

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2020

<u>Table of Contents</u>	Page
Unaudited Condensed Interim Consolidated Statement of Comprehensive Income	1
Unaudited Condensed Interim Consolidated Statement of Financial Position	2
Unaudited Condensed Interim Consolidated Statement of Changes in Equity	3
Unaudited Condensed Interim Consolidated Statement of Cash Flows	4 - 5
Part A: Explanatory Notes Pursuant to MFRS 134	6 - 19
Part B: Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing requirements of Bursa Malaysia Securities Berhad	20 - 45

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2020

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
		31/12/2020	31/12/2019	31/12/2020	31/12/2019
		Unaudited	Unaudited	Unaudited	Audited
Revenue	A11	157,233	232,127	592,104	868,299
Cost of sales*		(123,235)	(194,267)	(481,716)	(724,683)
Gross profit		33,998	37,860	110,388	143,616
Other operating income		926	1,089	3,484	3,785
Selling and distribution costs		(7,349)	(10,708)	(29,950)	(37,860)
Administrative expenses		(14,419)	(12,817)	(51,346)	(54,535)
Other operating gains/(losses) ^{(1)*}		1,014	692	(7,771)	(2,841)
Operating profit		14,170	16,116	24,805	52,165
Finance costs		(618)	(876)	(2,988)	(3,223)
Share of results of a joint venture (net of tax)	B9	(429)	247	512	1,374
Share of results of associates (net of tax)	B10	1,395	189	5,007	4,757
Profit before tax	B17	14,518	15,676	27,336	55,073
Income tax expense	B5	(2,430)	(3,175)	(11,974)	(11,069)
Profit for the year		12,088	12,501	15,362	44,004
Other comprehensive income					
Currency translation differences		(179)	(119)	(114)	(66)
Total comprehensive income for the year		11,909	12,382	15,248	43,938
Profit attributable to:					
- Equity holders of the Company		7,498	8,566	7,429	33,148
- Non-controlling interests		4,590	3,935	7,933	10,856
		12,088	12,501	15,362	44,004
Total comprehensive income attributable to:					
- Equity holders of the Company		7,388	8,524	7,284	33,118
- Non-controlling interests		4,521	3,858	7,964	10,820
		11,909	12,382	15,248	43,938
Earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Basic EPS	B16	<u>1.87</u>	<u>2.14</u>	<u>1.85</u>	<u>8.26</u>

⁽¹⁾ Other operating gains/(losses) include the following:

Foreign exchange gains/(losses):

- Realised	656	(158)	(1,376)	(1,531)
- Unrealised	610	1,220	836	372
Fair value gain/(loss) on forward foreign currency exchange contracts	243	8	753	(65)
Reversal/(impairment) made:				
- trade receivables	126	(31)	(963)	(57)
- contract assets	62	(2)	(37)	(2)
- other receivables	<u>267</u>	<u>9</u>	<u>(1,204)</u>	<u>(1)</u>

* Write-offs and impairment charges on operating assets have been reclassified from other operating gains/(losses) to cost of sales.

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
200501033500 (715640-T)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

RM'000	Note	As at 31/12/2020 Unaudited	As at 31/12/2019 Audited
ASSETS			
Property, plant and equipment*		154,307	182,800
Investment properties		747	770
Intangible assets		315	460
Associates	B10	24,501	34,800
Joint venture	B9	31,588	31,076
Deferred tax assets		1,772	3,329
Other receivables		8,875	19,527
Non-current Assets		222,105	272,762
Inventories		30,442	44,641
Amounts due from an associate		3,200	1,600
Amounts due from a joint venture		121	127
Trade receivables	B11	66,717	119,318
Contract assets		75,811	138,181
Other receivables, deposits and prepayments		16,176	9,315
Tax recoverable		1,338	1,587
Investment securities		13,015	0
Cash and bank balances		219,616	159,958
Current Assets		426,436	474,727
TOTAL ASSETS		648,541	747,489
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Equity - share based payment		0	0
Retained earnings		199,500	200,971
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(2,158)	(2,735)
Equity attributable to equity holders of the Company		349,144	350,038
Non-controlling interests		21,224	28,484
Total Equity		370,368	378,522
Borrowings	B12	22,732	22,442
Deferred income		543	0
Deferred tax liabilities		18,256	23,166
Non-current Liabilities		41,531	45,608
Trade payables		132,608	205,117
Contract liabilities		18,694	12,698
Other payables and accruals		21,934	29,260
Amounts due to an associate		0	7,162
Derivative financial instrument	A7	45	11
Taxation		7,645	2,534
Borrowings	B12	55,716	66,577
Current Liabilities		236,642	323,359
Total Liabilities		278,173	368,967
TOTAL EQUITY AND LIABILITIES		648,541	747,489

* Inclusive of right-of-use assets

The above unaudited condensed interim consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 year	0	0	0	0	0	33,148	33,148	10,856	44,004
Other comprehensive income for the financial year	0	0	0	(30)	0	0	(30)	(36)	(66)
Total comprehensive income for the financial year	0	0	0	(30)	0	33,148	33,118	10,820	43,938
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	(14,647)	(14,647)	(6,438)	(21,085)
At 31 December 2019	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,735)</u>	<u>(50,000)</u>	<u>200,971</u>	<u>350,038</u>	<u>28,484</u>	<u>378,522</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 year	0	0	0	0	0	7,429	7,429	7,933	15,362
Other comprehensive income for the financial year	0	0	0	(145)	0	0	(145)	31	(114)
Total comprehensive (loss)/income for the financial year	0	0	0	(145)	0	7,429	7,284	7,964	15,248
Dividend	0	0	0	0	0	(12,047)	(12,047)	(11,355)	(23,402)
Effect on dissolution of an associate	0	0	0	722	0	3,147	3,869	(3,869)	0
At 31 December 2020	<u>401,553</u>	<u>201,802</u>	<u>0</u>	<u>(2,158)</u>	<u>(50,000)</u>	<u>199,500</u>	<u>349,144</u>	<u>21,224</u>	<u>370,368</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.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

RM'000	YEAR ENDED	
	31/12/2020	31/12/2019
	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	15,362	44,004
<u>Adjustments for:</u>		
Impairment for doubtful debts:		
Trade receivables		
- impairment made	963	57
- write back of impairment	(154)	(8)
Contract assets		
- impairment made	37	2
- write back of impairment	(4)	(15)
Other receivable		
- impairment made	1,204	1
Allowance for slow moving inventories:		
- allowance made	198	828
- write back of allowance	(18)	(33)
Amortisation of intangible assets	297	494
Depreciation:		
- property, plant and equipment [^]	37,373	33,990
- investment properties	23	24
Impairment on plant and equipment	30,344	0
Bad debts written off:		
- other receivable	562	4
Provision for liquidated damages		
- provision made	18	341
- write back of provision	(34)	(18)
Gain on disposals of plant and equipment	0	(472)
Gain on lease modification and disposal	(9)	0
Gain on rental concession	(47)	0
Fair value gain on investment securities	(15)	0
Write-off:		
- property, plant and equipment	15	187
- inventories	3,028	47
Interest income	(3,106)	(2,834)
Finance costs	2,988	3,223
Share based payment expense	0	7
Share of results of associates	(5,007)	(4,757)
Share of results of a joint venture	(512)	(1,374)
Tax expense	11,974	11,069
Unrealised net foreign exchange gains	(836)	(372)
Net fair value (gain)/loss on forward foreign currency exchange contracts	(753)	65
Operating profit before working capital changes	93,891	84,460
<u>Changes in working capital</u>		
Inventories	10,991	(22,984)
Trade receivables	52,234	(27,359)
Contract assets	61,697	25,117
Other receivables, deposits and prepayments	(6,915)	839
Trade payables	(70,638)	23,328
Other payables and accruals	(6,216)	8,431
Contract liabilities	5,996	6,221
Increase in restricted cash	(29,711)	0
Cash generated from operations	111,329	98,053
Tax paid	(10,261)	(13,505)
Tax refunded	294	3,317
Interest paid	(3,010)	(3,227)
Net cash generated from operating activities	98,352	84,638

[^] Inclusive of right-of-use assets

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

RM'000	YEAR ENDED	
	31/12/2020	31/12/2019
	Unaudited	Audited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,080	2,832
Addition on plant and equipment*	(26,874)	(62,588)
Long-term deposits paid	(1,268)	(8,446)
Proceeds from disposals on plant and equipment	0	782
Addition on intangible assets	(152)	0
Purchase of investment securities	(13,000)	0
Dividend received from an associate	6,400	5,440
Amounts due from a joint venture	6	33
Proceeds on net assets surplus distribution arising from the dissolution of an associate	148	0
Net cash used in investing activities	(31,660)	(61,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	0	5,000
- Repayment	(2,000)	0
Loans against import		
- Drawn down	8,375	37,957
- Repayment	(17,245)	(31,735)
Term loans		
- Drawn down	23,445	38,632
- Repayment	(23,670)	(25,790)
Lease liabilities on right-of-use assets		
- Repayment	(1,563)	(1,601)
Dividends paid to:		
- Shareholders	(12,047)	(14,647)
- Non-controlling interest	(11,828)	(5,390)
Decrease/(increase) in restricted cash	1,707	(1,809)
Net cash (used in)/generated from financing activities	(34,826)	617
Net increase in cash and cash equivalents	31,866	23,308
Foreign currency translation	(213)	(66)
Cash and cash equivalents at beginning of the year	147,518	124,276
Cash and cash equivalents at end of year	179,171	147,518
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	166,606	86,583
Cash and bank balances	53,010	73,375
	219,616	159,958
Restricted cash	(40,445)	(12,440)
Cash and cash equivalents at end of year	179,171	147,518
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	172,301	141,434
US Dollar	6,761	5,972
Others	109	112
	179,171	147,518

* Included in the addition on plant and equipment is the capitalisation on the advance payment made in prior years of RM10,221,000 as plant and equipment upon fulfillment of the recognition criteria during the current year.

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current – Deferral of Effective Date

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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 periods beginning on or after 1 June 2020 or where the effective date has been deferred to a date to be determined by the MASB is as follows:

Amendments to MFRS 16	Leases - Covid-19 - Related Rent Concessions (effective 1 June 2020)
Amendments to MFRS9, MFRS 139, MFRS 7 and MFRS 16	Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
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 101	Classification of Liabilities as Current or Non-current (effective 1 January 2023)
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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

A5. EQUITY AND DEBT SECURITIES

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

A6. FINANCIAL RISK MANAGEMENT POLICIES

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

The information on the forward foreign currency exchange contracts that remained outstanding at 31 December 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 31/12/2020		As at 31/12/2019	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	71,269	82,825	85,337	120,592
Others	4,644	2,547	1,711	487
	<u>75,913</u>	<u>85,372</u>	<u>87,048</u>	<u>121,079</u>
Closing exchange rate				
US Dollar	<u>4.029</u>	<u>4.029</u>	<u>4.093</u>	<u>4.093</u>

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

A7. OUTSTANDING DERIVATIVES

Forward foreign currency exchange contracts

Forward foreign currency exchange contracts are used to manage foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The forward foreign currency exchange contracts entered into by the Group has a maturity period of less than one year from the current reporting date. As at 31 December 2020, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM926,000.

	As at 31/12/2020		As at 31/12/2019	
	Net Notional amount RM'000	Net Fair Value Liabilities RM'000	Net Notional amount RM'000	Net Fair Value Liabilities RM'000
Type of derivatives				
Forward foreign currency exchange contracts ("FX Contract")				
- Less than 1 year	926	45	557	11
	<u>926</u>	<u>45</u>	<u>557</u>	<u>11</u>

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 31 December 2020 amounted to a fair value loss of RM45,000.

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.

	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>

No dividend was paid in the current quarter under review.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 year ended 31 December 2020 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	105,395	140,507	372,802	486,164
Oilfield Services	27,110	35,582	109,436	144,240
Integrated Corrosion Solution	24,607	55,869	109,378	237,348
Other non-reportable segment	121	169	488	547
Total Group revenue	157,233	232,127	592,104	868,299

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
<u>Segment Results</u>				
Power and Machinery	13,047	19,900	45,023	49,821
Oilfield Services	(4,483)	(651)	(21,831)	944
Integrated Corrosion Solution	6,437	(3,118)	4,144	1,849
Other non-reportable segment	11	16	62	64
Segment results	15,012	16,147	27,398	52,678
Unallocated income ^	78	9	269	115
Unallocated corporate expenses #	(1,538)	(916)	(5,850)	(3,851)
Share of results of a joint venture *	(429)	247	512	1,374
Share of results of associates *	1,395	189	5,007	4,757
Tax expense (Note B5) *	(2,430)	(3,175)	(11,974)	(11,069)
Profit for the financial year	12,088	12,501	15,362	44,004

^ 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 financial year is an impairment loss made on the Group's corporate long-term other receivable of RM1,204,000 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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 31/12/2020	As at 31/12/2019
	RM'000	RM'000
<u>Segment Assets</u>		
Power and Machinery	247,123	271,546
Oilfield Services	234,624	255,068
Integrated Corrosion Solution	73,322	128,158
Segment assets	555,069	654,772
Unallocated corporate assets ^	93,472	92,717
Total assets	648,541	747,489

	As at 31/12/2020	As at 31/12/2019
	RM'000	RM'000
<u>Segment Liabilities</u>		
Power and Machinery	114,166	157,666
Oilfield Services	75,684	69,843
Integrated Corrosion Solution	60,705	106,021
Segment liabilities	250,555	333,530
Unallocated corporate liabilities #	27,618	35,437
Total liabilities	278,173	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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

A11. REVENUE

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Revenue from contracts with customers:				
- Goods and services	157,112	231,958	591,616	867,752
- Management fee	121	169	469	532
Revenue from other source:				
- Dividend income	0	0	19	15
	157,233	232,127	592,104	868,299

Revenue from contracts with customers:

Type of goods and services

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Sale of gas turbine packages and after sales support and services	84,442	99,499	295,170	372,628
Commission based income services	429	(407)	1,258	2,804
Principal based income services	72	56	380	908
Sale of valves and flow regulators and after sales support and services	18,476	38,365	71,694	102,337
Sale, repair and maintenance of motors, generators and transformers	2,048	3,050	4,680	8,395
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	26,949	33,140	104,990	136,191
Provision of specialty chemical and well stimulation	89	2,386	4,066	7,141
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	7,131	22,611	28,583	67,419
Provision of maintenance, construction and modification services	17,476	33,258	80,795	169,929
	157,112	231,958	591,616	867,752

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 and cumulative quarters ended 31 December 2020, the acquisitions and disposals of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Acquisitions at cost:-				
- Plant and equipment*	3,487	19,333	37,095	62,588
- Intangible assets	152	0	152	0
Disposals at net book value:-				
- Plant and equipment	0	310	0	310
Depreciation:-				
- Property, plant and equipment^	9,324	8,949	37,373	33,990
- Investment properties	6	6	23	24
Amortisation of intangible assets	82	111	297	494

* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of RM10,221,000 as plant and equipment upon fulfilment of the recognition criteria during the year.

^ Inclusive of right-of-use assets.

A13. MATERIAL EVENTS DURING THE REPORTING DATE

There were no other material events during the reporting date other than as disclosed in Note B14.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

On 26 March 2021, the Company announced that its 60% owned indirect subsidiary, Deleum Primera Sdn Bhd ("DPSB") received a notification dated 25 March 2021 on suspension of DPSB's licence from Petroliam Nasional Berhad (PETRONAS").

The letter from PETRONAS indicated that PETRONAS has received adverse report pursuant to the news circulated in the media, announcements to relevant party and investigation by Malaysian Anti-Corruption Commission, with regards to alleged unethical and integrity issues on DPSB with regards to relevant work/project under the operations of PETRONAS Carigali Sdn Bhd ("PCSB").

Pursuant to the above and in accordance with PETRONAS' License General Conditions, PETRONAS has decided to suspend DPSB's licence for all Standardised Work and Equipment Categories (SWEC) for future tender and/or any new award with effect from the date of the letter until further notice ("Suspension Period"). Throughout the Suspension Period, DPSB will not be invited nor be allowed to participate in any future tender issued by PETRONAS including its subsidiaries and any Petroleum Arrangement Contractors (PACs"). DPSB also will not be awarded with any new contract by PETRONAS including its subsidiaries and any PACs.

Notwithstanding the suspension, DPSB is however, allowed to continue and complete its existing and ongoing contracts with PETRONAS including its subsidiaries and PACs in accordance with the terms and conditions of the respective existing and ongoing contracts.

DPSB's business outside Malaysia, namely in Indonesia not requiring PETRONAS's licence is not affected and shall continue to operate accordingly.

DPSB will appeal against the suspension as the alleged illegal scheme was carried out by the individuals concerned and not condoned by DPSB, its board of directors, nor its shareholders excepting the said individuals who are two of the directors and shareholders of DPSB.

The suspension of licence did not have any financial impact on the ICS segment of the Group for the financial year ended 31 December 2020 and the Directors do not anticipate any material financial impact on the Group for financial year ending 31 December 2021.

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 December 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 RM44.3 million (31 December 2019: RM36.2 million).

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

A17. COMMITMENTS

Capital commitment

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

	As at 31/12/2020 RM'000	As at 31/12/2019 RM'000
Authorised but not contracted for		
- Plant and machinery	21,852	38,031
- Others	4,127	13,351
Authorised and contracted for		
- Plant and machinery	3,511	10,285
- Others	162	6,114
	29,652	67,781
Share of capital commitment of joint venture	849	1,215
	30,501	68,996

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	740	3,447	2,264	5,356
Rental income from an affiliate company of STICO	13	13	54	54
Purchases and technical services from STICO and its affiliated companies	76,785	84,873	239,265	301,401

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

	As at 31/12/2020 RM'000	As at 31/12/2019 RM'000
Amount due from STICO and its affiliated companies	1,111	5,218
Amount due to STICO and its affiliated companies	79,943	111,462

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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..

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Sales to related parties of Dresser Italia S.R.L	583	320	929	410
Purchases of goods and services from related parties of Dresser Italia S.R.L	6,122	12,591	30,932	41,989

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

	As at 31/12/2020 RM'000	As at 31/12/2019 RM'000
Amount due from related parties of Dresser Italia S.R.L	669	168
Amount due to related parties of Dresser Italia S.R.L	4,856	9,834

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Sales to STICO	0	1,484	3,375	5,936
Rental income from affiliate company of STICO	118	207	739	828

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 year were as follows (Cont'd):

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

	As at 31/12/2020 RM'000	As at 31/12/2019 RM'000
Amount due from STICO and its affiliated company	47	485

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Directors' fees	257	295	1,034	1,018
Salaries, bonuses, allowances and other staff related expenses	2,052	2,498	10,714	10,937
Defined contribution plan	228	271	1,195	1,207
	2,537	3,064	12,943	13,162

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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>	Q4'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
Revenue	157,233	232,127	(74,894)	(32.3)
Operating profit	14,170	16,116	(1,946)	(12.1)
Share of results of a joint venture, net of tax	(429)	247	(676)	(273.7)
Share of results of associates, net of tax	1,395	189	1,206	638.1
Profit before interest and tax	14,320	15,995	(1,675)	(10.5)
Profit before tax	14,518	15,676	(1,158)	(7.4)
Profit after tax	12,088	12,501	(413)	(3.3)
Profit attributable to equity holders of the Company	7,498	8,566	(1,068)	(12.5)

The Group's turnover for the current quarter fell by RM74.9 million or 32.3% to RM157.2 million against the corresponding quarter of RM232.1 million owing to the lower revenue reported across all reportable segments. The revenue was principally affected by the lower activity volumes on the valve and flow regulators services and aftersales support services from the Power and Machinery segment, weaker slickline operations and gas lift valve services from the Oilfield Services segment coupled with the slowdown in maintenance contracts orders from the Integrated Corrosion Solution segment.

The Group's profit attributable to equity holders of the Company declined by RM1.1 million or 12.5% to RM7.5 million against the corresponding quarter of RM8.6 million. The lower Group's profits were due to the slowdown in activity levels across all reportable segments along with a non-recurring one-off impairment charge made on Oilfield Services segment's operating assets of RM4.5 million in the current quarter. The reduction was however cushioned partially by the improved operating margins from Oilfield Services segment due to the absence of high mobilisation costs on the slickline operations that occurred during the corresponding quarter, stronger margins earned on account of better sales mix from the Integrated Corrosion Solution segment as well as supported by various cost savings initiatives undertaken within the Group.

Share of results of a joint venture contributed by the overhaul and repairs of gas turbines was lower due to decline in revenue generated from engine disassembly services and space rental earned.

Share of results from associates was stronger by RM1.2 million against the corresponding quarter driven by the stellar operating results from Malaysian Mud and Chemicals Sdn. Bhd. ("2MC") with higher throughput achieved from its liquid mud business but offset by the lower contribution from its dry bulk business.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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)

	Q4'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	105,395	140,507	(35,112)	(25.0)
Operating profit	13,066	19,915	(6,849)	(34.4)
Profit before interest and tax	12,518	19,422	(6,904)	(35.5)
Profit before tax	<u>13,047</u>	<u>19,900</u>	<u>(6,853)</u>	<u>(34.4)</u>

The Power and Machinery segment revenue contracted by 25.0% or RM35.1 million to RM105.4 million compared to the corresponding quarter of RM140.5 million underpinned by the lower sales recorded in the valves and flow regulators services, turbine parts sales and services, decline in exchange engines deliveries, lesser supply of local field service representatives, weaker orders from motors, generators and transformers maintenance services coupled with a decline in third party services. The reduction was however mitigated by the stronger revenue contribution from retrofit projects during the current quarter.

The segment results reported a decrease of RM6.9 million consistent with the lower revenue reported but mitigated by the lower overhead expenses incurred due to various cost savings initiatives undertaken coupled with the favourable movement in foreign exchange difference on MYR against USD with a higher net gain reported of RM1.2 million compared to the net gain of RM0.9 million recorded in the corresponding quarter.

	Q4'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	27,110	35,582	(8,472)	(23.8)
Operating loss	(4,030)	(125)	(3,905)	(3,124.0)
Loss before interest and tax	(4,143)	(180)	(3,963)	(2,201.7)
Loss before tax	<u>(4,483)</u>	<u>(651)</u>	<u>(3,832)</u>	<u>(588.6)</u>

The Oilfield Services segment revenue decreased by 23.8% or RM8.5 million to RM27.1 million compared to the corresponding quarter of RM35.6 million. This was affected by the weaker slickline operations particularly in the East Malaysia region, depressed gas lift valve services and lower chemical sales and services jobs performed. This is however mitigated by the stronger activities recorded in the well intervention and enhancement services.

The segment results similarly had deteriorated by RM3.8 million to report a wider loss of RM4.5 million against the corresponding quarter loss of RM0.7 million attributable mainly to a non-recurring one-off impairment charge made on its chemical operating assets of RM4.5 million in addition to the lower revenue reported during the current quarter.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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)

	Q4'20	Q4'19	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Intergrated Corrosion Solution</u>				
Revenue	24,607	55,869	(31,262)	(56.0)
Operating profit/(loss)	6,582	(2,785)	9,367	336.3
Profit/(loss) before interest and tax	6,501	(2,785)	9,286	333.4
Profit/(loss) before tax	<u>6,437</u>	<u>(3,118)</u>	<u>9,555</u>	<u>306.4</u>

The Integrated Corrosion Solution segment posted a decrease in revenue by 56.0% or RM31.3 million to RM24.6 million compared against the corresponding quarter revenue of RM55.9 million on account of weaker contract orders with slowdown being experienced in the maintenance activity levels and work order deliveries for both of its MCM and Sponge-Jet Blasting projects.

The segment results in contrast had turnaround to report a profit of RM6.4 million against the corresponding quarter of RM3.1 million supported by stronger margins earned on the back of better sales mix with lower foreseeable losses recognised coupled with lower operating expenses recorded as a result of various cost savings initiatives undertaken.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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)

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

	Cumulative Quarters ended		Variance	Variance
	Q4'20	Q4'19		
	RM'000	RM'000	RM'000	
<u>Group</u>				
Revenue	592,104	868,299	(276,195)	(31.8)
Operating profit	24,805	52,165	(27,360)	(52.4)
Share of results of a joint venture, net of tax	512	1,374	(862)	(62.7)
Share of results of associates, net of tax	5,007	4,757	250	5.3
Profit before interest and tax	27,218	55,462	(28,244)	(50.9)
Profit before tax	27,336	55,073	(27,737)	(50.4)
Profit after tax	15,362	44,004	(28,642)	(65.1)
Profit attributable to equity holders of the Company	7,429	33,148	(25,719)	(77.6)

The Group's revenue for the year was lower by 31.8% or RM276.2 million to RM592.1 million against the corresponding year to RM868.3 million as a result of the depressed revenue recorded across all reportable segments.

The Group's results attributable to equity holders of the Company fell by RM25.7 million or 77.6% to RM7.4 million as opposed to the corresponding year profit of RM33.1 million. The weaker performance of the Group was dragged down by the lower activity levels experienced across all reportable segments and was aggravated by the non-recurring one-off impairment charges on its reportable segments' operating assets amounting to RM30.3 million, provision for doubtful debts on trade receivables of RM1.0 million, write-offs made on inventories of RM3.0 million and other receivables of RM0.6 million respectively and impairment charges made on its long-term corporate other receivables of RM1.2 million. The effects of this adverse results was however mitigated by the lower operating expenses recorded as a result of various cost savings initiatives undertaken within the Group coupled with the positive change in foreign exchange differences on MYR against USD with a lower net loss reported of RM0.5 million compared to RM1.2 million loss recorded in the corresponding year.

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 and space rental earned.

Share of results of associates was higher by RM0.3 million attributable mainly to the stronger performance recorded by 2MC supported by the higher throughput achieved from its liquid mud business operations.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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)

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

	Cumulative Quarters ended		Variance	Variance
	Q4'20	Q4'19		
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	372,802	486,164	(113,362)	(23.3)
Operating profit	45,090	49,879	(4,789)	(9.6)
Profit before interest and tax	42,733	47,419	(4,686)	(9.9)
Profit before tax	45,023	49,821	(4,798)	(9.6)

The Power and Machinery segment revenue declined by 23.3% or RM113.4 million to RM372.8 million against the corresponding year of RM486.2 million. Likewise, the segment results fell by RM4.8 million or 9.6% due to weaker sales recorded. This was however cushioned by the stronger margins earned due to favourable changes in the sales composition and lower losses incurred in the foreign exchange differences on MYR against USD with a lower net loss reported of RM0.6 million compared to RM1.3 million recorded coupled with lower operating expenses incurred against the corresponding year as part of the Group wide cost savings initiatives undertaken.

	Cumulative Quarters ended		Variance	Variance
	Q4'20	Q4'19		
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	109,436	144,240	(34,804)	(24.1)
Operating (loss)/profit	(19,912)	2,667	(22,579)	(846.6)
(Loss)/profit before interest and tax	(20,269)	2,408	(22,677)	(941.7)
(Loss)/profit before tax	(21,831)	944	(22,775)	(2,412.6)

The Oilfield Services segment revenue decreased by 24.1% or RM34.8 million to RM109.4 million compared to the corresponding year of RM144.2 million.

The segment results fell to a loss of RM21.8 million compared against the corresponding year profit of RM0.9 million. The adverse results in the Oilfield Services segment was amplified by the non-recurring one-off impairment charges on its slickline and chemical operating assets of RM10.6 million and RM4.5 million respectively, provision for doubtful debts on trade receivables of RM1.0 million and write-offs on its inventory and other receivables of RM1.8 million and RM0.5 million respectively apart from its weak revenue recorded during the current financial year.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q4'20 RM'000	Q4'19 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	109,378	237,348	(127,970)	(53.9)
Operating profit	5,140	3,281	1,859	56.7
Profit before interest and tax	5,012	3,281	1,731	52.8
Profit before tax	4,144	1,849	2,295	124.1

The Integrated Corrosion Solution segment revenue slipped to RM109.4 million, representing a decrease of RM128.0 million or 53.9% compared with the corresponding year of RM237.3 million affected by lower jobs performed for both of its MCM and Sponge-Jet Blasting projects. Despite the lower revenue and an one-off impairment charge on its operating assets of RM15.2 million, the segment results reported a stronger profit of RM4.1 million against the previous corresponding year profit of RM1.8 million on the back of higher project margins earned with better sales mix, lower foreseeable losses recognised and a decrease in the overhead costs recorded on account of various cost savings initiatives undertaken.

(C) Consolidated Statement of Financial Position

The Group's total assets as at 31 December 2020 fell by RM99.0 million to stand at RM648.5 million against RM747.5 million at the end of the previous financial year. This is mainly due to the lower property, plant and equipment, inventories, trade and other receivables and contract assets balances totalling to RM161.5 million in line with lower activity levels and affected by depreciation, impairments and write-offs made. The carrying amount of the investment in associates has also reduced by RM10.3 million as a result of the dissolution of a foreign associate of the Group during the current year. The decrease was however mitigated by an increase in the investment securities placement and cash and bank balances of RM72.7 million.

In tandem, the Group's total liabilities had also decreased by RM90.8 million is attributable to the lower trade and other payables balances by RM79.8 million, decline in net borrowings by RM10.6 million and lower amount due to an associate of RM7.2 million owing to a debt waiver by an associate but offset by an increase in the contract liabilities of RM6.0 million.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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)

(D) Consolidated Statement of Cash Flows

The Group’s cash and bank balances stood at RM219.6 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 RM98.4 million, dividend received from an associate of RM6.4 million and interest income received of RM3.1 million. The increase was however offset by capital expenditure paid of RM28.1 million, dividends paid to shareholders and non-controlling interest totalling RM23.9 million, purchase of investment securities of RM13.0 million and net repayment on borrowings of RM12.7 million.

On 11 November 2020, the Company announced that it had appointed a consultant in July 2020 to conduct a forensic investigation on Deleum Primera Sdn Bhd (“DPSB”), a 60% indirectly owned subsidiary of the Company. The findings of the forensic investigation revealed an alleged illegal scheme that involved DPSB’s employees, suppliers, contractors and employees of a client of DPSB (the “Defendants”). Subsequently, DPSB filed a Writ of Summons and a Statement of Claim dated 5 November 2020 together with Notices of Application dated 5 November 2020 for a Delivery Up Order and a Mareva (Freezing) Order against the Defendants (Note B14).

On 25 November 2020, the Company and DPSB lodged a formal report to the Malaysian Anti-Corruption Commission (“MACC”) over the alleged illegal scheme involving the Defendants. On 8 December 2020, certain bank deposits of DPSB were frozen by MACC under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 to facilitate the investigation into the alleged illegal scheme. Accordingly, the affected bank deposits have been reclassified as restricted cash within the cash and bank balances for the financial year ended 31 December 2020. As at the financial year end, the investigation by MACC is still ongoing and the affected bank deposits have remained frozen pending the conclusion of the investigation. The ownership of the affected bank deposits has not changed. The Company and DPSB will continue to assist MACC in the ongoing investigation.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

<u>Group</u>	Q4'20 RM'000	Q3'20 RM'000	Variance RM'000	Variance %
Revenue	157,233	144,909	12,324	8.5
Operating profit	14,170	21,077	(6,907)	(32.8)
Share of results of a joint venture, net of tax	(429)	377	(806)	(213.8)
Share of results of associates, net of tax	1,395	825	570	69.1
Profit before interest and tax	14,320	21,569	(7,249)	(33.6)
Profit before tax	14,518	21,640	(7,122)	(32.9)
Profit after tax	12,088	10,652	1,436	13.5
 Profit attributable to equity holders of the Company	 7,498	 8,916	 (1,418)	 (15.9)

Quarter on quarter, the Group's profit attributable to equity holders of the Company reported a profit of RM7.5 million against the immediate preceding quarter of RM8.9 million, representing an decrease of RM1.4 million or 15.9%. The lower results were attributable to the weaker operating performance from both Power and Machinery and Oilfield Services segments aggravated by the non-recurring one-off impairment charge recorded by the Group for its chemical operating assets of RM4.5 million on account of a low asset utilisation rate arising from the Oilfield Services segments. The weaker Group results was however mitigated by the turnaround in Integrated Corrosion Solution segment results during the current quarter.

Share of results of joint venture fell to a loss of RM0.4 million affected by lower revenue earned from engine disassembly services and space rental.

Share of results of associates was higher by RM0.6 million driven by stronger operating results reported by 2MC supported by the higher throughput achieved from both its liquid mud and dry bulk business operations.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

	Q4'20	Q3'20	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	105,395	83,069	22,326	26.9
Operating profit	13,066	14,187	(1,121)	(7.9)
Profit before interest and tax	12,518	13,670	(1,152)	(8.4)
Profit before tax	<u>13,047</u>	<u>14,168</u>	<u>(1,121)</u>	<u>(7.9)</u>

The Power and Machinery segment results declined by RM1.1 million or 7.9% to RM13.1 million as compared to RM14.2 million recorded in the immediate preceding quarter despite higher revenue achieved. This was due to weaker operating margins earned due to the adverse change in sales composition.

	Q4'20	Q3'20	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	27,110	30,888	(3,778)	(12.2)
Operating (loss)/profit	(4,030)	3,355	(7,385)	(220.1)
(Loss)/profit before interest and tax	(4,143)	3,279	(7,422)	(226.3)
(Loss)/profit before tax	<u>(4,483)</u>	<u>2,928</u>	<u>(7,411)</u>	<u>(253.1)</u>

Oilfield Services segment results fell to a loss of RM4.5 million as opposed to a profit of RM2.9 million recorded in the immediate preceding quarter affected by a non-recurring one-off impairment charge recorded on its chemical operating assets of RM4.5 million in addition to its weaker chemical operations. The weaker segment result was however mitigated by the stronger activities recorded in the well intervention and enhancement services unit.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

	Q4'20 RM'000	Q3'20 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	24,607	30,845	(6,238)	(20.2)
Operating profit	6,582	3,483	3,099	89.0
Profit before interest and tax	6,501	3,436	3,065	89.2
Profit before tax	6,437	3,291	3,146	95.6

Integrated Corrosion Solution segment posted a higher profit of RM6.4 million against RM3.3 million recorded in the immediate preceding quarter, representing an increase of RM3.1 million or 95.6% despite lower revenue reported and absence of a non-recurring one-off impairment charge on its operating assets of RM15.2 million recorded in the immediate preceding quarter. The stronger results was driven mainly by higher operating margins earned from its MCM project on account of better sales mix, lower foreseeable losses recognised and decrease in overhead costs as a result of various cost savings initiatives undertaken.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B3. PROSPECTS

The global oil and gas demand recovery remains fragile as Covid-19 cases surged while supply remains in excess in the first quarter of 2021. These uncertainties could see global oil majors continuing with the capital and operating expenses cut with activity levels remaining low. The impact is equally relevant to Malaysia’s oil and gas activities.

For the financial year 2021, amidst the challenging position characterised above, Deleum will remain focused in preserving its sustainability and resilience. The Group will continue on its cost efficiencies, operating effectiveness and cost and cash management initiatives. The Group will also ensure performance excellence in serving its customers.

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	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Current tax – current year	3,991	3,952	15,282	10,937
Under provision in prior years	11	0	45	19
Deferred tax				
– origination and reversal of temporary differences	(29)	(50)	(7,455)	1,460
– recognition of previously unrecognised temporary differences	(59)	(727)	(59)	(1,347)
– deferred tax asset not recognised	(1,484)	0	4,161	0
Total income tax expense	2,430	3,175	11,974	11,069

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 year ended 31 December 2020 was higher than the headline tax rate as shown below.

	Cumulative Quarters ended	
	31/12/2020	31/12/2019
	%	%
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	12	2
- Income not subject to tax	(1)	(1)
- Share of results of associates and joint venture	(5)	(3)
- Deferred tax asset not recognised	15	0
- Under provision in prior years	(1)	0
- Recognition of previously unrecognised temporary differences	0	(2)
Effective tax rate	44	20

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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced which was not completed as of 22 March 2021 (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 31/12/2020 RM'000	As at 31/12/2019 RM'000
Group's share of net assets of joint venture	31,588	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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
(Loss)/profit before tax	(715)	421	703	2,181
Income tax expense	183	(114)	(67)	(475)
(Loss)/profit for the year	(532)	307	636	1,706
Interest in joint venture (80.55%) Share of results	(429)	247	512	1,374

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B10. ASSOCIATES

	As at 31/12/2020 RM'000	As at 31/12/2019 RM'000
Group's share of net assets of associates	<u>24,501</u>	<u>34,800</u>

In the opinion of the Directors, as at 31 December 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 year. 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, upon clearance obtained from the local authority in Cambodia, the liquidation on CUPL has commenced and was completed during the year. In liquidating CUPL, any net outstanding balances owing to CUPL has been waived by the associate pursuant to a waiver exercise on the balances with its shareholders, in turn, any gain arising thereof shall be taken as a return on cost of investment in CUPL. The Company has continued to equity account for the results of CUPL until it ceases to be an associate of the Group. Minimal share of results was reported from this associate and its contribution attributable to the shareholders of the Company in the financial year ended 31 December 2020 amounted to RM63,000 (31 December 2019: RM900) and RM37,800 (31 December 2019: RM500) respectively.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B10. ASSOCIATES (Cont'd)

Summarised statement of comprehensive income

	2MC		CUPL		Total	
	Individual Quarter ended		Individual Quarter ended		Individual Quarter ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	5,855	815	0	5	5,855	820
Income tax expense	(1,496)	(229)	0	0	(1,496)	(229)
Profit for the year	4,359	586	0	5	4,359	591
Interest in associates (32%; 20%) Share of results	1,395	188	0	1	1,395	189
	2MC		CUPL		Total	
	Cumulative Quarters ended		Cumulative Quarters ended		Cumulative Quarters ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	20,551	19,326	317	5	20,868	19,331
Income tax expense	(5,101)	(4,465)	0	0	(5,101)	(4,465)
Profit for the year	15,450	14,861	317	5	15,767	14,866
Interest in associates (32%; 20%) Share of results	4,944	4,756	63	1	5,007	4,757

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B11. TRADE RECEIVABLES

	As at 31/12/2020 RM'000	As at 31/12/2019 RM'000
Neither past due nor impaired	61,374	74,403
1 to 30 days past due not impaired	2,469	26,685
31 to 60 days past due not impaired	612	11,186
61 to 90 days past due not impaired	476	4,003
91 to 120 days past due not impaired	225	1,241
More than 121 days past due not impaired	1,561	1,800
	<u>66,717</u>	<u>119,318</u>
More than 121 days past due and impaired	1,807	998
	<u>68,524</u>	<u>120,316</u>
Less: Impairment of receivables	<u>(1,807)</u>	<u>(998)</u>
	<u><u>66,717</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 re-negotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM5.3 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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B12. GROUP BORROWINGS

The Group borrowings as at 31 December 2020 were as follows:

	<u>Short Term</u> RM'000	<u>Long Term</u> RM'000	<u>Total</u> RM'000
<u>31/12/2020</u>			
Borrowings - secured	26,610	21,701	48,311
- unsecured	29,106	1,031	30,137
	55,716	22,732	78,448
	55,716	22,732	78,448
<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 31/12/2020 RM'000	As at 31/12/2019 RM'000
Revolving credits	(i)	27,800	29,800
Lease liabilities on right-of-use assets	(ii)	2,378	1,854
Term loans	(iii)	48,270	48,495
Loans against import	(iv)	0	8,870
		78,448	89,019
Less: Amount repayable within 12 months			
Revolving credits		(27,800)	(29,800)
Lease liabilities on right-of-use assets		(1,326)	(1,116)
Term loans		(26,590)	(26,791)
Loans against import		0	(8,870)
		(55,716)	(66,577)
		22,732	22,442

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM0.2 million, full repayment on loans against import of RM8.9 million and revolving credits of RM2.0 million but offset by net repayment of lease liabilities for right-of-use assets of RM1.6 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.06% (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 2.75% to 4.27% per annum (0.90%, 1.1% and 1.25% per annum above the KLIBOR). The tenure of the term loans is ranging from 3 to 5 years.
- (iv) Loans against import carry an interest rate of 4.13% (0.9% and 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 December 2020 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B14. MATERIAL LITIGATION

1. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd (“Plaintiff”) against Deleum Primera Sdn Bhd (“Defendant”)

The Plaintiff has commenced the above legal proceedings against the Defendant wherein it is alleged *inter alia*, that the Defendant had unlawfully terminated the agreement entered into between parties for the supply and delivery of Cargo Handling Equipment (CHE) by the Plaintiff to the Defendant, and wherein there had been severe and protracted delay in delivery of the CHE by the Plaintiff.

By a Writ of Summons dated 21 August 2020, the Plaintiff commenced the above legal proceedings against the Defendant concerning the alleged unlawful termination of the Cargo Handling Equipment Project contract dated 11th October 2018 by the Defendant, claiming for *inter alia* Judgment for the amount of RM1,400,500.00, being the total sum from invoices allegedly outstanding, and damages in the amount of RM874,500.00 arising from the Defendant’s alleged refusal to accept delivery of the CHE.

The Writ of Summons and Statement of Claim dated 21 August 2020, was filed by the Plaintiff against the Defendant.

The Orders and/or relief sought by the Plaintiff, are as follows:

- (a) a Declaration that the termination of the Cargo Handling Equipment Project contract dated 11th October 2018 by the Defendant, was unlawful;
- (b) Judgment for the sum of RM1,400,500.00, being the total sum from invoices allegedly outstanding;
- (c) Damages in the amount of RM874,500.00 due to the Defendant’s alleged refusal to accept delivery of the CHE;
- (d) General damages;
- (e) Late payment charges of 1.5% per month, from the date of the Writ of Summons until full settlement of all outstanding invoices;
- (f) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (g) Costs; and
- (h) Any other relief deemed fit by the High Court.

Pursuant to the Case Management on 8 March 2021, the Court has directed that the Suit shall be fixed for Trial on 27,28 and 29 September 2021 and that parties are required to file and exchange Witness Statements on 21 May 2021. The Suit is further fixed for Case Management on 25 May 2021.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B14. MATERIAL LITIGATION (Cont'd)

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

The Plaintiff had commenced the above legal proceedings against the Defendant, wherein it is alleged inter alia, that the Defendant had failed to make payment for certain works carried out by the Plaintiff, for which the Defendant had engaged the Plaintiff.

The Writ of Summons and Statement of Claim, both dated 23 November 2020, was served on the Defendant on 26 November 2020. The Defendant has filed its Memorandum of Appearance dated 9 December 2020 and Defence dated 7 January 2021. The Plaintiff thereafter filed its Reply to Defence dated 21 January 2021.

The Plaintiff’s solicitors have, on 25 January 2021, served on the Defendant’s solicitors an Amended Writ and Statement of Claim, both dated 22 January 2021, to –

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

The amendments have been sought on the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM 616,535.79 became due and payable on 3 December 2020 (i.e. after the filing of their suit on 23 November 2020). Therefore, the Plaintiff has included the invoice amount in the total sum claimed.

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

Pursuant to the Amended Writ & Statement of Claim, both dated 22 January 2021, the Plaintiff has sought for the following relief:

- (a) Judgment for the sum of RM 2,184,584.45 being the total sum from invoices allegedly outstanding;
- (b) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (c) Costs; and
- (d) Any other relief deemed fit by the High Court.

Pursuant to the Case Management on 15 March 2021, the Court has directed that the Suit shall be fixed for Trial on 9, 10 and 11 May 2022 pending filing of the pre-trial documents and the Case Management has been fixed on 9 March 2022 for directions to be given in relation to the filing of the Witness Statements.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B14. MATERIAL LITIGATION (Cont'd)

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Primera Sdn Bhd (“Plaintiff”) against Deleum Primera’s employees, suppliers, contractors and employees of a client (“Defendants”)

The Plaintiff has commenced the above legal proceedings against the Defendants by way of a Writ of Summons dated 5 November 2020 for, among others, breaches of fiduciary duty, knowing receipt and dishonest assistance in relation to an alleged fraudulent scheme involving its employees, suppliers, contractors and employees of a client. The sum claimed by the Plaintiff in its Statement of Claim dated 5 November 2020 is RM19,876,389.87.

The Plaintiff further obtained a Mareva (freezing) Injunction and a Delivery Up Order, on an *ex-parte* basis, against the Defendants on 9 November 2020.

On 9 December 2020, one of the Defendants obtained an Order from the High Court to discharge the *ex-parte* Mareva (freezing) Injunction and Delivery Up Order. That Defendant also applied for an assessment of damages and the High Court scheduled the next case management of this application on 13 April 2021. On a related note, The Plaintiff is also appealing against the said High Court’s decision and the appeals are now scheduled for case management on 12 April 2021.

6 of the Defendants applied to recuse the presiding Judge from hearing the matter (“Recusal Applications”). On 9 March 2021, the High Court dismissed the Recusal Applications with costs of RM15,000.00 payable by each set of the relevant Defendants’ Counsel to the Plaintiff. The relevant Defendants’ verbal application for a stay of execution was also dismissed by the High Court.

Further, the High Court scheduled the inter-partes hearing of the Plaintiff’s injunction applications and the hearing of the relevant Defendants’ setting aside applications on 5 May 2021. The Suit and other interlocutory applications (mainly striking out of the Suit, summary judgment on the Counterclaim for goods and services supplied to the Plaintiff and disqualification of PwC Consulting Associates (M) Sdn Bhd as the Independent Forensic Expert under the Delivery Up Order) are also scheduled for case management on 5 May 2021. Meanwhile, the ad-interim (holding over) Delivery Up Order and Mareva Injunction against the relevant Defendants remain valid and enforceable until the disposal of the striking out applications.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B14. MATERIAL LITIGATION (Cont'd)

4. Kuala Lumpur Sessions Court Suit No. WA-B52NCvC-289-08/2020 brought by Synergy Spectacular Sdn Bhd (“Plaintiff”) against Deleum Primera Sdn Bhd (“Defendant”)

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

The Defendant has made payment to the Plaintiff amounting to RM488,277.43 as full and final settlement towards the Plaintiff's claims on 18 September 2020. Further, the Sessions Court Suit came up for case management on 22 September 2020, where the Plaintiff has withdrawn the Sessions Court Suit with no Order as to costs and no liberty to file afresh.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B15. DIVIDEND

The board of Directors have, in respect of financial year ended 31 December 2020, declared a first interim single tier dividend of 1.00 sen per share on 401,553,500 ordinary shares.

The dividend will be payable on 27 April 2021 to shareholders of ordinary shares whose names appear in Record of Depositors at the close of business on 15 April 2021.

A Depositor shall qualify for the entitlement only in respect of:

- (i) shares transferred into the Depositor's securities account before 5 p.m on 15 April 2021 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

Total dividend for the current financial year ended 31 December 2020 is 1.00 sen per ordinary share.

There will be no final dividend declared for the financial year ended 31 December 2020.

B16. EARNINGS PER SHARE ("EPS")

The calculation of basic earnings per share for the reporting year was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	7,498	8,566	7,429	33,148
Weighted average number of shares in issue ('000)	401,554	401,175	401,554	401,333
Basic earnings per share (sen)	1.87	2.14	1.85	8.26

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B17. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Inventories consumed and recognised as cost of sales	17,207	40,912	103,490	130,136
Purchase of products, parts and consumable	1,794	5,706	7,459	26,544
Costs of services purchased	76,840	96,146	234,784	360,174
Interest income	(816)	(557)	(3,106)	(2,834)
Other income including investment income	(122)	(60)	(322)	(479)
Interest expenses	618	876	2,988	3,223
Depreciation and amortisation	8,586	9,066	37,693	34,508
Write back of impairment				
- Trade receivables	0	0	(154)	(8)
- Contract assets	(3)	(11)	(4)	(15)
Bad debts written off				
- Other receivable	0	0	562	4
(Reversal)/Impairment of doubtful debts				
- Trade receivables	(126)	31	963	57
- Contract assets	(62)	2	37	2
- Other receivables	(267)	(9)	1,204	1
Allowance for slow moving inventories	58	828	198	828
Reversal of allowance for slow moving inventories	(2)	(10)	(18)	(33)

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

B17. PROFIT BEFORE TAX (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Inventories written off	1,255	47	3,028	47
Fair value gain on investment securities	(15)	0	(15)	0
Gain on disposals of plant and equipment	20	(472)	0	(472)
Gain on lease modification and disposal	(8)	0	(9)	0
Gain on rental concession	0	0	(47)	0
Impairment on plant and equipment	4,500	0	30,344	0
Plant and equipment written off	2	9	15	187
Foreign exchange (gains)/losses				
- Realised	(656)	158	1,376	1,531
- Unrealised	(610)	(1,220)	(836)	(372)
Provision for liquidated damages	9	206	18	341
Write back of provision of liquidated damages	0	(18)	(34)	(18)
Fair value (gain)/loss on forward foreign currency exchange contracts	(243)	(8)	(753)	65

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.

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 29 March 2021.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
29 March 2021