

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 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 31 MARCH 2023

RM'000	QUARTER AND YEAR-TO-DATE ENDED	
	QUARTER ENDED 31/3/2023 Unaudited	QUARTER ENDED 31/3/2022 Unaudited
<u>Continuing operations</u>		
Revenue	A11 123,443	102,775
Cost of sales	(94,170)	(75,371)
Gross profit	29,273	27,404
Other operating income	1,442	2,395
Selling and distribution costs	(9,352)	(7,355)
Administrative expenses	(11,674)	(14,053)
Other operating gains ⁽¹⁾	3,829	2,429
Operating profit	13,518	10,820
Finance costs	(84)	(221)
Share of results of a joint venture (net of tax)	B9 344	322
Share of results of an associate (net of tax)	B10 1,505	903
Profit before tax	B18 15,283	11,824
Income tax expense	B5 (3,106)	(2,772)
Profit from continuing operations (net of tax)	12,177	9,052
<u>Discontinued operation</u>		
Profit from discontinued operation (net of tax)	B14 0	283
Profit for the period/Total comprehensive income for the period	12,177	9,335
Profit attributable to:		
- Equity holders of the Company	9,124	8,108
- Non-controlling interests	3,053	1,227
	12,177	9,335
Total comprehensive income attributable to:		
- Equity holders of the Company	9,124	8,108
- Non-controlling interests	3,053	1,227
	12,177	9,335
Basic/Diluted earnings per share (EPS) attributable to equity holders of the Company (sen)		
- Continuing operations	2.27	1.95
- Discontinued operation	0	0.07
	B17 <u>2.27</u>	<u>2.02</u>
⁽¹⁾ Other operating gains include the following:		
Foreign exchange gains/(losses):		
- Realised	3,461	916
- Unrealised	(1,359)	(357)
Fair value gain/(loss) on forward foreign currency exchange contracts	1,352	(16)
Inventories written-back	<u>230</u>	<u>0</u>

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 31 MARCH 2023

RM'000	Note	As at 31/3/2023 Unaudited	As at 31/12/2022 Audited
ASSETS			
Property, plant and equipment*		104,465	110,291
Investment properties		694	700
Intangible assets		203	212
Associate	B10	25,426	23,921
Joint venture	B9	34,425	34,081
Deferred tax assets		4,194	2,186
Other receivables		2,255	2,296
Cash and bank balances		3,696	3,696
Non-current Assets		175,358	177,383
Inventories		23,041	40,014
Amounts due from an associate		0	1,921
Amounts due from a joint venture		85	223
Trade receivables	B11	74,783	120,299
Contract assets		68,210	178,605
Other receivables, deposits and prepayments		16,954	19,376
Derivative financial instrument	A7	0	0
Tax recoverable		2,092	1,674
Cash and bank balances		204,042	174,321
Current Assets		389,207	536,433
TOTAL ASSETS		564,565	713,816
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		234,711	238,637
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(1,686)	(1,686)
Equity attributable to equity holders of the Company		384,827	388,753
Non-controlling interests		26,886	25,793
Total Equity		411,713	414,546
Borrowings	B12	1,294	1,175
Deferred income		246	259
Deferred tax liabilities		14,122	14,596
Non-current Liabilities		15,662	16,030
Trade payables		77,523	221,129
Contract liabilities		13,050	5,553
Other payables and accruals		29,986	38,385
Derivative financial instrument	A7	119	1,513
Taxation		11,494	9,048
Borrowings	B12	5,018	7,612
Current Liabilities		137,190	283,240
Total Liabilities		152,852	299,270
TOTAL EQUITY AND LIABILITIES		564,565	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 31 MARCH 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/Total comprehensive income for the financial period	0	0	0	0	8,108	8,108	1,227	9,335
Dividend	0	0	0	0	(4,819)	(4,819)	(1,470)	(6,289)
At 31 March 2022	<u>401,553</u>	<u>201,802</u>	<u>(2,088)</u>	<u>(50,000)</u>	<u>211,826</u>	<u>361,540</u>	<u>20,275</u>	<u>381,815</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/Total comprehensive income for the financial period	0	0	0	0	9,124	9,124	3,053	12,177
Dividend	0	0	0	0	(13,050)	(13,050)	(1,960)	(15,010)
At 31 March 2023	<u>401,553</u>	<u>201,802</u>	<u>(1,686)</u>	<u>(50,000)</u>	<u>234,711</u>	<u>384,827</u>	<u>26,886</u>	<u>411,713</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.

DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023

RM'000	YEAR-TO-DATE ENDED	
	31/3/2023	31/3/2022
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year from:		
- Continuing operations	12,177	9,052
- Discontinued operation	0	283
	12,177	9,335
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- write back of impairment	(6)	(2,066)
Allowance for slow moving inventories:		
- allowance made	363	299
- write back of allowance	(41)	(46)
Amortisation of intangible assets	9	18
Accretion of income on other long-term receivable	(26)	(28)
Depreciation:		
- property, plant and equipment*	8,131	8,530
- investment properties	6	6
Amortisation of government grants	(13)	(13)
Provision for liquidated damages		
- provision made	293	1
- write back of provision	0	(9)
Gain on disposals of plant and equipment	(44)	(1,978)
Loss on lease disposal	0	9
Write-back		
- inventories	(230)	0
Interest income	(886)	(653)
Finance costs	84	221
Share of results of an associate	(1,505)	(903)
Share of results of a joint venture	(344)	(322)
Tax expense	3,106	2,840
Unrealised net foreign exchange loss	1,359	357
Net fair value (gain)/loss on forward foreign currency exchange contracts	(1,352)	16
Operating profit before working capital changes	21,081	15,614
<u>Changes in working capital</u>		
Inventories	16,882	13,526
Trade receivables	45,870	32,695
Contract assets	110,461	25,380
Other receivables, deposits and prepayments	2,677	617
Trade payables	(145,073)	(67,696)
Other payables and accruals	(8,775)	(2,784)
Contract liabilities	7,497	844
Cash generated from operations	50,620	18,196
Tax paid	(3,561)	(3,196)
Tax refunded	0	2
Interest paid	(77)	(210)
Net cash generated from operating activities	46,982	14,792
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	696	575
Purchase of plant and equipment	(1,539)	(207)
Proceeds from disposals of plant and equipment	44	3,128
Dividend received from an associate	1,921	1,920
Amounts due from a joint venture	138	(2)
Net cash generated from investing activities	1,260	5,414

* Inclusive of right-of-use assets.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023

RM'000	YEAR TO-DATE-ENDED	
	31/3/2023	31/3/2022
	Unaudited	Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	(1,140)	(1,140)
Term loans		
- Repayment	(1,800)	(5,580)
Lease liabilities on right-of-use assets		
- Repayment	(303)	(327)
Dividends paid to:		
- Shareholders	(13,050)	(4,819)
- Non-controlling interests	(1,960)	(1,470)
(Increase)/decrease in restricted cash	(10,129)	30
Net cash used in financing activities	(28,382)	(13,306)
Net increase in cash and cash equivalents	19,860	6,900
Foreign currency translation	(266)	11
Cash and cash equivalents at beginning of the year	168,540	183,379
Cash and cash equivalents at end of period	188,134	190,290
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	194,246	185,216
Cash and bank balances	13,492	14,378
	207,738	199,594
Restricted cash	(19,604)	(9,304)
Cash and cash equivalents at end of period	188,134	190,290
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	171,242	189,638
US Dollar	16,857	577
Others	35	75
	188,134	190,290

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 31 MARCH 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 31 MARCH 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

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

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

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the current financial year-to-date.

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes to estimates that have had any material effect on the current financial year-to-date results.

A5. EQUITY AND DEBT SECURITIES

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

A6. FINANCIAL RISK MANAGEMENT POLICIES

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

The information on the forward foreign currency exchange contracts that remained outstanding at 31 March 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 31/3/2023		As at 31/12/2022	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	72,498	57,327	204,801	188,243
Others	8,863	12,251	8,247	8,448
	<u>81,361</u>	<u>69,578</u>	<u>213,048</u>	<u>196,691</u>
Closing exchange rate				
US Dollar	<u>4.409</u>	<u>4.409</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 31 March 2023, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM15,223,000 (31 December 2022: RM55,314,000).

	As at 31/3/2023		As at 31/12/2022	
	Net	Net	Net	Net
	Notional	Fair Value	Notional	Fair Value
	amount	Liabilities	amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
Type of derivatives				
Forward foreign currency exchange contracts				
("FX Contract")				
- Less than 1 year	15,223	(119)	55,314	(1,513)

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 31 March 2023 amounted to a fair value loss of RM119,000 (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

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2023

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 31 March 2023 was as follows:

	Quarter and year-to-date ended	
	31/03/2023	31/03/2022
	RM'000	RM'000
<u>Segment Revenue</u>		
External revenue		
Power and Machinery	97,649	61,716
Oilfield Services	22,817	28,003
Integrated Corrosion Solution	2,857	12,933
Other non-reportable segment	120	123
Total Group revenue	123,443	102,775

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

A10. SEGMENT INFORMATION (Cont'd)

	Quarter and year-to-date ended	
	31/03/2023 RM'000	31/03/2022 RM'000
<u>Segment Results</u>		
Power and Machinery	16,368	6,633
Oilfield Services	(2,229)	3,769
Integrated Corrosion Solution	42	1,171
Other non-reportable segment	11	11
Segment results	14,192	11,584
Unallocated income ^	111	58
Unallocated corporate expenses #	(869)	(1,043)
Share of results of a joint venture *	344	322
Share of results of an associate *	1,505	903
Tax expense (Note B5) *	(3,106)	(2,772)
Profit from continuing operations	12,177	9,052
Profit from discontinued operation, net of tax	0	283
Profit for the financial year	12,177	9,335

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 31/3/2023	As at 31/12/2022
	RM'000	RM'000
<u>Segment Assets</u>		
Power and Machinery	276,604	405,991
Oilfield Services	160,999	169,207
Integrated Corrosion Solution	34,711	50,501
Segment assets	472,314	625,699
Unallocated corporate assets ^	92,251	88,117
Total assets	564,565	713,816

	As at 31/3/2023	As at 31/12/2022
	RM'000	RM'000
<u>Segment Liabilities</u>		
Power and Machinery	95,507	224,668
Oilfield Services	14,445	20,393
Integrated Corrosion Solution	10,780	25,425
Segment liabilities	120,732	270,486
Unallocated corporate liabilities #	32,120	28,784
Total liabilities	152,852	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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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A11. REVENUE

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Revenue from contracts with customers:		
- Goods and services	123,323	102,652
- Management fee	120	123
	123,443	102,775

Revenue from contracts with customers:

Type of goods and services

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Sale of gas turbine packages and after sales support and services	75,513	50,725
Commission based income services	2,025	1,692
Principal based income services	6,039	78
Sale of valves and flow regulators and after sales support and services	14,235	9,299
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	21,472	25,900
Provision of specialty chemical and well stimulation services	1,182	2,025
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	17	7,737
Provision of maintenance, construction and modification services	2,840	5,196
	123,323	102,652

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

A12. ACQUISITIONS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter ended 31 March 2023, the acquisitions of plant and equipment and intangible assets by the Group were as follows:

	Quarters and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Acquisitions at cost:		
- Plant and equipment*	2,306	207

* Included in the acquisition of plant and equipment is addition on right-of-use assets RM766,760 (31 March 2022: RM Nil).

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

A15. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial year to date.

A16. CONTINGENT LIABILITIES/ASSETS

As at 31 March 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 RM24.0 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 31 March 2023 were as follows:

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Authorised but not contracted for		
- Plant and machinery	7,419	15,311
- Others	3,956	4,853
Authorised and contracted for		
- Plant and machinery	2,297	2,293
- Others	368	411
	14,040	22,868
Share of capital commitment of joint venture	1,080	1,250
	15,120	24,118

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

A18. RELATED PARTY DISCLOSURES

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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	847	418
Rental income from an affiliate company of STICO	14	14
Purchases and technical services from STICO and its affiliated companies	38,917	24,826

Significant outstanding balances arising from the above transactions as at 31 March 2023 were as follows:

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Amount due from STICO and its affiliated companies	2,371	8,706
Amount due to STICO and its affiliated companies	51,704	178,358

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

A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Sales to related parties of Dresser Italia S.R.L	26	376
Purchases of goods and services from related parties of Dresser Italia S.R.L	7,640	4,828

Significant outstanding balances arising from the above transactions as at 31 March 2023 were as follows:

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Amount due from related parties of Dresser Italia S.R.L	25	111
Amount due to related parties of Dresser Italia S.R.L	5,690	7,071

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

A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Sales to STICO	1,000	1,000
Rental income from affiliate company of STICO	141	141

Outstanding balance arising from the above transactions as at 31 March 2023 was as follows:

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Amount due from STICO and its affiliated company	1,000	380

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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Directors' fees	173	173
Salaries, bonuses, allowances and other staff related expenses	2,416	2,391
Defined contribution plan	255	263
	2,844	2,827

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

B1. PERFORMANCE REVIEW

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

<u>Group</u>	Q1'23 RM'000	Q1'22 RM'000	Variance RM'000	Variance %
Revenue	123,443	102,775	20,668	20.1
Operating profit	13,518	10,820	2,698	24.9
Share of results of a joint venture, net of tax	344	322	22	6.8
Share of results of an associate, net of tax	1,505	903	602	66.7
Profit before interest and tax	14,481	11,392	3,089	27.1
Profit before tax	15,283	11,824	3,459	29.3
Profit from continuing operations	12,177	9,052	3,125	34.5
Profit from discontinued operation	0	283	(283)	100.0
Profit attributable to equity holders of the Company	9,124	8,108	1,016	12.5

The Group's revenue has increased by RM20.7 million or 20.1% to RM123.4 million against the previous corresponding quarter of RM102.8 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 RM1.0 million to RM9.1 million against the previous corresponding quarter. The increase was predominantly due to the better operating results achieved, fair value gain on forward foreign currency exchange contracts and gain on foreign exchange in the Power and Machinery segment as well as lower other professional expenses incurred in the Integrated Corrosion Solution segment.

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.

An increase in the share of results from an associate was reported in the current quarter mainly attributable to the higher 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)

	Q1'23 RM'000	Q1'22 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	97,649	61,716	35,933	58.2
Operating profit	16,388	6,644	9,744	146.7
Profit before interest and tax	15,636	6,112	9,524	155.8
Profit before tax	16,368	6,633	9,735	146.8

The Power and Machinery segment posted an increase in revenue of 58.2% or RM35.9 million against previous corresponding quarter of RM61.7 million. The increase was mainly attributable to higher number of exchange engines delivered, retrofit projects and higher activities from the control and safety valves and flow regulator services.

The segment profit reported an increase of RM9.7 million or 146.8% mainly due to higher operating margin achieved, gain on foreign exchange of RM2.8 million and fair value gain on forward foreign currency exchange contracts of RM1.4 million.

	Q1'23 RM'000	Q1'22 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	22,817	28,003	(5,186)	(18.5)
Operating (loss)/profit	(2,192)	3,917	(6,109)	156.0
(Loss)/profit before interest and tax	(2,258)	3,856	(6,114)	158.6
(Loss)/profit before tax	(2,229)	3,769	(5,998)	159.1

The Oilfield Services segment revenue recorded a decrease of RM5.2 million or 18.5% to RM22.8 million as compared to the previous corresponding quarter of RM28.0 million. This was primarily due to lower activities in the slickline services in West Malaysia region and its gas lift valve services.

The segment reported a loss of RM2.2 million against previous corresponding quarter profit of RM3.8 million. The weakened results in the current quarter were mainly due to lower revenue reported on the back of lower business activities in addition to a reversal of impairment made for its trade receivable in the corresponding quarter of RM2.1 million that contributed to higher profit in that period.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q1'23 RM'000	Q1'22 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	2,857	12,933	(10,076)	(77.9)
Operating profit	43	1,172	(1,129)	(96.3)
Profit before interest and tax	15	1,158	(1,143)	(98.7)
Profit before tax	42	1,171	(1,129)	(96.4)

The Integrated Corrosion Solution segment recorded a decrease in revenue by RM10.1 million or 77.9% to RM2.9 million as compared to the previous corresponding quarter of RM12.9 million. The decrease was due to lower maintenance activities from the Sponge-Jet Blasting ("SPJ") business in Indonesia as well as its Maintenance, Construction and Modification ("MCM") projects and loss on foreign exchange of RM0.7 million in the current quarter.

Lower segment profit reported by RM1.1 million against the previous corresponding quarter is in tandem with the lower revenue reported in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

(B) Consolidated Statement of Financial Position

The Group's total assets as at 31 March 2023 stood at RM564.6 million against RM713.8 million at the end of the previous financial year, representing a decrease of RM149.2 million or 21.0%. This was mainly due to a decrease in contract assets and trade receivables by RM110.4 million and RM45.5 million upon billings made and collections from customers and lower inventories of RM17.0 million due to delivery of exchange engines during the quarter.

The Group's total liabilities has decreased by RM146.4 million mainly due to lower trade payables balance by RM143.6 million upon payment made, reduction in other payables and accruals by RM8.4 million and repayment of borrowings of RM2.9 million. However, this was offset with higher provision for taxation by RM2.4 million.

(C) Consolidated Statement of Cash Flows

The Group's cash and bank balances were higher at RM207.7 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 in the current financial period.

The Group generated positive cash inflow of RM47.0 million and RM1.3 million from its operating and investing activities respectively for the financial period ended 31 March 2023. Higher cash flow generated from operating activities were primarily due to higher billings made for contract assets and better collections from customers during the financial period.

The Group paid a total of RM1.5 million for its purchase of plant and equipment but the decrease was mitigated by the dividend received from an associate of RM1.9 million and interest received of RM0.7 million.

The increase in cash inflow was offset by an increase in restricted cash of RM10.1 million, dividend payments of RM15.0 million made to its shareholders and non-controlling interests and repayment of borrowings of RM2.9 million.

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

	Q1'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	123,443	315,542	(192,099)	(60.9)
Operating profit	13,518	21,947	(8,429)	(38.4)
Share of results of a joint venture, net of tax	344	262	82	31.3
Share of results of an associate, net of tax	1,505	1,219	286	23.5
Profit before interest and tax	14,481	22,704	(8,223)	(36.2)
Profit before tax	15,283	23,314	(8,031)	(34.4)
Profit from continuing operations	12,177	16,696	(4,519)	(27.1)
Profit attributable to equity holders of the Company	<u>9,124</u>	<u>13,768</u>	<u>(4,644)</u>	<u>(33.7)</u>

The Group's profit attributable to equity holders of the Company has decreased by RM4.6 million or 33.7% as compared to the previous quarter due to lower contribution reported by the Power and Machinery and Integrated Corrosion Solution segments.

The decrease in profit was also affected by the higher other operating expenses incurred in the current quarter and the absence of reversal of impairment made on trade receivables in the Oilfield Services segment. However, the decrease was mitigated by the gain on foreign exchange and fair value gain on foreign exchange forward contracts reported in the Power and Machinery segment.

Share of results of a joint venture was marginally higher due to lower 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)

	Q1'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	97,649	263,061	(165,412)	(62.9)
Operating profit	16,388	22,129	(5,741)	(25.9)
Profit before interest and tax	15,636	21,504	(5,868)	(27.3)
Profit before tax	<u>16,368</u>	<u>22,110</u>	<u>(5,742)</u>	<u>(26.0)</u>

The Power and Machinery segment results reported a decrease in profit by RM5.7 million to RM16.4 million against the immediate preceding quarter profit of RM22.1 million. The decrease was mainly attributable to the lower contribution from the exchange engines, control and safety valves and flow regulator services and sales of parts and repairs. The segment also incurred higher other operating expenses but was offset by the gain on foreign exchange and fair value gain on forward foreign currency exchange contracts of RM2.8 million and RM1.4 million respectively.

	Q1'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	22,817	27,938	(5,121)	(18.3)
Operating loss	(2,192)	(5,526)	(3,334)	(60.3)
Loss before interest and tax	(2,258)	(5,574)	(3,316)	(59.5)
Loss before tax	<u>(2,229)</u>	<u>(5,580)</u>	<u>(3,351)</u>	<u>(60.1)</u>

The Oilfield Services segment reported a lower loss of RM2.2 million against the immediate preceding quarter loss of RM5.6 million. The lower loss reported was mainly due to higher operating margin achieved from the slickline and specialty chemicals and well stimulation activities despite lower revenue achieved in the current quarter. However, this was offset with the absence of reversal of impairment made for its trade receivable of RM0.6 million as reported in the immediate preceding quarter and higher other 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)

	Q1'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	2,857	24,269	(21,412)	(88.2)
Operating profit	43	6,847	(6,804)	(99.4)
Profit before interest and tax	15	6,836	(6,821)	(99.8)
Profit before tax	42	6,846	(6,804)	(99.4)

The Integrated Corrosion Solution segment posted a decrease in segment results by RM6.8 million mainly due to lower activities in its SPJ and MCM activities and loss on foreign exchange of RM0.7 million as compared to the immediate preceding quarter. However, this was mitigated by lower operating expenses incurred in the current quarter by RM2.3 million.

B3. PROSPECTS

Capital expenditure in the global oil and gas (O&G) sector is expected to be robust in 2023, in light of oil prices stabilising at a tight range currently, amidst the recent production cuts by OPEC and China economy reopening post-Covid. Deleum is anticipated to benefit from the O&G industry's optimism in capital expenditure spending.

Nonetheless, we remain mindful of any challenges of the looming recession, ongoing geopolitical tensions, rising interest rates, and inflationary pressures, all of which could impede the current economic recovery as well as the demand for O&G services.

Our growth strategy remains on track, and we expect to make progress on the strategic development of our range of services during the year as we seek to integrate all of our services on a seamless and robust platform. Furthermore, to meet the needs of our oil major clients, we will continue to cross- and up-sell our total solutions from the three business segments of Power and Machinery, Oilfield Services, and Integrated Corrosion Solution.

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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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
<u>Income tax expenses on continuing operations:</u>		
Current tax:		
- Malaysian tax	5,096	883
- Foreign tax	0	1,071
Deferred tax:		
- origination and reversal of temporary differences	(1,824)	750
- recognition of previously unrecognised temporary differences	(244)	0
- deferred tax assets not recognised	78	68
Total income tax expense	3,106	2,772

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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 31 March 2023 was lower than the headline tax rate as shown below.

	Quarter and year-to-date ended	
	31/3/2023 %	31/3/2022 %
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	1	4
- Income not subject to tax	(1)	(1)
- Share of results of associate and joint venture	(3)	(3)
- Deferred tax assets not recognised	1	1
- Effect of different tax rates in other country	0	2
- Recognition of previously unrecognised temporary differences	(2)	(4)
Effective tax rate for continuing operations	20	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 23 May 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 31/3/2023 RM'000	As at 31/12/2022 RM'000
Group's share of net assets of joint venture	34,425	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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Profit before tax	573	536
Income tax expense	(146)	(136)
Profit for the period	427	400
Interest in joint venture (80.55%) Share of results	344	322

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B10. ASSOCIATE

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Group's share of net assets of associate	25,426	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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Profit before tax	5,468	4,688
Income tax expense	(765)	(1,865)
Profit for the period	4,703	2,823
Interest in associate (32%) Share of results	1,505	903

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B11. TRADE RECEIVABLES

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Neither past due nor impaired	41,371	91,631
1 to 30 days past due not impaired	26,605	22,561
31 to 60 days past due not impaired	5,124	5,164
61 to 90 days past due not impaired	1,606	593
91 to 120 days past due not impaired	45	298
More than 121 days past due not impaired	32	52
	74,783	120,299
Not past due but impaired	0	0
Past due and impaired:		
1 to 30 days past due and impaired	0	0
31 to 60 days past due and impaired	0	0
More than 121 days past due and impaired	971	977
	75,754	121,276
Less: Impairment of receivables	(971)	(977)
	74,783	120,299

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 RM33.4 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 31 March 2023 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>31/3/2023</u>			
Borrowings - secured	2,400	0	2,400
- unsecured	2,618	1,294	3,912
	5,018	1,294	6,312
	5,018	1,294	6,312
<u>31/12/2022</u>			
Borrowings - secured	4,200	0	4,200
- unsecured	3,412	1,175	4,587
	7,612	1,175	8,787
	7,612	1,175	8,787

The borrowings are all denominated in Ringgit Malaysia.

	Note	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Revolving credits	(i)	1,440	2,580
Lease liabilities on right-of-use assets	(ii)	2,472	2,007
Term loans	(iii)	2,400	4,200
		6,312	8,787
Less: Amount repayable within 12 months			
Revolving credits		(1,440)	(2,580)
Lease liabilities on right-of-use assets		(1,178)	(832)
Term loans		(2,400)	(4,200)
		(5,018)	(7,612)
		1,294	1,175

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B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM1.8 million and revolving credits of RM1.1 million. However, the amount has been offset by the addition in lease liabilities for right-of-use assets of RM0.5 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.57% (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 2.97% 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 31 March 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:

	Quarter and year-to-date ended	
	31/3/2023	31/3/2022
	RM'000	RM'000
Revenue	0	0
Other income	0	351
Profit before tax	0	351
Tax expense	0	(68)
Profit after tax	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:

	Quarter and year-to-date ended	
	31/3/2023	31/3/2022
	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 31 March 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.

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.

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.

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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)

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.

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.

No dividend was declared during the quarter under review for the financial year ending 31 December 2023.

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B17. EARNINGS PER SHARE (“EPS”)

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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Basic/Diluted earnings per share		
Profit attributable to equity holders of the Company (RM'000)		
- Continuing operations	9,124	7,825
- Discontinued operation	0	283
	9,124	8,108
Weighted average number of shares in issue ('000)	401,554	401,554
Basic/Diluted earnings per share (sen)		
- Continuing operations	2.27	1.95
- Discontinued operation	0	0.07
Basic/Diluted earnings per share	2.27	2.02

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B18. PROFIT BEFORE TAX

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

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Inventories consumed and recognised as cost of sales	19,316	19,065
Purchase of products, parts and consumable	6,662	2,593
Costs of services purchased	50,932	32,706
Interest income	(886)	(653)
Other income including investment income	(486)	(87)
Accretion of income on other receivable	(26)	(28)
Interest expenses	84	221
Depreciation and amortisation	8,146	8,554
Write-back of impairment - Trade receivables	(6)	(2,066)
Allowance for slow moving inventories	363	299
Reversal of allowance for slow moving inventories	(41)	(46)
Net fair value gain on investment	(408)	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):

	Quarter and year-to-date ended	
	31/3/2023 RM'000	31/3/2022 RM'000
Inventories written back	(230)	0
Amortisation of government grants	(13)	(13)
Gain on disposals of plant and equipment	(44)	(1,978)
Loss on lease disposal	0	9
Foreign exchange (gain)/loss		
- Realised	(3,461)	(916)
- Unrealised	1,359	357
Provision for liquidated damages	293	1
Write back of provision of liquidated damages	0	(9)
Fair value (gain)/loss on forward foreign currency exchange contracts	(1,352)	16

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 30 May 2023.

By order of the Board

Suliana Binti Rosli (MAICSA No. 7057610)
Company Secretary
Kuala Lumpur
30 May 2023