

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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2020**

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**DELEUM BERHAD**  
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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2020**

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED
		30/06/2020 Unaudited	30/06/2019 Unaudited	30/06/2020 Unaudited	30/06/2019 Unaudited
Revenue	A11	138,760	212,159	289,962	339,661
Cost of sales		(119,171)	(175,420)	(243,811)	(282,159)
Gross profit		19,589	36,739	46,151	57,502
Other operating income		953	952	1,804	1,915
Selling and distribution costs		(6,914)	(9,626)	(15,201)	(17,987)
Administrative expenses		(11,850)	(13,940)	(25,220)	(25,862)
Other operating losses <sup>(1)</sup>		(15,298)	(2,138)	(17,976)	(2,162)
Operating (loss)/profit		(13,520)	11,987	(10,442)	13,406
Finance costs		(760)	(792)	(1,731)	(1,495)
Share of results of a joint venture (net of tax)	B9	313	356	564	750
Share of results of associates (net of tax)	B10	1,043	1,729	2,787	3,267
(Loss)/profit before tax	B17	(12,924)	13,280	(8,822)	15,928
Income tax expense	B5	2,538	(867)	1,444	(2,822)
<b>(Loss)/profit for the period</b>		<b>(10,386)</b>	<b>12,413</b>	<b>(7,378)</b>	<b>13,106</b>
<b>Other comprehensive income</b>					
<b>Currency translation differences</b>		<b>(12)</b>	<b>145</b>	<b>190</b>	<b>92</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(10,398)</b>	<b>12,558</b>	<b>(7,188)</b>	<b>13,198</b>
<b>(Loss)/profit attributable to:</b>					
- Equity holders of the Company		(11,145)	8,662	(8,985)	11,475
- Non-controlling interests		759	3,751	1,607	1,631
		<b>(10,386)</b>	<b>12,413</b>	<b>(7,378)</b>	<b>13,106</b>
<b>Total comprehensive (loss)/income attributable to:</b>					
- Equity holders of the Company		(11,143)	8,712	(8,966)	11,523
- Non-controlling interests		745	3,846	1,778	1,675
		<b>(10,398)</b>	<b>12,558</b>	<b>(7,188)</b>	<b>13,198</b>
<b>(Loss)/Earnings per share (EPS) attributable to equity holders of the Company (sen)</b>					
- Basic EPS	B16	<u>(2.78)</u>	<u>2.16</u>	<u>(2.24)</u>	<u>2.86</u>
<sup>(1)</sup> Other operating losses include the following:					
Foreign exchange (losses)/gains:					
- Realised		(1,246)	(1,057)	(1,047)	(1,131)
- Unrealised		839	(805)	(890)	(494)
Fair value gain/(loss) on forward foreign currency exchange contracts		117	(66)	128	(123)
Impairment made:					
- trade receivables		(1)	(2)	(873)	(8)
- contract assets		0	0	(121)	0
- other long-term receivable		(1,747)	0	(1,747)	0
- plant and equipment		(10,600)	0	(10,600)	0
Inventories written-off		<u>(1,780)</u>	<u>0</u>	<u>(1,780)</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

RM'000	Note	As at 30/06/2020 Unaudited	As at 31/12/2019 Audited
<b>ASSETS</b>			
Property, plant and equipment		173,284	180,962
Investment properties		759	770
Right-of-use assets		2,201	1,838
Intangible assets		296	460
Associates	B10	28,830	34,800
Joint venture	B9	31,640	31,076
Deferred tax assets		3,661	3,329
Other receivables		18,519	19,527
<b>Non-current Assets</b>		<b>259,190</b>	<b>272,762</b>
Inventories		33,358	44,641
Amounts due from an associate		1,660	1,600
Amounts due from a joint venture		137	127
Trade receivables	B11	73,726	119,318
Contract assets		108,086	138,181
Other receivables, deposits and prepayments		8,357	9,315
Derivative financial instrument	A7	73	0
Tax recoverable		1,851	1,587
Cash and bank balances		168,518	159,958
<b>Current Assets</b>		<b>395,766</b>	<b>474,727</b>
<b>TOTAL ASSETS</b>		<b>654,956</b>	<b>747,489</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		201,802	201,802
Equity - share based payment		0	0
Retained earnings		179,939	200,971
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,716)	(2,735)
Equity attributable to equity holders of the Company		329,025	350,038
Non-controlling interests		27,322	28,484
<b>Total Equity</b>		<b>356,347</b>	<b>378,522</b>
Borrowings	B12	18,973	22,442
Deferred income		543	0
Deferred tax liabilities		18,735	23,166
<b>Non-current Liabilities</b>		<b>38,251</b>	<b>45,608</b>
Trade payables		152,233	205,117
Contract liabilities		28,797	12,698
Other payables and accruals		22,311	29,260
Amounts due to an associate		0	7,162
Derivative financial instrument	A7	0	11
Taxation		708	2,534
Borrowings	B12	56,309	66,577
<b>Current Liabilities</b>		<b>260,358</b>	<b>323,359</b>
<b>Total Liabilities</b>		<b>298,609</b>	<b>368,967</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>654,956</b>	<b>747,489</b>

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 30 JUNE 2020**

	←-----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	Share based payment RM'000	Foreign currency translation RM'000	Merger deficit RM'000	Retained earnings RM'000			Total 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	11,475	11,475	1,631	13,106
Other comprehensive income for the financial period	0	0	0	48	0	0	48	44	92
Total comprehensive income for the financial period	0	0	0	48	0	11,475	11,523	1,675	13,198
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 30 June 2019	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,657)</u>	<u>(50,000)</u>	<u>184,920</u>	<u>334,065</u>	<u>24,307</u>	<u>358,372</u>
At 1 January 2020	401,553	201,802	0	(2,735)	(50,000)	200,971	350,038	28,484	378,522
(Loss)/profit for the financial period	0	0	0	0	0	(8,985)	(8,985)	1,607	(7,378)
Other comprehensive income for the financial period	0	0	0	19	0	0	19	171	190
Total comprehensive income/(loss) for the financial period	0	0	0	19	0	(8,985)	(8,966)	1,778	(7,188)
Dividend	0	0	0	0	0	(12,047)	(12,047)	(2,940)	(14,987)
At 30 June 2020	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,716)</u>	<u>(50,000)</u>	<u>179,939</u>	<u>329,025</u>	<u>27,322</u>	<u>356,347</u>

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 30 JUNE 2020**

<b>RM'000</b>	<b>YEAR TO-DATE-ENDED</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit for the period	(7,378)	13,106
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	873	8
- write back of impairment	(30)	(4)
Contract assets		
- impairment made	121	0
- write back of impairment	0	(5)
Other receivable		
- impairment made	1,747	0
Allowance for slow moving inventories:		
- allowance made	0	11
- write back of allowance	(15)	0
Amortisation of intangible assets	164	263
Depreciation:		
- property, plant and equipment	18,563	15,841
- investment properties	11	12
- right-of-use assets	826	800
Impairment on plant and equipment	10,600	0
Bad debts written off:		
- other receivable	562	4
Provision for liquidated damages		
- provision made	9	107
- write back of provision	(32)	0
Gain on disposals of plant and equipment	(20)	0
Gain on lease modification and disposal	(1)	0
Gain on rental concession	(45)	0
Write-off:		
- property, plant and equipment	0	10
- inventories	1,780	0
Interest income	(1,580)	(1,691)
Finance costs	1,731	1,495
Share based payment expense	0	7
Share of results of associates	(2,787)	(3,267)
Share of results of a joint venture	(564)	(750)
Tax expense	(1,444)	2,822
Unrealised foreign exchange losses	890	494
Fair value (gain)/loss on forward foreign currency exchange contracts	(128)	123
<b>Operating profit before working capital changes</b>	<b>23,853</b>	<b>29,386</b>
<u>Changes in working capital</u>		
Inventories	9,518	(12,556)
Amounts due from a joint venture	(10)	21
Amounts due from an associate	(60)	0
Trade receivables	44,474	27,665
Contract assets	29,677	(34,599)
Other receivables, deposits and prepayments	380	(795)
Trade payables	(53,176)	2,349
Other payables and accruals	(6,424)	(2,033)
Contract liabilities	16,099	1,284
<b>Cash generated from operations</b>	<b>64,331</b>	<b>10,722</b>
Tax paid	(5,409)	(5,369)
Tax refunded	0	108
Interest paid	(1,752)	(1,435)
<b>Net cash generated from operating activities</b>	<b>57,170</b>	<b>4,026</b>

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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

<b>RM'000</b>	<b>YEAR TO-DATE-ENDED</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,598	1,674
Addition on plant and equipment*	(15,676)	(17,189)
Long-term deposits paid	(6,547)	(18,026)
Proceeds from disposals on plant and equipment	20	0
Dividend received from an associate	1,600	5,440
<b>Net cash used in investing activities</b>	<b>(19,005)</b>	<b>(28,101)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Revolving credit		
- Repayment	(2,000)	5,000
Loans against import		
- Drawn down	8,375	24,607
- Repayment	(12,284)	(18,120)
Term loans		
- Drawn down	5,445	3,694
- Repayment	(13,650)	(12,670)
Lease liabilities on right-of-use assets		
- Repayment	(766)	(801)
Dividends paid to:		
- Shareholders	(12,047)	(9,025)
- Non-controlling interest	(2,940)	(1,470)
Decrease/(increase) in restricted cash	4,170	(22)
<b>Net cash used in financing activities</b>	<b>(25,697)</b>	<b>(8,807)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,468</b>	<b>(32,882)</b>
Foreign currency translation	262	11
Cash and cash equivalents at beginning of the year	147,518	124,276
<b>Cash and cash equivalents at end of period</b>	<b>160,248</b>	<b>91,405</b>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits	126,171	77,189
Cash and bank balances	42,347	24,869
	168,518	102,058
Restricted cash	(8,270)	(10,653)
<b>Cash and cash equivalents at end of period</b>	<b>160,248</b>	<b>91,405</b>
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	152,558	83,889
US Dollar	7,577	7,403
Others	113	113
	160,248	91,405

\* Included in the addition on plant and equipment is the capitalisation on the advance payment made in prior years of RM5,809,000 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 30 JUNE 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 amendment to published standard effective for financial period beginning on 1 June 2020 that is applicable and adopted by the group as follows:-

Amendments to MFRS 16	Leases - Covid-19 - Related Rent Concessions
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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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**UNAUDITED INTERIM FINANCIAL REPORT**  
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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 3	Reference to the Conceptual Framework (effective 1 January 2022)
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)
Amendments to MFRS 116	Property, plant and equipment – Proceeds before Intended Use (effective 1 January 2022)
Annual Improvements to MFRS Standards 2018 – 2020	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, Amendments MFRS 9 Financial Instruments, Amendments to the illustrative examples accompanying MFRS 16 Leases (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 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.

**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 other than as disclosed in Note B17.

**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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**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 contracts that remained outstanding at 30 June 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:

	<b>As at 30/06/2020</b>		<b>As at 31/12/2019</b>	
	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
US Dollar	57,366	85,086	85,337	120,592
Others	572	1,093	1,711	487
	<u>57,938</u>	<u>86,179</u>	<u>87,048</u>	<u>121,079</u>
<b>Closing exchange rate</b>				
US Dollar	<u>4.280</u>	<u>4.280</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 contracts

Forward foreign currency exchange contracts are used to manage foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The forward foreign currency exchange contracts entered into by the Group has a maturity period of less than one year from the current reporting date. As at 30 June 2020, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM8,764,000.

	<b>Net Notional amount RM'000</b>	<b>Net Fair Value Assets RM'000</b>
<b>Type of derivatives</b>		
Forward foreign currency exchange contracts ("FX Contract")		
- Less than 1 year	8,764	73

**A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS**

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

During the financial year-to-date, the fair value changes arising from the forward foreign currency exchange contracts entered into by the Group and remained outstanding as at 30 June 2020 amounted to a fair value gain of RM73,000.

**A9. DIVIDENDS PAID**

During the first 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.

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

No dividend was paid in the current quarter under review.

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

**A10. SEGMENT INFORMATION**

The segments of the Group are as follows:

- Power and Machinery (“P&M”) – Mainly consists of:
  - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
  - Supply and commission of combined heat and power plants;
  - 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 30 June 2020 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	87,053	96,036	184,338	165,911
Oilfield Services	23,748	39,810	51,438	71,577
Integrated Corrosion Solution	27,824	76,189	53,926	101,938
Other non-reportable segment	135	124	260	235
<b>Total Group revenue</b>	<b>138,760</b>	<b>212,159</b>	<b>289,962</b>	<b>339,661</b>

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

**A10. SEGMENT INFORMATION (Cont'd)**

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
<u>Segment Results</u>				
Power and Machinery	11,448	6,168	17,808	11,079
Oilfield Services	(19,019)	(2,626)	(20,276)	1,415
Integrated Corrosion Solution	(4,211)	8,731	(5,584)	1,381
Other non-reportable segment	13	11	24	21
Segment results	(11,769)	12,284	(8,028)	13,896
Unallocated income ^	75	4	120	84
Unallocated corporate expenses #	(2,586)	(1,093)	(4,265)	(2,069)
Share of results of a joint venture *	313	356	564	750
Share of results of associates *	1,043	1,729	2,787	3,267
Tax expense (Note B5) *	2,538	(867)	1,444	(2,822)
(Loss)/profit for the financial period	(10,386)	12,413	(7,378)	13,106

^ 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. Included in the unallocated corporate expenses during the current period is an impairment loss made on the Group's corporate long-term other receivable of RM1,747,000 as disclosed in Note B17.

\* 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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**A10. SEGMENT INFORMATION (Cont'd)**

	<b>As at 30/06/2020</b>	<b>As at 31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Segment Assets</u>		
Power and Machinery	232,962	271,546
Oilfield Services	224,935	255,068
Integrated Corrosion Solution	97,904	128,158
Segment assets	555,801	654,772
Unallocated corporate assets ^	99,155	92,717
<b>Total assets</b>	<b>654,956</b>	<b>747,489</b>

	<b>As at 30/06/2020</b>	<b>As at 31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Segment Liabilities</u>		
Power and Machinery	119,662	157,666
Oilfield Services	63,886	69,843
Integrated Corrosion Solution	92,570	106,021
Segment liabilities	276,118	333,530
Unallocated corporate liabilities #	22,491	35,437
<b>Total liabilities</b>	<b>298,609</b>	<b>368,967</b>

^ 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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**A11. REVENUE**

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Revenue from contracts with customers	138,625	212,035	289,702	339,426
Revenue from other sources:				
- Management fee	135	124	260	235
	138,760	212,159	289,962	339,661

Revenue from contracts with customers:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Sale of gas turbine packages and after sales support and services	68,622	76,458	151,128	129,484
Commission based income services	0	2,038	0	2,415
Principal based income services	48	79	206	382
Sale of valves and flow regulators and after sales support and services	17,686	15,843	31,410	30,345
Sale, repair and maintenance of motors, generators and transformers	745	1,697	1,800	3,667
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	23,294	39,090	50,048	69,908
Provision of specialty chemical and well stimulation	406	641	1,184	1,287
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	5,737	18,759	10,675	25,695
Provision of maintenance, construction and modification services	22,087	57,430	43,251	76,243
	138,625	212,035	289,702	339,426

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

During the current quarter ended 30 June 2020, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Acquisitions at cost:-				
- Plant and equipment*	5,482	8,470	21,485	17,189
Depreciation:-				
- Plant and equipment	9,539	7,881	18,563	15,841
- Investment properties	5	6	11	12
- Right-of-use assets	419	399	826	800
Amortisation of intangible assets	61	120	164	263

\* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of RM5,809,000 as plant and equipment upon fulfilment 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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**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 30 June 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 RM40.4 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 30 June 2020 were as follows:

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Authorised but not contracted for		
- Plant and machinery	4,065	38,031
- Others	975	13,351
Authorised and contracted for		
- Plant and machinery	16,647	10,285
- Others	95	6,114
	21,782	67,781
Share of capital commitment of joint venture	683	1,215
	22,465	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.

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated company	851	141	1,480	1,018
Rental income from an affiliate company of STICO	13	13	27	27
Purchases and technical services from STICO and its affiliated company	61,859	64,076	128,238	103,999

Significant outstanding balances arising from the above transactions as at 30 June 2020 were as follows:

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Amount due from STICO and its affiliated company	3,784	5,218
Amount due to STICO and its affiliated company	76,832	111,462

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**A18. RELATED PARTY TRANSACTIONS (Cont'd)**

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Sales to related parties of Dresser Italia S.R.L	78	54	227	90
Purchases of goods and services from related parties of Dresser Italia S.R.L	9,334	5,326	15,395	12,666

Significant outstanding balances arising from the above transactions as at 30 June 2020 were as follows:

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Amount due from related parties of Dresser Italia S.R.L	78	168
Amount due to related parties of Dresser Italia S.R.L	6,887	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:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Sales to STICO	1,125	1,484	2,250	2,968
Rental income from affiliate company of STICO	207	207	414	414

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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 30 June 2020 was as follows:

	<b>As at 30/06/2020</b> <b>RM'000</b>	<b>As at 31/12/2019</b> <b>RM'000</b>
Amount due from STICO and its affiliated company	2,263	485

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

	<b>Individual Quarter ended</b>		<b>Cumulative Quarters ended</b>	
	<b>30/06/2020</b> <b>RM'000</b>	<b>30/06/2019</b> <b>RM'000</b>	<b>30/06/2020</b> <b>RM'000</b>	<b>30/06/2019</b> <b>RM'000</b>
Directors' fees	180	252	451	477
Salaries, bonuses, allowances and other staff related expenses	4,042	3,715	6,571	6,002
Defined contribution plan	477	423	751	672
	4,699	4,390	7,773	7,151

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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>	<b>Q2'20</b>	<b>Q2'19</b>	<b>Variance</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	138,760	212,159	(73,399)	(34.6)
Operating (loss)/profit	(13,520)	11,987	(25,507)	(212.8)
Share of results of a joint venture, net of tax	313	356	(43)	(12.1)
Share of results of associates, net of tax	1,043	1,729	(686)	(39.7)
(Loss)/profit before interest and tax	(12,956)	13,284	(26,240)	(197.5)
(Loss)/profit before tax	(12,924)	13,280	(26,204)	(197.3)
(Loss)/profit after tax	(10,386)	12,413	(22,799)	(183.7)
(Loss)/profit attributable to equity holders of the Company	(11,145)	8,662	(19,807)	(228.7)

In the current quarter, the Group recorded a decline in revenue by RM73.4 million or 34.6% to RM138.7 million against the corresponding quarter of RM212.1 million affected by lower sales activities registered across all reportable segments with slowdown particularly in the maintenance activity levels from both Maintenance, Construction and Modification services (“MCM”) and Sponge-Jet Blasting (“SPJ”) businesses from Integrated Corrosion Solution segment as well as lacklustre activities in the Oilfield Services segment.

Similarly, the Group’s results attributable to equity holders of the Company reported a loss of RM11.1 million as opposed to the corresponding quarter profit of RM8.7 million. The adverse results were mainly due to the non-recurring one-off impairment charges made on its corporate long-term other receivable of RM1.7 million and slickline operating assets from the Oilfield Services segment of RM10.6 million on account of low asset utilisation rate, write-offs on inventory and other receivable totalling RM2.3 million by the same segment. The Group’s weak results was however mitigated by the stronger performance recorded in Power and Machinery segment notwithstanding lower revenue supported by better operating margins recorded.

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 but mitigated by lower direct operating expenditure incurred and higher interest income earned in the current period.

Share of results from associates was lower by RM0.7 million against the corresponding quarter mainly attributable to the lower operating results affected by the slowdown in throughput achieved from both its dry bulk and liquid mud businesses.

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

**B1. PERFORMANCE REVIEW (Cont'd)**

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

	<b>Q2'20</b>	<b>Q2'19</b>	<b>Variance</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<u>Power and Machinery</u>				
Revenue	87,053	96,036	(8,983)	(9.4)
Operating profit	11,463	6,182	5,281	85.4
Profit before interest and tax	10,824	5,470	5,354	97.9
Profit before tax	<u>11,448</u>	<u>6,168</u>	<u>5,280</u>	<u>85.6</u>

The Power and Machinery segment revenue fell by 9.4% or RM9.0 million to RM87.1 million compared to the corresponding quarter of RM96.0 million attributable to the lower revenue contribution from exchange engines sales, retrofit projects, absence of commission income earned from oil and gas projects, lower supply of local field service representatives and decline in third party services. This was however mitigated by the stronger sales recorded for turbine parts and higher sales achieved on valves and flow regulators services.

Notwithstanding a lower revenue, the segment results improved by RM5.3 million on back of better sales mix with higher margins earned, lower overhead expenses incurred due to costs saving initiatives undertaken coupled with the favourable movement in foreign exchange difference on MYR against USD with a lower net loss of RM0.5 million compared to the net loss of RM1.7 million recorded in the corresponding quarter.

	<b>Q2'20</b>	<b>Q2'19</b>	<b>Variance</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<u>Oilfield Services</u>				
Revenue	23,748	39,810	(16,062)	(40.3)
Operating loss	(18,555)	(2,226)	(16,329)	(733.6)
Loss before interest and tax	(18,633)	(2,297)	(16,336)	(711.2)
Loss before tax	<u>(19,019)</u>	<u>(2,626)</u>	<u>(16,393)</u>	<u>(624.3)</u>

The Oilfield Services segment revenue decreased by 40.3% or RM16.1 million to RM23.7 million compared to the corresponding quarter of RM39.8 million impacted by the decline in job activity level performed for well intervention and enhancement services, slowdown in slickline activities in both East and West Malaysia regions, decrease in chemical sales activities coupled with lower commission income earned from principal based activities. The decrease was however mitigated by the higher sales recorded from gas lift valve services.

The segment results reported a wider loss by 624.3% or RM16.4 million to RM19.0 million against the corresponding quarter of RM2.6 million affected by the non-recurring one-off impairment charge on its slickline operating assets of RM10.6 million, inventory and other receivable write-offs of RM1.8 million and RM0.5 million respectively in addition to its weaker operations with downward pressure on margins across all of its core activities.

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**B1. PERFORMANCE REVIEW (Cont'd)**

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

	<b>Q2'20</b>	<b>Q2'19</b>	<b>Variance</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<u>Intergrated Corrosion Solution</u>				
Revenue	27,824	76,189	(48,365)	(63.5)
Operating (loss)/profit	(3,932)	9,104	(13,036)	(143.2)
(Loss)/profit before interest and tax	(3,932)	9,104	(13,036)	(143.2)
(Loss)/profit before tax	(4,211)	8,731	(12,942)	(148.2)

The Integrated Corrosion Solution segment revenue contracted by 63.5% or RM48.4 million to RM27.8 million compared against the corresponding quarter revenue of RM76.2 million. The lower revenue was mainly attributable to the slowdown in maintenance activity levels for both its MCM and Sponge-Jet Blasting projects.

The segment results fell to a loss of RM4.2 million against the corresponding period profit of RM8.7 million affected by the adverse results from both its MCM and Sponge-Jet Blasting businesses.

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**B1. PERFORMANCE REVIEW (Cont'd)**

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

	<b>Cumulative Quarters ended</b>		<b>Variance RM'000</b>	<b>Variance %</b>
	<b>Q2'20 RM'000</b>	<b>Q2'19 RM'000</b>		
<u>Group</u>				
Revenue	289,962	339,661	(49,699)	(14.6)
Operating (loss)/profit	(10,442)	13,406	(23,848)	(177.9)
Share of results of a joint venture, net of tax	564	750	(186)	(24.8)
Share of results of associates, net of tax	2,787	3,267	(480)	(14.7)
(Loss)/profit before interest and tax	(8,671)	15,732	(24,403)	(155.1)
(Loss)/profit before tax	(8,822)	15,928	(24,750)	(155.4)
(Loss)/profit after tax	(7,378)	13,106	(20,484)	(156.3)
(Loss)/profit attributable to equity holders of the Company	(8,985)	11,475	(20,460)	(178.3)

The Group's half yearly revenue decreased by 14.6% or RM49.7 million against the corresponding period to RM290.0 million as a result of the lower revenue achieved from both Oilfield Services segment and Integrated Corrosion Solution segment but mitigated by the stronger revenue contribution from Power and Machinery segment.

The Group's results attributable to equity holders of the Company fell to a loss of RM9.0 million against the profit of RM11.5 million recognised in the corresponding period affected by the non-recurring one-off impairment charge on slickline operating assets of RM10.6 million on account of low asset utilisation rate, provision for doubtful debts on trade receivables of RM1.0 million and write-offs made on inventory and other receivable of RM2.3 million from the Oilfield Services segment. The results were further impacted by an one-off impairment charge made on the Group's corporate long-term other receivable of RM1.7 million. However, the Group's loss was partially cushioned by the stronger performance recorded in Power and Machinery segment.

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

Share of results of associates was lower by RM0.5 million mainly due to the lower operating results impacted by lower orders secured with lower throughput achieved from both dry bulk and liquid mud businesses.

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**B1. PERFORMANCE REVIEW (Cont'd)**

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'20 RM'000	Q2'19 RM'000		
<u>Power and Machinery</u>				
Revenue	184,338	165,911	18,427	11.1
Operating profit	17,837	11,107	6,730	60.6
Profit before interest and tax	16,545	9,649	6,896	71.5
Profit before tax	<u>17,808</u>	<u>11,079</u>	<u>6,729</u>	<u>60.7</u>

The Power and Machinery segment revenue increased by 11.1% or RM18.4 million against the corresponding period to RM184.3 million. In tandem, the segment results increased by RM6.7 million or 60.7% as a result of higher contribution from turbines parts, valves and flow regulator services and machinery management systems coupled with lower operating expenses incurred against those recorded during the corresponding period due to costs saving initiatives undertaken.

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'20 RM'000	Q2'19 RM'000		
<u>Oilfield Services</u>				
Revenue	51,438	71,577	(20,139)	(28.1)
Operating (loss)/profit	(19,237)	2,237	(21,474)	(959.9)
(Loss)/profit before interest and tax	(19,405)	2,087	(21,492)	(1,029.8)
(Loss)/profit before tax	<u>(20,276)</u>	<u>1,415</u>	<u>(21,691)</u>	<u>(1,532.9)</u>

The Oilfield Services segment revenue decreased by 28.1% or RM20.1 million to RM51.4 million compared to the corresponding quarter of RM71.5 million. The segment results fell to a loss of RM20.3 million as opposed to the corresponding period profit of RM1.4 million affected by the non-recurring one-off impairment charge on its slickline operating assets of RM10.6 million, provision for doubtful debts on trade receivables of RM1.0 million and write-offs on its inventory and other receivable of RM1.8 million and RM0.5 million respectively in addition to its weaker operational performance during the current financial period.



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**B1. PERFORMANCE REVIEW (Cont'd)**

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

	<b>Cumulative Quarters ended</b>		<b>Variance RM'000</b>	<b>Variance %</b>
	<b>Q2'20 RM'000</b>	<b>Q2'19 RM'000</b>		
<u>Integrated Corrosion Solution</u>				
Revenue	53,926	101,938	(48,012)	(47.1)
Operating (loss)/profit	(4,925)	2,020	(6,945)	(343.8)
(Loss)/profit before interest and tax	(4,925)	2,020	(6,945)	(343.8)
(Loss)/profit before tax	(5,584)	1,381	(6,965)	(504.3)

The Integrated Corrosion Solution segment revenue declined to RM53.9 million, representing a decrease of RM48.0 million or 47.1% compared with the corresponding period of RM101.9 million as a result of lower service maintenance activity level performed for both of its MCM and Sponge-Jet Blasting contracts. The segment results reported a loss of RM5.6 million against profit of RM1.4 million recorded in the previous corresponding period in tandem with the lower revenue reported.

(C) Consolidated Statement of Financial Position

The Group's total assets as at 30 June 2020 stood at RM655.0 million against RM747.5 million at the end of the previous financial year, representing a decrease of RM92.5 million or 12.4%. This was mainly due to the lower inventories, trade and other receivables, contract assets balances and decrease in carrying amount of investment in associates totalling RM93.9 million. The decrease was offset by an increase in cash and bank balances of RM8.6 million.

In tandem, the Group's total liabilities had also decreased by RM70.4 million following lower trade and other payables balances by RM59.8 million, decline in net borrowings by RM13.7 million and waiver of a debt on amount owing to an associate of RM7.5 million as explained in Note B10 but offset by an increase in the contract liabilities balance of RM16.1 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances stood at RM168.5 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 RM57.2 million, dividend received from an associate of RM1.6 million and interest income received of RM1.6 million. The increase was however offset by capital expenditures incurred of RM22.2 million, dividends paid to shareholders and non-controlling interest totalling to RM15.0 million and net repayment on borrowings by RM14.9 million.

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

	Q2'20 RM'000	Q1'20 RM'000	Variance RM'000	Variance %
<u>Group</u>				
Revenue	138,760	151,202	(12,442)	(8.2)
Operating (loss)/profit	(13,520)	3,078	(16,598)	(539.2)
Share of results of a joint venture, net of tax	313	251	62	24.7
Share of results of associates, net of tax	1,043	1,744	(701)	(40.2)
(Loss)/profit before interest and tax	(12,956)	4,285	(17,241)	(402.4)
(Loss)/profit before tax	(12,924)	4,102	(17,026)	(415.1)
(Loss)/profit after tax	(10,386)	3,008	(13,394)	(445.3)
(Loss)/profit attributable to equity holders of the Company	(11,145)	2,160	(13,305)	(616.0)

Quarter on quarter, the Group's results fell to a loss of RM11.1 million against the profit of RM2.2 million recorded in the immediate preceding quarter affected by the non-recurring one-off impairments charges recorded by the Group on its corporate long-term other receivable of RM1.7 million and slickline operating assets of RM10.6 million in addition to the weaker performance from Oilfield Service segment.

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

Share of results of associates decreased by RM0.7 million with lower operating results reported by 2MC as a result of lower orders secured with lower throughput achieved from both dry bulk and liquid mud businesses.

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

	<b>Q2'20</b>	<b>Q1'20</b>	<b>Variance</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<u>Power and Machinery</u>				
Revenue	87,053	97,285	(10,232)	(10.5)
Operating profit	11,463	6,374	5,089	79.8
Profit before interest and tax	10,824	5,721	5,103	89.2
Profit before tax	11,448	6,360	5,088	80.0

Notwithstanding the lower revenue earned, the Power and Machinery segment results increased to RM11.4 million as compared to RM6.4 million recorded in the immediate preceding quarter on account of better sales mix with higher operating margin recorded along with the favourable movement in foreign exchange difference on MYR against USD with a lower net loss of RM0.5 million against a net loss of RM1.3 million recorded in the previous corresponding quarter.

	<b>Q2'20</b>	<b>Q1'20</b>	<b>Variance</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<u>Oilfield Services</u>				
Revenue	23,748	27,690	(3,942)	(14.2)
Operating loss	(18,555)	(682)	(17,873)	(2,620.7)
Loss before interest and tax	(18,633)	(772)	(17,861)	(2,313.6)
Loss before tax	(19,019)	(1,257)	(17,762)	(1,413.0)

Oilfield Services segment reported higher loss at RM19.0 million against RM1.3 million recorded in the immediate preceding quarter. This was primarily due to the non-recurring one-off impairment charge recorded on its slickline operating assets of RM10.6 million as well as weaker results from its local slickline services operations in both East and West Malaysia, losses recorded in the chemical business, decline in contributions from both gas lift valve services and well intervention and enhancement services.

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

	Q2'20 RM'000	Q1'20 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	27,824	26,102	1,722	6.6
Operating loss	(3,932)	(993)	(2,939)	(296.0)
Loss before interest and tax	(3,932)	(993)	(2,939)	(296.0)
Loss before tax	(4,211)	(1,373)	(2,838)	(206.7)

Integrated Corrosion Solution segment reported higher loss at RM4.2 million against RM1.4 million recorded in the immediate preceding quarter as a result of lower activity levels and job orders fulfilment for its MCM and SPJ projects.

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**B3. PROSPECTS**

The Coronavirus (Covid-19) pandemic, coupled with the low oil environment has set an unprecedented time for the oil and gas industry. This is expected to remain in the second half of 2020. Although there appears to be a gradual economic recovery, with various degree of relaxations in the lockdown and economic sectors re-opening, the industry is still facing a low oil environment due to uncertain demand.

To navigate through this challenging market and operating conditions, Deleum's focus shall be towards building resilience, sustainability and consolidation of the businesses within the Group. At the same time, Deleum will continue to operate conservatively by focusing on both 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**

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Current tax – current year	1,157	840	3,319	3,458
Deferred tax				
– origination and reversal of temporary differences	(3,936)	2,034	(5,224)	(266)
– recognition of previously unrecognised temporary differences	9	(313)	0	(543)
– deferred tax assets not recognised	232	(1,694)	461	173
<b>Total income tax expense</b>	<b>(2,538)</b>	<b>867</b>	<b>(1,444)</b>	<b>2,822</b>

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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 30 June 2020 was lower than the headline tax rate as shown below.

	<b>Cumulative Quarters ended</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>
	%	%
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	(24)	24
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	14	3
- Income not subject to tax	(2)	(1)
- Share of results of associates and joint venture	(9)	(6)
- Deferred tax assets not recognised	5	1
- Recognition of previously unrecognised temporary differences	0	(3)
<b>Effective tax rate</b>	<b>(16)</b>	<b>18</b>

**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 19 August 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**

	<b>As at 30/06/2020 RM'000</b>	<b>As at 31/12/2019 RM'000</b>
Group's share of net assets of joint venture	31,640	31,076

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

	<b>Individual Quarter ended</b>		<b>Cumulative Quarters ended</b>	
	<b>30/06/2020 RM'000</b>	<b>30/06/2019 RM'000</b>	<b>30/06/2020 RM'000</b>	<b>30/06/2019 RM'000</b>
Profit before tax	495	571	892	1,199
Income tax expense	(107)	(129)	(192)	(268)
Profit for the period	388	442	700	931
Interest in joint venture (80.55%) Share of results	313	356	564	750

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**B10. ASSOCIATES**

	<b>As at 30/06/2020 RM'000</b>	<b>As at 31/12/2019 RM'000</b>
Group's share of net assets of associates	28,830	34,800

In the opinion of the Directors, as at 30 June 2020, 2MC is a material associate while CUPL is no longer a material associate to the Group as it had commenced liquidation process during the current period. 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. On 22 June 2020, CUPL has commenced the liquidation process upon obtaining clearance from the local authority in Cambodia. The net outstanding balances owing to CUPL has now been forgone by the associate in a waiver exercise on the balances with its shareholders, in turn, any gain arising thereof shall be taken as a "return" on investment in CUPL. The Company has continued to equity account for the results of CUPL until it ceases to be an associate. Minimal share of results was reported from this associate and its contribution attributable to the shareholders of the Company in the financial period ended 30 June 2020 amounted to RM63,000 (30 June 2019: profit of RM200) and RM37,800 (30 June 2019: profit of RM120) respectively.



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**B10. ASSOCIATES (Cont'd)**

Summarised statement of comprehensive income

	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Individual Quarter ended</b>		<b>Individual Quarter ended</b>		<b>Individual Quarter ended</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	3,294	6,861	326	(3)	3,620	6,858
Income tax expense	(237)	(1,456)	0	0	(237)	(1,456)
Profit for the period	<u>3,057</u>	<u>5,405</u>	<u>326</u>	<u>(3)</u>	<u>3,383</u>	<u>5,402</u>
Interest in associates (32%; 20%) Share of results	978	1,730	65	(1)	1,043	1,729
	<u>978</u>	<u>1,730</u>	<u>65</u>	<u>(1)</u>	<u>1,043</u>	<u>1,729</u>
	<b>2MC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>Cumulative Quarters ended</b>		<b>Cumulative Quarters ended</b>		<b>Cumulative Quarters ended</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2019</b>	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	11,477	12,828	317	1	11,794	12,829
Income tax expense	(2,965)	(2,620)	0	0	(2,965)	(2,620)
Profit for the period	<u>8,512</u>	<u>10,208</u>	<u>317</u>	<u>1</u>	<u>8,829</u>	<u>10,209</u>
Interest in associates (32%; 20%) Share of results	2,724	3,267	63	0	2,787	3,267
	<u>2,724</u>	<u>3,267</u>	<u>63</u>	<u>0</u>	<u>2,787</u>	<u>3,267</u>

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**B11. TRADE RECEIVABLES**

	<b>As at 30/06/2020 RM'000</b>	<b>As at 31/12/2019 RM'000</b>
Neither past due nor impaired	54,029	74,403
1 to 30 days past due not impaired	7,043	26,685
31 to 60 days past due not impaired	6,875	11,186
61 to 90 days past due not impaired	691	4,003
91 to 120 days past due not impaired	3,838	1,241
More than 121 days past due not impaired	1,250	1,800
	<hr/>	<hr/>
	73,726	119,318
Past due and impaired:		
1 to 30 days past due and impaired	1	0
91 to 120 days past due and impaired	872	0
More than 121 days past due and impaired	969	998
	<hr/>	<hr/>
	75,568	120,316
Less: Impairment of receivables	<hr/>	<hr/>
	(1,842)	(998)
	<hr/>	<hr/>
	73,726	119,318
	<hr/> <hr/>	<hr/> <hr/>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are debtors with good payment history. A number of these debtors are from the oil and gas industry. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM19.7 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 30 June 2020 were as follows:

	<u>Short Term</u> RM'000	<u>Long Term</u> RM'000	<u>Total</u> RM'000
<b><u>30/6/2020</u></b>			
Borrowings - secured	22,470	17,872	40,342
- unsecured	33,839	1,101	34,940
	56,309	18,973	75,282
	56,309	18,973	75,282
<b><u>31/12/2019</u></b>			
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.

	<b>Note</b>	<b>As at 30/06/2020 RM'000</b>	<b>As at 31/12/2019 RM'000</b>
Revolving credits	(i)	27,800	29,800
Lease liabilities on right-of-use assets	(ii)	2,231	1,854
Term loans	(iii)	40,290	48,495
Loans against import	(iv)	4,961	8,870
		75,282	89,019
Less: Amount repayable within 12 months			
Revolving credits		(27,800)	(29,800)
Lease liabilities on right-of-use assets		(1,098)	(1,116)
Term loans		(22,450)	(26,791)
Loans against import		(4,961)	(8,870)
		(56,309)	(66,577)
		18,973	22,442

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**B12. GROUP BORROWINGS (Cont'd)**

The decrease in borrowings was due to net repayment on term loan of RM8.2 million, loans against import of RM3.9 million and revolving credits of RM2.0 million but offset by net addition of lease liabilities for right-of-use assets of RM0.4 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.55% (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 3.10% to 4.27% per annum (0.90% and 1.00% per annum above the KLIBOR). The tenure of the term loans is on average 5 years.
- (iv) Loans against import carry an interest of 4.16% (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 30 June 2020 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

**B14. MATERIAL LITIGATION**

As announced on 25 August 2020, Deleum Primera Sdn. Bhd. ("Deleum Primera"), a 60% owned subsidiary of the Company was, on 24 August 2020, served with a sealed Writ of Summons together with a Statement of Claim dated 21 August 2020, filed by Synergy Spectacular Sdn. Bhd. ("SSSB") at the Kuala Lumpur High Court ("**High Court Suit**"); and an unsealed Writ of Summons together with a Statement of Claim dated 21 August 2020, also filed by SSSB at the Kuala Lumpur Sessions Court ("**Sessions Court Suit**").

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**B14. MATERIAL LITIGATION (Cont'd)**

**a. The High Court Suit**

SSSB has alleged *inter alia*, that Deleum Primera had unlawfully terminated the agreement entered into between them for the sale and delivery of certain equipment by SSSB to Deleum Primera, wherein there had been severe and protracted delay by SSSB. The High Court Suit is based on the alleged unlawful termination of the Cargo Handling Equipment Project dated 11.10.2018 by Deleum Primera, for a Judgment sum of RM1,400,500.00, being the total sum from invoices allegedly outstanding and the sum of RM874,500.00, being damages allegedly suffered due to Deleum Primera's refusal to accept delivery.

**b. The Sessions Court Suit**

SSSB has alleged *inter alia*, that Deleum Primera had failed, refused and /or neglected to pay SSSB for services rendered by SSSB in respect of several projects on which it was appointed by Deleum Primera to perform. The Sessions Court Suit is for a Judgment for the alleged amount of RM488,277.43.

Both Suits are not expected to have any material financial and operational impact on the Group.

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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:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
<b>Basic earnings per share</b>				
(Loss)/profit attributable to equity holders of the Company (RM'000)	(11,145)	8,662	(8,985)	11,475
Weighted average number of shares in issue ('000)	401,333	401,111	401,333	401,111
Basic earnings per share (sen)	(2.78)	2.16	(2.24)	2.86

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**B17. (LOSS)/PROFIT BEFORE TAX**

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Inventories consumed and recognised as cost of sales	37,184	20,169	61,028	41,181
Purchase of products, parts and consumable	1,633	11,371	4,509	16,514
Costs of services purchased	38,719	85,166	107,884	130,775
Interest income	(792)	(788)	(1,580)	(1,691)
Other income including investment income	(115)	(164)	(158)	(224)
Interest expenses	760	792	1,731	1,495
Depreciation and amortisation	10,024	8,406	19,564	16,916
Write back of impairment for doubtful debts				
- Trade receivables	0	(3)	(30)	(4)
- Contract assets	0	(2)	0	(5)
Bad debts written off				
- Other receivable	562	0	562	4
Impairment of doubtful debts				
- Trade receivables	1	2	873	8
- Contract assets	0	0	121	0
- Other receivable	1,747	0	1,747	0
Allowance for slow moving inventories	0	11	0	11
Reversal of allowance for slow moving inventories	(1)	0	(15)	0

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

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

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Inventories written off	1,780	0	1,780	0
Gain on disposals of plant and equipment	0	0	(20)	0
Gain on lease modification and disposal	0	0	(1)	0
Gain on rental concession	(45)	0	(45)	0
Impairment on plant and equipment	10,600	0	10,600	0
Plant and equipment written off	0	10	0	10
Foreign exchange losses/(gains)				
- Realised	1,246	1,057	1,047	1,131
- Unrealised	(839)	805	890	494
Provision for liquidated damages	8	44	9	107
Write back of provision of liquidated damages	0	0	(32)	0
Fair value (gain)/loss on forward foreign currency exchange contracts	(117)	66	(128)	123

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

**B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the financial year ended 31 December 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 26 August 2020.

By order of the Board

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