

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2022

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DELEUM BERHAD
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(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2022

RM'000	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021	
	Unaudited	Unaudited	Unaudited	Unaudited	
Continuing operations					
Revenue	A11	141,175	137,547	370,270	366,472
Cost of sales		(104,641)	(120,997)	(276,660)	(298,100)
Gross profit		36,534	16,550	93,610	68,372
Other operating income		1,109	915	4,446	2,629
Selling and distribution costs		(8,511)	(7,382)	(24,232)	(22,087)
Administrative expenses		(14,753)	(9,854)	(40,306)	(36,007)
Other operating gains/(losses) ⁽¹⁾		3,891	(513)	6,610	(2,254)
Operating profit/(loss)		18,270	(284)	40,128	10,653
Finance costs		(131)	(455)	(524)	(1,554)
Share of results of a joint venture (net of tax)	B9	272	350	885	1,044
Share of results of an associate (net of tax)	B10	1,665	1,628	4,089	4,545
Profit before tax	B18	20,076	1,239	44,578	14,688
Income tax expense	B5	(4,570)	(185)	(10,315)	(4,007)
Profit from continuing operations (net of tax)		15,506	1,054	34,263	10,681
Discontinued operation					
Profit/(loss) from discontinued operation (net of tax)	B14	0	(1,052)	283	(2,236)
Profit for the period		15,506	2	34,546	8,445
Currency translation differences		6	22	(27)	145
Reclassification adjustment relating to a subsidiary liquidated during the period		0	0	395	0
Total comprehensive income for the period		15,512	24	34,914	8,590
Profit/(loss) attributable to:					
- Equity holders of the Company		11,803	(639)	28,374	6,514
- Non-controlling interests		3,703	641	6,172	1,931
		15,506	2	34,546	8,445
Total comprehensive income/(loss) attributable to:					
- Equity holders of the Company		11,809	(626)	28,783	6,603
- Non-controlling interests		3,703	650	6,131	1,987
		15,512	24	34,914	8,590
Basic/Diluted earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Continuing operations		2.94	0.10	7.00	2.18
- Discontinued operation		0	(0.26)	0.07	(0.56)
	B17	2.94	(0.16)	7.07	1.62
⁽¹⁾ Other operating gains/(losses) include the following:					
Foreign exchange gains/(losses):					
- Realised		525	(319)	2,860	863
- Unrealised		(245)	600	(1,241)	165
Fair value gain/(loss) on forward foreign currency exchange contracts		2,907	(251)	2,724	(826)
Impairment made:					
- trade receivables		(2)	(135)	(24)	(136)
- contract assets		0	3	0	(233)
Inventories written back/(written-off)		1	(319)	(15)	(635)

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 2021 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

RM'000	Note	As at 30/09/2022 Unaudited	As at 31/12/2021 Audited
ASSETS			
Property, plant and equipment*		116,927	134,526
Investment properties		706	724
Intangible assets		229	283
Associate	B10	24,623	24,373
Joint venture	B9	33,819	32,934
Deferred tax assets		1,229	1,223
Other receivables		1,792	1,881
Non-current Assets		179,325	195,944
Inventories		13,729	32,012
Amounts due from an associate		1,920	1,920
Amounts due from a joint venture		87	177
Trade receivables	B11	67,648	76,407
Contract assets		98,493	88,167
Other receivables, deposits and prepayments		19,447	20,358
Derivative financial instrument	A7	2,991	84
Tax recoverable		2,536	1,199
Cash and bank balances		195,709	192,712
Current Assets		402,560	413,036
TOTAL ASSETS		581,885	608,980
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		224,869	208,537
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(1,679)	(2,088)
Equity attributable to equity holders of the Company		374,992	358,251
Non-controlling interests		22,849	20,518
Total Equity		397,841	378,769
Borrowings	B12	1,213	4,447
Deferred income		272	312
Deferred tax liabilities		16,481	14,853
Non-current Liabilities		17,966	19,612
Trade payables		101,983	143,161
Contract liabilities		12,529	5,375
Other payables and accruals		36,403	33,055
Taxation		4,626	3,139
Borrowings	B12	10,537	25,869
Current Liabilities		166,078	210,599
Total Liabilities		184,044	230,211
TOTAL EQUITY AND LIABILITIES		581,885	608,980

* 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 2021 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	← 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 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	6,514	6,514	1,931	8,445
Other comprehensive income for the financial period	0	0	89	0	0	89	56	145
Total comprehensive income for the financial period	0	0	89	0	6,514	6,603	1,987	8,590
Dividend	0	0	0	0	(8,031)	(8,031)	(4,410)	(12,441)
At 30 September 2021	<u>401,553</u>	<u>201,802</u>	<u>(2,069)</u>	<u>(50,000)</u>	<u>197,983</u>	<u>347,716</u>	<u>18,801</u>	<u>366,517</u>
At 1 January 2022	401,553	201,802	(2,088)	(50,000)	208,537	358,251	20,518	378,769
Profit for the financial period	0	0	0	0	28,374	28,374	6,172	34,546
Other comprehensive income for the financial period	0	0	14	0	0	14	(41)	(27)
Reclassification adjustment relating to a subsidiary liquidated during the financial period	0	0	395	0	0	395	0	395
Total comprehensive income for the financial period	0	0	409	0	28,374	28,783	6,131	34,914
Acquisition of non-controlling interests	0	0	0	0	808	808	(1,519)	(711)
Dividend	0	0	0	0	(12,850)	(12,850)	(2,281)	(15,131)
At 30 September 2022	<u>401,553</u>	<u>201,802</u>	<u>(1,679)</u>	<u>(50,000)</u>	<u>224,869</u>	<u>374,992</u>	<u>22,849</u>	<u>397,841</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 2021 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

RM'000	YEAR-TO-DATE ENDED	
	30/09/2022	30/09/2021
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year from:		
- Continuing operations	34,263	10,681
- Discontinued operation	283	(2,236)
	34,546	8,445
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	24	136
- write back of impairment	(3,643)	(258)
Contract assets		
- impairment made	0	233
- write back of impairment	0	(42)
Allowance for slow moving inventories:		
- allowance made	1,233	6,223
- write back of allowance	(78)	(121)
Amortisation of intangible assets	54	50
Accretion of income on other long-term receivable	(84)	(102)
Depreciation:		
- property, plant and equipment*	25,213	27,080
- investment properties	18	17
Bad debts written off:		
- other receivable	0	77
Amortisation of government grants	(40)	0
Provision for liquidated damages		
- provision made	62	0
- write back of provision	(108)	(44)
Gain on disposals of plant and equipment	(2,004)	(16)
Loss/(gain) on lease modification and disposal	8	(53)
Write-off:		
- property, plant and equipment	0	93
- inventories	15	635
Interest income	(1,953)	(2,256)
Finance costs	524	1,573
Share of results of an associate	(4,089)	(4,545)
Share of results of a joint venture	(885)	(1,044)
Tax expense	10,383	4,007
Unrealised net foreign exchange loss/(gain)	1,241	(165)
Net fair value gain on investment securities	(447)	(19)
Net fair value (gain)/loss on forward foreign currency exchange contracts	(2,724)	826
Loss on liquidation of a subsidiary	352	0
Operating profit before working capital changes	57,618	40,730
<u>Changes in working capital</u>		
Inventories	17,113	931
Trade receivables	13,270	(7,547)
Contract assets	(9,348)	6,989
Other receivables, deposits and prepayments	1,034	8,889
Trade payables	(45,202)	(27,844)
Other payables and accruals	3,399	1,076
Contract liabilities	7,154	(3,538)
Decrease in restricted cash	0	29,711
Cash generated from operations	45,038	49,397
Tax paid	(8,615)	(5,312)
Tax refunded	2	924
Interest paid	(524)	(1,599)
Net cash generated from operating activities	35,901	43,410

* Inclusive of right-of-use assets.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

RM'000	YEAR TO-DATE-ENDED	
	30/09/2022	30/09/2021
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,865	1,534
Purchase of plant and equipment*	(7,287)	(10,773)
Long-term deposits paid	0	(757)
Proceeds from disposals of plant and equipment	3,153	200
Purchase of intangible assets	0	(38)
Purchase of investment securities	0	(66,600)
Dividend received from an associate	3,840	7,040
Amounts due from an associate	0	(1)
Amounts due from a joint venture	90	2
Acquisition of non-controlling interests	(711)	0
Net cash generated from/(used in) investing activities	950	(69,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	(3,420)	(7,280)
Term loans		
- Repayment	(15,680)	(21,010)
Lease liabilities on right-of-use assets		
- Repayment	(950)	(1,212)
Dividends paid to:		
- Shareholders	(12,850)	(8,031)
- Non-controlling interests	(2,281)	(4,985)
(Increase)/decrease in restricted cash	(7,249)	1,002
Net cash used in financing activities	(42,430)	(41,516)
Net decrease in cash and cash equivalents	(5,579)	(67,499)
Foreign currency translation	878	354
Effect of fair value changes on cash and cash equivalents	447	0
Cash and cash equivalents at beginning of the year	183,379	179,171
Cash and cash equivalents at end of period	179,125	112,026
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	180,731	103,469
Cash and bank balances	14,978	18,289
	195,709	121,758
Restricted cash	(16,584)	(9,732)
Cash and cash equivalents at end of period	179,125	112,026
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	106,205	101,919
US Dollar	72,869	10,001
Others	51	106
	<u>179,125</u>	<u>112,026</u>

* Included in the purchase of plant and equipment is the capitalisation on the advance payment made in prior years of Nil (30 September 2021: RM5,551,000) 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 2021 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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 2021 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 2021.

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 2021.

During the financial period, the Company have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) as follows:

Effective for financial year beginning on or after 1 April 2021:

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

Effective for 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

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 2022 upon their initial application.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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:

Effective for 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 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 ("MASB") as follows:

- 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 SEPTEMBER 2022

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 September 2022 is set out in Note A7.

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

	As at 30/09/2022		As at 31/12/2021	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	156,232	79,623	90,725	109,766
Others	3,659	1,088	3,036	2,638
	<u>159,891</u>	<u>80,711</u>	<u>93,761</u>	<u>112,404</u>
Closing exchange rate				
US Dollar	<u>4.641</u>	<u>4.641</u>	<u>4.176</u>	<u>4.176</u>

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contracts

Forward foreign currency exchange contracts are used to manage foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The forward foreign currency exchange contracts entered into by the Group has a maturity period of less than one year from the current reporting date. As at 30 September 2022, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM142,769,000 (31 December 2021: RM8,325,000).

	As at 30/09/2022		As at 31/12/2021	
	Net	Net	Net	Net
	Notional	Fair Value	Notional	Fair Value
	amount	Assets	amount	Assets
	RM'000	RM'000	RM'000	RM'000
Type of derivatives				
Forward foreign currency exchange contracts				
("FX Contract")				
- Less than 1 year	142,769	2,991	8,325	84

A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

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

During the financial year-to-date, the fair value changes arising from the forward foreign currency exchange contract entered into by the Group and remained outstanding as at 30 September 2022 amounted to a fair value gain of RM2,991,000 (31 December 2021: RM84,000).

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

A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 1.20 sen per share on 401,553,500 ordinary shares in respect of the financial year ended 31 December 2021.

	RM'000
Second interim single tier dividend of 1.20 sen per share on 401,553,500 ordinary shares, paid on 30 March 2022	4,819
	<u><u>4,819</u></u>

During the current quarter under review, the Company paid the following first interim single tier dividend of 2.00 sen per share on 401,553,500 ordinary shares in respect of the financial year ending 31 December 2022.

	RM'000
First interim single tier dividend of 2.00 sen per share on 401,553,500 ordinary shares, paid on 30 September 2022	8,031
	<u><u>8,031</u></u>

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

A10. SEGMENT INFORMATION

The segments of the Group are as follows:

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

- 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 2022.

Segmental information for the financial period ended 30 September 2022 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	89,715	97,526	229,096	253,246
Oilfield Services	28,776	21,256	91,364	75,239
Integrated Corrosion Solution	22,540	18,623	49,432	37,605
Other non-reportable segment	144	142	378	382
Total Group revenue	141,175	137,547	370,270	366,472

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
<u>Segment Results</u>				
Power and Machinery	12,173	7,416	26,027	24,611
Oilfield Services	(1,310)	(7,380)	5,927	(7,708)
Integrated Corrosion Solution	8,279	(436)	10,688	(3,916)
Other non-reportable segment	24	33	45	55
Segment results	19,166	(367)	42,687	13,042
Unallocated income ^	105	45	265	117
Unallocated corporate expenses #	(1,132)	(417)	(3,348)	(4,060)
Share of results of a joint venture *	272	350	885	1,044
Share of results of an associate *	1,665	1,628	4,089	4,545
Tax expense (Note B5) *	(4,570)	(185)	(10,315)	(4,007)
Profit from continuing operations	15,506	1,054	34,263	10,681
Profit/(loss) from discontinued operation, net of tax	0	(1,052)	283	(2,236)
Profit for the financial period	15,506	2	34,546	8,445

^ 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 associate are not allocated to the business segments as they are measured at the entity level.

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
<u>Segment Assets</u>		
Power and Machinery	273,011	294,647
Oilfield Services	177,711	182,677
Integrated Corrosion Solution	41,028	46,456
Segment assets	491,750	523,780
Unallocated corporate assets ^	90,135	85,200
Total assets	581,885	608,980

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	115,224	132,700
Oilfield Services	23,590	39,086
Integrated Corrosion Solution	22,329	36,961
Segment liabilities	161,143	208,747
Unallocated corporate liabilities #	22,901	21,464
Total liabilities	184,044	230,211

^ Unallocated corporate assets represent the Group's corporate assets including property, plant and equipment, investment properties, intangible assets, investment in joint venture and associate, 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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A11. REVENUE

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:				
- Goods and services	141,031	137,405	369,892	366,090
- Management fee	144	119	378	359
Revenue from other source:				
- Dividend income	0	23	0	23
	141,175	137,547	370,270	366,472

Revenue from contracts with customers:

Type of goods and services

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
Sale of gas turbine packages and after sales support and services	61,348	83,768	170,882	212,709
Commission based income services	280	726	3,549	3,795
Principal based income services	66	111	173	251
Sale of valves and flow regulators and after sales support and services	28,087	13,032	54,665	36,742
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	27,703	20,229	86,372	73,020
Provision of specialty chemical and well stimulation	1,007	916	4,819	1,968
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	12,119	5,049	26,982	17,782
Provision of maintenance, construction and modification services	10,421	13,574	22,450	19,823
	141,031	137,405	369,892	366,090

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A12. ACQUISITIONS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter ended 30 September 2022, the acquisitions of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Acquisitions at cost:				
- Plant and equipment*	8,035	4,362	8,962	17,130
- Intangible assets	0	0	0	38

* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of Nil (30 September 2021: RM5,551,000) as plant and equipment upon fulfilment of the recognition criteria during the period and RM1,674,478 (30 September 2021: RM806,000) addition on 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 B15.

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A14. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

There were no material events after the end of the reporting date other than as disclosed in Note B15.

A15. CHANGES IN THE COMPOSITION OF THE GROUP

Wisteria Sdn. Bhd., a dormant indirect wholly owned subsidiary, has been dissolved following the Final Meeting on 25 January 2022 by way of members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016.

On 9 June 2022, through its indirect wholly owned subsidiary, Delcom Holdings Sdn. Bhd., Deleum Berhad acquired 264,000 ordinary shares in Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) ("DTS"), representing 26.67% of the total paid up share capital, for a total cash consideration of RM710,533. With the acquisition, Deleum Berhad now indirectly holds 86.67% of the paid up share capital in DTS.

On 21 June 2022, a new indirect subsidiary, Deleum Oilfield Solutions (Thailand) Co. Ltd, a limited company under the laws of Thailand, was incorporated. Deleum Services Sdn Bhd ("DSSB"), a wholly owned subsidiary of the Company, holds 98,000 ordinary shares, representing 49% of the total paid up share capital, as well as majority voting rights.

On 24 June 2022, Delcom Utilities (Cambodia) Limited ("DUCL"), a dormant indirect foreign subsidiary has been dissolved upon completion of the voluntary liquidation pursuant to Section 208 of the BVI Business Companies Act, 2014.

A16. CONTINGENT LIABILITIES / ASSETS

As at 30 September 2022, 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 RM59.5 million (31 December 2021: RM51.5 million).

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A17. COMMITMENTS

Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 30 September 2022 were as follows:

	As at 30/09/2022	As at 31/12/2021
	RM'000	RM'000
Authorised but not contracted for		
- Plant and machinery	8,339	9,770
- Others	4,875	5,557
Authorised and contracted for		
- Plant and machinery	875	733
- Others	48	44
	14,137	16,104
Share of capital commitment of joint venture	337	491
	14,474	16,595

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A18. RELATED PARTY DISCLOSURES

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	722	672	1,943	1,409
Rental income from an affiliate company of STICO	14	14	41	41
Purchases and technical services from STICO and its affiliated companies	48,857	73,463	116,280	169,590

Significant outstanding balances arising from the above transactions as at 30 September 2022 were as follows:

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
Amount due from STICO and its affiliated companies	1,031	2,179
Amount due to STICO and its affiliated companies	65,665	108,890

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Sales to related parties of Dresser Italia S.R.L	1,055	490	1,517	695
Purchases of goods and services from related parties of Dresser Italia S.R.L	15,138	6,293	29,836	14,227

Significant outstanding balances arising from the above transactions as at 30 September 2022 were as follows:

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
Amount due from related parties of Dresser Italia S.R.L	32	243
Amount due to related parties of Dresser Italia S.R.L	13,506	4,192

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Sales to STICO	1,000	1,000	3,000	3,000
Rental income from affiliate company of STICO	141	141	422	422

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

Significant outstanding balance arising from the above transactions as at 30 September 2022 was as follows:

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
Amount due from STICO and its affiliated company	380	380

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Directors' fees	271	295	790	885
Salaries, bonuses, allowances and other staff related expenses	2,500	2,399	8,012	8,155
Defined contribution plan	276	241	890	869
	3,047	2,935	9,692	9,909

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B1. PERFORMANCE REVIEW

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

	Q3'22 RM'000	Q3'21 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	141,175	137,547	3,628	2.6
Operating profit/(loss)	18,270	(284)	18,554	(6,533.1)
Share of results of a joint venture, net of tax	272	350	(78)	(22.3)
Share of results of an associate, net of tax	1,665	1,628	37	2.3
Profit before interest and tax	19,661	933	18,728	2,007.3
Profit before tax	20,076	1,239	18,837	1,520.3
Profit from continuing operations	15,506	1,054	14,452	1,371.2
Loss from discontinued operation	0	(1,052)	1,052	100.0
Profit/(loss) attributable to equity holders of the Company	<u>11,803</u>	<u>(639)</u>	<u>12,442</u>	<u>(1,947.1)</u>

The Group's revenue has increased by RM3.6 million or 2.6% to RM141.2 million against the corresponding quarter of RM137.5 million mainly due to higher sales activities in the Oilfield Services and Integrated Corrosion Solution segments. However, the overall increase was offset by lower sales generated from the Power and Machinery segment.

The Group's profit attributable to equity holders of the Company increased by RM12.4 million to RM11.8 million against the corresponding quarter. The increase was due to the better results recorded from all of its three segments, fair value gain on the forward foreign currency exchange contracts in the current quarter, lower allowance made for slow moving inventories and reversal of impairment made on its trade receivables.

Share of results of a joint venture was contributed by overhaul and repairs of gas turbines business. The lower share of results was due to the increase in operating expenses incurred in the current quarter.

Slight increase in the share of results from an associate was reported in the current quarter, mainly attributable to the higher throughput achieved from both its liquid mud and dry bulk businesses.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q3'22 RM'000	Q3'21 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	89,715	97,526	(7,811)	(8.0)
Operating profit	12,179	7,430	4,749	63.9
Profit before interest and tax	11,735	6,846	4,889	71.4
Profit before tax	<u>12,173</u>	<u>7,416</u>	<u>4,757</u>	<u>64.1</u>

The Power and Machinery segment revenue fell by 8.0% or RM7.8 million to RM89.7 million against the corresponding quarter revenue of RM97.5 million. The decrease was mainly attributable to lower exchange engine deliveries, weaker contribution from the retrofit projects and lower sales of turbine parts and repairs. This was however mitigated by higher demand for the control and safety valves and flow regulator services coupled with higher services performed for the machinery management system during the current quarter.

The segment results reported an increase of RM4.8 million or 64.1% which was attributable to lower operating cost, fair value gain on forward foreign currency exchange contracts of RM2.9 million and reversal of impairment made on a trade receivable of RM0.4 million.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q3'22	Q3'21	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	28,776	21,256	7,520	35.4
Operating loss	(1,233)	(7,055)	(5,822)	(82.5)
Loss before interest and tax	(1,261)	(7,155)	(5,894)	(82.4)
Loss before tax	<u>(1,310)</u>	<u>(7,380)</u>	<u>(6,070)</u>	<u>(82.2)</u>

The Oilfield Services segment revenue increased by RM7.5 million or 35.4% to RM28.8 million as compared to the corresponding quarter of RM21.3 million. This was primarily due to higher activities from its slickline services in West Malaysia region, well intervention and enhancement services and spillover jobs from the gas lift valve contract.

The segment results improved by RM6.1 million against the corresponding quarter loss of RM7.4 million as a result of higher revenue generated during the current quarter, lower provision made for slow moving inventories and reversal of impairment made on its trade receivable of RM0.5 million. Despite the improved results, the segment still reported a loss mainly due to its operating margin.

	Q3'22	Q3'21	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Intergrated Corrosion Solution</u>				
Revenue	22,540	18,623	3,917	21.0
Operating profit/(loss)	8,280	(321)	8,601	2,679.4
Profit/(loss) before interest and tax	8,252	(370)	8,622	2,330.3
Profit/(loss) before tax	<u>8,279</u>	<u>(436)</u>	<u>8,715</u>	<u>1,998.9</u>

The Integrated Corrosion Solution segment recorded an increase in revenue by 21.0% or RM3.9 million to RM22.5 million as compared to the corresponding quarter revenue of RM18.6 million. The increase was mainly attributable to higher maintenance activity levels for the Sponge-Jet Blasting ("SPJ") business in Indonesia. However, the increase was offset by lower activities in its Maintenance, Construction and Modification services ("MCM") projects.

The segment results reported a stronger profit of RM8.7 million against the corresponding quarter in tandem with its higher revenue reported, reversal of accrued cost upon final settlement of a legal suit and reversal of impairment made on a trade receivable of RM0.2 million upon collection received.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3'22 RM'000	Q3'21 RM'000		
<u>Group</u>				
Revenue	370,270	366,472	3,798	1.0
Operating profit	40,128	10,653	29,475	276.7
Share of results of a joint venture, net of tax	885	1,044	(159)	(15.2)
Share of results of an associate, net of tax	4,089	4,545	(456)	(10.0)
Profit before interest and tax	43,149	13,986	29,163	208.5
Profit before tax	44,578	14,688	29,890	203.5
Profit from continuing operations	34,263	10,681	23,582	220.8
Profit/(loss) from discontinued operation	283	(2,236)	2,519	112.7
Profit attributable to equity holders of the Company	28,374	6,514	21,860	335.6

The Group's revenue increased by RM3.8 million or 1.0% to RM370.3 million against the corresponding period of RM366.5 million. The increase was mainly contributed by the Oilfield Services and Integrated Corrosion Solution segments but offset by lower revenue reported by the Power and Machinery segment.

The Group's profit attributable to equity holders of the Company increased by RM21.9 million or 335.6% to RM28.4 million against the corresponding quarter of RM6.5 million. The improved results were mainly due to better operating margins achieved by the Oilfield Services segment coupled with lower allowance made for slow moving inventories, lower operating expenses incurred by the Integrated Corrosion Solution segment and the fair value gain on forward foreign currency exchange contracts by RM2.7 million in the Power and Machinery segment.

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

Decrease in the share of results from an associate was mainly attributable to the lower throughput achieved from both its liquid mud and dry bulk businesses.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3'22 RM'000	Q3'21 RM'000		
<u>Power and Machinery</u>				
Revenue	229,096	253,246	(24,150)	(9.5)
Operating profit	26,053	24,642	1,411	5.7
Profit before interest and tax	24,469	22,980	1,489	6.5
Profit before tax	26,027	24,611	1,416	5.8

The Power and Machinery segment reported a higher profit before tax by RM1.4 million or 5.8% to RM26.0 million against the corresponding period of RM24.6 million despite lower revenue achieved. This was due to the favourable change of sales mix with higher gross profit achieved and fair value gain recorded on its forward foreign currency exchange contracts.

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3'22 RM'000	Q3'21 RM'000		
<u>Oilfield Services</u>				
Revenue	91,364	75,239	16,125	21.4
Operating profit/(loss)	6,263	(6,567)	12,830	(195.4)
Profit/(loss) before interest and tax	6,130	(6,877)	13,007	(189.1)
Profit/(loss) before tax	5,927	(7,708)	13,635	176.9

The Oilfield Services segment revenue increased by RM16.1 million or 21.4% to RM91.3 million as compared to the previous corresponding period of RM75.2 million. This was attributable to the higher slickline activities in West Malaysia, specialty chemicals and well stimulation activities and gas lift valves activities.

The favourable results achieved were attributable to the improved operating margin by RM9.9 million in tandem with higher revenue reported, reversal of an impairment made on its trade receivable of RM2.9 million and gain on disposal of its plant and equipment of RM1.6 million recorded during the current financial period.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q3'22 RM'000	Q3'21 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	49,432	37,605	11,827	31.5
Operating profit/(loss)	10,691	(3,538)	14,229	402.2
Profit/(loss) before interest and tax	10,606	(3,720)	14,326	385.1
Profit/(loss) before tax	10,688	(3,916)	14,604	372.9

The Integrated Corrosion Solution segment recorded an increase in revenue by RM11.8 million or 31.5% to RM49.4 million as compared to the corresponding quarter revenue of RM37.6 million. The increase was mainly attributable to higher activity levels for both its SPJ business in Indonesia and the MCM projects.

The segment results reported a stronger profit by RM14.6 million against the corresponding quarter's loss in line with the higher revenue achieved coupled with lower operating expenses incurred.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 30 September 2022 stood at RM581.9 million against RM609.0 million at the end of the previous financial year, representing a decrease of RM27.1 million or 4.4%. This was mainly due to decrease in inventories by RM18.3 million, property, plant and equipment balance by RM17.6 million and trade receivables by RM8.8 million. The reduction is however offset by higher cash and bank balances by RM3.0 million, derivative financial instruments by RM2.9 million and tax recoverable by RM1.3 million.

In tandem, the Group's total liabilities declined by RM46.2 million attributable to the lower trade payables of RM41.2 million coupled with the lower borrowings of RM19.1 million due to scheduled repayment of term loans of RM15.7 million and settlement of revolving credit of RM3.4 million. This was offset by an increase in contract liabilities by RM7.2 million, other payables and accruals by RM3.3 million, deferred tax liabilities by RM1.6 million and lease liabilities on right-of-use assets by RM0.5 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances were higher at RM195.7 million as compared to RM192.7 million as at 31 December 2021.

The Group generated positive cash inflow of RM35.9 million and RM1.0 million from its operating and investing activities respectively for the financial period ended 30 September 2022.

In investing activities, the Group paid a total of RM7.3 million for its purchase of plant and equipment. However, the decrease was cushioned by the dividend received from an associate of RM5.8 million, proceeds from disposal of plant and equipment of RM3.2 million and interest received of RM1.9 million.

The increase in cash inflow was offset by repayment of bank borrowings amounting to RM19.1 million and dividend payments of RM15.1 million made to its shareholders and non-controlling interests and an increase in restricted cash of RM7.2 million.

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

	Q3'22 RM'000	Q2'22 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	141,175	126,320	14,855	11.8
Operating profit	18,270	11,038	7,232	65.5
Share of results of a joint venture, net of tax	272	291	(19)	(6.5)
Share of results of an associate, net of tax	1,665	1,521	144	9.5
Profit before interest and tax	19,661	12,096	7,565	62.5
Profit before tax	20,076	12,678	7,398	58.4
Profit from continuing operations	15,506	9,705	5,801	59.8
Profit attributable to equity holders of the Company	11,803	8,463	3,340	39.5

The Group's profit attributable to equity holders of the Company improved by RM3.3 million or 39.5% quarter on quarter, due to better contribution reported by the Power and Machinery and Integrated Corrosion Solution segments. The Group has also incurred lower operating expenses with a fair value gain on forward foreign currency exchange contracts in the Power and Machinery segment. The Oilfield Services segment however, performed relatively weaker as compared to the previous quarter mainly due to the lower activities rendered from all its sub-segments.

Share of results of a joint venture was marginally lower due to higher overhead expenses incurred on repair and maintenance in the current quarter.

Share of results of an associate was higher against the immediate preceding quarter due to higher throughput achieved from its liquid mud and dry bulk businesses.

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

	Q3'22	Q2'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	89,715	77,665	12,050	15.5
Operating profit	12,179	6,879	5,300	77.0
Profit before interest and tax	11,735	6,271	5,464	87.1
Profit before tax	<u>12,173</u>	<u>7,221</u>	<u>4,952</u>	<u>68.6</u>

The Power and Machinery segment results increased by RM5.0 million to RM12.2 million against the immediate preceding quarter profit of RM7.2 million. The increase was mainly attributable to the improved contribution recorded in the current quarter primarily from its control and safety valves and flow regulator services but offset by lower deliveries of exchange engines during the quarter. In addition, the fair value gain on forward foreign currency exchange contracts and reversal of impairment made on its trade receivable of RM2.9 million and RM0.4 million respectively have also contributed to the improved results of the segment.

	Q3'22	Q2'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	28,776	34,585	(5,809)	(16.8)
Operating (loss)/profit	(1,233)	3,579	(4,812)	(134.5)
(Loss)/profit before interest and tax	(1,261)	3,535	(4,796)	(135.7)
(Loss)/profit before tax	<u>(1,310)</u>	<u>3,468</u>	<u>(4,778)</u>	<u>(137.8)</u>

The Oilfield Services segment results decreased by RM4.8 million with a loss of RM1.3 million reported against the immediate preceding quarter. This is mainly attributable to lower activities level in the slickline services and the well intervention and enhancement services. The lower results were partially mitigated by lower operating expenses incurred in the current quarter.

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

	Q3'22	Q2'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	22,540	13,959	8,581	61.5
Operating profit	8,280	1,239	7,041	568.3
Profit before interest and tax	8,252	1,196	7,056	590.0
Profit before tax	8,279	1,238	7,041	568.7

The Integrated Corrosion Solution segment results posted a significant increase due to improved operating margins achieved in tandem with higher revenue reported in both its SPJ and MCM projects. In addition, the reversal of accrued cost upon final settlement of a legal suit in the current quarter has further contributed to the better segment results achieved.

B3. PROSPECTS

The outlook for the Oil and Gas sector still remains cautious due to the ongoing supply chain and market challenges in Europe and Asia as a result of the Russia/Ukraine conflict. Nonetheless, with oil prices stabilising at the current level, the sector's activity levels indicate increased spending by oil majors in both capital and operating expenditures.

This places the Group in a good position with the Oilfield Services segment showing a year-on-year improved performance and the international business from the Integrated Corrosion Solution segment contributing positively this quarter, whilst the Power and Machinery segment continues to remain as the largest contributor of the Group. Meanwhile, the Group is mindful of the effects of the rising interest rate environment on the overall sentiment for investing and spending by consumers and businesses.

Barring any unforeseen circumstances, we remain positive on our financial performance for the remainder of the year.

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B4. PROFIT FORECAST

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

B5. INCOME TAX EXPENSE

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
<u>Income tax expenses on continuing operations:</u>				
Current tax – current year	4,750	2,685	8,887	6,410
Over provision in prior years	(194)	(46)	(194)	(46)
Deferred tax				
– origination and reversal of temporary differences	(88)	(2,550)	1,770	(2,703)
– deferred tax assets not recognised	102	96	(148)	346
Total income tax expense	4,570	185	10,315	4,007

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B5. INCOME TAX EXPENSE (Cont’d)

Including the joint venture's and associate's results which were presented net of tax, the effective tax rate of the Group for the financial period ended 30 September 2022 was lower than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/09/2022	30/09/2021
	%	%
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	1	14
- Income not subject to tax	(1)	(2)
- Share of results of associate and joint venture	(3)	(9)
- Deferred tax assets not recognised	0	2
- Over provision in prior years	(1)	(2)
- Effect of different tax rates in other country	3	0
Effective tax rate for continuing operations	23	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 were no corporate proposal announced which was not completed as of 22 November 2022 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
Group's share of net assets of joint venture	33,819	32,934

TOSB was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities include the provision of gas turbine overhaul and maintenance services. In March 2015, the Group entered into a Subscription Agreement with STICO, which resulted in the Group having an equity interest of 80.55%. However, both parties' approval on relevant activities is required as stated in the Subscription Agreement. Based on MFRS and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted for under the equity method of accounting.

The capital of TOSB consists of ordinary shares and redeemable convertible preference shares. It is a private company and there is no readily available quoted market price available for its shares.

Summarised statement of comprehensive income

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Profit before tax	432	546	1,458	1,651
Income tax expense	(94)	(111)	(359)	(355)
Profit for the period	338	435	1,099	1,296
Interest in joint venture (80.55%) Share of results	272	350	885	1,044

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B10. ASSOCIATE

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
Group's share of net assets of associate	24,623	24,373

In the opinion of the Directors, Malaysian Mud and Chemicals Sdn. Bhd. ("2MC") is a material associate of the Group. The Group's effective equity interest in the associate, 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 2021. The associate has share capital 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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Profit before tax	6,090	5,926	17,081	18,752
Income tax expense	(886)	(838)	(4,303)	(4,548)
Profit for the period	5,204	5,088	12,778	14,204
Interest in associate (32%) Share of results	1,665	1,628	4,089	4,545

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B11. TRADE RECEIVABLES

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
Neither past due nor impaired	57,930	61,716
1 to 30 days past due not impaired	7,848	11,286
31 to 60 days past due not impaired	422	1,032
61 to 90 days past due not impaired	524	542
91 to 120 days past due not impaired	210	43
More than 121 days past due not impaired	714	1,788
	<hr/>	<hr/>
	67,648	76,407
Not past due but impaired	0	93
Past due and impaired:		
1 to 30 days past due and impaired	0	175
31 to 60 days past due and impaired	0	1,043
91 to 120 days past due and impaired	0	0
More than 121 days past due and impaired	1,402	5,136
	<hr/>	<hr/>
	69,050	82,854
Less: Impairment of receivables	<hr/>	<hr/>
	(1,402)	(6,447)
	<hr/>	<hr/>
	67,648	76,407
	<hr/> <hr/>	<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 RM9.7 million (31 December 2021: RM14.7 million) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

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B12. GROUP BORROWINGS

The Group borrowings as at 30 September 2022 were as follows:

		Short Term RM'000	Long Term RM'000	Total RM'000
<u>30/09/2022</u>				
Borrowings	- secured	6,005	0	6,005
	- unsecured	4,532	1,213	5,745
		10,537	1,213	11,750
<u>31/12/2021</u>				
Borrowings	- secured	17,501	4,201	21,702
	- unsecured	8,368	246	8,614
		25,869	4,447	30,316

The borrowings are all denominated in Ringgit Malaysia.

	Note	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
Revolving credits	(i)	3,720	7,140
Lease liabilities on right-of-use assets	(ii)	2,030	1,496
Term loans	(iii)	6,000	21,680
		11,750	30,316
Less: Amount repayable within 12 months			
Revolving credits		(3,720)	(7,140)
Lease liabilities on right-of-use assets		(817)	(1,249)
Term loans		(6,000)	(17,480)
		(10,537)	(25,869)
		1,213	4,447

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B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM15.7 million, revolving credits of RM3.4 million and lease liabilities for right-of-use assets of RM0.9 million. However, the amount has been offset with the addition in lease liabilities for right-of-use assets of RM1.6 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 3.68% (average interest of 1.00% per annum above the bank's cost of funds).
- (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 2.98% to 3.68% per annum (1.1% and 1.25% per annum above the KLIBOR). The tenure of the term loans is 3 years.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off-balance sheet financial instrument as at 30 September 2022 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

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B14. DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE

The maintenance, repair and overhaul business unit within the Power and Machinery segment that provides repair, servicing, maintenance and overhaul of motors, generators, transformers and other related services had ceased its active business activities following the Group's decision to exit from this business unit segment.

The disposal of related assets was completed on 15 January 2022 for a consideration of RM 550,000.

Profit/(loss) attributable to the discontinued operation was as follows:

	Individual Quarter		Cumulative Quarters	
	ended		ended	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
Revenue	0	1,501	0	3,653
Other income/(expenses)	0	(2,553)	351	(5,889)
Profit/(loss) after tax	0	(1,052)	283	(2,236)

The profit/(loss) from discontinued operation is attributable entirely to the owners of the Company.

The effect of cash flows arising from discontinued operation was as follows:

	Cumulative Quarters
	30/09/2022
	RM'000
Net cash generated from operating activities	283
Effect on cash flows	283

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B15. 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 Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) (“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.

The Suit proceeded for Trial on 27 - 28 September 2021, and 28 October 2021 and on 20 January 2022, the following Decision was delivered by the Court:

- (a) The Plaintiff’s claim was dismissed;
- (b) The Defendant’s counterclaim was dismissed, save for the declaration sought by the Defendant, namely for a declaration that the termination of the CHE Project by the Defendant was lawful and valid, which declaration was granted; and
- (c) The Plaintiff and the Defendant shall bear their own costs.

The Plaintiff has filed their appeal at the Court of Appeal on 17 February 2022 and the Memorandum of Appeal together with the Record of Appeal on 20 April 2022.

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B15. MATERIAL LITIGATION (Cont'd)

1. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd (“Plaintiff”) against Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“Defendant”) (“DTS”) (Cont'd)

At the Case Management on 7 July 2022, Solicitors for the Plaintiff informed the Court that Plaintiff has been wound up and that they must apply to the liquidator, i.e. the Director General of Insolvency (“DGI”), for sanction to proceed with the appeal in the Court of Appeal under Section 486 [Powers of Liquidator in Winding Up by Court] (read together with Part I of the Twelfth Schedule) of the Companies Act 2016.

At the Case Management on 3 October 2022, the Court has directed for the next Case Management to be fixed on 30 November 2022 for the Plaintiff to update the Court on the status of their application for sanction to the Director General of Insolvency (Selangor State branch) to continue the above action.

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

On the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM 616,535.79 has become due and payable on 3 December 2020 (i.e. after the filing of their suit on 23 November 2020), the Plaintiff decided to include the invoice amount in the total sum claimed from the Defendant and on 25 January 2021, served on the Defendant’s solicitors an Amended Writ and Statement of Claim, both dated 22 January 2021 (“the Amended Writ and Statement of Claim”), to –

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

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

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B15. 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 Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) (“Defendant”) (Cont’d)

Pursuant to the Amended Writ & Statement of Claim, 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 Case Management on 21 July 2021, the suit was initially fixed for Trial on 22, 23 and 29 September 2022 but was subsequently rescheduled by the Court to 8, 22 and 23 March 2023.

3. High Court Of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) against Mazrin Bin Ramli and 9 Others (“Defendants”) (“The Civil Suit”)

The Plaintiff has commenced the above legal proceedings against the Defendants by way of a Writ of Summons and Statement of Claim dated 5 November 2020 for, amongst 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. for the amount of RM19,876,389.87.

On 10 May 2022, the Plaintiff filed a Notice of Application to amend the Anton Piller Order dated 27 January 2021 to allow Virdos Lima Consultancy (M) Sdn Bhd who has been appointed as the new independent forensic expert of the Plaintiff in place of PwC Consulting Associates (M) Sdn Bhd, whose services had been terminated on 30 March 2022, to photograph, make copies, image, extract, download and/or copy into an external storage medium from the Defendants’ devices. The hearing date for this Application was fixed on 25 May 2022 and the application was allowed with no order as to cost.

On 12 May 2022, Messrs. CK Ling Izzaida & Ima had filed a Notice of Application to withdraw as solicitors for Defendant No. 8 and on 25 May 2022 the Application was allowed with no order as to cost.

At the Case Management on 13 May 2022 which relates to the Application to Strike Out the Plaintiff’s Statement of Claim filed by Defendant No. 6 on 20 November 2020, the Court has instructed for the submissions to be filed by 23 June 2022 and the hearing date was fixed on 30 June 2022. On 24 June 2022, a Notice of Discontinuance was filed by the Plaintiff against Defendant No.6 whereby the Plaintiff has withdrawn its claim against Defendant No. 6.

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B15. MATERIAL LITIGATION (Cont'd)

3. High Court Of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought By Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) against Mazrin Bin Ramli and 9 Others (“Defendants”) (“The Civil Suit”) (Cont'd)

Pursuant to the Recusal Applications filed by 6 of the Defendants on 9 March 2021, on 1 April 2022, the Plaintiff has, vide its solicitors, Messrs. Ranjit Singh & Yeoh, filed an application for Contempt of Court proceedings requesting for leave to apply for a committal order against Defendant No. 1 to Defendant No. 4, Syarifuddin bin Abdul Wahab, a director of Defendant No. 8 and Zul Hafizi bin Zainal Karib, a director of Defendant No. 10, for having committed contempt of Court. The Case Management for the application for Contempt of Court proceedings was scheduled for 25 May 2022. It was also to allow the Court to give further directions on the following ancillary applications:

- (a) Applications for Summary Judgement on their Counterclaim which were filed by Defendant No. 9 and Defendant No.10 on 4 March 2021 and 18 January 2021 respectively; and
 - (b) Application to Strike Out the Plaintiff's Statement of Claim which was filed by Defendant No.10 on 14 November 2020.
- (both (a) and (b) to be known as “Ancillary Applications”)

At the Case Management on 25 May 2022, the Court instructed the Parties to arrive at a possible settlement before further directions is given on the Ancillary Applications and scheduled the next case management on 14 June 2022.

At the Case Management on 14 June 2022, the Court has instructed as follows:

- (a) In relation to Summary Judgment application filed by Defendant No. 10;
 - (i) Written submissions must be filed by 30 August 2022;
 - (ii) Hearing date is fixed on 6 September 2022.

At the next Case Management on 30 June 2022 the Court has instructed as follows:

- (a) In relation to Summary Judgment application filed by Defendant No.9:
 - (i) Parties are to file their written submissions by 30 August 2022; and
 - (ii) Hearing date is fixed on 6 September 2022.

Following the Defendant No. 8 being wound-up 27 May 2022, on 27 July 2022, the Plaintiff's solicitors have

- (a) written to the Official Receiver on 27 July 2022 to inform them of the ongoing Civil Suit filed by the Plaintiff against the 10 Defendants which includes, Defendant No.8; and filed a Notice of Motion at the Shah Alam High Court for leave to be granted for the Plaintiff to continue with its claim against Defendant No. 8 which was granted by the Court on 26 August 2022

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B15. MATERIAL LITIGATION (Cont'd)

3. High Court Of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought By Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) against Mazrin Bin Ramli and 9 Others (“Defendants”) (“The Civil Suit”) (Cont'd)

Pursuant to the Interim Investigation Report dated 23 August 2022, prepared by Virdos Lima Consultancy (M) Sdn Bhd (“VLC”), our independent forensic expert, the Plaintiff has filed a Supplementary Affidavit and Application for Extension of Time (“EOT”) to adduce further additional evidence as against Defendant No.9 and Defendant No. 10.

On 2 November 2022 the Plaintiff and Defendant No. 9 entered into a Settlement Agreement for a full and final settlement of the Civil Suit in respect of Defendant No.9 and its counterclaim against the Plaintiff containing the following salient terms:

- (a) The Plaintiff shall pay to Defendant No. 9 the amount of RM1,000,000.00 for a full and final settlement of the Suit in respect of Defendant No.9 and its counterclaim against the Plaintiff;
- (b) Defendant No. 9 agreed to withdraw its Summary Judgment Application against the Plaintiff and the Application is therefore struck out by the Court, with no order as to cost;
- (c) Upon execution of the Settlement Agreement, the Plaintiff shall file its notice of discontinuance for the Civil Suit against Defendant No.9 without any orders to cost and without liberty to file afresh; and
- (d) Defendant No.9 shall file its notice of discontinuance for its counterclaim against the Plaintiff for the Civil Suit without any orders to cost and without liberty to file afresh.

During the Case Management on 2 November 2022, the Court has instructed as follows:

- (a) Defendant No.10 has dropped its objection against the Plaintiff's EOT Application, and the Application is granted to the Plaintiff with no order as to cost;
- (b) Defendant No. 10's Striking Out Application is dismissed with cost of RM5,000 to be paid by Defendant No.10 to the Plaintiff, subject to allocatur fee; and
- (c) Defendant No.10's Summary Judgment Application is dismissed with no order as to cost.

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B16. DIVIDEND

There was no dividend declared during the quarter under review for the financial year ending 31 December 2022.

B17. 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	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Basic/Diluted earnings per share				
Profit/(loss) attributable to equity holders of the Company (RM'000)				
- Continuing operations	11,803	413	28,091	8,750
- Discontinued operation	0	(1,052)	283	(2,236)
	11,803	(639)	28,374	6,514
Weighted average number of shares in issue ('000)	401,554	401,554	401,554	401,554
Basic/Diluted earnings per share (sen)				
- Continuing operations	2.94	0.10	7.00	2.18
- Discontinued operation	0	(0.26)	0.07	(0.56)
Basic/Diluted earnings per share	2.94	(0.16)	7.07	1.62

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B18. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Inventories consumed and recognised as cost of sales	31,019	20,725	69,770	53,592
Purchase of products, parts and consumable	3,388	4,966	10,612	10,271
Costs of services purchased	50,023	74,457	132,873	176,067
Interest income	(546)	(761)	(1,953)	(2,256)
Other income including investment income	(535)	(51)	(756)	(216)
Accretion of income on other receivable	(28)	(33)	(84)	(102)
Interest expenses	131	462	524	1,573
Depreciation and amortisation	8,362	8,914	25,285	27,147
(Write-back)/provision of impairment				
- Trade receivables	(1,098)	108	(3,643)	(258)
- Contract assets	0	(6)	0	(42)
Bad debts written-off				
- Other receivable	0	0	0	77
Impairment/(write-back) for doubtful debts				
- Trade receivables	2	135	24	136
- Contract assets	0	(3)	0	233
Allowance for slow moving inventories	716	6,223	1,233	6,223
Reversal of allowance for slow moving inventories	(7)	(2)	(78)	(121)
Net fair value (gain)/loss on investment securities	(447)	9	(447)	(19)

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B18. PROFIT BEFORE TAX (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Inventories (written back)/written-off	(1)	319	15	635
Amortisation of government grants	(13)	0	(40)	0
Gain on disposals of plant and equipment	0	(16)	(2,004)	(16)
(Gain)/loss on lease modification and disposal	(1)	(53)	8	(53)
Plant and equipment written-off	0	93	0	93
Foreign exchange (gain)/loss				
- Realised	(525)	319	(2,860)	(863)
- Unrealised	245	(600)	1,241	(165)
Provision for liquidated damages	0	0	62	0
Write back of provision of liquidated damages	0	0	(108)	(44)
Fair value (gain)/loss on forward foreign currency exchange contracts	(2,907)	251	(2,724)	826
Loss on liquidation of a subsidiary	0	0	352	0

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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B19. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2021 was unqualified.

B20. 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 29 November 2022.

By order of the Board

Suliana Binti Rosli (MAICSA no. 7057610)
Company Secretary
Kuala Lumpur
29 November 2022