

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2023

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2023

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED
		30/6/2023	30/6/2022	30/6/2023	30/6/2022
		Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations					
Revenue	A11	188,079	126,320	311,522	229,095
Cost of sales		(149,487)	(96,648)	(243,657)	(172,019)
Gross profit		38,592	29,672	67,865	57,076
Other operating income		1,714	942	3,156	3,337
Selling and distribution costs		(9,188)	(8,366)	(18,540)	(15,721)
Administrative expenses		(13,242)	(11,500)	(24,916)	(25,553)
Other operating (expenses)/gains ⁽¹⁾		(608)	290	3,221	2,719
Operating profit		17,268	11,038	30,786	21,858
Finance costs		(51)	(172)	(135)	(393)
Share of results of a joint venture (net of tax)	B9	315	291	659	613
Share of results of an associate (net of tax)	B10	813	1,521	2,318	2,424
Profit before tax	B18	18,345	12,678	33,628	24,502
Income tax expense	B5	(5,523)	(2,973)	(8,629)	(5,745)
Profit from continuing operations (net of tax)		12,822	9,705	24,999	18,757
Discontinued operation					
Profit from discontinued operation (net of tax)	B14	0	0	0	283
Profit for the period		12,822	9,705	24,999	19,040
Currency translation differences		(30)	(33)	(30)	(33)
Reclassification adjustment relating to a subsidiary liquidated during the period		0	395	0	395
Total comprehensive income for the period		12,792	10,067	24,969	19,402
Profit attributable to:					
- Equity holders of the Company		9,732	8,463	18,856	16,571
- Non-controlling interests		3,090	1,242	6,143	2,469
		12,822	9,705	24,999	19,040
Total comprehensive income attributable to:					
- Equity holders of the Company		9,717	8,866	18,841	16,974
- Non-controlling interests		3,075	1,201	6,128	2,428
		12,792	10,067	24,969	19,402
Basic/Diluted earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Continuing operations		2.42	2.11	4.70	4.06
- Discontinued operation		0.00	0.00	0.00	0.07
	B17	2.42	2.11	4.70	4.13
⁽¹⁾ Other operating (expenses)/gains include the following:					
Foreign exchange (losses)/gains:					
- Realised		(614)	1,419	2,847	2,335
- Unrealised		(354)	(639)	(1,713)	(996)
Fair value gain/(loss) on forward foreign currency exchange contracts		67	167	1,419	(183)
Impairment made:					
- trade receivables		0	(22)	0	(22)
Inventories written-off		0	(16)	0	(16)

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 2022 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 2023

RM'000	Note	As at 30/6/2023 Unaudited	As at 31/12/2022 Audited
ASSETS			
Property, plant and equipment*		101,086	110,291
Investment properties		688	700
Intangible assets		198	212
Associate	B10	24,319	23,921
Joint venture	B9	34,739	34,081
Deferred tax assets		3,657	2,186
Other receivables		2,448	2,296
Cash and bank balances		3,696	3,696
Non-current Assets		170,831	177,383
Inventories		26,010	40,014
Amounts due from an associate		0	1,921
Amounts due from a joint venture		162	223
Trade receivables	B11	80,451	120,299
Contract assets		84,875	178,605
Other receivables, deposits and prepayments		14,211	19,376
Derivative financial instrument	A7	137	0
Tax recoverable		1,363	1,674
Cash and bank balances		219,113	174,321
Current Assets		426,322	536,433
TOTAL ASSETS		597,153	713,816
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		244,443	238,637
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(1,701)	(1,686)
Equity attributable to equity holders of the Company		394,544	388,753
Non-controlling interests		28,940	25,793
Total Equity		423,484	414,546
Borrowings	B12	1,028	1,175
Deferred income		233	259
Deferred tax liabilities		14,738	14,596
Non-current Liabilities		15,999	16,030
Trade payables		115,088	221,129
Contract liabilities		10,277	5,553
Other payables and accruals		22,554	38,385
Derivative financial instrument	A7	106	1,513
Taxation		7,882	9,048
Borrowings	B12	1,763	7,612
Current Liabilities		157,670	283,240
Total Liabilities		173,669	299,270
TOTAL EQUITY AND LIABILITIES		597,153	713,816

* 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 2022 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2023

	← 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 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	16,571	16,571	2,469	19,040
Other comprehensive income for the financial period	0	0	8	0	0	8	(41)	(33)
Reclassification adjustment relating to a subsidiary liquidated during the financial period	0	2	395	0	0	397	0	397
Total comprehensive income for the financial period	0	2	403	0	16,571	16,976	2,428	19,404
Dividend	0	0	0	0	(4,819)	(4,819)	(2,281)	(7,100)
Acquisition of non-controlling interest	0	0	0	0	1,157	1,157	(1,868)	(711)
At 30 June 2022	<u>401,553</u>	<u>201,804</u>	<u>(1,685)</u>	<u>(50,000)</u>	<u>221,446</u>	<u>371,565</u>	<u>18,797</u>	<u>390,362</u>
At 1 January 2023	401,553	201,802	(1,686)	(50,000)	238,637	388,753	25,793	414,546
Profit for the financial period	0	0	0	0	18,856	18,856	6,143	24,999
Other comprehensive income for the financial period	0	0	(15)	0	0	(15)	(15)	(30)
Total comprehensive income for the financial period	0	0	(15)	0	18,856	18,841	6,128	24,969
Dividend	0	0	0	0	(13,050)	(13,050)	(2,981)	(16,031)
At 30 June 2023	<u>401,553</u>	<u>201,802</u>	<u>(1,701)</u>	<u>(50,000)</u>	<u>244,443</u>	<u>394,544</u>	<u>28,940</u>	<u>423,484</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 2022 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 JUNE 2023

RM'000	YEAR-TO-DATE ENDED	
	30/6/2023	30/6/2022
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period from:		
- Continuing operations	24,999	18,757
- Discontinued operation	0	283
	24,999	19,040
<u>Adjustments for:</u>		
Trade receivables		
- impairment made	0	22
- write back of impairment	(449)	(2,545)
Allowance for slow moving inventories:		
- allowance made	404	517
- write back of allowance	(379)	(71)
Amortisation of intangible assets	14	36
Accretion of income on other long-term receivable	(51)	(56)
Depreciation:		
- property, plant and equipment*	16,342	16,875
- investment properties	12	12
Amortisation of government grants	(27)	(27)
Provision for liquidated damages		
- provision made	345	62
- write back of provision	0	(108)
Gain on disposals of plant and equipment	(59)	(2,004)
Loss on lease disposal	0	9
Write off:		
- inventories	0	16
Interest income	(1,978)	(1,407)
Finance costs	135	393
Share of results of an associate	(2,318)	(2,424)
Share of results of a joint venture	(659)	(613)
Tax expense	8,629	5,814
Unrealised net foreign exchange loss	1,713	996
Net fair value (gain)/loss on forward foreign currency exchange contracts	(1,419)	183
Loss on liquidation of a subsidiary	0	352
Operating profit before working capital changes	45,254	35,072
<u>Changes in working capital</u>		
Inventories	13,979	15,800
Trade receivables	42,415	22,676
Contract assets	95,360	4,135
Other receivables, deposits and prepayments	5,522	1,079
Trade payables	(111,219)	(45,617)
Other payables and accruals	(16,471)	(5,079)
Contract liabilities	4,724	3,181
Cash generated from operations	79,564	31,247
Tax paid	(10,813)	(5,626)
Tax refunded	0	2
Interest paid	(129)	(388)
Net cash generated from operating activities	68,622	25,235
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,603	1,403
Purchase of plant and equipment	(6,348)	(863)
Proceeds from disposals of plant and equipment	59	3,154
Dividend received from an associate	3,841	3,840
Amounts due from a joint venture	62	35
Acquisition of non-controlling interests	0	(711)
Net cash (used)/generated from investing activities	(783)	6,858

* Inclusive of right-of-use assets.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023

RM'000	YEAR TO-DATE-ENDED	
	30/6/2023	30/6/2022
	Unaudited	Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	(2,580)	(2,280)
Term loans		
- Repayment	(3,600)	(11,160)
Lease liabilities on right-of-use assets		
- Repayment	(605)	(641)
Dividends paid to:		
- Shareholders	(13,050)	(4,819)
- Non-controlling interests	(2,981)	(2,281)
(Increase)/decrease in restricted cash	(10,793)	49
Net cash used in financing activities	(33,609)	(21,132)
Net increase in cash and cash equivalents	34,230	10,961
Foreign currency translation	(231)	41
Cash and cash equivalents at beginning of the year	168,540	183,379
Cash and cash equivalents at end of period	202,539	194,381
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Deposits with licensed banks	215,360	190,195
Cash and bank balances	7,449	13,471
	222,809	203,666
Restricted cash	(20,270)	(9,285)
Cash and cash equivalents at end of period	202,539	194,381
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	185,647	193,432
US Dollar	16,857	877
Others	35	72
	202,539	194,381

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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 2023

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 2022 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 2022.

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 2022.

During the financial year, 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 January 2023:

- | | |
|--------------------------|--|
| • Amendments to MFRS 17 | Initial application of MFRS 17 and MFRS 9 – Comparative Information |
| • 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 adoption of the above amendments to published standards did not have any material impact to the Group financial results for the financial year ending 31 December 2023 upon their initial application.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2023

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 2024:

- Amendments to MFRS 16 Lease Liability in a Sale and Leaseback Leases
- Amendments to MFRS 101 Non-current Liabilities with Covenants Presentation of Financial Statements
- Amendments to MFRS 107 Supplier Finance Arrangements Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosure

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 period 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 2023

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 2023 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 30/6/2023		As at 31/12/2022	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	98,632	96,775	204,801	188,243
Others	4,625	1,229	8,247	8,448
	<u>103,257</u>	<u>98,004</u>	<u>213,048</u>	<u>196,691</u>
Closing exchange rate				
US Dollar	<u>4.679</u>	<u>4.679</u>	<u>4.413</u>	<u>4.413</u>

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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 June 2023, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM40,437,000 (31 December 2022: RM55,314,000).

	As at 30/6/2023		As at 31/12/2022	
	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

	32,152	137	0	0
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	As at 30/6/2023		As at 31/12/2022	
	Net	Net Fair	Net	Net
	Notional	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

	8,285	(106)	55,314	(1,513)
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UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

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 foreign currency 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 June 2023 amounted to a fair value gain of RM31,000 (31 December 2022: RM1,513,000).

A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 3.25 sen per share on 401,553,500 ordinary shares in respect of the financial year ended 31 December 2022.

	RM'000
Second interim single tier dividend of 3.25 sen per share on 401,553,500 ordinary shares, paid on 30 March 2023	13,050
	<u><u>13,050</u></u>

No dividend was paid in the current quarter under review.

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

A10. SEGMENT INFORMATION

The segments of the Group are as follows:

- Power and Machinery (“P&M”) – Mainly consists of:
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
 - Supply and commission of combined heat and power plants; 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 2023.

Segmental information for the financial period ended 30 June 2023 was as follows:

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	155,315	77,665	252,964	139,381
Oilfield Services	31,584	34,585	54,401	62,588
Integrated Corrosion Solution	1,034	13,959	3,891	26,892
Other non-reportable segment	146	111	266	234
Total Group revenue	188,079	126,320	311,522	229,095

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2023

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
<u>Segment Results</u>				
Power and Machinery	17,297	7,221	33,665	13,854
Oilfield Services	2,232	3,468	3	7,237
Integrated Corrosion Solution	(1,586)	1,238	(1,544)	2,409
Other non-reportable segment	13	10	24	21
Segment results	17,956	11,937	32,148	23,521
Unallocated income ^	121	102	232	160
Unallocated corporate expenses #	(860)	(1,173)	(1,729)	(2,216)
Share of results of a joint venture *	315	291	659	613
Share of results of an associate *	813	1,521	2,318	2,424
Tax expense (Note B5) *	(5,523)	(2,973)	(8,629)	(5,745)
Profit from continuing operations	12,822	9,705	24,999	18,757
Profit from discontinued operation, net of tax	0	0	0	283
Profit for the period	12,822	9,705	24,999	19,040

^ 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 30/6/2023	As at 31/12/2022
	RM'000	RM'000
<u>Segment Assets</u>		
Power and Machinery	329,466	405,991
Oilfield Services	159,680	169,207
Integrated Corrosion Solution	21,228	50,501
Segment assets	510,374	625,699
Unallocated corporate assets ^	86,779	88,117
Total assets	597,153	713,816

	As at 30/6/2023	As at 31/12/2022
	RM'000	RM'000
<u>Segment Liabilities</u>		
Power and Machinery	128,478	224,668
Oilfield Services	11,071	20,393
Integrated Corrosion Solution	5,070	25,425
Segment liabilities	144,619	270,486
Unallocated corporate liabilities #	29,050	28,784
Total liabilities	173,669	299,270

^ 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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Revenue from contracts with customers:				
- Goods and services	187,933	126,209	311,256	228,861
- Management fee	146	111	266	234
	188,079	126,320	311,522	229,095

Revenue from contracts with customers:

Type of goods and services

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Sale of gas turbine packages and after sales support and services	122,906	58,809	198,419	109,534
Commission based income services	658	1,577	2,683	3,269
Principal based income services	5,759	29	11,798	107
Sale of valves and flow regulators and after sales support and services	26,480	17,279	40,715	26,578
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	29,303	32,769	50,775	58,669
Provision of specialty chemical and well stimulation services	1,793	1,787	2,975	3,812
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	1	7,126	18	14,863
Provision of maintenance, construction and modification services	1,033	6,833	3,873	12,029
	187,933	126,209	311,256	228,861

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A12. ACQUISITIONS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter ended 30 June 2023, the acquisitions of plant and equipment and intangible assets by the Group were as follows:

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Acquisitions at cost:				
- Plant and equipment*	4,830	720	7,136	927

* Included in the acquisition of plant and equipment is addition on right-of-use assets RM788,000 (30 June 2022: RM64,000).

A13. MATERIAL EVENTS DURING THE REPORTING DATE

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

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

There were no material events after the end of the reporting date.

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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 2023, 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 RM27.0 million (31 December 2022: RM13.1 million).

A17. COMMITMENTS

Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 30 June 2023 were as follows:

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Authorised but not contracted for		
- Plant and machinery	14,730	15,311
- Others	3,000	4,853
Authorised and contracted for		
- Plant and machinery	429	2,293
- Others	659	411
	18,818	22,868
Share of capital commitment of joint venture	784	1,250
	19,602	24,118

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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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	1,141	803	1,988	1,221
Rental income from an affiliate company of STICO	13	13	27	27
Purchases and technical services from STICO and its affiliated companies	95,729	42,597	134,646	67,423

Significant outstanding balances arising from the above transactions as at 30 June 2023 were as follows:

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Amount due from STICO and its affiliated companies	2,377	8,706
Amount due to STICO and its affiliated companies	87,479	178,358

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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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Sales to related parties of Dresser Italia S.R.L	4	86	30	462
Purchases of goods and services from related parties of Dresser Italia S.R.L	13,698	9,870	21,338	14,698

Significant outstanding balances arising from the above transactions as at 30 June 2023 were as follows:

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Amount due from related parties of Dresser Italia S.R.L	0	111
Amount due to related parties of Dresser Italia S.R.L	9,996	7,071

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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:

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Sales to STICO	1,000	1,000	2,000	2,000
Rental income from affiliate company of STICO	140	141	281	281

Outstanding balance arising from the above transactions as at 30 June 2023 was as follows:

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Amount due from STICO and its affiliated company	2,000	380

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Directors' fees	147	173	320	346
Salaries, bonuses, allowances and other staff related expenses	4,584	3,063	7,000	5,454
Defined contribution plan	518	351	773	614
	5,249	3,587	8,093	6,414

- (e) The provision of general and financial advisory services by a non-independent director was as follows:

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Provision for general and financial advisory services	17	0	17	0

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

B1. PERFORMANCE REVIEW

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

<u>Group</u>	Q2'23	Q2'22	Variance	Variance
	RM'000	RM'000	RM'000	%
Revenue	188,079	126,320	61,759	48.9
Operating profit	17,268	11,038	6,230	56.4
Share of results of a joint venture, net of tax	315	291	24	8.2
Share of results of an associate, net of tax	813	1,521	(708)	(46.5)
Profit before interest and tax	17,304	12,096	5,208	43.1
Profit before tax	18,345	12,678	5,667	44.7
Profit from continuing operations	12,822	9,705	3,117	32.1
Profit attributable to equity holders of the Company	<u>9,732</u>	<u>8,463</u>	<u>1,269</u>	<u>15.0</u>

The Group's revenue has increased by RM61.8 million or 48.9% to RM188.1 million against the previous corresponding quarter of RM126.3 million mainly due to higher sales activities in the Power and Machinery segment. However, the increase was offset by lower revenue generated from the Oilfield Services and Integrated Corrosion Solution segments.

The Group's profit attributable to equity holders of the Company increased by RM1.3 million to RM9.7 million against the previous corresponding quarter. The increase was predominantly due to the better operating results achieved in the Power and Machinery segment and lower other operating expenses incurred in the Integrated Corrosion Solution and Oilfield Services segments. However, higher Group's result was partially offset by higher other operating expenses incurred in the Power and Machinery segment which included a loss on foreign exchange of RM1.0 million.

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

A decrease in the share of results from an associate was reported in the current quarter mainly attributable to the lower throughput achieved from 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)

	Q2'23	Q2'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	155,315	77,665	77,650	100.0
Operating profit	17,315	6,879	10,436	151.7
Profit before interest and tax	16,436	6,271	10,165	162.1
Profit before tax	<u>17,297</u>	<u>7,221</u>	<u>10,076</u>	<u>139.5</u>

The Power and Machinery segment posted an increase in revenue of 100.0% or RM77.7 million against previous corresponding quarter of RM77.7 million. The increase was mainly attributable to increase in sales value and quantity of exchange engines delivered, sales of turbines parts and repairs, field service representative call out activities and control and safety valves and flow regulator services.

The segment profit reported an increase of RM10.1 million or 139.5% in line with higher revenue reported but was offset by the loss on foreign exchange of RM1.0 million (2022: net gain on foreign exchange of RM0.6 million) and higher other operating expenses incurred in the current quarter.

	Q2'23	Q2'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	31,584	34,585	(3,001)	(8.7)
Operating profit	2,251	3,579	(1,328)	(37.1)
Profit before interest and tax	2,152	3,535	(1,383)	(39.1)
Profit before tax	<u>2,232</u>	<u>3,468</u>	<u>(1,236)</u>	<u>(35.6)</u>

The Oilfield Services segment revenue recorded a decrease of RM3.0 million or 8.7% to RM31.6 million as compared to the previous corresponding quarter of RM34.6 million. This was primarily due to lower business activities in the slickline services, gas lift valve services and asset integrated solutions.

Lower segment profit by RM1.2 million was recorded in tandem with lower revenue achieved during the quarter. However, it was mitigated by lower other operating expenses incurred and reversal of impairment made on its trade receivables in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2'23	Q2'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Intergrated Corrosion Solution</u>				
Revenue	1,034	13,959	(12,925)	(92.6)
Operating (loss)/profit	(1,586)	1,239	(2,825)	(228.0)
(Loss)/profit before interest and tax	(1,656)	1,196	(2,852)	(238.5)
(Loss)/profit before tax	<u>(1,586)</u>	<u>1,238</u>	<u>(2,824)</u>	<u>(228.1)</u>

The Integrated Corrosion Solution segment recorded a decrease in revenue by RM12.9 million or 92.6% to RM1.0 million as compared to the previous corresponding quarter of RM14.0 million. The decrease was due to lower maintenance activities from alternative blasting and painting job in Indonesia as well as its Maintenance, Construction and Modification ("MCM") projects.

The segment reported a loss of RM1.6 million predominantly due to the lower revenue reported in the current quarter but it was mitigated by lower other operating expenses incurred.

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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 %
	Q2'23 RM'000	Q2'22 RM'000		
<u>Group</u>				
Revenue	311,522	229,095	82,427	36.0
Operating profit	30,786	21,858	8,928	40.8
Share of results of a joint venture, net of tax	659	613	46	7.5
Share of results of an associate, net of tax	2,318	2,424	(106)	(4.4)
Profit before interest and tax	31,785	23,488	8,297	35.3
Profit before tax	33,628	24,502	9,126	37.2
Profit from continuing operations	24,999	18,757	6,242	33.3
Profit from discontinued operation	0	283	(283)	100.0
Profit attributable to equity holders of the Company	<u>18,856</u>	<u>16,571</u>	<u>2,285</u>	<u>13.8</u>

The Group's revenue increased by RM82.4 million or 36.0% to RM311.5 million against the previous corresponding period of RM229.1 million as a result of stronger revenue contribution from the Power and Machinery segment. However, the increase was offset by lower revenue contribution from the Oilfield Services and Integrated Corrosion Solution segments.

The Group's profit attributable to equity holders of the Company increased by RM2.3 million or 13.8% to RM18.9 million against the previous corresponding cumulative quarters of RM16.6 million. The improved results were mainly due to better group profit achieved from the Power and Machinery segment coupled with gain on foreign exchange of RM1.9 million, fair value gain on forward foreign currency exchange contracts of RM1.4 million and lower other operating expenses incurred in the Integrated Corrosion Solution segment. The higher segment results achieved by the Power and Machinery segment was however offset by lower reported results from the Oilfield Services and Integrated Corrosion Solution segments.

The higher share of results of a joint venture was due to lower 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 %
	Q2'23 RM'000	Q2'22 RM'000		
<u>Power and Machinery</u>				
Revenue	252,964	139,381	113,583	81.5
Operating profit	33,703	13,874	19,829	142.9
Profit before interest and tax	32,072	12,734	19,338	151.9
Profit before tax	<u>33,665</u>	<u>13,854</u>	<u>19,811</u>	<u>143.0</u>

The Power and Machinery segment posted an increase in revenue of 81.5% or RM113.6 million against the previous corresponding period of RM139.4 million. The increase was mainly attributable to higher sales value and increase in number of exchange engines delivered, sales of turbines parts and repairs, field service representative call out activities, retrofit and control and safety valves and flow regulator services.

The segment profit reported an increase of RM19.8m or 143.0% mainly due to higher gross profit achieved, gain on foreign exchange of RM1.9 million and fair value gain on forward foreign currency exchange contracts of RM1.4 million made in the current period. In the previous corresponding period, the segment reported a gain on foreign exchange of RM1.3 million and fair value loss in forward foreign currency exchange contracts of RM0.2 million.

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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 %
	Q2'23 RM'000	Q2'22 RM'000		
<u>Oilfield Services</u>				
Revenue	54,401	62,588	(8,187)	(13.1)
Operating profit	59	7,496	(7,437)	99.2
(Loss)/profit before interest and tax	(106)	7,391	(7,497)	101.4
Profit before tax	3	7,237	(7,234)	100.0

The Oilfield Services segment revenue recorded a decrease of RM8.2 million or 13.1% to RM54.4 million as compared to the previous corresponding period of RM62.6 million. This was primarily due to lower activities from its gas lift valve services, slickline activities in West Malaysia region, asset integrated solutions as well as specialty chemicals and well stimulations activities.

The segment reported a decrease in profit by RM7.2 million against the previous corresponding period profit of RM7.2 million. This was in tandem with the lower revenue reported and lower reversal of impairment made on its trade receivable by RM2.2 million as compared to the previous corresponding 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 %
	Q2'23 RM'000	Q2'22 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	3,891	26,892	(23,001)	(85.5)
Operating (loss)/profit	(1,543)	2,411	(3,954)	(164.0)
(Loss)/profit before interest and tax	(1,641)	2,354	(3,995)	(169.7)
(Loss)/profit before tax	<u>(1,544)</u>	<u>2,409</u>	<u>(3,953)</u>	<u>(164.1)</u>

The Integrated Corrosion Solution segment recorded a decrease in revenue by RM23.0 million or 85.5% to RM3.9 million as compared to the previous corresponding period of RM26.9 million. The decrease was due to lower maintenance activities for its activities from alternative blasting and painting job in Indonesia as well as MCM projects.

Lower segment profit by RM4.0 million was reported mainly due to the lower revenue achieved in the current period but it was offset with lower other operating expenses incurred by RM2.7 million as compared to the previous corresponding period.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 30 June 2023 stood at RM597.2 million against RM713.8 million at the end of the previous financial year, representing a decrease of RM116.7 million or 16.3%. This was mainly due to a decrease in contract assets and trade receivables by RM93.7 million and RM39.8 million respectively upon billings made and collections from customers and lower inventories of RM14.0 million upon delivery of exchange engines during the current period. However, this was offset with higher deferred tax asset balance by RM1.5 million.

The Group's total liabilities has decreased by RM125.6 million mainly due to lower trade payables balance by RM106.0 million upon payment made, reduction in other payables and accruals by RM15.8 million and repayment of bank borrowings of RM6.2 million. However, this was offset with higher balance from contract liabilities by RM4.7 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances were higher at RM222.8 million as compared to RM178.0 million as at 31 December 2022. The increase was mainly attributable to higher cash flow generated from its operating activities of RM68.6 million in the current financial period.

Higher cash flow generated from operating activities were primarily due to higher billings made for contract assets and collections from customers during the financial period. However, the cash inflow was offset by the amount paid to the trade creditors during the financial period.

In investing activities, the Group paid a total of RM6.3 million for its purchase of plant and equipment but the decrease was mitigated by the dividend received from an associate of RM3.8 million and interest received of RM1.6 million.

The increase in cash inflow was offset by net cash outflow from financing activities of RM33.6 million. The outflow consists of an increase in restricted cash of RM11.0 million, dividend payments of RM16.0 million made to its shareholders and non-controlling interests and repayment of bank borrowings of RM6.2 million.

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

<u>Group</u>	Q2'23 RM'000	Q1'23 RM'000	Variance RM'000	Variance %
Revenue	188,079	123,443	64,636	52.4
Operating profit	17,268	13,518	3,750	27.7
Share of results of a joint venture, net of tax	315	344	(29)	(8.4)
Share of results of an associate, net of tax	813	1,505	(692)	(46.0)
Profit before interest and tax	17,304	14,481	2,823	19.5
Profit before tax	18,345	15,283	3,062	20.0
Profit from continuing operations	12,822	12,177	645	5.3
Profit attributable to equity holders of the Company	<u>9,732</u>	<u>9,124</u>	<u>608</u>	<u>6.7</u>

The Group's profit attributable to equity holders of the Company has increased by RM0.6 million or 6.7% as compared to the previous quarter due to higher contribution reported by the Power and Machinery and Oilfield Services segments.

The higher profit achieved was due to lower other operating expenses incurred and reversal of impairment made on trade receivables in the Power and Machinery and Oilfield Services segments respectively and lower loss on foreign exchange in the Integrated Corrosion Solution segment. However, the increase was offset by the higher loss on foreign exchange and fair value loss on foreign exchange forward contracts reported in the Power and Machinery segment.

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 lower against the immediate preceding quarter due to lower 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)

	Q2'23	Q1'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	155,315	97,649	57,666	59.1
Operating profit	17,315	16,388	927	5.7
Profit before interest and tax	16,436	15,636	800	5.1
Profit before tax	<u>17,297</u>	<u>16,368</u>	<u>929</u>	<u>5.7</u>

The Power and Machinery segment reported an increase in profit by RM0.9 million to RM17.3 million against the immediate preceding quarter profit of RM16.4 million. The increase was mainly attributable to the higher contribution from the control and safety valves and flow regulator services, sales of turbines parts and repairs, field services representative activities and freight income. However, the segment has incurred higher other operating expenses which consist mainly higher loss on foreign exchange and fair value loss on forward foreign currency exchange contracts of RM1.0 million and RM0.1 million respectively. In contrast, the segment reported gain on foreign exchange of RM2.8 million and fair value gain in forward foreign currency exchange contracts of RM1.5 million in the immediate preceding quarter.

	Q2'23	Q1'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	31,584	22,817	8,767	38.4
Operating profit/(loss)	2,251	(2,192)	(4,443)	(202.7)
Profit/(loss) before interest and tax	2,152	(2,258)	(4,410)	(195.3)
Profit/(loss) before tax	<u>2,232</u>	<u>(2,229)</u>	<u>(4,461)</u>	<u>(200.1)</u>

The Oilfield Services segment reported a profit of RM2.2 million against the immediate preceding quarter loss of RM2.2 million. The higher profit reported was mainly due to higher operating margin achieved from slickline activities, specialty chemicals and well stimulation activities and gas lift valve services. The segment result was further improved by the reversal of impairment made for its trade receivable of RM0.3 million 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)

	Q2'23	Q1'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	1,034	2,857	(1,823)	(63.8)
Operating (loss)/profit	(1,586)	43	(1,629)	(3,788.4)
(Loss)/profit before interest and tax	(1,656)	15	(1,671)	(11,140.0)
 (Loss)/profit before tax	<u>(1,586)</u>	<u>42</u>	<u>(1,628)</u>	<u>(3,876.2)</u>

The Integrated Corrosion Solution segment posted a decrease in segment results by RM1.6 million mainly due to lower activities in both activities from alternative blasting and painting job and MCM but mitigated by lower loss on foreign exchange by RM0.7 million as compared to the immediate preceding quarter.

B3. PROSPECTS

The oil and gas sector is expected to remain resilient in the second half of 2023, supported by increased exploration and production activities. Furthermore, the continuation of Opec+ supply controls to sustain the Brent crude price will provide comfort to major oil producers to proceed with their capital expenditure plans which will benefit the services sector.

We continue to strengthen our operations as demonstrated in our new area of growth of solid control services in the Oilfield Services segment, springboarding from Deleum's investment in solid control equipment in 2022. Our investment has begun to show encouraging developments, with the segment securing contracts for the provision of solid control equipment and services in recent months. We will continue to actively participate in tendering for additional contracts in the future.

We are optimistic that 2023 would be a good year for Deleum, barring any unforeseen circumstances, as the Group strives to find new opportunities for growth in every segment that will bring value to our shareholders. We remain committed to our strategic goals of extending our product and service offerings and expanding our regional footprints.

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B4. PROFIT FORECAST

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

B5. INCOME TAX EXPENSE

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
<u>Income tax expenses on continuing operations:</u>				
Current tax:				
- Malaysian tax	4,369	2,183	9,465	4,137
Deferred tax:				
- origination and reversal of temporary differences	662	1,108	(1,162)	1,858
- recognition of previously unrecognised temporary differences	244	0	0	0
- deferred tax assets not recognised	248	(318)	326	(250)
Total income tax expense	5,523	2,973	8,629	5,745

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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 June 2023 was higher than the headline tax rate as shown below.

	Cumulative quarters ended	
	30/06/2023 %	30/06/2022 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	24
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	4	4
- Income not subject to tax	(1)	(1)
- Share of results of associate and joint venture	(2)	(3)
- Deferred tax assets not recognised	1	(1)
Effective tax rate for continuing operations	26	23

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 August 2023 (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 30/6/2023 RM'000	As at 31/12/2022 RM'000
Group's share of net assets of joint venture	34,739	34,081

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	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax	528	490	1,101	1,026
Income tax expense	(137)	(129)	(283)	(265)
Profit for the period	391	361	818	761
Interest in joint venture (80.55%) Share of results	315	291	659	613

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B10. ASSOCIATE

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Group's share of net assets of associate	24,319	23,921

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 2022. 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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Profit before tax	3,393	6,304	8,861	10,991
Income tax expense	(852)	(1,552)	(1,617)	(3,417)
Profit for the period	2,541	4,752	7,244	7,574
Interest in associate (32%) Share of results	813	1,521	2,318	2,424

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B11. TRADE RECEIVABLES

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Neither past due nor impaired	55,961	91,631
1 to 30 days past due not impaired	14,474	22,561
31 to 60 days past due not impaired	3,989	5,164
61 to 90 days past due not impaired	4,032	593
91 to 120 days past due not impaired	1,927	298
More than 121 days past due not impaired	68	52
	<hr/> 80,451	<hr/> 120,299
Past due and impaired:		
More than 121 days past due and impaired	529	977
	<hr/> 80,980	<hr/> 121,276
Less: Impairment of receivables	(529)	(977)
	<hr/> 80,451	<hr/> 120,299
	<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 period.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM24.5 million (31 December 2022: RM28.7 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 June 2023 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>30/6/2023</u>			
Borrowings - secured	600	0	600
- unsecured	1,163	1,028	2,191
	<u>1,763</u>	<u>1,028</u>	<u>2,791</u>
<u>31/12/2022</u>			
Borrowings - secured	4,200	0	4,200
- unsecured	3,412	1,175	4,587
	<u>7,612</u>	<u>1,175</u>	<u>8,787</u>

The borrowings are all denominated in Ringgit Malaysia.

	Note	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Revolving credits	(i)	0	2,580
Lease liabilities on right-of-use assets	(ii)	2,191	2,007
Term loans	(iii)	600	4,200
		<u>2,791</u>	<u>8,787</u>
Less: Amount repayable within 12 months			
Revolving credits		0	(2,580)
Lease liabilities on right-of-use assets		(1,163)	(832)
Term loans		(600)	(4,200)
		<u>(1,763)</u>	<u>(7,612)</u>
		<u>1,028</u>	<u>1,175</u>

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B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM3.6 million, revolving credits of RM2.6 million and lease liabilities of RM0.6 million. However, the amount has been offset by the addition in lease liabilities for right-of-use assets of RM0.8 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.60% (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 4.68% per annum.
- (iii) Term loans carry interest rates ranging from 2.94% to 2.98% 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 June 2023 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.

Profit attributable to the discontinued operation was as follows:

	Individual quarter ended		Cumulative quarters ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Revenue	0	0	0	0
Other income	0	0	0	351
Profit before tax	0	0	0	351
Tax expense	0	0	0	(68)
Profit after tax	0	0	0	283

The profit 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 ended	
	30/06/2023	30/06/2022
	RM'000	RM'000
Net cash generated from operating activities	0	283
Effect on cash flows	0	283

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B15. MATERIAL LITIGATION

Save as disclosed below, as at 30 June 2023 (being the LPD), Deleum Group has not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant and our Board is not aware of any proceedings, pending or threatened, against the Deleum Group or any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Deleum Group.

All the material litigation below relates to Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.), a 86.67% owned indirect subsidiary of Deleum Group, and does not relate to Deleum Group and its other subsidiaries.

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. (“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 CHE 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 against the Defendant, are as follows:

- (a) A Declaration that the termination of the CHE 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.

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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. (“Defendant”) (Cont'd)

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

- (a) The Plaintiff's claim is dismissed;
- (b) The Defendant's counterclaim is 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 its 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.

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 30 November 2022, solicitors for the Plaintiff informed that they have filed a letter in Court on 22 November 2022 enclosing the DGI's approval of the Plaintiff's application for sanction to continue the above action.

Pursuant to the Hearing of the Appeal held on 12 January 2023, the Court of Appeal has granted the following Orders in favour of the Plaintiff:

- (a) Judgment for the sum of RM1,400,500.00 for outstanding invoices, as pleaded in the Statement of Claim;
- (b) Interest at the rate of 5% per annum on the judgment sum from the date of filing of the Suit, 21 August 2020, until the date of full settlement; and
- (c) Costs of RM10,000.00 be paid to the Plaintiff, subject to payment of the Allocatur fee.

Item 1 and 3 have been paid to the Plaintiff on 23 February 2023 whilst item 2 was paid on 3 March 2023.

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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. (“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, were 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 have, on 25 January 2021, served on the Defendant's solicitors an Amended Writ and Statement of Claim, both dated 22 January 2021, to:

- (a) Amend the original claim sum from RM1,568,048.66 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 amendments have been sought on the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM616,535.79 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 RM2,184,584.45 being the total sum from invoices allegedly outstanding;
- (b) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (c) Costs; and
- (d) Any other relief deemed fit by the High Court.

Pursuant to the Case Management on 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 22 and 23 March 2023.

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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. (“Defendant”) (Cont'd)

Following the conclusion of the trial on 23 March 2023, the following decisions were delivered by the High Court on 24 May 2023:

- (a) Defendant is to pay the judgment sum of RM2,184,584.45 to the Plaintiff as well as 5% interest per annum on the judgment sum until full settlement; and
- (b) Defendant is to pay RM100,000.00 as the costs of the Suit to the Plaintiff.

The above decisions do not have material financial impact on the Group for the financial year ending 31 December 2023.

The case has been reviewed and considered and it has been decided not to proceed with the appeal at the Court of Appeal.

Item (a) and (b) have been paid to the Plaintiff on 10 August 2023.

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Technology Solutions Sdn. Bhd. (“Plaintiff”) against Mazrin bin Ramli & 9 Others (“Defendants”)

The Plaintiff has commenced the above legal proceedings against the Defendants by way of a Writ of Summons dated 5 November 2020 for, *inter alia*, 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.

Pursuant to the Recusal Application filed by the 6 Defendants on 9 March 2021, Plaintiff has on 1 April 2022, vide its solicitors, Messrs. Ranjit Singh & Yeoh, filed an application 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.

During the Hearing on 21 November 2022, in relation to DTS Application for Leave to Apply for an Order of Committal against all the above and dismissed the same against Zul Hafizi bin Zainal Karib, a director of Defendant No. 10, with no order as to cost.

Pursuant to the above, DTS have filed an Application for an Order of Committal against all of the above except for Zul Hafizi bin Zainal Karib, a director of Defendant No. 10. The case management for the Application is scheduled on 21 March 2023.

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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. (“Plaintiff”) against Mazrin bin Ramli & 9 Others (“Defendants”) (Cont'd)

During the case management for the Application on 21 March 2023, the Court has fixed a hearing date for the contempt application and has given directions for the filing of submissions. In this regard, the Court has directed as follows:

- (a) Written submissions to be filed on 8 May 2023;
- (b) Reply submissions to be filed on 22 May 2023; and
- (c) The hearing for the contempt application is fixed on 29 May 2023.

However, the scheduled hearing was vacated and the Court has fixed the contempt application to be heard on 14 September 2023.

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

Pursuant to the winding up of Defendant No. 8 and a forensic report prepared by our forensic analyst VirDOS Lima Consultancy (M) Sdn Bhd dated 19 March 2023, the Plaintiff has filed its application to amend its Statement of Claim on 12 April 2023. During the case management on 22 May 2023, the Court gave the following directions in respect of the revised Statement of Claim:

- (a) Written Submissions be filed by all parties simultaneously on 21 August 2023;
- (b) Reply Submissions be filed by all parties simultaneously on 4 September 2023; and
- (c) The hearing is fixed on 13 September 2023.

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B16. DIVIDEND

The board of Directors have, in respect of financial year ended 31 December 2022, declared a second interim single tier dividend of 3.25 sen per share on 401,553,500 ordinary shares, totalling RM13,050,489. The dividend was paid on 30 March 2023.

The board of Directors have, in respect of financial year ending 31 December 2023, declared a first interim single tier dividend of 2.00 sen per share on 401,553,500 ordinary shares.

The dividend will be payable on 29 September 2023 to shareholders of ordinary shares whose names appear in Record of Depositors at the close of business on 14 September 2023.

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 14 September 2023 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.

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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Basic/Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)				
- Continuing operations	9,732	8,463	18,856	16,288
- Discontinued operation	0	0	0	283
	9,732	8,463	18,856	16,571
Weighted average number of shares in issue ('000)	401,554	401,554	401,554	401,554
Basic/Diluted earnings per share (sen)				
- Continuing operations	2.42	2.11	4.70	4.06
- Discontinued operation	0.00	0.00	0.00	0.07
Basic/Diluted earnings per share	2.42	2.11	4.70	4.13

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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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Inventories consumed and recognised as cost of sales	37,087	19,686	56,403	38,751
Purchase of products, parts and consumable	8,511	4,631	15,173	7,224
Costs of services purchased	84,787	50,144	135,719	82,850
Interest income	(1,092)	(754)	(1,978)	(1,407)
Other income including investment income	(582)	(134)	(1,068)	(221)
Accretion of income on other receivable	(25)	(28)	(51)	(56)
Interest expenses	51	172	135	393
Depreciation and amortisation	8,222	8,369	16,368	16,923
Write-back of impairment - Trade receivables	(443)	(479)	(449)	(2,545)
Impairment for doubtful debts - Trade receivables	0	22	0	22
Allowance for slow moving inventories	41	218	404	517
Write back of allowance for slow moving inventories	(338)	(25)	(379)	(71)
Net fair value gain on investment	(457)	0	(865)	0

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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	
	30/6/2023 RM'000	30/6/2022 RM'000	30/6/2023 RM'000	30/6/2022 RM'000
Inventories written off	0	16	0	16
Amortisation of government grants	(14)	(14)	(27)	(27)
Gain on disposals of plant and equipment	(15)	(26)	(59)	(2,004)
Loss on lease disposal	0	0	0	9
Foreign exchange loss/(gain)				
- Realised	614	(1,419)	(2,847)	(2,335)
- Unrealised	354	639	1,713	996
Provision for liquidated damages	52	61	345	62
Write back of provision of liquidated damages	0	(99)	0	(108)
Fair value (gain)/loss on forward foreign currency exchange contracts	(67)	167	(1,419)	183
Loss on liquidation of a subsidiary	0	352	0	352

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 2022 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 August 2023.

By order of the Board

Suliana Binti Rosli (MAICSA no. 7057610)
Company Secretary
Kuala Lumpur
29 August 2023