

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2020

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2020

RM'000		QUARTER AND YEAR-TO-DATE ENDED	
		31/03/2020	31/03/2019
		Unaudited	Unaudited
Revenue	A11	151,202	127,502
Cost of sales		(124,640)	(106,739)
Gross profit		26,562	20,763
Other operating income		851	963
Selling and distribution costs		(8,287)	(8,361)
Administrative expenses		(13,370)	(11,922)
Other operating losses ⁽¹⁾		(2,678)	(24)
Operating profit		3,078	1,419
Finance costs		(971)	(703)
Share of results of a joint venture (net of tax)	B9	251	394
Share of results of associates (net of tax)	B10	1,744	1,538
Profit before tax	B17	4,102	2,648
Income tax expense	B5	(1,094)	(1,955)
Profit for the period		3,008	693
Other comprehensive income			
Currency translation differences		202	(53)
Total comprehensive income for the period		3,210	640
Profit attributable to:			
- Equity holders of the Company		2,160	2,813
- Non-controlling interests		848	(2,120)
		3,008	693
Total comprehensive income attributable to:			
- Equity holders of the Company		2,177	2,811
- Non-controlling interests		1,033	(2,171)
		3,210	640
Earnings per share (EPS) attributable to equity holders of the Company (sen)			
- Basic EPS	B16	<u>0.54</u>	<u>0.70</u>
⁽¹⁾ Other operating losses include the following:			
Foreign exchange gains/(losses)			
- Realised		199	(74)
- Unrealised		(1,729)	311
Fair value gain/(loss) on forward foreign currency exchange contracts		<u>11</u>	<u>(57)</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

RM'000	Note	As at 31/03/2020 Unaudited	As at 31/12/2019 Audited
ASSETS			
Property, plant and equipment		187,941	180,962
Investment properties		764	770
Right-of-use assets		2,551	1,838
Intangible assets		357	460
Associates	B10	36,915	34,800
Joint venture	B9	31,327	31,076
Deferred tax assets		4,319	3,329
Other receivables		17,108	19,527
Non-current Assets		281,282	272,762
Inventories		29,709	44,641
Amounts due from an associate		0	1,600
Amounts due from a joint venture		84	127
Trade receivables	B11	72,016	119,318
Contract assets		137,568	138,181
Other receivables, deposits and prepayments		10,233	9,315
Tax recoverable		1,332	1,587
Cash and bank balances		165,940	159,958
Current Assets		416,882	474,727
TOTAL ASSETS		698,164	747,489
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Equity - share based payment		0	0
Retained earnings		191,084	200,971
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,718)	(2,735)
Equity attributable to equity holders of the Company		340,168	350,038
Non-controlling interests		26,577	28,484
Total Equity		366,745	378,522
Borrowings	B12	22,939	22,442
Deferred tax liabilities		23,088	23,166
Non-current Liabilities		46,027	45,608
Trade payables		163,319	205,117
Contract liabilities		28,745	12,698
Other payables and accruals		25,521	29,260
Amounts due to an associate		7,529	7,162
Derivative financial instrument	A7	0	11
Taxation		1,411	2,534
Borrowings	B12	58,867	66,577
Current Liabilities		285,392	323,359
Total Liabilities		331,419	368,967
TOTAL EQUITY AND LIABILITIES		698,164	747,489

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020

	← Issued and fully paid ordinary shares		Attributable to equity holders of the Company				Total	Non-controlling interests	Total equity
	Number of shares	Share capital	-----Non-distributable-----		Distributable	Total			
			Share based payment	Foreign currency translation	Merger deficit				
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2019	401,125	201,354	1,081	(2,705)	(50,000)	181,830	331,560	24,102	355,662
Profit for the financial period	0	0	0	0	0	2,813	2,813	(2,120)	693
Other comprehensive income for the financial period	0	0	0	(2)	0	0	(2)	(51)	(53)
Total comprehensive income for the financial period	0	0	0	(2)	0	2,813	2,811	(2,171)	640
Long-Term Incentive Plan ("LTIP"):									
- Share based payment	0	0	7	0	0	0	7	0	7
- Ordinary shares issued pursuant to the LTIP	428	448	(448)	0	0	0	0	0	0
- Transfer of lapsed share grants	0	0	(640)	0	0	640	0	0	0
Dividend	0	0	0	0	0	(9,025)	(9,025)	(1,470)	(10,495)
At 31 March 2019	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,707)</u>	<u>(50,000)</u>	<u>176,258</u>	<u>325,353</u>	<u>20,461</u>	<u>345,814</u>
At 1 January 2020	401,553	201,802	0	(2,735)	(50,000)	200,971	350,038	28,484	378,522
Profit for the financial period	0	0	0	0	0	2,160	2,160	848	3,008
Other comprehensive income for the financial period	0	0	0	17	0	0	17	185	202
Total comprehensive income for the financial period	0	0	0	17	0	2,160	2,177	1,033	3,210
Dividend	0	0	0	0	0	(12,047)	(12,047)	(2,940)	(14,987)
At 31 March 2020	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,718)</u>	<u>(50,000)</u>	<u>191,084</u>	<u>340,168</u>	<u>26,577</u>	<u>366,745</u>

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020

RM'000	YEAR TO-DATE-ENDED	
	31/03/2020	31/03/2019
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	3,008	693
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	872	6
- write back of impairment	(30)	(1)
Contract assets		
- impairment made	121	0
- write back of impairment	0	(3)
Allowance for slow moving inventories:		
- write back of allowance	(14)	0
Amortisation of intangible assets	103	143
Depreciation:		
- property, plant and equipment	9,024	7,960
- investment properties	6	6
- right-of-use assets	407	401
Bad debts written off:		
- other receivables	0	4
Provision for liquidated damages		
- provision made	1	63
- write back of provision	(32)	0
Gain on disposals of plant and equipment	(20)	0
Gain on lease modification and disposal	(1)	0
Interest income	(788)	(903)
Finance costs	971	703
Share based payment expense	0	7
Share of results of associates	(1,744)	(1,538)
Share of results of a joint venture	(251)	(394)
Tax expense	1,094	1,955
Unrealised foreign exchange losses/(gain)	1,729	(311)
Fair value (gain)/loss on forward foreign currency exchange contracts	(11)	57
Operating profit before working capital changes	14,445	8,848
<u>Changes in working capital</u>		
Inventories	14,946	(2,803)
Amounts due from a joint venture	0	46
Trade receivables	46,682	9,219
Contract assets	1,297	10,703
Other receivables, deposits and prepayments	(908)	(139)
Trade payables	(44,535)	(12,534)
Other payables and accruals	(3,864)	3,518
Contract liabilities	16,047	1,097
Cash generated from operations	44,110	17,955
Tax paid	(3,030)	(2,924)
Tax refunded	0	5
Interest paid	(962)	(669)
Net cash generated from operating activities	40,118	14,367

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FOR THE PERIOD ENDED 31 MARCH 2020

RM'000	YEAR TO-DATE-ENDED	
	31/03/2020	31/03/2019
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	784	507
Addition on plant and equipment*	(10,213)	(8,719)
Long-term deposits paid	(3,369)	(6,468)
Proceeds from disposals on plant and equipment	20	0
Dividend received from an associate	1,600	1,600
Amounts due from a joint venture	43	(1)
Net cash used in investing activities	(11,135)	(13,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	(2,000)	0
Loans against import		
- Drawn down	4,725	15,472
- Repayment	(7,470)	(5,872)
Term loans		
- Drawn down	5,445	2,960
- Repayment	(8,640)	(6,150)
Lease liabilities on right-of-use assets		
- Repayment	(394)	(404)
Dividends paid to:		
- Shareholders	(12,047)	(9,025)
- Non-controlling interest	(2,940)	(1,470)
Decrease/(increase) in restricted cash	4,182	(51)
Net cash used in financing activities	(19,139)	(4,540)
Net increase/(decrease) in cash and cash equivalents	9,844	(3,254)
Foreign currency translation	320	(111)
Cash and cash equivalents at beginning of the year	147,518	124,276
Cash and cash equivalents at end of period	157,682	120,911
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	117,787	99,465
Cash and bank balances	48,153	32,128
	165,940	131,593
Restricted cash	(8,258)	(10,682)
Cash and cash equivalents at end of period	157,682	120,911
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	150,731	113,430
US Dollar	6,839	7,370
Others	112	111
	157,682	120,911

* Included in the addition on plant and equipment is the capitalisation on the advance payment made in prior years of RM5,790,000 as plant and equipment upon fulfillment of the recognition criteria during the current period.

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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 2020

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 2019 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 2019.

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 2019 except for the amendments to published standards which is to be applied by all Entities Other Than Private Entities that is effective for the financial periods beginning on or after 1 January 2020.

The amendments to published standards effective for financial year beginning on 1 January 2020 that are applicable and adopted by the Group as follows:

Amendments to MFRS 3	Business Combinations – Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

The adoption of the above amendments to published standards did not have any material impact to the Group for the financial year ending 31 December 2020 upon their initial application.

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

A1. BASIS OF PREPARATION (Cont'd)

The Group has not early adopted the following amendments to published standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) as these are effective for the financial year beginning on or after 1 January 2021 or where the effective date has been deferred to a date to be determined by the MASB is as follows:

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current (effective 1 January 2022)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is deferred to a date to be determined by MASB)

The initial application of the above-mentioned amendments to published standards are not expected to have any material impact to the financial statements of the Group.

A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group’s operations are not affected by any significant seasonal or cyclical factors in the financial year under review. 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.

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 financial results.

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

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 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 contract that remained outstanding at 31 March 2020 is set out in Note A7.

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

	As at 31/03/2020		As at 31/12/2019	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	67,847	100,214	85,337	120,592
Others	505	1,194	1,711	487
	<u>68,352</u>	<u>101,408</u>	<u>87,048</u>	<u>121,079</u>
Closing exchange rate				
US Dollar	<u>4.303</u>	<u>4.303</u>	<u>4.093</u>	<u>4.093</u>

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contract

Forward foreign currency exchange contract is 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 contract entered into by the Group has a maturity period of less than one year from the current reporting date. There is no outstanding forward foreign currency exchange contract as at 31 March 2020 (31 December 2019: RM557,000).

A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

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

During the financial year-to-date, there is no fair value changes arising from the forward foreign currency exchange contract entered into by the Group and remained outstanding as at 31 March 2020 (31 December 2019: fair value loss of RM11,000).

A9. DIVIDENDS PAID

During the current quarter under review, the Company paid the following second interim single tier dividend of 3.00 sen per share on 401,553,500 ordinary shares, in respect of the financial year ended 31 December 2019.

	RM'000
Second interim single tier dividend of 3.00 sen per share on 401,553,500 ordinary shares, paid on 26 March 2020	<u>12,047</u>

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

A10. SEGMENT INFORMATION

The segments of the Group are as follows:

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

- Oilfield Services (“OS”) – Mainly consists of:
 - Provision of slickline equipment and services;
 - Provision of integrated wellhead maintenance services;
 - Provision of well intervention and cased hole logging services;
 - Provision of specialty chemicals and well stimulation services;
 - Provision of drilling and completions 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 2020.

Segmental information for the financial period ended 31 March 2020 was as follows:

	Quarter and year-to-date ended	
	31/03/2020	31/03/2019
	RM'000	RM'000
<u>Segment Revenue</u>		
External revenue		
Power and Machinery	97,285	69,875
Oilfield Services	27,690	31,767
Integrated Corrosion Solution	26,102	25,749
Other non-reportable segment	125	111
Total Group revenue	151,202	127,502

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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	
	31/03/2020	31/03/2019
	RM'000	RM'000
<u>Segment Results</u>		
Power and Machinery	6,360	4,911
Oilfield Services	(1,257)	4,041
Integrated Corrosion Solution	(1,373)	(7,350)
Other non-reportable segment	11	10
Segment results	3,741	1,612
Unallocated income ^	45	80
Unallocated corporate expenses #	(1,679)	(976)
Share of results of a joint venture *	251	394
Share of results of associates *	1,744	1,538
Tax expense (Note B5) *	(1,094)	(1,955)
Profit for the financial period	3,008	693

^ Unallocated income comprised mainly interest income earned by the Group.

Unallocated corporate expenses represented the Group's corporate expenses including depreciation of property, plant and equipment of corporate assets and other common corporate overhead costs that are not charged to business segments.

* Tax expense, results of joint venture and associates are not allocated to the business segments as they are measured at the entity level.

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 31/03/2020	As at 31/12/2019
	RM'000	RM'000
<u>Segment Assets</u>		
Power and Machinery	242,842	271,546
Oilfield Services	246,526	255,068
Integrated Corrosion Solution	105,843	128,158
Segment assets	595,211	654,772
Unallocated corporate assets ^	102,953	92,717
Total assets	698,164	747,489

	As at 31/03/2020	As at 31/12/2019
	RM'000	RM'000
<u>Segment Liabilities</u>		
Power and Machinery	134,858	157,666
Oilfield Services	67,504	69,843
Integrated Corrosion Solution	94,221	106,021
Segment liabilities	296,583	333,530
Unallocated corporate liabilities #	34,836	35,437
Total liabilities	331,419	368,967

^ Unallocated corporate assets represent the Group's corporate assets including property, plant and equipment, investment properties, intangible assets, investment in joint venture and associates, deferred tax assets and tax recoverable that were not allocated by business segments.

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

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

A11. REVENUE

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Revenue from contracts with customers	151,077	127,391
Revenue from other sources:		
- Management fee	125	111
	151,202	127,502

Revenue from contracts with customers:

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Sale of gas turbine packages and after sales support and services	82,506	53,026
Commission based income services	0	377
Principal based income services	158	303
Sale of valves and flow regulators and after sales support and services	13,724	14,502
Sale, repair and maintenance of motors, generators and transformers	1,055	1,970
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	26,754	30,818
Provision of specialty chemical and well stimulation	778	646
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	4,938	6,936
Provision of maintenance, construction and modification services	21,164	18,813
	151,077	127,391

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

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

During the current quarter ended 31 March 2020, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Acquisitions at cost:-		
- Plant and equipment*	16,003	8,719
Depreciation:-		
- Plant and equipment	9,024	7,960
- Investment properties	6	6
- Right-of-use assets	407	401
Amortisation of intangible assets	103	143

* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of RM5,790,000 as plant and equipment upon fulfillment of the recognition criteria during the current period.

A13. MATERIAL EVENTS DURING THE REPORTING DATE

There was no other material event during the reporting date.

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

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

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

A15. CHANGES IN THE COMPOSITION OF THE GROUP

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

A16. CONTINGENT LIABILITIES / ASSETS

As at 31 March 2020, 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 RM47.1 million (31 December 2019: RM36.2 million).

A17. COMMITMENTS

Capital commitment

Capital commitments for investment, property, plant and equipment and intangible assets not provided for as at 31 March 2020 were as follows:

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Authorised but not contracted for		
- Plant and machinery	19,929	38,031
- Others	12,085	13,351
Authorised and contracted for		
- Plant and machinery	16,482	10,285
- Others	7,484	6,114
	55,980	67,781
Share of capital commitment of joint venture	1,294	1,215
	57,274	68,996

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

A18. RELATED PARTY DISCLOSURES

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

	Quarter and year-to-date ended	
	31/03/2020	31/03/2019
	RM'000	RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	629	877
Rental income from an affiliate company of STICO	14	14
Purchases and technical services from STICO and its affiliated company	66,379	39,923

Significant outstanding balances arising from the above transactions as at 31 March 2020 were as follows:

	As at 31/03/2020	As at 31/12/2019
	RM'000	RM'000
Amount due from STICO and its affiliated company	3,554	5,218
Amount due to STICO and its affiliated company	86,798	111,462

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

A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Sales to related parties of Dresser Italia S.R.L	149	36
Purchases of goods and services from related parties of Dresser Italia S.R.L	6,061	7,340

Significant outstanding balances arising from the above transactions as at 31 March 2020 were as follows:

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Amount due from related parties of Dresser Italia S.R.L	275	168
Amount due to related parties of Dresser Italia S.R.L	5,270	9,834

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

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Sales to STICO	1,125	1,484
Rental income from affiliate company of STICO	207	207

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

A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

Significant outstanding balance arising from the above transactions as at 31 March 2020 was as follows:

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Amount due from STICO and its affiliated company	1,148	485

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

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Directors' fees	271	225
Salaries, bonuses, allowances and other staff related expenses	2,529	2,287
Defined contribution plan	274	249
	3,074	2,761

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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

	Q1'20 RM'000	Q1'19 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	151,202	127,502	23,700	18.6
Operating profit	3,078	1,419	1,659	116.9
Share of results of a joint venture, net of tax	251	394	(143)	(36.3)
Share of results of associates, net of tax	1,744	1,538	206	13.4
Profit before interest and tax	4,285	2,446	1,839	75.2
Profit before tax	4,102	2,648	1,454	54.9
Profit after tax	3,008	693	2,315	334.1
Profit attributable to equity holders of the Company	2,160	2,813	(653)	(23.2)

The Group's turnover for the current quarter had posted a growth of RM23.7 million or 18.6% to RM151.2 million against the corresponding quarter of RM127.5 million riding on the back of higher sales from Power and Machinery and Integrated Corrosion Solution segments. The increase of sales were underpinned by stronger after sales support services from the Power and Machinery segment while the Integrated Corrosion Solution segment's revenue growth was supported by the higher activity levels from its Maintenance, Construction and Modification services ("MCM") contract, both attributable to the spill over effects from 2019.

The Group's profit attributable to equity holders of the Company decreased by RM0.7 million as a result of the lower operating performance in the Oilfield Services segment affected by the slowdown in slickline activities in the West Malaysia region coupled with downward pressure on margin. However, the results were offset by stronger performance recorded in Power and Machinery segment and lower losses from the Integrated Corrosion Solution segment due to higher revenue achieved with better operating margins earned, as well as higher share of results from an associate company of RM0.2 million.

Share of results of a joint venture was contributed by the overhaul and repairs of gas turbines. The lower share of results was due to lower revenue earned from engine disassembly services, higher direct operating expenditure incurred but mitigated by higher interest income earned in the current period.

Share of results of associates was higher by RM0.2 million mainly due to the improvement in the operating results from Malaysia Mud and Chemicals Sdn. Bhd. ("2MC") following strong orders secured with higher throughput achieved from the liquid mud business.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q1'20 RM'000	Q1'19 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	97,285	69,875	27,410	39.2
Operating profit	6,374	4,925	1,449	29.4
Profit before interest and tax	5,721	4,179	1,542	36.9
Profit before tax	6,360	4,911	1,449	29.5

The Power and Machinery segment revenue climbed by 39.2% or RM27.4 million to RM97.3 million compared to the corresponding quarter of RM69.9 million attributable to the higher exchange engines sales, higher supply of local field service representatives and increase in the level of sales for turbine parts. This was however offset by the lower demand for valves and flow regulators services, decrease in revenue contribution from retrofit projects and other ancillary services coupled with absence of commission income earned from oil and gas projects.

The segment results improved by RM1.4 million in tandem with higher revenue reported along with better margins earned from better sales mix. The increased was however offset by the higher unrealised foreign exchange loss on MYR against USD of RM1.6 million compared to the unrealised foreign exchange gain of RM0.3 million recorded in corresponding quarter.

	Q1'20 RM'000	Q1'19 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	27,690	31,767	(4,077)	(12.8)
Operating (loss)/profit	(682)	4,463	(5,145)	(115.3)
(Loss)/profit before interest and tax	(772)	4,384	(5,156)	(117.6)
(Loss)/profit before tax	(1,257)	4,041	(5,298)	(131.1)

The Oilfield Services segment revenue decreased by 12.8% or RM4.1 million to RM27.7 million compared to the corresponding quarter of RM31.8 million affected by the slowdown in slickline activities in the West Malaysia region, decrease in commission income earned from principal based activities coupled with the decline in activity level of jobs performed from well intervention and enhancement services. The decrease was however mitigated by the stronger contribution from safety valve maintenance services, higher centraliser sales and increase in chemical revenue generated.

The segment results fell to a loss of RM1.3 million compared against the corresponding quarter profit of RM4.0 million. This was affected by the margin compressions from both slickline operations in the West Malaysia region and the well intervention and enhancement services coupled with an impairment for doubtful debts on a trade receivable of RM1.0 million made during the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q1'20	Q1'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Intergrated Corrosion Solution</u>				
Revenue	26,102	25,749	353	1.4
Operating loss	(993)	(7,084)	6,091	86.0
Loss before interest and tax	(993)	(7,084)	6,091	86.0
Loss before tax	<u>(1,373)</u>	<u>(7,350)</u>	<u>5,977</u>	<u>81.3</u>

The Integrated Corrosion Solution segment recorded an increase in revenue by 1.4% or RM0.4 million to RM26.1 million compared against the corresponding quarter revenue of RM25.7 million. The higher revenue was contributed by its MCM contract as a result of higher maintenance services spill over from the previous financial year but mitigated by lower sales from its Sponge-Jet Blasting business.

The segment reported a lower loss by RM6.0 million to RM1.4 million attributable to better performance from its MCM contract which reported higher margins with better sales mix and lower foreseeable losses. The results were however reduced by the adverse results from its Sponge-Jet Blasting business.

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B1. PERFORMANCE REVIEW (Cont'd)

(B) Consolidated Statement of Financial Position

The Group's total assets as at 31 March 2020 stood at RM698.2 million against RM747.5 million at the end of the previous financial year, representing a decrease of RM49.3 million or 6.6%. This was mainly due to the lower inventories, trade receivables and contract assets balances totalling RM62.8 million but the increase was offset by higher capital expenditure incurred by the Oilfield Services segment and increase in cash and bank balances of RM6.0 million.

In tandem, Group's total liabilities had also decreased by RM37.5 million following lower trade and other payable balances by RM45.5 million and a decline in borrowings by RM7.2 million upon repayment but offset by an increase in the contract liabilities balance of RM16.0 million.

(C) Consolidated Statement of Cash Flows

The Group's cash and bank balances stood at RM165.9 million against RM160.0 million as at 31 December 2019. The positive variance was due to inflow from net cash generated from operating activities of RM40.1 million and dividend received from an associate of RM1.6 million. The increase was however offset by capital expenditures incurred of RM13.6 million, dividends paid to shareholders and non-controlling interest totalling RM15.0 million and net repayment of borrowings by RM8.3 million.

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

	Q1'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	151,202	232,127	(80,925)	(34.9)
Operating profit	3,078	16,116	(13,038)	(80.9)
Share of results of a joint venture, net of tax	251	247	4	1.6
Share of results of associates, net of tax	1,744	189	1,555	822.8
Profit before interest and tax	4,285	15,995	(11,710)	(73.2)
Profit before tax	4,102	15,676	(11,574)	(73.8)
Profit after tax	3,008	12,501	(9,493)	(75.9)
Profit attributable to equity holders of the Company	2,160	8,566	(6,406)	(74.8)

Quarter on quarter, the Group's profit attributable to equity holders of the Company decreased by RM6.4 million against the immediate preceding quarter due to weaker revenue and lower contribution across all reportable segments.

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

Share of results of associates increased by RM1.6 million as a result of higher throughput achieved from both dry bulks and liquid mud businesses.

	Q1'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	97,285	140,507	(43,222)	(30.8)
Operating profit	6,374	19,915	(13,541)	(68.0)
Profit before interest and tax	5,721	19,422	(13,701)	(70.5)
Profit before tax	6,360	19,900	(13,540)	(68.0)

Power and Machinery segment results decreased to RM6.4 million as compared to RM19.9 million recorded in the immediate preceding quarter. This was affected by the lower contributions from valve and flow regulators services, lower supply of local field service representatives, weaker work orders on exchange engines and other ancillary services but offset by higher demand for turbine parts and repair and increase in contribution from retrofit projects.

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

	Q1'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	27,690	35,582	(7,892)	(22.2)
Operating loss	(682)	(125)	(557)	(445.6)
Loss before interest and tax	(772)	(180)	(592)	(328.9)
Loss before tax	(1,257)	(651)	(606)	(93.1)

Oilfield Services segment reported higher loss at RM1.3 million against RM0.7 million recorded in the immediate preceding quarter. This was primarily due to weaker results from its local slickline services operations in West Malaysia, losses recorded in the chemical business, decline in contributions from both gas lift valve services and well intervention and enhancement services coupled with an impairment on a trade receivable of RM1.0 million. However, the decline was slightly offset by stronger results from its East Malaysia operations during the current quarter.

	Q1'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	26,102	55,869	(29,767)	(53.3)
Operating loss	(993)	(2,785)	1,792	64.3
Loss before interest and tax	(993)	(2,785)	1,792	64.3
Loss before tax	(1,373)	(3,118)	1,745	56.0

Integrated Corrosion Solution segment recorded a lower loss at RM1.4 million against RM3.1 million recorded in the immediate preceding quarter as a result of stronger activity levels and job orders fulfilment for its MCM project coupled with better margins on better job mix in the current quarter.

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B3. PROSPECTS

Global oil prices have taken a plunge of 77% since January 2020 to a 21-year low of USD14 per barrel in end March 2020. The Coronavirus (Covid-19) pandemic has caused adverse impacts on economies around the world, resulting in a global economic slowdown. Reduced economic activities coupled with the oil price war have resulted in plummeting demand and supply overhang for oil.

Given this current highly challenging market and operating conditions, Deleum’s focus shall be towards sustainability and building resilience through strengthening integration efforts across all business segments. Deleum shall also continue to strive and leverage on its human capital, financial strengths and resources whilst focusing on its cost and cash management.

B4. PROFIT FORECAST

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

B5. INCOME TAX EXPENSE

	Quarter and year-to-date ended	
	31/03/2020 RM’000	31/03/2019 RM’000
Current tax – current year	2,162	2,618
Deferred tax		
– origination and reversal of temporary differences	(1,059)	(433)
– recognition of previously unrecognised temporary differences	(9)	(230)
Total income tax expense	1,094	1,955

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B5. INCOME TAX EXPENSE (Cont'd)

Including the joint venture's and associates' results which were presented net of tax, the effective tax rate of the Group for the financial period ended 31 March 2020 was higher than the headline tax rate as shown below.

	Quarter and year-to-date ended	
	31/03/2020	31/03/2019
	%	%
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	11	9
- Income not subject to tax	(2)	(4)
- Share of results of associates and joint venture	(12)	(17)
- Deferred tax assets not recognised	6	71
- Recognition of previously unrecognised temporary differences	0	(9)
Effective tax rate	27	74

B6. PROFIT ON SALES OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties during the financial year-to-date.

B7. QUOTED SECURITIES

There were no sales or purchases of quoted securities during the financial year-to-date.

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 14 May 2020 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Group's share of net assets of joint venture	<u>31,327</u>	<u>31,076</u>

TOSB was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities includes 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.

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B9. JOINT VENTURE (Cont'd)

Summarised statement of comprehensive income

	31/03/2020	Quarter and year-to-date ended 31/03/2019
	RM'000	RM'000
Profit before tax	397	628
Income tax expense	(85)	(139)
Profit for the period	<u>312</u>	<u>489</u>
Interest in joint venture (80.55%) Share of results	<u>251</u>	<u>394</u>

B10. ASSOCIATES

	As at 31/03/2020	As at 31/12/2019
	RM'000	RM'000
Group's share of net assets of associates	<u>36,915</u>	<u>34,800</u>

In the opinion of the Directors, 2MC and CUPL are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and place of business / country of incorporation are set out in the audited financial statements for the financial year ended 31 December 2019. The associates have share capitals consisting solely of ordinary shares, which are held directly by the Group.

Both associates are private companies and there is no quoted market price available for the shares.

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired on 8 May 2015. The Company has continued to equity account for the results of CUPL until it ceases to be an associate. Minimal share of loss from this associate and its contribution to the loss attributable to the shareholders of the Company in the financial period ended 31 March 2020 amounted to RM1,800 (31 March 2019: profit of RM1,000) and RM1,080 (31 March 2019: profit of RM600) respectively.

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B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Quarter and year-to-date ended		Quarter and year-to-date ended		Quarter and year-to-date ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	8,183	5,967	(9)	4	8,174	5,971
Income tax expense	(2,728)	(1,164)	0	0	(2,728)	(1,164)
Profit for the period	<u>5,455</u>	<u>4,803</u>	<u>(9)</u>	<u>4</u>	<u>5,446</u>	<u>4,807</u>
Interest in associates (32%; 20%) Share of results	<u>1,746</u>	<u>1,537</u>	<u>(2)</u>	<u>1</u>	<u>1,744</u>	<u>1,538</u>

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B11. TRADE RECEIVABLES

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Neither past due nor impaired	58,073	74,403
1 to 30 days past due not impaired	5,086	26,685
31 to 60 days past due not impaired	2,092	11,186
61 to 90 days past due not impaired	4,272	4,003
91 to 120 days past due not impaired	608	1,241
More than 121 days past due not impaired	1,885	1,800
	<u>72,016</u>	<u>119,318</u>
Not past due but impaired	0	0
Past due and impaired:		
More than 121 days past due and impaired	1,840	998
	<u>73,856</u>	<u>120,316</u>
Less: Impairment of receivables	<u>(1,840)</u>	<u>(998)</u>
	<u><u>72,016</u></u>	<u><u>119,318</u></u>

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 renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM13.9 million (31 December 2019: RM44.9 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 2020 were as follows:

	<u>Short Term</u> RM'000	<u>Long Term</u> RM'000	<u>Total</u> RM'000
<u>31/3/2020</u>			
Borrowings - secured	23,699	21,657	45,356
- unsecured	35,168	1,282	36,450
	58,867	22,939	81,806
	58,867	22,939	81,806
<u>31/12/2019</u>			
Borrowings - secured	26,810	21,746	48,556
- unsecured	39,767	696	40,463
	66,577	22,442	89,019
	66,577	22,442	89,019

The borrowings were all denominated in Ringgit Malaysia.

	Note	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Revolving credits	(i)	27,800	29,800
Lease liabilities on right-of-use assets	(ii)	2,581	1,854
Term loans	(iii)	45,300	48,495
Loans against import	(iv)	6,125	8,870
		81,806	89,019
Less: Amount repayable within 12 months			
Revolving credits		(27,800)	(29,800)
Lease liabilities on right-of-use assets		(1,262)	(1,116)
Term loans		(23,680)	(26,791)
Loans against import		(6,125)	(8,870)
		(58,867)	(66,577)
		22,939	22,442

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B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM3.2 million, net repayment on loans against import of RM2.7 million, repayment on revolving credits of RM2.0 million but offset with net addition of lease liabilities for right-of-use assets of RM0.7 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.76% (average interest of 1.00% per annum above the bank's cost of funds and 0.85% per annum above the KLIBOR).
- (ii) Lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% per annum.
- (iii) Term loans carry interest rates ranging from 3.83% to 4.27% per annum (0.90% & 1.00% per annum above the KLIBOR). The tenure of the loan is 5 years.
- (iv) Loans against import carry an interest of 4.30% (1.15% per annum above the bank's cost of funds). The tenure of the import line is 90 days.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off-balance sheet financial instrument as at 31 March 2020 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

B14. MATERIAL LITIGATION

There was no material litigation as at 14 May 2020 (being the latest practicable date which shall not be earlier than 7 days from the date of issuance of this report).

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B15. DIVIDEND

The Board of Directors have, in respect of financial year ended 31 December 2019, declared a second interim single tier dividend of 3.00 sen per share on 401,553,500 ordinary shares, totaling RM 12,046,605. The dividend was paid on 26 March 2020.

No dividend was declared during the quarter under review for the financial year ending 31 December 2020.

B16. EARNINGS PER SHARE (“EPS”)

The calculations of basic and diluted earnings per share for the reporting periods were computed as follows:

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Basic earnings per share		
Profit attributable to equity holders of the Company (RM'000)	2,160	2,813
Weighted average number of shares in issue ('000)	401,333	400,917
Basic earnings per share (sen)	0.54	0.70

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B17. PROFIT BEFORE TAX

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

	Quarter and year-to-date ended	
	31/03/2020 RM'000	31/03/2019 RM'000
Inventories consumed and recognised as cost of sales	23,844	21,012
Purchase of products, parts and consumable	2,876	5,143
Costs of services purchased	69,165	45,609
Interest income	(788)	(903)
Other income including investment income	(43)	(60)
Interest expenses	971	703
Depreciation and amortisation	9,540	8,510
Write back of impairment for doubtful debts		
- Trade receivables	(30)	(1)
- Contract assets	0	(3)
Bad debts written off		
- Other receivables	0	4
Impairment of doubtful debts		
- Trade receivables	872	6
- Contract assets	121	0
Reversal of allowance for slow moving inventories	(14)	0

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B17. PROFIT BEFORE TAX (Cont'd)

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

	Quarter and year-to-date ended	
	31/3/2020 RM'000	31/3/2019 RM'000
Gain on disposals of plant and equipment	(20)	0
Gain on lease modification and disposal	(1)	0
Foreign exchange losses/(gains)		
- Realised	(199)	74
- Unrealised	1,729	(311)
Provision for liquidated damages	1	63
Write back of provision of liquidated damages	(32)	0
Fair value (gain)/loss on foreign currency exchange forward contract	(11)	57

Other than as disclosed in the unaudited condensed interim consolidated statement of comprehensive income and as disclosed above, there were no other impairment of assets and gain or loss on derivatives.

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B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2019 was unqualified.

B19. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 21 May 2020.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
21 May 2020