

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2021

<u>Table of Contents</u>	Page
Unaudited Condensed Interim Consolidated Statement of Comprehensive Income	1
Unaudited Condensed Interim Consolidated Statement of Financial Position	2
Unaudited Condensed Interim Consolidated Statement of Changes in Equity	3
Unaudited Condensed Interim Consolidated Statement of Cash Flows	4 - 5
Part A: Explanatory Notes Pursuant to MFRS 134	6 - 18
Part B: Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing requirements of Bursa Malaysia Securities Berhad	19 - 45

DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2021

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30/06/2021 Unaudited	QUARTER ENDED 30/06/2020 Unaudited	YEAR TO DATE ENDED 30/06/2021 Unaudited	YEAR TO DATE ENDED 30/06/2020 Unaudited
Revenue	A11	135,008	138,760	231,076	289,962
Cost of sales*		(110,369)	(131,551)	(178,972)	(256,191)
Gross profit		24,639	7,209	52,104	33,771
Other operating income		885	953	1,729	1,804
Selling and distribution costs		(7,754)	(6,914)	(14,915)	(15,201)
Administrative expenses		(15,320)	(11,850)	(27,425)	(25,220)
Other operating losses ⁽¹⁾		(550)	(2,918)	(1,728)	(5,596)
Operating profit/(loss)		1,900	(13,520)	9,765	(10,442)
Finance costs		(507)	(760)	(1,111)	(1,731)
Share of results of a joint venture (net of tax)	B9	336	313	694	564
Share of results of associates (net of tax)	B10	1,487	1,043	2,917	2,787
Profit/(loss) before tax	B17	3,216	(12,924)	12,265	(8,822)
Income tax expense	B5	(1,835)	2,538	(3,822)	1,444
Profit/(loss) for the period		1,381	(10,386)	8,443	(7,378)
Other comprehensive income					
Currency translation differences		1	(12)	123	190
Total comprehensive income/(loss) for the period		1,382	(10,398)	8,566	(7,188)
Profit/(loss) attributable to:					
- Equity holders of the Company		1,559	(11,145)	7,153	(8,985)
- Non-controlling interests		(178)	759	1,290	1,607
		1,381	(10,386)	8,443	(7,378)
Total comprehensive income/(loss) attributable to:					
- Equity holders of the Company		1,560	(11,143)	7,229	(8,966)
- Non-controlling interests		(178)	745	1,337	1,778
		1,382	(10,398)	8,566	(7,188)
Earnings/(loss) per share (EPS) attributable to equity holders of the Company (sen)					
- Basic/Diluted EPS	B16	<u>0.39</u>	<u>(2.78)</u>	<u>1.78</u>	<u>(2.24)</u>
⁽¹⁾ Other operating losses include the following:					
Foreign exchange gains/(losses):					
- Realised		1,447	(1,246)	1,182	(1,047)
- Unrealised		(567)	839	(435)	(890)
Fair value gain/(loss) on forward foreign currency exchange contracts		72	117	(575)	128
Impairment made:					
- trade receivables		0	(1)	(1)	(873)
- contract assets		(236)	0	(236)	(121)
- other receivables		0	(1,747)	0	(1,747)
- plant and equipment		0	(10,600)	0	(10,600)
Inventories written-off		<u>(316)</u>	<u>(1,780)</u>	<u>(316)</u>	<u>(1,780)</u>

* Write-offs and impairment charges on operating assets have been reclassified from other operating losses to cost of sales for comparative figures to conform with current period presentation.

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 30 JUNE 2021

RM'000	Note	As at 30/06/2021 Unaudited	As at 31/12/2020 Audited
ASSETS			
Property, plant and equipment*		148,885	154,307
Investment properties		735	747
Intangible assets		322	315
Associates	B10	25,498	24,501
Joint venture	B9	32,282	31,588
Deferred tax assets		1,706	1,772
Other receivables		2,956	8,875
Non-current Assets		212,384	222,105
Inventories		23,224	30,442
Amounts due from an associate		1,920	3,200
Amounts due from a joint venture		155	121
Trade receivables	B11	54,657	66,717
Contract assets		88,501	75,811
Other receivables, deposits and prepayments		13,542	16,176
Tax recoverable		1,793	1,338
Investment securities		90,025	13,015
Cash and bank balances		139,943	219,616
Current Assets		413,760	426,436
TOTAL ASSETS		626,144	648,541
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		202,637	199,500
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,082)	(2,158)
Equity attributable to equity holders of the Company		352,357	349,144
Non-controlling interests		19,621	21,224
Total Equity		371,978	370,368
Borrowings	B12	11,190	22,732
Deferred income		543	543
Deferred tax liabilities		18,287	18,256
Non-current Liabilities		30,020	41,531
Trade payables		122,847	132,608
Contract liabilities		20,319	18,694
Other payables and accruals		21,226	21,934
Derivative financial instrument	A7	26	45
Taxation		7,740	7,645
Borrowings	B12	51,988	55,716
Current Liabilities		224,146	236,642
Total Liabilities		254,166	278,173
TOTAL EQUITY AND LIABILITIES		626,144	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 30 JUNE 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
(Loss)/profit for the financial period	0	0	0	0	(8,985)	(8,985)	1,607	(7,378)
Other comprehensive income for the financial period	0	0	19	0	0	19	171	190
Total comprehensive (loss)/income for the financial period	0	0	19	0	(8,985)	(8,966)	1,778	(7,188)
Dividend	0	0	0	0	(12,047)	(12,047)	(2,940)	(14,987)
At 30 June 2020	<u>401,553</u>	<u>201,802</u>	<u>(2,716)</u>	<u>(50,000)</u>	<u>179,939</u>	<u>329,025</u>	<u>27,322</u>	<u>356,347</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	7,153	7,153	1,290	8,443
Other comprehensive income for the financial period	0	0	76	0	0	76	47	123
Total comprehensive income for the financial period	0	0	76	0	7,153	7,229	1,337	8,566
Dividend	0	0	0	0	(4,016)	(4,016)	(2,940)	(6,956)
At 30 June 2021	<u>401,553</u>	<u>201,802</u>	<u>(2,082)</u>	<u>(50,000)</u>	<u>202,637</u>	<u>352,357</u>	<u>19,621</u>	<u>371,978</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.

DELEUM BERHAD
200501033500 (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021

RM'000	YEAR TO-DATE-ENDED	
	30/06/2021	30/06/2020
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the period	8,443	(7,378)
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	1	873
- write back of impairment	(366)	(30)
Contract assets		
- impairment made	236	121
- write back of impairment	(36)	0
Other receivable		
- impairment made	0	1,747
Allowance for slow moving inventories:		
- write back of allowance	(119)	(15)
Amortisation of intangible assets	31	164
Accretion of income on other long-term receivable	(69)	0
Depreciation:		
- property, plant and equipment^	18,190	19,389
- investment properties	12	11
Impairment on plant and equipment	0	10,600
Bad debts written off:		
- other receivable	77	562
Provision for liquidated damages		
- provision made	0	9
- write back of provision	(44)	(32)
Gain on disposals of plant and equipment	0	(20)
Gain on lease modification and disposal	0	(1)
Gain on rental concession	0	(45)
Write-off:		
- inventories	316	1,780
Interest income	(1,495)	(1,580)
Finance costs	1,111	1,731
Share of results of associates	(2,917)	(2,787)
Share of results of a joint venture	(694)	(564)
Tax expense	3,822	(1,444)
Unrealised net foreign exchange losses	435	890
Net fair value gain on investment securities	(28)	0
Net fair value loss/(gain) on forward foreign currency exchange contracts	575	(128)
Operating profit before working capital changes	27,481	23,853
<u>Changes in working capital</u>		
Inventories	7,021	9,518
Trade receivables	11,874	44,474
Contract assets	(12,578)	29,677
Other receivables, deposits and prepayments	3,723	380
Trade payables	(10,572)	(53,176)
Other payables and accruals	(162)	(6,424)
Contract liabilities	1,625	16,099
Decrease in restricted cash	10,337	0
Cash generated from operations	38,749	64,401
Tax paid	(4,086)	(5,409)
Tax refunded	1	0
Interest paid	(1,130)	(1,752)
Net cash generated from operating activities	33,534	57,240

^ Inclusive of right-of-use assets

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021

RM'000	YEAR TO-DATE-ENDED	
	30/06/2021	30/06/2020
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,161	1,598
Addition of plant and equipment*	(6,750)	(15,676)
Long-term deposits paid	(504)	(6,547)
Proceeds from disposals on plant and equipment	0	20
Addition of intangible assets	(38)	0
Purchase of investment securities	(76,600)	0
Dividend received from an associate	3,200	1,600
Amounts due from a joint venture	(34)	(10)
Amounts due from an associate	0	(60)
Net cash used in investing activities	(79,565)	(19,075)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	(1,140)	(2,000)
Loans against import		
- Drawn down	0	8,375
- Repayment	0	(12,284)
Term loans		
- Drawn down	0	5,445
- Repayment	(14,040)	(13,650)
Lease liabilities on right-of-use assets		
- Repayment	(818)	(766)
Dividends paid to:		
- Shareholders	(4,016)	(12,047)
- Non-controlling interest	(3,515)	(2,940)
(Increase)/decrease in restricted cash	(419)	4,170
Net cash used in financing activities	(23,948)	(25,697)
Net (decrease)/increase in cash and cash equivalents	(69,979)	12,468
Foreign currency translation	224	262
Cash and cash equivalents at beginning of the year	179,171	147,518
Cash and cash equivalents at end of period	109,416	160,248
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	101,575	126,171
Cash and bank balances	38,368	42,347
	139,943	168,518
Restricted cash	(30,527)	(8,270)
Cash and cash equivalents at end of period	109,416	160,248
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	100,959	152,558
US Dollar	8,348	7,577
Others	109	113
	109,416	160,248

* Included in the addition on plant and equipment is the capitalisation on the advance payment made in prior years of RM5,290,000 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 30 JUNE 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
FOR THE PERIOD ENDED 30 JUNE 2021

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
- Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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
FOR THE PERIOD ENDED 30 JUNE 2021

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 30 June 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 30/06/2021		As at 31/12/2020	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	82,748	82,261	71,269	82,825
Others	5,392	2,050	4,644	2,547
	<u>88,140</u>	<u>84,311</u>	<u>75,913</u>	<u>85,372</u>
Closing exchange rate				
US Dollar	<u>4.154</u>	<u>4.154</u>	<u>4.029</u>	<u>4.029</u>

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contracts

Forward foreign currency exchange contracts are used to manage foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The forward foreign currency exchange contracts entered into by the Group has a maturity period of less than one year from the current reporting date. As at 30 June 2021, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM12,315,000 (31 December 2020: RM926,000).

	As at 30/06/2021		As at 31/12/2020	
	Net	Net	Net	Net
	Notional	Fair Value	Notional	Fair Value
	amount	Liabilities	amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
Type of derivatives				
Forward foreign currency exchange contracts ("FX Contract")				
- Less than 1 year	12,315	26	926	45
	12,315	26	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 30 June 2021 is RM26,000 (31 December 2020: RM45,000).

A9. DIVIDENDS PAID

During the second quarter under review, the Company paid the following first interim single tier dividend of 1.00 sen per share on 401,553,500 ordinary shares in respect of the financial year ended 31 December 2020.

First interim single tier dividend of 1.00 sen per share on 401,553,500 ordinary shares, paid on 27 April 2021	RM'000
	<u>4,016</u>

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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 30 June 2021 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	98,011	87,053	157,871	184,338
Oilfield Services	26,071	23,748	53,983	51,438
Integrated Corrosion Solution	10,795	27,824	18,982	53,926
Other non-reportable segment	131	135	240	260
Total Group revenue	135,008	138,760	231,076	289,962

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
<u>Segment Results</u>				
Power and Machinery	8,766	11,448	16,011	17,808
Oilfield Services	(974)	(19,019)	(328)	(20,276)
Integrated Corrosion Solution	(3,641)	(4,211)	(3,480)	(5,584)
Other non-reportable segment	12	13	22	24
Segment results	4,163	(11,769)	12,225	(8,028)
Unallocated income ^	37	75	72	120
Unallocated corporate expenses #	(2,807)	(2,586)	(3,643)	(4,265)
Share of results of a joint venture *	336	313	694	564
Share of results of associates *	1,487	1,043	2,917	2,787
Tax expense (Note B5) *	(1,835)	2,538	(3,822)	1,444
Profit/(loss) for the financial period	1,381	(10,386)	8,443	(7,378)

^ 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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200501033500 (715640-T)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
<u>Segment Assets</u>		
Power and Machinery	265,000	247,123
Oilfield Services	218,061	234,624
Integrated Corrosion Solution	58,066	73,322
Segment assets	541,127	555,069
Unallocated corporate assets ^	85,017	93,472
Total assets	626,144	648,541

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	117,501	114,166
Oilfield Services	61,890	75,684
Integrated Corrosion Solution	47,568	60,705
Segment liabilities	226,959	250,555
Unallocated corporate liabilities #	27,207	27,618
Total liabilities	254,166	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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

A11. REVENUE

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Revenue from contracts with customers:				
- Goods and services	134,877	138,625	230,836	289,702
- Management fee	131	135	240	260
	135,008	138,760	231,076	289,962

Revenue from contracts with customers:

Type of goods and services

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Sale of gas turbine packages and after sales support and services	84,686	68,622	128,688	151,128
Commission based income services	1,592	0	3,069	0
Principal based income services	13	48	140	206
Sale of valves and flow regulators and after sales support and services	10,844	17,686	23,710	31,410
Sale, repair and maintenance of motors, generators and transformers	889	745	2,404	1,800
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	25,223	23,294	52,791	50,048
Provision of specialty chemical and well stimulation	835	406	1,052	1,184
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	7,753	5,737	12,733	10,675
Provision of maintenance, construction and modification services	3,042	22,087	6,249	43,251
	134,877	138,625	230,836	289,702

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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 30 June 2021, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Acquisitions at cost:-				
- Plant and equipment*	7,398	5,482	12,768	21,485
- Intangible assets	38	0	38	0
Depreciation:-				
- Property, plant and equipment^	9,613	9,958	18,190	19,389
- Investment properties	6	5	12	11
Amortisation of intangible assets	21	61	31	164

* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of RM5,290,000 as plant and equipment upon fulfilment of the recognition criteria during the period and RM728,000 addition of right-of-use assets.

^ 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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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 30 June 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 RM43.7 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 30 June 2021 were as follows:

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Authorised but not contracted for		
- Plant and machinery	17,120	21,852
- Others	3,174	4,127
Authorised and contracted for		
- Plant and machinery	2,688	3,511
- Others	698	162
	23,680	29,652
Share of capital commitment of joint venture	849	849
	24,529	30,501

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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.

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	549	851	737	1,480
Rental income from an affiliate company of STICO	13	13	27	27
Purchases and technical services from STICO and its affiliated companies	67,049	61,859	96,127	128,238

Significant outstanding balances arising from the above transactions as at 30 June 2021 were as follows:

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Amount due from STICO and its affiliated companies	860	1,111
Amount due to STICO and its affiliated companies	83,027	79,943

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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.

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Sales to related parties of Dresser Italia S.R.L	121	78	205	227
Purchases of goods and services from related parties of Dresser Italia S.R.L	3,290	9,334	7,934	15,395

Significant outstanding balances arising from the above transactions as at 30 June 2021 were as follows:

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Amount due from related parties of Dresser Italia S.R.L	184	669
Amount due to related parties of Dresser Italia S.R.L	2,959	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:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Sales to STICO	1,000	1,125	2,000	2,250
Rental income from affiliate company of STICO	140	207	281	414

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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 30 June 2021 was as follows:

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Amount due from STICO and its affiliated company	667	47

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Directors' fees	295	180	590	451
Salaries, bonuses, allowances and other staff related expenses	3,258	4,042	5,756	6,571
Defined contribution plan	356	477	628	751
	3,909	4,699	6,974	7,773

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

	Q2'21 RM'000	Q2'20 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	135,008	138,760	(3,752)	(2.7)
Operating profit/(loss)	1,900	(13,520)	15,420	114.1
Share of results of a joint venture, net of tax	336	313	23	7.3
Share of results of associates, net of tax	1,487	1,043	444	42.6
Profit/(loss) before interest and tax	2,970	(12,956)	15,926	122.9
Profit/(loss) before tax	3,216	(12,924)	16,140	124.9
Profit/(loss) after tax	1,381	(10,386)	11,767	113.3
Profit/(loss) attributable to equity holders of the Company	1,559	(11,145)	12,704	114.0

The Group's turnover for the current quarter fell by RM3.8 million or 2.7% to RM135.0 million against the corresponding quarter of RM138.8 million affected by the decline in sales activities reported from Integrated Corrosion Solution segment following depressed maintenance activity levels recorded from its Maintenance, Construction and Modification services ("MCM") and local Sponge-Jet Blasting businesses. The Group's lower revenue was however mitigated by the stronger sales generated from its Power and Machinery and Oilfield Services segments.

The Group's profit attributable to equity holders of the Company reported a turnaround with a profit of RM1.6 million against the corresponding quarter loss of RM11.1 million. Notwithstanding a weaker revenue reported, the Group's stronger results were supported by the improvement in operating margins recorded from its Integrated Corrosion Solution and Oilfield Services segments underpinned by the positive change in geographical sales mix and higher slickline asset utilisation rate. The improved results were also due to the favourable movement in foreign exchange differences with a net gain of RM0.9 million compared to a net loss of RM0.4 million recorded in the corresponding quarter, as well as the absence of one-off impairment charges made on its corporate long-term other receivable of RM1.7million and slickline operating assets of RM10.6 million, write-offs of inventory and other receivable totalling RM2.3 million that occurred in 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 by the joint venture entity.

Share of results from associates were higher by RM0.4 million against the corresponding quarter driven by the stronger results from Malaysian Mud and Chemicals Sdn. Bhd. ("2MC") on account of higher throughput achieved from both its liquid mud and dry bulk business.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2'21	Q2'20	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	98,011	87,053	10,958	12.6
Operating profit	8,781	11,463	(2,682)	(23.4)
Profit before interest and tax	8,242	10,824	(2,582)	(23.9)
Profit before tax	<u>8,766</u>	<u>11,448</u>	<u>(2,682)</u>	<u>(23.4)</u>

The Power and Machinery segment posted an increase in revenue by 12.6% or RM11.0 million to RM98.0 million compared to the corresponding quarter of RM87.1 million driven mainly by the increase in exchange engine deliveries, stronger contribution from third party services, higher supply of local field service representatives and additional commission income earned on oil and gas projects. This was however offset by the decrease in the level of sales for turbine parts, lower demand for valves and flow regulators services, decrease in revenue contribution from retrofit projects and lower services performed for machinery management system during the current quarter.

The segment results contracted by RM2.7 million despite higher revenue recorded affected by the unfavourable change in sales mix with downward pressure on margins. This was however mitigated by the favourable movement in foreign exchange differences with a net gain of RM1.1 million compared to a net loss of RM0.5 million recorded in the corresponding quarter.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2'21 RM'000	Q2'20 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	26,071	23,748	2,323	9.8
Operating loss	(600)	(18,555)	17,955	96.8
Loss before interest and tax	(712)	(18,633)	17,921	96.2
Loss before tax	(974)	(19,019)	18,045	94.9

The Oilfield Services segment revenue increased by 9.8% or RM2.3 million to RM26.1 million against the corresponding quarter of RM23.7 million. The higher revenue was primarily due to the stronger local slickline operations, increased job activities level for its well intervention and enhancement services coupled with higher chemical sales registered. The increase was however offset by the decline in sales from its gas lift valve services.

The segment results improved by RM18.0 million recording a lower loss of RM1.0 million as a result of higher slickline assets utilisation in tandem with the higher revenue achieved. In addition, the high corresponding quarter loss reported was affected by the one-off impairment charge on its slickline operating assets of RM10.6 million and write off of its inventory and other receivable totalling RM2.3 million.

	Q2'21 RM'000	Q2'20 RM'000	Variance RM'000	Variance %
<u>Intergrated Corrosion Solution</u>				
Revenue	10,795	27,824	(17,029)	(61.2)
Operating loss	(3,524)	(3,932)	408	10.4
Loss before interest and tax	(3,588)	(3,932)	344	8.7
Loss before tax	(3,641)	(4,211)	570	13.5

The Integrated Corrosion Solution segment revenue fell by 61.2% or RM17.0 million to RM10.8 million against the corresponding quarter revenue of RM27.8 million. The decrease was mainly attributable to the lower contract orders and job deliveries due to the decline in maintenance activity levels for its MCM projects. The decrease was however mitigated by the stronger performance from its overseas Sponge-Jet Blasting ("SPJ") business.

Notwithstanding a lower revenue, the segment reported a lower loss by RM0.6 million to record a segmental loss of RM3.6 million during the current quarter sustained by a favourable change in sales mix with higher margin earned from its overseas SPJ business coupled with lower overhead expenses recorded as a result of various cost savings initiatives undertaken.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'21 RM'000	Q2'20 RM'000		
<u>Group</u>				
Revenue	231,076	289,962	(58,886)	(20.3)
Operating profit/(loss)	9,765	(10,442)	20,207	193.5
Share of results of a joint venture, net of tax	694	564	130	23.0
Share of results of associates, net of tax	2,917	2,787	130	4.7
Profit/(loss) before interest and tax	11,881	(8,671)	20,552	237.0
Profit/(loss) before tax	12,265	(8,822)	21,087	239.0
Profit/(loss) after tax	8,443	(7,378)	15,821	214.4
Profit/(loss) attributable to equity holders of the Company	7,153	(8,985)	16,138	179.6

The Group's half yearly revenue was lower by 20.3% or RM58.9 million to RM231.1 million against the corresponding period of RM290.0 million as a result of the depressed revenue registered across all reportable segment other than the Oilfield Services segment which recorded a marginally higher revenue of RM2.5 million.

The Group's results attributable to equity holders of the Company swung back to a profit of RM7.2 million against a loss of RM9.0 million recorded in the corresponding period. The turnaround in results was mainly supported by the stronger operating margins recorded on the back of a positive change in sales mix of products and services within the Group, lower write-offs made on inventories and other receivables from the Oilfield Services segment, favourable movement in foreign exchange differences with a net gain of RM0.7 million compared to a net loss of RM1.9 million recorded in the corresponding period as well as non-occurrence of the one-off impairment charges on the slickline operating assets and a corporate long-term other receivable of RM10.6 million and RM1.7 million respectively made during the corresponding period. However, the higher Group's results were partially offset by the weaker performance recorded in Power and Machinery segment.

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 expenditure incurred despite decline in revenue from both engine disassembly services and space rental.

Share of results of associates was higher by RM0.1 million was mainly attributable to the higher throughput achieved from 2MC's liquid mud and dry bulk businesses.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'21 RM'000	Q2'20 RM'000		
<u>Power and Machinery</u>				
Revenue	157,871	184,338	(26,467)	(14.4)
Operating profit	16,041	17,837	(1,796)	(10.1)
Profit before interest and tax	14,963	16,545	(1,582)	(9.6)
Profit before tax	16,011	17,808	(1,797)	(10.1)

The Power and Machinery segment revenue decreased by 14.4% or RM26.5 million to RM157.9 million against the corresponding period of RM184.4 million. Likewise, the segment results fell by RM1.8 million or 10.1% affected by the weaker sales on turbines parts and valves and flow regulator services. This was cushioned partially by the favourable movement in foreign exchange difference on MYR against USD with a net gain of RM1.2 million against a net loss of RM1.8 million recorded in the previous corresponding period.

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'21 RM'000	Q2'20 RM'000		
<u>Oilfield Services</u>				
Revenue	53,983	51,438	2,545	4.9
Operating profit/(loss)	488	(19,237)	19,725	102.5
Profit/(loss) before interest and tax	278	(19,405)	19,683	101.4
Loss before tax	(328)	(20,276)	19,948	98.4

The Oilfield Services segment revenue increased by 4.9% or RM2.5 million to RM54.0 million compared to the corresponding period of RM51.4 million. In tandem, the segment results had improved to report a lower loss by RM19.9 million riding on the back of higher revenue recorded with improvement in operating margins earned following higher slickline asset utilisation rate, absence of inventory write-offs as well as lower impairment made on its trade receivables and contract assets. In addition, the corresponding period results which were adversely affected by the non-recurring impairment charge made on its slickline operating assets of RM10.6 million.

DELEUM BERHAD
20501033500 (715640-T)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'21 RM'000	Q2'20 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	18,982	53,926	(34,944)	(64.8)
Operating loss	(3,217)	(4,925)	1,708	34.7
Loss before interest and tax	(3,350)	(4,925)	1,575	32.0
Loss before tax	<u>(3,480)</u>	<u>(5,584)</u>	2,104	37.7

The Integrated Corrosion Solution segment revenue fell to RM19.0 million, representing a decrease of RM34.9 million or 64.8% compared with the corresponding period of RM53.9 million as a result of lower activity levels in maintenance services performed for both of its MCM and local SPJ operations. The decrease was however mitigated by the higher revenue from Indonesia SPJ operations. The segment results reported a lower loss of RM3.5 million despite decline in revenue sustained by higher operating margins earned coupled with lower overhead expenses recorded as a result of various cost savings initiatives undertaken.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 30 June 2021 stood at RM626.1 million against RM648.5 million at the end of the previous financial year, representing a decrease of RM22.4 million or 3.5%. This was mainly due to lower carrying value of fixed operating assets and decrease in other long term receivables by RM11.4 million which were attributable to the depreciation and amortisation charges and decrease in advance payments made on capital expenditure requirements respectively, lower inventories holdings by RM7.2 million, lower amount due from an associate of RM1.3 million upon receipt of dividend declared in the previous year and decrease in cash and bank balance of RM79.7 million. The decrease in cash and bank balances was however mitigated by the corresponding increase in investment securities of RM77.0 million.

In tandem, the Group's total liabilities declined by RM24.0 million attributable to the lower borrowings of RM15.3 million due to scheduled repayment of term loans of RM14.0 million, settlement of revolving credit of RM1.2 million and lease liabilities of RM0.1 million respectively coupled with the decrease in trade and other payables by RM10.5 million. The decrease was however mitigated by higher contract liabilities of RM1.6 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances was lower at RM139.9 million compared with RM219.6 million as at 31 December 2020. The change was due to the increase in placement of investment securities made of RM76.6 million, net repayment on borrowings of RM16.0 million, dividends paid to shareholders and non-controlling interest totalling RM7.5 million and capital expenditure paid of RM7.2 million. The decrease was however mitigated by inflow from net cash generated from operating activities (excluding movement in restricted cash) of RM23.2 million, dividend received from an associate of RM3.2 million and interest income received of RM1.2 million.

Included in the restricted cash is a portion of cash and bank balances of a 60% indirectly owned subsidiary, Deleum Primera Sdn. Bhd. ("DPSB") that was frozen by Malaysian Anti-Corruption Commission ("MACC") under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("the Act") to facilitate an investigation that involved DPSB. As at reporting date, the affected bank deposits of RM19.4 million have remained frozen and there is no change in ownership of the affected bank deposits.

As announced by the Company on 19 August 2021 to Bursa Malaysia Securities Berhad, MACC had on 18 August 2021 issued a notice of compound to DPSB in accordance with Section 92(1) of the Act. This is as a direct result of the involvement of DPSB's former executive employees along with its suppliers, contractors and employees of a client ("Defendants") in relation to an alleged illegal scheme. There will be no prosecution against DPSB. DPSB had filed and will proceed with the civil suit against these Defendants which is currently on-going as announced. DPSB will apply to uplift the freeze of the said bank deposits upon settlement of the compound.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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

	Q2'21 RM'000	Q1'21 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	135,008	96,068	38,940	40.5
Operating profit	1,900	7,865	(5,965)	(75.8)
Share of results of a joint venture, net of tax	336	358	(22)	(6.1)
Share of results of associates, net of tax	1,487	1,430	57	4.0
Profit before interest and tax	2,970	8,911	(5,941)	(66.7)
Profit before tax	3,216	9,049	(5,833)	(64.5)
Profit after tax	1,381	7,062	(5,681)	(80.4)
Profit attributable to equity holders of the Company	1,559	5,594	(4,035)	(72.1)

Quarter on quarter, the Group's profit attributable to equity holders of the Company declined to RM1.6 million against the immediate preceding quarter of RM5.6 million, representing a decrease of RM4.0 million or 72.1%. The lower results was affected by the adverse performances recorded from both Oilfield Services and Integrated Corrosion Solution segments. The weaker results was however cushioned by the stronger results from the Power and Machinery segments during the current quarter.

Share of results of a joint venture was lower due to higher operating expenses incurred by the joint venture entity in the current quarter.

Share of results of associates was higher attributable to the stronger operating results from 2MC on account of lower operating expenses incurred.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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

	Q2'21 RM'000	Q1'21 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	98,011	59,860	38,151	63.7
Operating profit	8,781	7,260	1,521	21.0
Profit before interest and tax	8,242	6,721	1,521	22.6
Profit before tax	8,766	7,245	1,521	21.0

The Power and Machinery segment results increased to RM8.8 million against the immediate preceding quarter of RM7.2 million supported by the higher revenue reported coupled with the favourable movement in foreign exchange difference on MYR against USD with a higher net gain of RM1.1 million against RM0.1 million recorded in the immediate preceding period. The higher segment results was however offset by the softer operating margins earned affected by the unfavourable change in sales mix during the current quarter.

	Q2'21 RM'000	Q1'21 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	26,071	27,912	(1,841)	(6.6)
Operating (loss)/profit	(600)	1,088	(1,688)	(155.1)
(Loss)/profit before interest and tax	(712)	990	(1,702)	(171.9)
(Loss)/profit before tax	(974)	646	(1,620)	(250.8)

Oilfield Services segment results fell to a loss of RM1.0 million as opposed to a profit of RM0.6 million recorded in the immediate preceding quarter. The weaker segment results were attributable to the weaker activities with lesser jobs being performed for its well intervention and enhancement services. This was however mitigated by the stronger results from its slickline operations in both West Malaysia and East Malaysia.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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

	Q2'21 RM'000	Q1'21 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	10,795	8,187	2,608	31.9
Operating (loss)/profit	(3,524)	307	(3,831)	(1,247.9)
(Loss)/profit before interest and tax	(3,588)	238	(3,826)	(1,607.6)
(Loss)/profit before tax	(3,641)	161	(3,802)	(2,361.5)

Integrated Corrosion Solution segment results reported a loss of RM3.6 million against the immediate preceding quarter profit of RM0.2 million. The decline in the segment results was affected by the higher legal and professional fees incurred, higher inventory write-offs and impairment made on contract assets of RM0.2m.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B3. PROSPECTS

Deleum Group predominantly operates in the Malaysian market. With the higher vaccination rate, we expect less encumbrances in the quarantine requirements for the offshore crew. This will improve the utilisation of our manpower and equipment. The current oil price level may also bring positive impact to the Group. Even though the December monsoon season may result in potential decrease in activities, we are cautiously optimistic in our operating performance for the remainder of the year.

B4. PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore no comparison is available.

B5. INCOME TAX EXPENSE

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Current tax – current year	1,479	1,157	3,725	3,319
Deferred tax				
– origination and reversal of temporary differences	111	(3,936)	(153)	(5,224)
– recognition of previously unrecognised temporary differences	87	9	0	0
– deferred tax asset not recognised	158	232	250	461
Total income tax expense	1,835	(2,538)	3,822	(1,444)

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B5. INCOME TAX EXPENSE (Cont’d)

Including the joint venture’s and associates’ results which were presented net of tax, the effective tax rate of the Group for the financial period ended 30 June 2021 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/06/2021 %	30/06/2020 %
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	14	14
- Income not subject to tax	(2)	(2)
- Share of results of associates and joint venture	(7)	(9)
- Deferred tax asset not recognised	2	5
Effective tax rate	31	(16)

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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 17 August 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 30/06/2021 RM'000	As at 31/12/2020 RM'000
Group's share of net assets of joint venture	32,282	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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Profit before tax	537	495	1,105	892
Income tax expense	(120)	(107)	(244)	(192)
Profit for the period	417	388	861	700
Interest in joint venture (80.55%) Share of results	336	313	694	564

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B10. ASSOCIATES

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Group's share of net assets of associates	25,498	24,501

In the opinion of the Directors, as at 30 June 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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Individual Quarter ended		Individual Quarter ended		Individual Quarter ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	6,153	3,294	0	326	6,153	3,620
Income tax expense	(1,505)	(237)	0	0	(1,505)	(237)
Profit for the period	4,648	3,057	0	326	4,648	3,383
Interest in associates (32%; 20%) Share of results	1,487	978	0	65	1,487	1,043

	2MC		CUPL		Total	
	Cumulative Quarters ended		Cumulative Quarters ended		Cumulative Quarters ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	12,826	11,477	0	317	12,826	11,794
Income tax expense	(3,710)	(2,965)	0	0	(3,710)	(2,965)
Profit for the period	9,116	8,512	0	317	9,116	8,829
Interest in associates (32%; 20%) Share of results	2,917	2,724	0	63	2,917	2,787

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B11. TRADE RECEIVABLES

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Neither past due nor impaired	44,844	61,374
1 to 30 days past due not impaired	5,089	2,469
31 to 60 days past due not impaired	1,100	612
61 to 90 days past due not impaired	1,332	476
91 to 120 days past due not impaired	1,402	225
More than 121 days past due not impaired	890	1,561
	<hr/> 54,657	<hr/> 66,717
More than 121 days past due and impaired	1,442	1,807
	<hr/> 56,099	<hr/> 68,524
Less: Impairment of receivables	(1,442)	(1,807)
	<hr/> 54,657	<hr/> 66,717

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 RM9.8 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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B12. GROUP BORROWINGS

The Group borrowings as at 30 June 2021 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>30/06/2021</u>			
Borrowings - secured	23,731	10,531	34,262
- unsecured	28,257	659	28,916
	51,988	11,190	63,178
	51,988	11,190	63,178
<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 30/06/2021 RM'000	As at 31/12/2020 RM'000
Revolving credits	(i)	26,660	27,800
Lease liabilities on right-of-use assets	(ii)	2,288	2,378
Term loans	(iii)	34,230	48,270
		63,178	78,448
Less: Amount repayable within 12 months			
Revolving credits		(26,660)	(27,800)
Lease liabilities on right-of-use assets		(1,618)	(1,326)
Term loans		(23,710)	(26,590)
		(51,988)	(55,716)
		11,190	22,732

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM14.0 million, revolving credits of RM1.1 million and net repayment of lease liabilities for right-of-use assets of RM0.1 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 3.36% (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 2.76% to 3.11% 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 30 June 2021 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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 enforcement of the Movement Control Order in Selangor from 6 to 17 May 2021 and subsequently, the Full Movement Control Order implemented in Malaysia commencing on 1 June 2021, the Plaintiff applied for an extension of time to file parties' Witness Statements by 30 July 2021, which application was allowed by the Court.

At the Case Management on 2 August 2021, the Court was informed that both parties' Witness Statements have been filed on 30 July 2021. The suit is now fixed for further Case Management on 13 September 2021 for parties to update the Court on the arrangement for conduct of the full trial proceedings via Remote Communication Technology.

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

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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”) (Cont’d)

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.

At the Case Management on 21 July 2021, the Deputy Registrar informed parties that the Trial dates previously fixed on 9, 10 and 11 May 2022 are required to be rescheduled in order to give priority to the disposal of pre-2020 cases. As such, the following directions were issued by the Court:

1. The suit is now fixed for Trial on 22, 23 and 29 September 2022;
2. The pre-trial documents are required to be filed by 22 August 2022;
3. The matter is fixed for further Case Management on 22 August 2022; and
4. The previous Trial dates on 9, 10 and 11 May 2022, and the Case Management on 9 March 2022, are vacated.

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 25 May 2021, the High Court awarded damages in the total sum of RM47,168.42 to be paid by the Plaintiff to the said Defendant.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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)

On a related note, the Plaintiff is also appealing against the High Court’s decision given on 9 December 2020 and the appeals were scheduled for case management on 3 June 2021. During the case management on 3 June 2021, the Court Registrar has directed both parties to file and exchange Written Submissions by 23 November 2021 and the appeals are fixed for hearing on 7 December 2021. The Court Registrar also fixed another case management on 17 November 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 and has, on that date, been postponed to 27 October 2021 for a case management.

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”).

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 scheduled the next case management on 21 May 2021 for update on the hearing date for the Recusal Appeals, and further directions.

During the case management on 21 May 2021, parties informed that the hearing for the Recusal Appeals is fixed on 18 August 2021 and 4 of the Defendants disputed the extraction of some data from their devices (“Disputed Data”). 4 Defendants to produce the Disputed Data by way of affidavit so that the relevant parties may address on the issue of relevancy of the Disputed Data. 4 of the Defendants also decided to withdraw their application to strike out the suit with the costs of RM2,000.00 payable to the Plaintiff. The High Court scheduled the next case management on 30 June 2021 to give further directions for the Suit and other interlocutory applications stated above.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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)

During the case management on 30 June 2021, the Plaintiff informed the High Court that they have provided their justification for the extraction of the Disputed Data. The relevant Defendants informed the High Court that they needed time to respond and the High Court scheduled the next case management on 28 July 2021 for them to do so.

At the case management on 28 July 2021, the High Court allowed the Disputed Data to be released to the Plaintiff. Pending the disposal of the Recusal Appeals, the High Court scheduled the next case management on 24 August 2021 for Parties to provide update on the decision of the Recusal Appeals on 18 August 2021 and further directions, if any.

During the case management on 24 August 2021, the Plaintiff informed the High Court that the Recusal Appeals have now been postponed to 27 October 2021. Accordingly, the High Court scheduled the next case management on 14 October 2021.

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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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.

The board of Directors have, in respect of financial year ending 31 December 2021, declared a first interim single tier dividend of 1.00 sen per share on 401,553,500 ordinary shares.

The dividend will be payable on 30 September 2021 to shareholders of ordinary shares whose names appear in Record of Depositors at the close of business on 15 September 2021.

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

- (i) shares transferred into the Depositor’s securities account before 5 p.m on 15 September 2021 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

B16. EARNINGS PER SHARE (“EPS”)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM’000	30/06/2020 RM’000	30/06/2021 RM’000	30/06/2020 RM’000
Basic / Diluted earnings per share				
Profit/(loss) attributable to equity holders of the Company (RM’000)	1,559	(11,145)	7,153	(8,985)
Weighted average number of shares in issue (’000)	401,554	401,554	401,554	401,554
Basic / Diluted earnings per share (sen)	0.39	(2.78)	1.78	(2.24)

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B17. PROFIT/(LOSS) BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Inventories consumed and recognised as cost of sales	15,921	37,184	32,867	61,028
Purchase of products, parts and consumable	3,657	1,633	5,305	4,509
Costs of services purchased	68,781	38,719	101,610	107,884
Interest income	(753)	(792)	(1,495)	(1,580)
Other income including investment income	(99)	(115)	(165)	(158)
Accretion of income on other receivable	(33)	0	(69)	0
Interest expenses	507	760	1,111	1,731
Depreciation and amortisation	9,640	10,024	18,233	19,564
Write back of impairment				
- Trade receivables	(266)	0	(366)	(30)
- Contract assets	0	0	(36)	0
Bad debts written off				
- Other receivable	77	562	77	562
Impairment of doubtful debts				
- Trade receivables	0	1	1	873
- Contract assets	236	0	236	121
- Other receivables	0	1,747	0	1,747
Reversal of allowance for slow moving inventories	(37)	(1)	(119)	(15)
Net fair value gain on investment securities	(33)	0	(28)	0

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

B17. PROFIT/(LOSS) BEFORE TAX (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Inventories written-off	316	1,780	316	1,780
Gain on disposals of plant and equipment	0	0	0	(20)
Gain on lease modification and disposal	0	0	0	(1)
Gain on rental concession	0	(45)	0	(45)
Impairment on plant and equipment	0	10,600	0	10,600
Foreign exchange (gains)/losses				
- Realised	(1,447)	1,246	(1,182)	1,047
- Unrealised	567	(839)	435	890
Provision for liquidated damages	0	8	0	9
Write back of provision of liquidated damages	(3)	0	(44)	(32)
Fair value (gain)/loss on forward foreign currency exchange contracts	(72)	(117)	575	(128)

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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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2021

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

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 24 August 2021.

By order of the Board

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