

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2021

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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 31 MARCH 2021

RM'000		QUARTER AND YEAR-TO-DATE ENDED	
		31/03/2021	31/03/2020
		Unaudited	Unaudited
Revenue	A11	96,068	151,202
Cost of sales		(68,603)	(124,640)
Gross profit		27,465	26,562
Other operating income		844	851
Selling and distribution costs		(7,161)	(8,287)
Administrative expenses		(12,105)	(13,370)
Other operating losses ⁽¹⁾		(1,178)	(2,678)
Operating profit		7,865	3,078
Finance costs		(604)	(971)
Share of results of a joint venture (net of tax)	B9	358	251
Share of results of associates (net of tax)	B10	1,430	1,744
Profit before tax	B17	9,049	4,102
Income tax expense	B5	(1,987)	(1,094)
Profit for the period		7,062	3,008
Other comprehensive income			
Currency translation differences		122	202
Total comprehensive income for the period		7,184	3,210
Profit attributable to:			
- Equity holders of the Company		5,594	2,160
- Non-controlling interests		1,468	848
		7,062	3,008
Total comprehensive income attributable to:			
- Equity holders of the Company		5,669	2,177
- Non-controlling interests		1,515	1,033
		7,184	3,210
Earnings per share (EPS) attributable to equity holders of the Company (sen)			
- Basic/Diluted EPS	B16	<u>1.39</u>	<u>0.54</u>
⁽¹⁾ Other operating losses include the following:			
Foreign exchange (losses)/gains:			
- Realised		(265)	199
- Unrealised		132	(1,729)
Fair value (loss)/gain on forward foreign currency exchange contracts		(647)	11
Impairment made:			
- trade receivables		(1)	(872)
- contract assets		0	(121)

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

RM'000	Note	As at 31/03/2021 Unaudited	As at 31/12/2020 Audited
ASSETS			
Property, plant and equipment*		151,100	154,307
Investment properties		741	747
Intangible assets		305	315
Associates	B10	25,931	24,501
Joint venture	B9	31,946	31,588
Deferred tax assets		2,134	1,772
Other receivables		6,893	8,875
Non-current Assets		219,050	222,105
Inventories		24,293	30,442
Amounts due from an associate		10	3,200
Amounts due from a joint venture		74	121
Trade receivables	B11	46,314	66,717
Contract assets		52,452	75,811
Other receivables, deposits and prepayments		15,820	16,176
Tax recoverable		1,390	1,338
Investment securities		13,118	13,015
Cash and bank balances		230,210	219,616
Current Assets		383,681	426,436
TOTAL ASSETS		602,731	648,541
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		205,094	199,500
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,083)	(2,158)
Equity attributable to equity holders of the Company		354,813	349,144
Non-controlling interests		19,799	21,224
Total Equity		374,612	370,368
Borrowings	B12	16,902	22,732
Deferred income		543	543
Deferred tax liabilities		18,359	18,256
Non-current Liabilities		35,804	41,531
Trade payables		89,024	132,608
Contract liabilities		19,273	18,694
Other payables and accruals		21,640	21,934
Derivative financial instrument	A7	215	45
Taxation		7,728	7,645
Borrowings	B12	54,435	55,716
Current Liabilities		192,315	236,642
Total Liabilities		228,119	278,173
TOTAL EQUITY AND LIABILITIES		602,731	648,541

* 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 2020 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 31 MARCH 2021

	← 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	Foreign currency translation RM'000	Merger deficit RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2020	401,553	201,802	(2,735)	(50,000)	200,971	350,038	28,484	378,522
Profit for the financial period	0	0	0	0	2,160	2,160	848	3,008
Other comprehensive income for the financial period	0	0	17	0	0	17	185	202
Total comprehensive income for the financial period	0	0	17	0	2,160	2,177	1,033	3,210
Dividend	0	0	0	0	(12,047)	(12,047)	(2,940)	(14,987)
At 31 March 2020	<u>401,553</u>	<u>201,802</u>	<u>(2,718)</u>	<u>(50,000)</u>	<u>191,084</u>	<u>340,168</u>	<u>26,577</u>	<u>366,745</u>
At 1 January 2021	401,553	201,802	(2,158)	(50,000)	199,500	349,144	21,224	370,368
Profit for the financial period	0	0	0	0	5,594	5,594	1,468	7,062
Other comprehensive income for the financial period	0	0	75	0	0	75	47	122
Total comprehensive income for the financial period	0	0	75	0	5,594	5,669	1,515	7,184
Dividend	0	0	0	0	0	0	(2,940)	(2,940)
At 31 March 2021	<u>401,553</u>	<u>201,802</u>	<u>(2,083)</u>	<u>(50,000)</u>	<u>205,094</u>	<u>354,813</u>	<u>19,799</u>	<u>374,612</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 2020 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 31 MARCH 2021

RM'000	YEAR TO-DATE-ENDED	
	31/03/2021	31/03/2020
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	7,062	3,008
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	1	872
- write back of impairment	(100)	(30)
Contract assets		
- impairment made	0	121
- write back of impairment	(36)	0
Allowance for slow moving inventories:		
- write back of allowance	(82)	(14)
Amortisation of intangible assets	10	103
Accretion of income on other receivables	(36)	0
Depreciation:		
- property, plant and equipment [^]	8,577	9,431
- investment properties	6	6
Provision for liquidated damages		
- provision made	0	1
- write back of provision	(41)	(32)
Gain on disposals of plant and equipment	0	(20)
Gain on lease modification and disposal	0	(1)
Interest income	(742)	(788)
Finance costs	604	971
Share of results of associates	(1,430)	(1,744)
Share of results of a joint venture	(358)	(251)
Tax expense	1,987	1,094
Unrealised net foreign exchange (gains)/losses	(132)	1,729
Fair value loss on investment securities	5	0
Net fair value loss/(gain) on forward foreign currency exchange contracts	647	(11)
Operating profit before working capital changes	15,942	14,445
<u>Changes in working capital</u>		
Inventories	6,231	14,946
Trade receivables	20,401	46,682
Contract assets	23,587	1,297
Other receivables, deposits and prepayments	1,511	(908)
Trade payables	(43,972)	(44,535)
Other payables and accruals	224	(3,864)
Contract liabilities	579	16,047
Decrease in restricted cash	10,337	0
Cash generated from operations	34,840	44,110
Tax paid	(2,215)	(3,030)
Interest paid	(615)	(962)
Net cash generated from operating activities	32,010	40,118

[^] Inclusive of right-of-use assets

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FOR THE PERIOD ENDED 31 MARCH 2021

RM'000	YEAR TO-DATE-ENDED	
	31/03/2021	31/03/2020
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	659	784
Addition on plant and equipment*	(4,569)	(10,213)
Long-term deposits paid	(4)	(3,369)
Proceeds from disposals on plant and equipment	0	20
Dividend received from an associate	3,200	1,600
Amounts due from an associate	(10)	0
Amounts due from a joint venture	47	43
Net cash used in investing activities	(677)	(11,135)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	0	(2,000)
Loans against import		
- Drawn down	0	4,725
- Repayment	0	(7,470)
Term loans		
- Drawn down	0	5,445
- Repayment	(6,720)	(8,640)
Lease liabilities on right-of-use assets		
- Repayment	(391)	(394)
Dividends paid to:		
- Shareholders	0	(12,047)
- Non-controlling interest	(3,515)	(2,940)
(Increase)/decrease in restricted cash	(466)	4,182
Net cash used in financing activities	(11,092)	(19,139)
Net increase in cash and cash equivalents	20,241	9,844
Foreign currency translation	224	320
Cash and cash equivalents at beginning of the year	179,171	147,518
Cash and cash equivalents at end of period	199,636	157,682
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	183,870	117,787
Cash and bank balances	46,340	48,153
	230,210	165,940
Restricted cash	(30,574)	(8,258)
Cash and cash equivalents at end of period	199,636	157,682
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	192,138	150,731
US Dollar	7,389	6,839
Others	109	112
	<u>199,636</u>	<u>157,682</u>

* Included in the addition on plant and equipment is the capitalisation on the advance payment made in prior years of RM801,000 as plant and equipment upon fulfillment of the recognition criteria during the current year.

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2021

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 2020 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 2020.

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 2020 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 2021.

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

Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions

The amendments to published standards effective for financial year beginning on 1 January 2021 that are applicable and adopted by the Group are as follows:

Amendments to MFRS 9, MFRS
139, MFRS 7 and MFRS 16 Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendments to published standards is not expected to have any material impact to the Group financial results for the financial year ending 31 December 2021 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 follows:

Financial year beginning on or after 1 April 2021

- Amendments to MFRS 16 Lease - Covid-19 - Related Rent Concessions beyond 30 June 2021

Financial year beginning on or after 1 January 2022

- Amendments to MFRS 3 Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, plant and equipment – Proceeds before Intended Use
- Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract
- 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

Financial year beginning on or after 1 January 2023

- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
- Amendments to MFRS 108 Definition of Accounting Estimates

The effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board

- 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.

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

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.

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes to estimates that have had any material effect on the current financial year-to-date 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 31 March 2021 is set out in Note A7.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than Ringgit Malaysia were as follows:

	As at 31/03/2021		As at 31/12/2020	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	42,756	52,249	71,269	82,825
Others	3,729	429	4,644	2,547
	<u>46,485</u>	<u>52,678</u>	<u>75,913</u>	<u>85,372</u>
Closing exchange rate				
US Dollar	<u>4.159</u>	<u>4.159</u>	<u>4.029</u>	<u>4.029</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 31 March 2021, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM8,159,000 (31 December 2020: RM926,000).

	As at 31/03/2021		As at 31/12/2020	
	Net	Net	Net	Net
	Notional amount RM'000	Fair Value Liabilities RM'000	Notional amount RM'000	Fair Value Liabilities RM'000
Type of derivatives				
Forward foreign currency exchange contracts ("FX Contract")				
- Less than 1 year	8,159	215	926	45

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 current financial year-to-date, the fair value losses arising from the forward foreign currency exchange contracts entered into by the Group and remained outstanding as at 31 March 2021 is RM215,000 (31 December 2020: RM45,000).

A9. DIVIDENDS PAID

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 completion 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 2021.

Segmental information for the financial period ended 31 March 2021 was as follows:

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
<u>Segment Revenue</u>		
External revenue		
Power and Machinery	59,860	97,285
Oilfield Services	27,912	27,690
Integrated Corrosion Solution	8,187	26,102
Other non-reportable segment	109	125
Total Group revenue	96,068	151,202

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

A10. SEGMENT INFORMATION (Cont'd)

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
<u>Segment Results</u>		
Power and Machinery	7,245	6,360
Oilfield Services	646	(1,257)
Integrated Corrosion Solution	161	(1,373)
Other non-reportable segment	10	11
Segment results	8,062	3,741
Unallocated income ^	35	45
Unallocated corporate expenses #	(836)	(1,679)
Share of results of a joint venture *	358	251
Share of results of associates *	1,430	1,744
Tax expense (Note B5) *	(1,987)	(1,094)
Profit for the financial period	7,062	3,008

^ 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.

* 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 31/03/2021 RM'000	As at 31/12/2020 RM'000
<u>Segment Assets</u>		
Power and Machinery	218,146	247,123
Oilfield Services	229,088	234,624
Integrated Corrosion Solution	64,627	73,322
Segment assets	511,861	555,069
Unallocated corporate assets ^	90,870	93,472
Total assets	602,731	648,541

	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	79,321	114,166
Oilfield Services	71,254	75,684
Integrated Corrosion Solution	49,925	60,705
Segment liabilities	200,500	250,555
Unallocated corporate liabilities #	27,619	27,618
Total liabilities	228,119	278,173

^ 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 are not allocated by business segments.

Unallocated corporate liabilities represent the Group's corporate liabilities including deferred tax liabilities, taxation and dividend payable that are not allocated by business segments.

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

A11. REVENUE

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Revenue from contracts with customers:		
- Goods and services	95,959	151,077
- Management fee	109	125
	96,068	151,202

Revenue from contracts with customers:

Type of goods and services

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Sale of gas turbine packages and after sales support and services	44,002	82,506
Commission based income services	1,477	0
Principal based income services	127	158
Sale of valves and flow regulators and after sales support and services	12,866	13,724
Sale, repair and maintenance of motors, generators and transformers	1,515	1,055
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	27,568	26,754
Provision of specialty chemical and well stimulation	217	778
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	4,980	4,938
Provision of maintenance, construction and modification services	3,207	21,164
	95,959	151,077

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

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

During the current quarter ended 31 March 2021, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Acquisitions at cost:-		
- Plant and equipment*	5,370	16,003
Depreciation:-		
- Property, plant and equipment^	8,577	9,431
- Investment properties	6	6
Amortisation of intangible assets	10	103

* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of RM801,000 as plant and equipment upon fulfilment of the recognition criteria during the period.

^ Inclusive of right-of-use assets.

A13. MATERIAL EVENTS DURING THE REPORTING DATE

There were no other material events during the reporting date other than as disclosed in Note B14.

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

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 current financial year-to-date.

A16. CONTINGENT LIABILITIES / ASSETS

As at 31 March 2021, 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 RM44.3 million (31 December 2020: RM44.3 million).

A17. COMMITMENTS

Capital commitment

Capital commitments for investment, property, plant and equipment and intangible assets not provided for as at 31 March 2021 were as follows:

	As at 31/03/2021	As at 31/12/2020
	RM'000	RM'000
Authorised but not contracted for		
- Plant and machinery	17,654	21,852
- Others	4,144	4,127
Authorised and contracted for		
- Plant and machinery	6,409	3,511
- Others	6	162
	28,213	29,652
Share of capital commitment of joint venture	849	849
	29,062	30,501

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

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.

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	188	629
Rental income from an affiliate company of STICO	14	14
Purchases and technical services from STICO and its affiliated companies	29,078	66,379

Significant outstanding balances arising from the above transactions as at 31 March 2021 were as follows:

	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
Amount due from STICO and its affiliated companies	916	1,111
Amount due to STICO and its affiliated companies	49,694	79,943

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

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..

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Sales to related parties of Dresser Italia S.R.L	84	149
Purchases of goods and services from related parties of Dresser Italia S.R.L	4,644	6,061

Significant outstanding balances arising from the above transactions as at 31 March 2021 were as follows:

	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
Amount due from related parties of Dresser Italia S.R.L	103	669
Amount due to related parties of Dresser Italia S.R.L	3,251	4,856

- (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:

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Sales to STICO	1,000	1,125
Rental income from affiliate company of STICO	141	207

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

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 31 March 2021 was as follows:

	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
Amount due from STICO and its affiliated company	1,000	47

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

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Directors' fees	295	271
Salaries, bonuses, allowances and other staff related expenses	2,498	2,529
Defined contribution plan	272	274
	3,065	3,074

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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>	Q1'21	Q1'20	Variance	Variance
	RM'000	RM'000	RM'000	%
Revenue	96,068	151,202	(55,134)	(36.5)
Operating profit	7,865	3,078	4,787	155.5
Share of results of a joint venture, net of tax	358	251	107	42.6
Share of results of associates, net of tax	1,430	1,744	(314)	(18.0)
Profit before interest and tax	8,911	4,285	4,626	108.0
Profit before tax	9,049	4,102	4,947	120.6
Profit after tax	7,062	3,008	4,054	134.8
Profit attributable to equity holders of the Company	<u>5,594</u>	<u>2,160</u>	<u>3,434</u>	<u>159.0</u>

In the current quarter, the Group recorded a decline in revenue by RM55.1 million or 36.5% to RM96.1 million against the corresponding quarter of RM151.2 million affected by lower sales activities reported by the Power and Machinery and Integrated Corrosion Solution segments. These were mainly due to slowdown in the maintenance activity levels on both Maintenance, Construction and Modification services (“MCM”) and Sponge-Jet Blasting (“SPJ”) businesses in the ICS segment coupled with the decline in the aftermarket turbomachinery maintenance services within the P&M segment.

The Group’s profit attributable to equity holders of the Company improved by RM3.4 million or 159.0% to RM5.6 million against the corresponding quarter of RM2.2 million notwithstanding the Group’s weaker revenue reported. The higher Group’s profit were due to the improved operating margins recorded across all the reportable segments on account of better sales composition and lower operational costs as a result of various cost savings initiatives undertaken by the Group, favourable movement in foreign exchange differences on MYR against USD with a lower net loss of RM0.1 million compared to RM1.5 million recorded in the corresponding quarter coupled with the absence of impairment for doubtful debts made on Oilfield Services segment’s trade receivables of RM1.0 million during the corresponding quarter.

Share of results of a joint venture was contributed by the overhaul and repairs of gas turbines. The higher share of results was due to lower direct operating expenses incurred.

Share of results from associates was lower by RM0.3 million against the corresponding quarter affected by the lower operating results of Malaysian Mud and Chemicals Sdn. Bhd. (“2MC”) following the weaker performance of its liquid mud business but cushioned by the stronger contribution from its dry bulk business.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q1'21	Q1'20	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	59,860	97,285	(37,425)	(38.5)
Operating profit	7,260	6,374	886	13.9
Profit before interest and tax	6,721	5,721	1,000	17.5
Profit before tax	<u>7,245</u>	<u>6,360</u>	<u>885</u>	<u>13.9</u>

The Power and Machinery segment revenue fell by 38.5% or RM37.4 million to RM59.9 million compared to the corresponding quarter of RM97.3 million as a result of a slowdown in exchange engines sales, decrease in turbine parts sales, weaker demand for valves and flow regulators services, lower services performed for machinery management system, lesser contribution from retrofit projects, third party and other ancillary services. These were however mitigated by additional commission income earned on oil and gas projects and higher orders from motors, generators and transformers maintenance services during the current quarter.

The segment results improved by RM0.9 million despite lower revenue recorded following stronger operating margins earned from better sales mix and lower operational costs, favourable movement in foreign exchange differences with a lower net loss of RM0.1 million compared to a net loss of RM1.4 million recorded in the corresponding quarter. This was however offset by the fair value loss on forward foreign exchange contracts of RM0.6 million.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q1'21 RM'000	Q1'20 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	27,912	27,690	222	0.8
Operating profit/(loss)	1,088	(682)	1,770	259.5
Profit/(loss) before interest and tax	990	(772)	1,762	228.2
Profit/(loss) before tax	646	(1,257)	1,903	151.4

The Oilfield Services segment revenue increased albeit marginally by 0.8% or RM0.2 million to RM27.9 million against the corresponding quarter of RM27.7 million. The higher revenue recorded was due to the increase in the activity level of jobs performed from well intervention and enhancement services in the East Malaysia region coupled with higher sales on gas lift valve services. The increase was however offset by the softer slickline operations, decline in chemical sales and absence of sales from centraliser.

The segment results reported a turnaround with a profit of RM0.6 million against the corresponding quarter loss of RM1.3 million which was affected mainly by an impairment on a trade receivable of RM1.0 million previously.

	Q1'21 RM'000	Q1'20 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	8,187	26,102	(17,915)	(68.6)
Operating profit/(loss)	307	(993)	1,300	130.9
Profit/(loss) before interest and tax	238	(993)	1,231	124.0
Profit/(loss) before tax	161	(1,373)	1,534	111.7

The Integrated Corrosion Solution segment revenue fell by 68.6% or RM17.9 million to RM8.2 million compared against the corresponding quarter revenue of RM26.1 million. The lower revenue was mainly attributable to the lower contract orders and job deliveries following low maintenance activity levels for its MCM and local SPJ projects. The decrease was however mitigated by the stronger performance of SPJ business in Indonesia.

The segment results in contrast had turnaround to report a profit of RM0.2 million against the corresponding quarter loss of RM1.4 million riding on better operational margin earned on better sales mix and lower operating expenses recorded as a result of various cost savings initiatives undertaken.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 31 March 2021 stood at RM602.7 million against RM648.5 million at the end of the previous financial year, representing a decrease of RM45.8 million or 7.1%. This was mainly due to lower trade and other receivables, contract assets and inventories balances totalling RM52.3 million coupled with the decline in amount due from an associate of RM3.2 million subsequent to payment received on the dividend declared during last financial year ended 31 December 2020. The decrease was however mitigated by the increase in cash and bank balance of RM10.6 million.

In tandem, the Group's total liabilities declined by RM50.1 million following the decrease in trade payables of RM43.6 million and lower borrowings of RM7.1 million upon scheduled repayment of term loan of RM6.7 million and settlement of lease liabilities of RM0.4 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances stood at RM230.2 million against RM219.6 million as at 31 December 2020. The positive variance was due to inflow from net cash generated from operating activities (excluding movement in restricted cash) of RM21.7 million, dividend received from an associate of RM3.2 million and interest income received of RM0.7 million. The increase was however offset by long term deposits and capital expenditures paid of RM4.6 million, dividends paid to shareholders and non-controlling interest totalling RM3.5 million and net repayment on borrowings of RM7.1 million.

Included in the restricted cash is a portion of cash and bank balances of a subsidiary that was frozen by Malaysian Anti-Corruption Commission ("MACC") under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 to facilitate an investigation that involves an alleged illegal scheme at the subsidiary. As at reporting date, the investigation by MACC is still on-going and the affected bank deposits of RM19.4 million have remained frozen pending the conclusion of the investigation. The ownership of the affected bank deposits has not changed. The Group will continue to assist MACC in the on-going investigation.

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

<u>Group</u>	Q1'21	Q4'20	Variance	Variance
	RM'000	RM'000	RM'000	%
Revenue	96,068	157,233	(61,165)	(38.9)
Operating profit	7,865	14,170	(6,305)	(44.5)
Share of results of a joint venture, net of tax	358	(429)	787	183.4
Share of results of associates, net of tax	1,430	1,395	35	2.5
Profit before interest and tax	8,911	14,320	(5,409)	(37.8)
Profit before tax	9,049	14,518	(5,469)	(37.7)
Profit after tax	7,062	12,088	(5,026)	(41.6)
Profit attributable to equity holders of the Company	5,594	7,498	(1,904)	(25.4)

Quarter on quarter, the Group's profit attributable to equity holders of the Company declined to RM5.6 million against the immediate preceding quarter of RM7.5 million, representing a decrease of RM1.9 million or 25.4% due to lower contribution reported by its Power and Machinery and Integrated Corrosion Solution segments which were adversely affected by their weak sales activities. The decrease in the Group's results was however mitigated by the turnaround in the Oilfield Services segment results underpinned by stronger slickline operations in East Malaysia region and absence of a one-off impairment charge on its chemical operating assets of RM4.5 million recorded during the immediate preceding quarter.

Share of results of a joint venture had turnaround with profits of RM0.4 million as opposed to a loss of RM0.4 million. The adverse results reported by the joint venture entity during the immediate preceding quarter was due to the lower revenue earned on engine disassembly services and space rental.

Share of results of associates was higher attributable to the stronger operating results from 2MC as a result of better performance from both its liquid mud and dry bulk businesses 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)

	Q1'21 RM'000	Q4'20 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	59,860	105,395	(45,535)	(43.2)
Operating profit	7,260	13,066	(5,806)	(44.4)
Profit before interest and tax	6,721	12,518	(5,797)	(46.3)
Profit before tax	<u>7,245</u>	<u>13,047</u>	<u>(5,802)</u>	<u>(44.5)</u>

The Power and Machinery segment results decreased by RM5.8 million or 44.5% to RM7.2 million as compared to RM13.0 million recorded in the immediate preceding quarter. This is consistent with the decline in revenue reported with lower contribution mainly from exchange engine, retrofit projects, valves and flow regulators and other third party services. The lower segment results were however mitigated by stronger turbine parts sales and higher work orders on motors, generators and transformers maintenance services.

	Q1'21 RM'000	Q4'20 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	27,912	27,110	802	3.0
Operating profit/(loss)	1,088	(4,030)	5,118	127.0
Profit/(loss) before interest and tax	990	(4,143)	5,133	123.9
Profit/(loss) before tax	<u>646</u>	<u>(4,483)</u>	<u>5,129</u>	<u>114.4</u>

Oilfield Services segment had turnaround its results to report a profit of RM0.6 million as opposed to a loss of RM4.5 million recorded in the immediate preceding quarter. The stronger segment results were attributable to the stronger slickline operations in the East Malaysia region, lower losses from chemical business as well as absence of a one-off impairment charge on its chemical operating assets of RM4.5 million recorded in the immediate preceding quarter.

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

	Q1'21 RM'000	Q4'20 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	8,187	24,607	(16,420)	(66.7)
Operating profit	307	6,582	(6,275)	(95.3)
Profit before interest and tax	238	6,501	(6,263)	(96.3)
Profit before tax	161	6,437	(6,276)	(97.5)

Integrated Corrosion Solution segment results fell to RM0.2 million against RM6.5 million recorded in the immediate preceding quarter, representing a decrease of RM6.3 million or 97.5%. The lower results were mainly attributable to the weaker contract orders and decline in project jobs fulfilment following reduced maintenance activity levels from both its MCM and local SPJ projects.

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B3. PROSPECTS

The COVID-19 situation continues to overshadow the Malaysian economy with the Malaysian Government imposing the third Movement Control Order to curb the further spread of the virus. As a result, most economic activities are expected to be slow until the optimum herd immunity is reached following the Government’s efforts to step up its vaccination drive.

The situation described above will inevitably have a negative impact on Deleum’s businesses. We are however committed in ensuring Deleum’s businesses remain sustainable and our stakeholders’ value preserved as we operate under such volatile environment. Deleum will also continue with its operations and costs optimising initiatives throughout the financial year 2021.

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

	Quarter and year-to-date ended	
	31/03/2021 RM’000	31/03/2020 RM’000
Current tax – current year	2,246	2,162
Deferred tax		
– origination and reversal of temporary differences	(264)	(1,288)
– recognition of previously unrecognised temporary differences	(87)	(9)
– deferred tax asset not recognised	92	229
Total income tax expense	1,987	1,094

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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 31 March 2021 was lower than the headline tax rate as shown below.

	Quarter and year-to-date ended	
	31/03/2021 %	31/03/2020 %
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	4	11
- Income not subject to tax	(1)	(2)
- Share of results of associates and joint venture	(5)	(12)
- Deferred tax asset not recognised	1	6
- Recognition of previously unrecognised temporary differences	(1)	0
Effective tax rate	22	27

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 20 May 2021 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
Group's share of net assets of joint venture	31,946	31,588

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

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Profit before tax	568	397
Income tax expense	(124)	(85)
Profit for the period	444	312
Interest in joint venture (80.55%) Share of results	358	251

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B10. ASSOCIATES

	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
Group's share of net assets of associates	25,931	24,501

In the opinion of the Directors, as at 31 March 2021, 2MC is a material associate while Combodia Utilities Pte. Ltd. ("CUPL") has been liquidated and ceased to be an associate of the Group during the financial year ended 31 December 2020. 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 2020. The associates have share capitals consisting solely of ordinary shares, which are held directly by the Group.

2MC is a private company and there is no quoted market price available for the shares.

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter and year-to-date ended		Quarter and year-to-date ended		Quarter and year-to-date ended	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax	6,673	8,183	0	(9)	6,673	8,174
Income tax expense	(2,205)	(2,728)	0	0	(2,205)	(2,728)
Profit/(loss) for the period	4,468	5,455	0	(9)	4,468	5,446
Interest in associates (32%; 20%)						
Share of results	1,430	1,746	0	(2)	1,430	1,744

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B11. TRADE RECEIVABLES

	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
Neither past due nor impaired	39,790	61,374
1 to 30 days past due not impaired	3,556	2,469
31 to 60 days past due not impaired	1,000	612
61 to 90 days past due not impaired	237	476
91 to 120 days past due not impaired	120	225
More than 121 days past due not impaired	1,611	1,561
	<hr/>	<hr/>
	46,314	66,717
More than 121 days past due and impaired	1,708	1,807
	<hr/>	<hr/>
	48,022	68,524
Less: Impairment of receivables	(1,708)	(1,807)
	<hr/>	<hr/>
	46,314	66,717
	<hr/>	<hr/>

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6.5 million (31 December 2020: RM5.3 million) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

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B12. GROUP BORROWINGS

The Group borrowings as at 31 March 2021 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>31/03/2021</u>			
Borrowings - secured	25,471	16,116	41,587
- unsecured	28,964	786	29,750
	54,435	16,902	71,337
	54,435	16,902	71,337
<u>31/12/2020</u>			
Borrowings - secured	26,610	21,701	48,311
- unsecured	29,106	1,031	30,137
	55,716	22,732	78,448
	55,716	22,732	78,448

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 31/03/2021 RM'000	As at 31/12/2020 RM'000
Revolving credits	(i)	27,800	27,800
Lease liabilities on right-of-use assets	(ii)	1,987	2,378
Term loans	(iii)	41,550	48,270
		71,337	78,448
Less: Amount repayable within 12 months			
Revolving credits		(27,800)	(27,800)
Lease liabilities on right-of-use assets		(1,185)	(1,326)
Term loans		(25,450)	(26,590)
		(54,435)	(55,716)
		16,902	22,732
		16,902	22,732

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B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM6.7 million and net repayment of lease liabilities for right-of-use assets of RM0.4 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 3.27% (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 2.75% to 3.29% per annum (0.90%, 1.1% and 1.25% per annum above the KLIBOR). The tenure of the term loans is ranging from 3 to 5 years.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off-balance sheet financial instrument as at 31 March 2021 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

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B14. MATERIAL LITIGATION

1. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd (“Plaintiff”) against Deleum Primera Sdn Bhd (“Defendant”)

The Plaintiff has commenced the above legal proceedings against the Defendant wherein it is alleged *inter alia*, that the Defendant had unlawfully terminated the agreement entered into between parties for the supply and delivery of Cargo Handling Equipment (CHE) by the Plaintiff to the Defendant, and wherein there had been severe and protracted delay in delivery of the CHE by the Plaintiff.

By a Writ of Summons and Statement of Claim dated 21 August 2020, the Plaintiff commenced the above legal proceedings against the Defendant concerning the alleged unlawful termination of the Cargo Handling Equipment Project contract dated 11 October 2018 by the Defendant, claiming for *inter alia* Judgment for the amount of RM1,400,500.00, being the total sum from invoices allegedly outstanding, and damages in the amount of RM874,500.00 arising from the Defendant’s alleged refusal to accept delivery of the CHE.

The Orders and/or relief sought by the Plaintiff, are as follows:

- (a) a Declaration that the termination of the Cargo Handling Equipment Project contract dated 11 October 2018 by the Defendant, was unlawful;
- (b) Judgment for the sum of RM1,400,500.00, being the total sum from invoices allegedly outstanding;
- (c) Damages in the amount of RM874,500.00 due to the Defendant’s alleged refusal to accept delivery of the CHE;
- (d) General damages;
- (e) Late payment charges of 1.5% per month, from the date of the Writ of Summons until full settlement of all outstanding invoices;
- (f) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (g) Costs; and
- (h) Any other relief deemed fit by the High Court.

Pursuant to the Case Management on 8 March 2021, the Court has directed that the Suit shall be fixed for Trial on 27, 28 and 29 September 2021 and that parties are required to file and exchange Witness Statements on 21 May 2021. The Suit is further fixed for Case Management on 25 May 2021.

However, due to the Movement Control Order imposed in Selangor from 6 May to 17 May 2021, the Plaintiff has requested for an extension of time to file their Witness Statements by 30 June 2021 which was allowed by the Court with the following directions:

1. Parties’ Witness Statements are required to be filed and exchanged by 30 June 2021; and
2. The Case Management on 25 May 2021 is vacated and rescheduled to 2 July 2021.

The Trial dates on 27, 28 and 29 September 2021 are maintained.

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B14. MATERIAL LITIGATION (Cont'd)

2. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-768-11/2020) brought by Synergy Spectacular Sdn Bhd (“Plaintiff”) against Deleum Primera Sdn Bhd (“Defendant”)

The Plaintiff had commenced the above legal proceedings against the Defendant, wherein it is alleged inter alia, that the Defendant had failed to make payment for certain works carried out by the Plaintiff, for which the Defendant had engaged the Plaintiff.

The Writ of Summons and Statement of Claim, both dated 23 November 2020, was served on the Defendant on 26 November 2020. The Defendant has filed its Memorandum of Appearance dated 9 December 2020 and Defence dated 7 January 2021. The Plaintiff thereafter filed its Reply to Defence dated 21 January 2021.

The Plaintiff’s solicitors has, on 25 January 2021, served on the Defendant’s solicitors an Amended Writ and Statement of Claim, both dated 22 January 2021, to –

- i) amend the original claim sum from RM 1,568,048.66 to an amended claim sum of RM2,184,584.45; and
- ii) withdraw their claim for a declaration and injunction as the amended claim sum has rendered the declaration and injunction as no longer applicable.

The amendments have been sought on the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM 616,535.79 became due and payable on 3 December 2020 (i.e. after the filing of their suit on 23 November 2020). Therefore, the Plaintiff has included the invoice amount in the total sum claimed.

The said amendment is to regularise the Plaintiff’s claim and the same would not jeopardise the rights of the Defendant.

Pursuant to the Amended Writ & Statement of Claim, both dated 22 January 2021, the Plaintiff has sought for the following relief:

- (a) Judgment for the sum of RM 2,184,584.45 being the total sum from invoices allegedly outstanding;
- (b) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (c) Costs; and
- (d) Any other relief deemed fit by the High Court.

Pursuant to the Case Management on 15 March 2021, the Court has directed that the Suit shall be fixed for Trial on 9, 10 and 11 May 2022 pending filing of the pre-trial documents and the Case Management has been fixed on 9 March 2022 for directions to be given in relation to the filing of the Witness Statements.

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B14. MATERIAL LITIGATION (Cont'd)

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Primera Sdn Bhd (“Plaintiff”) against Deleum Primera’s employees, suppliers, contractors and employees of a client (“Defendants”)

The Plaintiff has commenced the above legal proceedings against the Defendants by way of a Writ of Summons dated 5 November 2020 for, among others, breaches of fiduciary duty, knowing receipt and dishonest assistance in relation to an alleged fraudulent scheme involving its employees, suppliers, contractors and employees of a client. The sum claimed by the Plaintiff in its Statement of Claim dated 5 November 2020 is RM19,876,389.87.

The Plaintiff further obtained a Mareva (freezing) Injunction and a Delivery Up Order, on an *ex-parte* basis, against the Defendants on 9 November 2020.

On 9 December 2020, one of the Defendants obtained an Order from the High Court to discharge the *ex-parte* Mareva (freezing) Injunction and Delivery Up Order. That Defendant also applied for an assessment of damages and the High Court scheduled the hearing of this application on 25 May 2021. On a related note, the Plaintiff is also appealing against the said High Court’s decision and the appeals are now scheduled for case management on 3 June 2021.

Further, 6 of the Defendants applied to recuse the presiding Judge from hearing the matter (“Recusal Applications”). On 9 March 2021, the High Court dismissed the Recusal Applications with costs of RM15,000.00 payable by each set of the relevant Defendants’ Counsel to the Plaintiff. The relevant Defendants’ verbal application for a stay of execution was also dismissed by the High Court.

After the dismissal of the Recusal Applications, 5 of the Defendants lodged an appeal to the Court of Appeal (“the Recusal Appeals”) where the hearing is now scheduled on 18 August 2021.

Pending the disposal of the Recusal Appeals, 4 of the Defendants in the Recusal Applications applied to the High Court to stay all the proceedings pending the disposal of the Recusal Appeals (“the Stay Application”). This Stay Application was dismissed by the High Court on 20 April 2021 with costs of RM8,000.00 payable to the Plaintiff.

On the same date, the said 4 Defendants filed a motion at the Court of Appeal to stay all the proceedings before the High Court pending the disposal of the Recusal Appeals (“the Stay Motion”). On 30 April 2021, the Court of Appeal allowed the Stay Motion (“the Court of Appeal’s Stay Decision”).

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B14. MATERIAL LITIGATION (Cont'd)

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Primera Sdn Bhd (“Plaintiff”) against Deleum Primera’s employees, suppliers, contractors and employees of a client (“Defendants”) (Cont'd)

In light of the Court of Appeal’s Stay Decision, the High Court on 3 May 2021, decided to adjourn all the proceedings pending the disposal of the Recusal Appeals. The *inter-partes* hearing of the Plaintiff’s injunction applications and the hearing of the relevant Defendants’ setting aside applications initially fixed on 5 May 2021 were therefore vacated.

The High Court further scheduled the next case management on 21 May 2021 for parties to update on the hearing date for the Recusal Appeals, and to give further directions for the Suit and the other interlocutory applications (mainly the injunction applications, the setting aside application, striking out of the Suit, summary judgment on the relevant Defendants’ counterclaims and disqualification of PwC Consulting Associates (M) Sdn Bhd as the Independent Forensic Expert under the Delivery Up Order).

Meanwhile, the *ad-interim* (holding over) Delivery Up Order and Mareva Injunction against the relevant Defendants remain valid and enforceable until the disposal of the striking out applications.

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B15. DIVIDEND

The board of Directors have, in respect of financial year ended 31 December 2020, declared a first interim single tier dividend of 1.00 sen per share on 401,553,500 ordinary shares, totalling RM4,015,535. The dividend was paid on 27 April 2021.

No dividend was declared during the quarter under review for the financial year ending 31 December 2021.

B16. EARNINGS PER SHARE (“EPS”)

The calculation of basic and diluted earnings per share for the reporting period was as follows:

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Basic earnings per share		
Profit attributable to equity holders of the Company (RM'000)	5,594	2,160
Weighted average number of shares in issue ('000)	401,554	401,554
Basic earnings per share (sen)	1.39	0.54

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B17. PROFIT BEFORE TAX

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

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Inventories consumed and recognised as cost of sales	16,946	23,844
Purchase of products, parts and consumable	1,648	2,876
Costs of services purchased	32,829	69,165
Interest income	(742)	(788)
Other income including investment income	(66)	(43)
Accretion of income on other receivable	(36)	0
Interest expenses	604	971
Depreciation and amortisation	8,593	9,540
Write back of impairment		
- Trade receivables	(100)	(30)
- Contract assets	(36)	0
Impairment of doubtful debts		
- Trade receivables	1	872
- Contract assets	0	121
Reversal of allowance for slow moving inventories	(82)	(14)
Fair value loss on investment securities	5	0

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B17. PROFIT BEFORE TAX (Cont'd)

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

	Quarter and year-to-date ended	
	31/03/2021 RM'000	31/03/2020 RM'000
Gain on disposals of plant and equipment	0	(20)
Gain on lease modification and disposal	0	(1)
Foreign exchange losses/(gains)		
- Realised	265	(199)
- Unrealised	(132)	1,729
Provision for liquidated damages	0	1
Write back of provision of liquidated damages	(41)	(32)
Fair value loss/(gain) on forward foreign currency exchange contracts	647	(11)

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 2020 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 27 May 2021.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
27 May 2021