupled with various cost savings initiatives undertaken.

(C) Consolidated Statement of Financial Position

The Group's total assets as at 30 September 2020 stood at RM643.6 million against RM747.5 million at the end of the previous financial year, representing a decrease of RM103.9 million or 13.9%. This is mainly due to the lower inventories, trade and other receivables and contract assets balances totalling to RM131.1 million in line with the lower activity levels and affected by impairment and write-offs made. The carrying amount of investment in associates has also declined by RM8.5 million as an associate was dissolved during the current period. The decrease was however mitigated by an increase in the cash and bank balances of RM54.3 million.

In tandem, the Group's total liabilities had also decreased by RM88.3 million mainly due to lower trade and other payables balances by RM86.3 million, decline in net borrowings by RM13.4 million and lower amount due to an associate of RM7.2 million owing to a debt waiver by the associate but offset by an increase in the contract liabilities of RM17.0 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances stood at RM214.3 million against RM160.0 million as at 31 December 2019. The positive variance was due to inflow from net cash generated from operating activities of RM109.3 million, dividend received from an associate of RM3.2 million, interest income received of RM2.3 million and net proceeds arising from the dissolution of an associate of RM0.2 million. The increase was however offset by capital expenditures incurred of RM26.4 million, dividends paid to shareholders and non-controlling interest totalling RM18.9 million and net repayment on borrowings of RM15.4 million.

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

<u>Group</u>	Q3'20 RM'000	Q2'20 RM'000	Variance RM'000	Variance %
Revenue	144,909	138,760	6,149	4.4
Operating profit/(loss)	21,077	(13,520)	34,597	255.9
Share of results of a joint venture, net of tax	377	313	64	20.4
Share of results of associates, net of tax	825	1,043	(218)	(20.9)
Profit/(loss) before interest and tax	21,569	(12,956)	34,525	266.5
Profit/(loss) before tax	21,640	(12,924)	34,564	267.4
Profit/(loss) after tax	10,652	(10,386)	21,038	202.6
Profit/(loss) attributable to equity holders of the Company	<u>8,916</u>	<u>(11,145)</u>	<u>20,061</u>	<u>180.0</u>

Quarter on quarter, the Group's profit attributable to equity holders of the Company had turnaround to record a profit RM8.9 million against the immediate preceding quarter loss of RM11.1 million, representing an increase of RM20.0 million or 180.0%. The stronger results were attributable to the better operating performance across all reportable segments but offset by the non-recurring one-off impairment charge on operating assets of RM15.2 million from ICS segment during the current quarter. In addition, the weaker results reported in the immediate preceding quarter was also affected by the non-recurring one-off impairment charge recorded by the Group for its slickline operating assets of RM10.6 million on account of a low asset utilisation rate, long-term corporate other receivables of RM1.4 million and write-offs on inventories of RM1.8 million.

Share of results of joint venture was higher due to lower depreciation charges and lower operating expenses incurred in the current quarter.

Share of results of associates decreased by RM0.2 million affected by lower operating results reported by 2MC as a result of lower orders secured with lower throughput achieved from dry bulk business but mitigated by stronger orders from liquid mud business.

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

	Q3'20	Q2'20	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	83,069	87,053	(3,984)	(4.6)
Operating profit	14,187	11,463	2,724	23.8
Profit before interest and tax	13,670	10,824	2,846	26.3
Profit before tax	<u>14,168</u>	<u>11,448</u>	<u>2,720</u>	<u>23.8</u>

The Power and Machinery segment results increased by RM2.7 million or 23.8% to RM14.2 million as compared to RM11.4 million recorded in the immediate preceding quarter despite lower revenue supported by stronger operating margins earned on a positive change in the sales mix.

	Q3'20	Q2'20	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	30,888	23,748	7,140	30.1
Operating profit/(loss)	3,355	(18,555)	21,910	118.1
Profit/(loss) before interest and tax	3,279	(18,633)	21,912	117.6
Profit/(loss) before tax	<u>2,928</u>	<u>(19,019)</u>	<u>21,947</u>	<u>115.4</u>

Oilfield Services segment results had turnaround to report a profit of RM2.9 million against the immediate preceding quarter loss of RM19.0 million on the back of stronger operating performance from its local slickline services operation in both East and West Malaysia regions, higher activity levels for well intervention and enhancement services and higher contribution from gas lift valve services. Also, included in the immediate preceding quarter results was a non-recurring one-off impairment charge recorded on its slickline operating assets of RM10.6 million which did not recur during the current quarter.

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

	Q3'20 RM'000	Q2'20 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	30,845	27,824	3,021	10.9
Operating profit/(loss)	3,483	(3,932)	7,415	188.6
Profit/(loss) before interest and tax	3,436	(3,932)	7,368	187.4
Profit/(loss) before tax	3,291	(4,211)	7,502	178.2

Integrated Corrosion Solution segment posted a profit of RM3.3 million as opposed to a loss of RM4.2 million recorded in the immediate preceding quarter, representing an increase of RM7.5 million or 178.2%. The stronger results were in tandem with the higher revenue reported coupled with better margins earned from its MCM project supported by better sales mix and the various cost savings initiatives undertaken. This was, however, offset by a non-recurring one-off impairment charge on its operating assets of RM15.2 million.

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B3. PROSPECTS

The Malaysian economy had been severely impacted by the Coronavirus (Covid-19) pandemic. According to the World Bank's October 2020 Economic Update for East Asia and the Pacific, Malaysia's GDP forecast has been lowered to a contraction of 4.9% from the previously estimated 3.1% decline. For the Malaysian oil and gas industry, the near-term outlook for its production is weighed down by the effects of low global oil prices, cutback in upstream capital budgets and slump in demand during the Covid-19 pandemic.

Amidst this situation, Deleum continues to focus on optimising efficiencies, working capital utilisation and preserving free cash as well as building resilience, sustainability and consolidation of the businesses within the Group.

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	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Current tax – current year	7,972	3,527	11,291	6,985
Under provision in prior years	34	19	34	19
Deferred tax				
– origination and reversal of temporary differences	(2,202)	1,802	(7,426)	1,536
– recognition of previously unrecognised temporary differences	0	(77)	0	(620)
– de-recognition of deferred tax assets	5,184	(199)	5,645	(26)
Total income tax expense	10,988	5,072	9,544	7,894

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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 2020 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/09/2020	30/09/2019
	%	%
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	18	3
- Income not subject to tax	(2)	(1)
- Share of results of associates and joint venture	(9)	(3)
- De-recognition of deferred tax assets	44	0
- Under provision in prior years	0	(1)
- Recognition of previously unrecognised temporary differences	(1)	(2)
Effective tax rate	74	20

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 19 November 2020 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Group's share of net assets of joint venture	32,017	31,076

TOSB was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities include 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. Based on MFRS and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted for 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.

Summarised statement of comprehensive income

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Profit before tax	526	561	1,418	1,760
Income tax expense	(58)	(93)	(250)	(361)
Profit for the period	468	468	1,168	1,399
Interest in joint venture (80.55%) Share of results	377	377	941	1,127

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B10. ASSOCIATES

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Group's share of net assets of associates	26,306	34,800

In the opinion of the Directors, as at 30 September 2020, 2MC is a material associate while CUPL is no longer a material associate to the Group as it had commenced liquidation process during the current period. 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 2019. 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. On 22 June 2020, CUPL has commenced the liquidation process upon obtaining clearance from the local authority in Cambodia. The net outstanding balances owing to CUPL has now been forgone by the associate in a waiver exercise on the balances with its shareholders, in turn, any gain arising thereof shall be taken as a "return" on investment in CUPL. The Company has continued to equity account for the results of CUPL until it ceases to be an associate. Minimal share of results was reported from this associate and its contribution attributable to the shareholders of the Company in the financial period ended 30 September 2020 amounted to RM63,000 (30 September 2019: loss of RM18) and RM37,800 (30 September 2019: loss of RM11) respectively.

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B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Individual Quarter ended		Individual Quarter ended		Individual Quarter ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	3,219	5,683	0	(1)	3,219	5,682
Income tax expense	(640)	(1,616)	0	0	(640)	(1,616)
Profit for the period	2,579	4,067	0	(1)	2,579	4,066
Interest in associates (32%; 20%) Share of results	825	1,301	0	0	825	1,301
	2MC		CUPL		Total	
	Cumulative Quarters ended		Cumulative Quarters ended		Cumulative Quarters ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	14,696	18,511	317	0	15,013	18,511
Income tax expense	(3,605)	(4,236)	0	0	(3,605)	(4,236)
Profit for the period	11,091	14,275	317	0	11,408	14,275
Interest in associates (32%; 20%) Share of results	3,549	4,568	63	0	3,612	4,568

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B11. TRADE RECEIVABLES

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Neither past due nor impaired	35,863	74,403
1 to 30 days past due not impaired	4,433	26,685
31 to 60 days past due not impaired	1,461	11,186
61 to 90 days past due not impaired	1,771	4,003
91 to 120 days past due not impaired	3,083	1,241
More than 121 days past due not impaired	4,470	1,800
	<u>51,081</u>	<u>119,318</u>
1 to 30 days past due and impaired	0	0
91 to 120 days past due and impaired	872	0
More than 121 days past due and impaired	1,061	998
	<u>53,014</u>	<u>120,316</u>
Less: Impairment of receivables	<u>(1,933)</u>	<u>(998)</u>
	<u><u>51,081</u></u>	<u><u>119,318</u></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 re-negotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM15.2 million (31 December 2019: RM44.9 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 2020 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>30/9/2020</u>			
Borrowings - secured	26,040	19,133	45,173
- unsecured	29,182	1,237	30,419
	55,222	20,370	75,592
	55,222	20,370	75,592
<u>31/12/2019</u>			
Borrowings - secured	26,810	21,746	48,556
- unsecured	39,767	696	40,463
	66,577	22,442	89,019
	66,577	22,442	89,019

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Revolving credits	(i)	27,800	29,800
Lease liabilities on right-of-use assets	(ii)	2,666	1,854
Term loans	(iii)	45,126	48,495
Loans against import	(iv)	0	8,870
		75,592	89,019
Less: Amount repayable within 12 months			
Revolving credits		(27,800)	(29,800)
Lease liabilities on right-of-use assets		(1,402)	(1,116)
Term loans		(26,020)	(26,791)
Loans against import		-	(8,870)
		(55,222)	(66,577)
		20,370	22,442

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B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM3.4 million, full repayment on loans against import of RM8.9 million and revolving credits of RM2.0 million but offset by net addition of lease liabilities for right-of-use assets of RM0.8 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.25% (average interest of 1.00% per annum above the bank's cost of funds and 0.85% per annum above the KLIBOR).
- (ii) Lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% per annum.
- (iii) Term loans carry interest rates ranging from 2.78% to 4.27% per annum (0.90%, 1.1% and 1.25% per annum above the KLIBOR). The tenure of the term loans is on average of 5 years.
- (iv) Loans against import carry an interest rate of 4.13% (0.9% and 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 2020 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

B14. MATERIAL LITIGATION

Court Litigations with a vendor

As announced on 25 August 2020, Deleum Primera Sdn. Bhd. ("Deleum Primera"), a 60% owned subsidiary of the Company was, on 24 August 2020, served with a sealed Writ of Summons together with a Statement of Claim dated 21 August 2020, filed by Synergy Spectacular Sdn. Bhd. ("SSSB") at the Kuala Lumpur High Court ("**High Court Suit**"); and an unsealed Writ of Summons together with a Statement of Claim dated 21 August 2020, also filed by SSSB at the Kuala Lumpur Sessions Court ("**Sessions Court Suit**").

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B14. MATERIAL LITIGATION (Cont'd)

Court Litigations with a vendor (Cont'd)

a. The High Court Suit

SSSB has alleged *inter alia*, that Deleum Primera had unlawfully terminated the agreement entered into between them for the sale and delivery of certain equipment by SSSB to Deleum Primera, wherein there had been severe and protracted delay by SSSB. The High Court Suit is based on the alleged unlawful termination of the Cargo Handling Equipment Project dated 11.10.2018 by Deleum Primera, for a Judgment sum of RM1,400,500.00, being the total sum from invoices allegedly outstanding and the sum of RM874,500.00, being damages allegedly suffered due to Deleum Primera's refusal to accept delivery.

Deleum Primera has filed and served its Memorandum of Appearance on 4 September 2020. The matter is further fixed for case management on 21 October 2020.

Deleum Primera has filed and served its Defence and Counterclaim on 5 October 2020.

SSSB has filed and served on Deleum Primera the Reply to Defence and Defence to Counterclaim on 9 November 2020.

The High Court Suit was fixed for case management on 3 December 2020 pending filing of Deleum Primera's application for leave to serve a Rejoinder to SSSB's Reply to Defence and Defence to Counterclaim.

The Suit is not expected to have any material financial and operational impact on the Group.

b. The Sessions Court Suit

SSSB has alleged *inter alia*, that Deleum Primera had failed, refused and /or neglected to pay SSSB for services rendered by SSSB in respect of several projects on which it was appointed by Deleum Primera to perform. The Sessions Court Suit is for a Judgment for the alleged amount of RM488,277.43.

Deleum Primera has made payment to SSSB amounting to RM488,277.43 as full and final settlement towards SSSB's claims on 18 September 2020. Further, the Sessions Court Suit came up for case management on 22 September 2020, where SSSB has withdrawn the Sessions Court Suit with no Order as to costs and no liberty to file afresh and the Notice of Discontinuance has been filed and served on Deleum Primera's solicitors accordingly.

Forensic Investigation at Deleum Primera Sdn Bhd, a 60% owned subsidiary of the Company

As announced on 11 November 2020, the Company had appointed PwC Consulting Associates (M) Sdn Bhd to conduct a forensic investigation at Deleum Primera Sdn Bhd ("Deleum Primera"), a 60% indirectly owned subsidiary of the Company. The investigation involved some of Deleum Primera's employees, suppliers, contractors and employees of a client.

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B14. MATERIAL LITIGATION (Cont'd)

Forensic Investigation at Deleum Primera Sdn Bhd, a 60% owned subsidiary of the Company (Cont'd)

Subsequently, the Board of Directors of Deleum Primera decided to instruct its solicitors, Messrs. Lim Chee Wee Partnership, to file a Writ of Summons together with Statement of Claim dated 5 November 2020 and Notices of Application dated 5 November 2020 for a Delivery Up Order and Mareva (Freezing) Order against the defendants. The defendants comprise employees, suppliers, contractors as well as employees of a client.

Deleum Primera successfully obtained ex parte Orders which were served on 10 November 2020 and where the execution is still ongoing. The next Court date for the ex parte Orders is 4 December 2020.

The employees of Deleum Primera who are involved have been suspended, pending the conclusion of the investigation.

Deleum Primera will continue its business as usual. The financial impact cannot be ascertained as yet and is still being assessed.

B15. DIVIDEND

There was no dividend declared during the quarter under review for the financial year ending 31 December 2020.

B16. EARNINGS PER SHARE (“EPS”)

The calculation of basic earnings per share for the reporting periods was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Basic earnings per share				
Profit/(loss) attributable to equity holders of the Company (RM'000)	8,916	13,107	(69)	24,582
Weighted average number of shares in issue ('000)	401,333	401,175	401,333	401,175
Basic earnings per share (sen)	2.22	3.26	(0.02)	6.13

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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	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Inventories consumed and recognised as cost of sales	25,254	37,426	86,282	78,607
Purchase of products, parts and consumable	1,156	14,941	5,665	31,455
Costs of services purchased	50,060	133,253	157,944	264,028
Interest income	(710)	(586)	(2,290)	(2,277)
Other income including investment income	(42)	(195)	(200)	(419)
Interest expenses	639	852	2,370	2,347
Depreciation and amortisation	9,543	8,526	29,107	25,442
Write back of impairment for doubtful debts				
- Trade receivables	(124)	(4)	(154)	(8)
- Contract assets	(1)	1	(1)	(4)
Bad debts written off				
- Other receivable	0	0	562	4
Impairment/(Reversal) of doubtful debts				
- Trade receivables	216	18	1,089	26
- Contract assets	(22)	0	99	0
- Other receivables	(276)	10	1,471	10
Allowance for slow moving inventories	140	0	140	0
Reversal of allowance for slow moving inventories	(1)	(12)	(16)	(23)

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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	
	30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
Inventories (written back)/written off	(7)	0	1,773	0
Gain on disposals of plant and equipment	0	0	(20)	0
Gain on lease modification and disposal	0	0	(1)	0
Gain on rental concession	(2)	0	(47)	0
Impairment on plant and equipment	15,244	0	25,844	0
Plant and equipment written off	13	168	13	178
Foreign exchange losses/(gains)				
- Realised	985	242	2,032	1,373
- Unrealised	(1,116)	354	(226)	848
Provision for liquidated damages	0	28	9	135
Write back of provision of liquidated damages	(2)	0	(34)	0
Fair value (gain)/loss on forward foreign currency exchange contracts	(382)	(50)	(510)	73

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 2019 was unqualified.

B19. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 26 November 2020.

By order of the Board

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