

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2022

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DELEUM BERHAD
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(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2022

RM'000	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED	
	30/06/2022	30/06/2021*	30/06/2022	30/06/2021*	
	Unaudited	Unaudited (Restated)	Unaudited	Unaudited (Restated)	
Continuing operations					
Revenue	A11	126,320	134,222	229,095	228,925
Cost of sales		(96,648)	(109,535)	(172,019)	(177,103)
Gross profit		29,672	24,687	57,076	51,822
Other operating income		942	876	3,337	1,714
Selling and distribution costs		(8,366)	(7,685)	(15,721)	(14,705)
Administrative expenses		(11,500)	(14,521)	(25,553)	(26,153)
Other operating gains/(losses) ⁽¹⁾		290	(556)	2,719	(1,741)
Operating profit		11,038	2,801	21,858	10,937
Finance costs		(172)	(500)	(393)	(1,099)
Share of results of a joint venture (net of tax)	B9	291	336	613	694
Share of results of an associate (net of tax)	B10	1,521	1,487	2,424	2,917
Profit before tax	B18	12,678	4,124	24,502	13,449
Income tax expense	B5	(2,973)	(1,835)	(5,745)	(3,822)
Profit from continuing operations (net of tax)		9,705	2,289	18,757	9,627
Discontinued operation					
(Loss)/profit from discontinued operation (net of tax)	B14	0	(908)	283	(1,184)
Profit for the period		9,705	1,381	19,040	8,443
Other comprehensive income					
Currency translation differences		(33)	1	(33)	123
Reclassification adjustment relating to a subsidiary liquidated during the period		395	0	395	0
Total comprehensive income for the period		10,067	1,382	19,402	8,566
Profit attributable to:					
- Equity holders of the Company		8,463	1,559	16,571	7,153
- Non-controlling interests		1,242	(178)	2,469	1,290
		9,705	1,381	19,040	8,443
Total comprehensive income attributable to:					
- Equity holders of the Company		8,866	1,560	16,974	7,229
- Non-controlling interests		1,201	(178)	2,428	1,337
		10,067	1,382	19,402	8,566
Basic/Diluted earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Continuing operations		2.11	0.62	4.06	2.07
- Discontinued operation		0	(0.23)	0.07	(0.29)
	B17	2.11	0.39	4.13	1.78
⁽¹⁾ Other operating gains/(losses) include the following:					
Foreign exchange gains/(losses):					
- Realised		1,419	1,447	2,335	1,182
- Unrealised		(639)	(567)	(996)	(435)
Fair value (loss)/gain on forward foreign currency exchange contracts		(167)	72	(183)	(575)
Impairment made:					
- trade receivables		(22)	0	(22)	(1)
- contract assets		0	(236)	0	(236)
Inventories written-off		(16)	(316)	(16)	(316)

* The maintenance, repair and overhaul business unit within the Power and Machinery segment that provides for repair, servicing, maintenance and overhaul of motors, generators, transformers and other related services had ceased its active business activities following the Group's decision to exit from this business unit segment. As this business unit segment was not a discontinued operation as at 30 June 2021, the comparative numbers of the consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations (Note B14).

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 2021 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

RM'000	Note	As at 30/06/2022 Unaudited	As at 31/12/2021 Audited
ASSETS			
Property, plant and equipment*		117,242	134,526
Investment properties		712	724
Intangible assets		247	283
Associate	B10	24,877	24,373
Joint venture	B9	33,547	32,934
Deferred tax assets		1,579	1,223
Other receivables		3,252	1,881
Non-current Assets		181,456	195,944
Inventories		15,751	32,012
Amounts due from an associate		0	1,920
Amounts due from a joint venture		142	177
Trade receivables	B11	56,295	76,407
Contract assets		84,805	88,167
Other receivables, deposits and prepayments		17,775	20,358
Derivative financial instrument	A7	0	84
Tax recoverable		2,844	1,199
Cash and bank balances		203,666	192,712
Current Assets		381,278	413,036
TOTAL ASSETS		562,734	608,980
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		221,446	208,537
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(1,685)	(2,088)
Equity attributable to equity holders of the Company		371,563	358,251
Non-controlling interests		18,797	20,518
Total Equity		390,360	378,769
Borrowings	B12	798	4,447
Deferred income		285	312
Deferred tax liabilities		16,818	14,853
Non-current Liabilities		17,901	19,612
Trade payables		99,253	143,161
Contract liabilities		8,557	5,375
Other payables and accruals		27,972	33,055
Derivative financial instrument	A7	3	0
Taxation		3,365	3,139
Borrowings	B12	15,323	25,869
Current Liabilities		154,473	210,599
Total Liabilities		172,374	230,211
TOTAL EQUITY AND LIABILITIES		562,734	608,980

* 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 2021 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 2022

	← Attributable to equity holders of the Company →					Non-controlling interests	Total equity	
	Issued and fully paid ordinary shares		-----Non-distributable-----	Distributable				
	Number of shares '000	Share capital RM'000	Foreign currency translation RM'000	Merger deficit RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2021	401,553	201,802	(2,158)	(50,000)	199,500	349,144	21,224	370,368
Profit for the financial period	0	0	0	0	7,153	7,153	1,290	8,443
Other comprehensive income for the financial period	0	0	76	0	0	76	47	123
Total comprehensive income for the financial period	0	0	76	0	7,153	7,229	1,337	8,566
Dividend	0	0	0	0	(4,016)	(4,016)	(2,940)	(6,956)
At 30 June 2021	<u>401,553</u>	<u>201,802</u>	<u>(2,082)</u>	<u>(50,000)</u>	<u>202,637</u>	<u>352,357</u>	<u>19,621</u>	<u>371,978</u>
At 1 January 2022	401,553	201,802	(2,088)	(50,000)	208,537	358,251	20,518	378,769
Profit for the financial period	0	0	0	0	16,571	16,571	2,469	19,040
Other comprehensive income for the financial period	0	0	8	0	0	8	(41)	(33)
Reclassification adjustment relating to a subsidiary liquidated during the financial period	0	0	395	0	0	395	0	395
Total comprehensive income for the financial period	0	0	403	0	16,571	16,974	2,428	19,402
Dividend	0	0	0	0	(4,819)	(4,819)	(2,281)	(7,100)
Acquisition of non-controlling interests	0	0	0	0	1,157	1,157	(1,868)	(711)
At 30 June 2022	<u>401,553</u>	<u>201,802</u>	<u>(1,685)</u>	<u>(50,000)</u>	<u>221,446</u>	<u>371,563</u>	<u>18,797</u>	<u>390,360</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 2021 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 2022

RM'000	YEAR-TO-DATE ENDED	
	30/06/2022	30/06/2021
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year from:		
- Continuing operations	18,757	9,627
- Discontinued operation	283	(1,184)
	19,040	8,443
<u>Adjustments for:</u>		
Trade receivables		
- impairment made	22	1
- write back of impairment	(2,545)	(366)
Contract assets		
- impairment made	0	236
- write back of impairment	0	(36)
Allowance for slow moving inventories:		
- allowance made	517	0
- write back of allowance	(71)	(119)
Amortisation of intangible assets	36	31
Accretion of income on other long-term receivable	(56)	(69)
Depreciation:		
- property, plant and equipment*	16,875	18,190
- investment properties	12	12
Bad debts written off:		
- other receivable	0	77
Amortisation of government grants	(27)	0
Provision for liquidated damages		
- provision made	62	0
- write back of provision	(108)	(44)
Gain on disposals of plant and equipment	(2,004)	0
Loss on lease modification and disposal	9	0
Write-off:		
- inventories	16	316
Interest income	(1,407)	(1,495)
Finance costs	393	1,111
Share of results of an associate	(2,424)	(2,917)
Share of results of a joint venture	(613)	(694)
Tax expense	5,814	3,822
Unrealised net foreign exchange losses	996	435
Net fair value gain on investment securities	0	(28)
Net fair value loss on forward foreign currency exchange contracts	183	575
Loss on liquidation of a subsidiary	352	0
Operating profit before working capital changes	35,072	27,481
<u>Changes in working capital</u>		
Inventories	15,800	7,021
Trade receivables	22,676	11,874
Contract assets	4,135	(12,578)
Other receivables, deposits and prepayments	1,079	3,723
Trade payables	(45,617)	(10,572)
Other payables and accruals	(5,079)	(162)
Contract liabilities	3,181	1,625
Decrease in restricted cash	0	10,337
Cash generated from operations	31,247	38,749
Tax paid	(5,626)	(4,086)
Tax refunded	2	1
Interest paid	(388)	(1,130)
Net cash generated from operating activities	25,235	33,534

* Inclusive of right-of-use assets.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022

RM'000	YEAR TO-DATE-ENDED	
	30/06/2022	30/06/2021
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,403	1,161
Purchase of plant and equipment*	(863)	(6,750)
Long-term deposits paid	0	(504)
Proceeds from disposals of plant and equipment	3,154	0
Purchase of intangible assets	0	(38)
Purchase of investment securities	0	(76,600)
Dividend received from an associate	3,840	3,200
Amounts due from a joint venture	35	(34)
Acquisition of non-controlling interests	(711)	0
Net cash generated from/(used in) investing activities	6,858	(79,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	(2,280)	(1,140)
Term loans		
- Repayment	(11,160)	(14,040)
Lease liabilities on right-of-use assets		
- Repayment	(641)	(818)
Dividends paid to:		
- Shareholders	(4,819)	(4,016)
- Non-controlling interests	(2,281)	(3,515)
Decrease/(increase) in restricted cash	49	(419)
Net cash used in financing activities	(21,132)	(23,948)
Net increase/(decrease) in cash and cash equivalents	10,961	(69,979)
Foreign currency translation	41	224
Cash and cash equivalents at beginning of the year	183,379	179,171
Cash and cash equivalents at end of period	194,381	109,416
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	190,195	101,575
Cash and bank balances	13,471	38,368
	203,666	139,943
Restricted cash	(9,285)	(30,527)
Cash and cash equivalents at end of period	194,381	109,416
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	193,432	100,959
US Dollar	877	8,348
Others	72	109
	<u>194,381</u>	<u>109,416</u>

* Included in the purchase of plant and equipment is the capitalisation on the advance payment made in prior years of Nil (30 June 2021: RM5,290,000) 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 2021 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 2022

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 2021 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 2021.

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 2021.

During the financial period, the Company have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

Effective for financial year beginning on or after 1 April 2021:

- Amendments to MFRS 16 Lease - Covid-19 - Related Rent Concessions beyond 30 June 2021

Effective for financial year beginning on or after 1 January 2022

- Amendments to MFRS 3 Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, plant and equipment - Proceeds before Intended Use
- Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract
- 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

The adoption of the above amendments to published standards is not expected to have any material impact to the Group financial results for the financial year ending 31 December 2022 upon their initial application.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2022

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

A1. BASIS OF PREPARATION (Cont'd)

The Group has not early adopted the following amendments to published standards that have been issued by the Malaysian Accounting Standards Board ("MASB") as follows:

Effective for financial year beginning on or after 1 January 2023:

- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
- Amendments to MFRS 108 Definition of Accounting Estimates
- Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board

- 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.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2022

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

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

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

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

A5. EQUITY AND DEBT SECURITIES

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

A6. FINANCIAL RISK MANAGEMENT POLICIES

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

The information on the forward foreign currency exchange contracts that remained outstanding at 30 June 2022 is set out in Note A7.

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

	As at 30/06/2022		As at 31/12/2021	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	56,877	65,383	90,725	109,766
Others	5,421	1,561	3,036	2,638
	<u>62,298</u>	<u>66,944</u>	<u>93,761</u>	<u>112,404</u>
Closing exchange rate				
US Dollar	<u>4.406</u>	<u>4.406</u>	<u>4.176</u>	<u>4.176</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 2022, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM10,491,000 (31 December 2021: RM8,325,000).

	As at 30/06/2022		As at 31/12/2021	
	Net	Net	Net	Net
	Notional	Fair Value	Notional	Fair Value
	amount	Liabilities	amount	Assets
	RM'000	RM'000	RM'000	RM'000
Type of derivatives				
Forward foreign currency exchange contracts				
("FX Contract")				
- Less than 1 year	10,491	(3)	8,325	84

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 contract entered into by the Group and remained outstanding as at 30 June 2022 amounted to a fair value loss/(gain) of RM3,000 (31 December 2021: (RM84,000)).

A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 1.20 sen per share on 401,553,500 ordinary shares in respect of the financial year ended 31 December 2021.

Second interim single tier dividend of 1.20 sen per share on 401,553,500 ordinary shares, paid on 30 March 2022	RM'000
	4,819
No dividend was paid in the current quarter under review.	

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

A10. SEGMENT INFORMATION

The segments of the Group are as follows:

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

- Oilfield Services (“OS”) – Mainly consists of:
 - Provision of slickline equipment and services;
 - Provision of integrated wellhead maintenance services;
 - Provision of well intervention and cased hole logging services;
 - Provision of specialty chemicals and well stimulation services;
 - Provision of drilling and completion services;
 - Provision of gas lift valve and insert strings equipment, accessories and services; and
 - Provision of subsurface engineering services.

- Integrated Corrosion Solution (“ICS”) – Mainly consists of:
 - Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities, services for tanks, vessels, structures and piping.

- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2022.

Segmental information for the financial period ended 30 June 2022 was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	77,665	97,225	139,381	155,720
Oilfield Services	34,585	26,071	62,588	53,983
Integrated Corrosion Solution	13,959	10,795	26,892	18,982
Other non-reportable segment	111	131	234	240
Total Group revenue	126,320	134,222	229,095	228,925

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2022

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

A10. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)
<u>Segment Results</u>				
Power and Machinery	7,221	9,674	13,854	17,195
Oilfield Services	3,468	(974)	7,237	(328)
Integrated Corrosion Solution	1,238	(3,641)	2,409	(3,480)
Other non-reportable segment	10	12	21	22
Segment results	11,937	5,071	23,521	13,409
Unallocated income ^	102	37	160	72
Unallocated corporate expenses #	(1,173)	(2,807)	(2,216)	(3,643)
Share of results of a joint venture *	291	336	613	694
Share of results of an associate *	1,521	1,487	2,424	2,917
Tax expense (Note B5) *	(2,973)	(1,835)	(5,745)	(3,822)
Profit from continuing operations	9,705	2,289	18,757	9,627
Profit/(loss) from discontinued operation, net of tax	0	(908)	283	(1,184)
Profit for the financial period	9,705	1,381	19,040	8,443

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

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

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

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 30/06/2022	As at 31/12/2021
	RM'000	RM'000
<u>Segment Assets</u>		
Power and Machinery	253,607	294,647
Oilfield Services	179,289	182,677
Integrated Corrosion Solution	39,682	46,456
Segment assets	472,578	523,780
Unallocated corporate assets [^]	90,156	85,200
Total assets	562,734	608,980

	As at 30/06/2022	As at 31/12/2021
	RM'000	RM'000
<u>Segment Liabilities</u>		
Power and Machinery	92,367	132,700
Oilfield Services	28,908	39,086
Integrated Corrosion Solution	29,653	36,961
Segment liabilities	150,928	208,747
Unallocated corporate liabilities [#]	21,446	21,464
Total liabilities	172,374	230,211

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

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

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A11. REVENUE

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)
Revenue from contracts with customers:				
- Goods and services	126,209	134,091	228,861	228,685
- Management fee	111	131	234	240
	126,320	134,222	229,095	228,925

Revenue from contracts with customers:

Type of goods and services

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)	30/06/2022 RM'000	30/06/2021 RM'000 (Restated)
Sale of gas turbine packages and after sales support and services	58,809	84,789	109,534	128,941
Commission based income services	1,577	1,592	3,269	3,069
Principal based income services	29	13	107	140
Sale of valves and flow regulators and after sales support and services	17,279	10,844	26,578	23,710
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	32,769	25,223	58,669	52,791
Provision of specialty chemical and well stimulation	1,787	835	3,812	1,052
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	7,126	7,753	14,863	12,733
Provision of maintenance, construction and modification services	6,833	3,042	12,029	6,249
	126,209	134,091	228,861	228,685

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A12. ACQUISITIONS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter ended 30 June 2022, the acquisitions of plant and equipment and intangible assets by the Group were as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Acquisitions at cost:				
- Plant and equipment*	720	7,398	927	12,768
- Intangible assets	0	38	0	38

* Included in the acquisition of plant and equipment is the capitalisation on the advance payment made in prior years of Nil (30 June 2021: RM5,290,000) as plant and equipment upon fulfilment of the recognition criteria during the period and RM64,000 (30 June 2021: RM728,000) addition on 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 B15.

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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

Wisteria Sdn. Bhd., a dormant indirect wholly owned subsidiary, has been dissolved following the Final Meeting on 25 January 2022 by way of members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016.

On 9 June 2022, through its indirect wholly owned subsidiary, Delcom Holdings Sdn. Bhd., Deleum Berhad acquired 264,000 ordinary shares in Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) ("DTS"), representing 26.67% of the total paid up share capital, for a total cash consideration of RM710,533. With the acquisition, Deleum Berhad now indirectly holds 86.67% of the paid up share capital in DTS.

On 21 June 2022, a new indirect subsidiary, Deleum Oilfield Solutions (Thailand) Co. Ltd, a limited company under the laws of Thailand, was incorporated. Deleum Services Sdn Bhd ("DSSB"), a wholly owned subsidiary of the Company, holds 98,000 ordinary shares, representing 49% of the total paid up share capital, as well as majority voting rights.

On 24 June 2022, Delcom Utilities (Cambodia) Limited ("DUCL"), a dormant indirect foreign subsidiary has been dissolved upon completion of the voluntary liquidation pursuant to Section 208 of the BVI Business Companies Act, 2014.

A16. CONTINGENT LIABILITIES / ASSETS

As at 30 June 2022, the Group did not have any contingent liabilities or assets except for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts of RM47.8 million (31 December 2021: RM51.5 million).

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A17. COMMITMENTS

Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 30 June 2022 were as follows:

	As at 30/06/2022	As at 31/12/2021
	RM'000	RM'000
Authorised but not contracted for		
- Plant and machinery	4,012	9,770
- Others	5,421	5,557
Authorised and contracted for		
- Plant and machinery	5,529	733
- Others	237	44
	15,199	16,104
Share of capital commitment of joint venture	337	491
	15,536	16,595

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A18. RELATED PARTY DISCLOSURES

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	803	549	1,221	737
Rental income from an affiliate company of STICO	13	13	27	27
Purchases and technical services from STICO and its affiliated companies	42,597	67,049	67,423	96,127

Significant outstanding balances arising from the above transactions as at 30 June 2022 were as follows:

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Amount due from STICO and its affiliated companies	1,122	2,179
Amount due to STICO and its affiliated companies	59,241	108,890

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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	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Sales to related parties of Dresser Italia S.R.L	86	121	462	205
Purchases of goods and services from related parties of Dresser Italia S.R.L	9,870	3,290	14,698	7,934

Significant outstanding balances arising from the above transactions as at 30 June 2022 were as follows:

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Amount due from related parties of Dresser Italia S.R.L	485	243
Amount due to related parties of Dresser Italia S.R.L	6,560	4,192

- (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	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Sales to STICO	1,000	1,000	2,000	2,000
Rental income from affiliate company of STICO	141	140	281	281

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

Significant outstanding balance arising from the above transactions as at 30 June 2022 was as follows:

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Amount due from STICO and its affiliated company	2,047	380

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Directors' fees	248	295	519	590
Salaries, bonuses, allowances and other staff related expenses	3,075	3,258	5,512	5,756
Defined contribution plan	351	356	614	628
	3,674	3,909	6,645	6,974

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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

	Q2'22 RM'000	Q2'21 RM'000 (Restated)	Variance RM'000	Variance %
<u>Group</u>				
Revenue	126,320	134,222	(7,902)	(5.9)
Operating profit	11,038	2,801	8,237	294.1
Share of results of a joint venture, net of tax	291	336	(45)	(13.4)
Share of results of an associate, net of tax	1,521	1,487	34	2.3
Profit before interest and tax	12,096	3,728	8,368	224.5
Profit before tax	12,678	4,124	8,554	207.4
Profit from continuing operations	9,705	2,289	7,416	324.0
Loss from discontinued operation	0	(908)	908	100.0
 Profit attributable to equity holders of the Company	 8,463	 1,559	 6,904	 442.8

The Group's revenue decreased by RM7.9 million or 5.9% to RM126.3 million against the corresponding quarter of RM134.2 million mainly affected by the decline in sales activities from the Power and Machinery segment which was however mitigated by the stronger sales generated from its Oilfield Services and Integrated Corrosion Solution segments.

The Group's profit attributable to equity holders of the Company increased by RM6.9 million to RM8.5 million against the corresponding quarter of RM1.6 million. The increase is due to stronger performances recorded from both the Oilfield Services and Integrated Corrosion Solution segments but offset by the slightly declined performance from the Power and Machinery segment.

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

Higher share of results from an associate was mainly attributable to the higher throughput achieved from both its liquid mud and dry bulk businesses but offset by the higher operating expenses and lower other income.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2'22 RM'000	Q2'21 RM'000 (Restated)	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	77,665	97,225	(19,560)	(20.1)
Operating profit	6,879	9,681	(2,802)	(28.9)
Profit before interest and tax	6,271	9,142	(2,871)	(31.4)
Profit before tax	<u>7,221</u>	<u>9,674</u>	<u>(2,453)</u>	<u>(25.4)</u>

The Power and Machinery segment revenue fell by 20.1% or RM19.6 million to RM77.7 million against the corresponding quarter revenue of RM97.2 million. The decrease was mainly attributable to the decrease in exchange engine deliveries, weaker contribution from retrofit projects, decrease in sales for turbine parts and weaker contribution from third party services. This was however mitigated by higher demand for control and safety valves and flow regulators services coupled with higher services performed for machinery management system during the current quarter.

The segment results reported a decrease of RM2.5 million in tandem with the lower revenue reported affected by the unfavourable change in sales mix and higher operating costs. The segment results were further affected by the fluctuation in foreign exchange currency differences resulting in a lower net gain of RM0.6 million as compared to a net gain of RM1.1 million recorded in the previous corresponding quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2'22	Q2'21	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	34,585	26,071	8,514	32.7
Operating profit/(loss)	3,579	(600)	4,179	696.5
Profit/(loss) before interest and tax	3,535	(712)	4,247	596.5
Profit/(loss) before tax	<u>3,468</u>	<u>(974)</u>	<u>4,442</u>	<u>456.1</u>

The Oilfield Services segment revenue increased by 32.7% or RM8.5 million to RM34.6 million as compared to the corresponding quarter of RM26.1 million. This was primarily due to higher activities from its slickline services in both East and West Malaysia regions as well as the well intervention and enhancement services, chemical sales and spillover jobs from the gas lift valve contract from the previous quarter.

The segment results have improved by RM4.4 million against the corresponding quarter loss of RM1.0 million as a result of higher revenue achieved in tandem with higher slickline assets utilisation. In addition, the better results were also due to a reversal of impairment made for a trade receivable of RM0.5 million in the current quarter.

	Q2'22	Q2'21	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Intergrated Corrosion Solution</u>				
Revenue	13,959	10,795	3,164	29.3
Operating profit	1,239	(3,524)	4,763	135.2
Profit/(loss) before interest and tax	1,196	(3,588)	4,784	133.3
Profit/(loss) before tax	<u>1,238</u>	<u>(3,641)</u>	<u>4,879</u>	<u>134.0</u>

The Integrated Corrosion Solution segment recorded an increase in revenue by 29.3% or RM3.2 million to RM14.0 million compared against the corresponding quarter revenue of RM10.8 million. The increase is mainly attributable to higher maintenance activity levels for both its Sponge-Jet Blasting ("SPJ") business in Indonesia and the Maintenance, Construction and Modification services ("MCM") project.

The segment results reported a stronger profit of RM1.2 million against the corresponding quarter in line with higher revenue coupled with lower professional fees and penalty charges incurred in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'22 RM'000	Q2'21 RM'000 (Restated)		
<u>Group</u>				
Revenue	229,095	228,925	170	0.1
Operating profit	21,858	10,937	10,921	99.9
Share of results of a joint venture, net of tax	613	694	(81)	(11.7)
Share of results of an associate, net of tax	2,424	2,917	(493)	(16.9)
Profit before interest and tax	23,488	13,065	10,423	79.8
Profit before tax	24,502	13,449	11,053	82.2
Profit from continuing operations	18,757	9,627	9,130	94.8
Profit/(loss) from discontinued operation	283	(1,184)	1,467	123.9
Profit attributable to equity holders of the Company	16,571	7,153	9,418	131.7

The Group's half yearly revenue increased by RM0.17 million or 0.1% to RM229.1 million against the corresponding period of RM229.0 million following higher revenue reported from both the Oilfield Services and Integrated Corrosion segments but offset by lower revenue reported from the Power and Machinery segment.

The Group's profit attributable to equity holders of the Company increased by RM9.4 million or 131.7% to RM16.6 million against the corresponding quarter of RM7.2 million. The improvement in results was mainly supported by the better operating performance recorded from the Oilfield Services segment on account of improvement in operating margins, reversal of impairment made for a trade receivable of RM2.6 million as well as a gain on disposal of its plant and equipment of RM1.6 million during the current period. The improvement in results was also attributable to the better results reported by the Integrated Corrosion Solution segment, where the segment reported a higher revenue and lower operating costs. However, the higher Group's results were partially offset by the weaker performance recorded in the Power and Machinery segment.

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

Share of results from an associate was lower by RM0.5 million mainly attributable to the lower throughput achieved from the liquid mud and dry bulk businesses.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'22 RM'000	Q2'21 RM'000 (Restated)		
<u>Power and Machinery</u>				
Revenue	139,381	155,720	(16,339)	(10.5)
Operating profit	13,874	17,213	(3,339)	(19.4)
Profit before interest and tax	12,734	16,135	(3,401)	(21.1)
Profit before tax	13,854	17,195	(3,341)	(19.4)

The Power and Machinery segment revenue decreased by 10.5% or RM16.3 million to RM139.4 million against the corresponding period of RM155.7 million. Likewise, the segment results fell by RM3.3 million or 19.4% affected by lower contribution from the valves and flow regulators services and third-party sales. However, this was cushioned partially by the favourable movement in foreign currency contract differences with a net loss of RM0.2 million as compared to RM0.6 million recorded in the corresponding period.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'22 RM'000	Q2'21 RM'000		
<u>Oilfield Services</u>				
Revenue	62,588	53,983	8,605	15.9
Operating profit	7,496	488	7,008	1,436.1
Profit before interest and tax	7,391	278	7,113	2,558.6
Profit/(loss) before tax	7,237	(328)	7,565	2,306.4

The Oilfield Services segment revenue increased by 15.9% or RM8.6 million to RM62.6 million as compared to the corresponding period of RM54.0 million. In tandem, the segment results had improved to report a profit of RM7.2 million on the back of higher revenue recorded, improvement in operating margins earned and reversal of impairment made for a trade receivable in the current period.

	Cumulative Quarters ended		Variance RM'000	Variance %
	Q2'22 RM'000	Q2'21 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	26,892	18,982	7,910	41.7
Operating profit/(loss)	2,411	(3,217)	5,628	174.9
Profit/(loss) before interest and tax	2,354	(3,350)	5,704	170.3
Profit/(loss) before tax	2,409	(3,480)	5,889	169.2

The Integrated Corrosion Solution segment recorded an increase in revenue of 41.7% or RM7.9 million to RM26.9 million as compared to the corresponding quarter revenue of RM19.0 million. The increase is mainly attributable to higher maintenance activity levels for both its Sponge-Jet Blasting (“SPJ”) business in Indonesia and the Maintenance, Construction and Modification services (“MCM”) project.

The segment results reported a stronger profit of RM2.4 million against the corresponding quarter’s loss in line with higher revenue coupled with lower professional fees, penalty charges and lower operating costs as a result of various cost savings initiatives undertaken.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 30 June 2022 stood at RM562.7 million against RM609.0 million at the end of the previous financial year, representing a decrease of RM46.3 million or 7.6%. This was mainly due to the lower trade and other receivables and contract assets balances by RM24.6 million, decrease in inventories balance by RM16.3 million coupled with lower carrying value of fixed operating assets by RM17.3 million which were attributable to the depreciation and amortisation charges. The decrease in total assets is also attributable to lower amount due from an associate of RM1.9 million upon receipt of the dividend declared in the previous financial year. The reduction is however offset by the higher cash and bank balance of RM11.0 million, increase in the carrying value of investment in an associate and a joint venture of RM1.2 million.

In tandem, the Group's total liabilities declined by RM57.8 million attributable to the lower trade and other payables of RM49.0 million coupled with the lower borrowings of RM14.2 million due to scheduled repayment of team loans of RM11.2 million, settlement of revolving credit of RM2.3 million and lease liabilities of RM0.7 million respectively. This was offset by higher deferred tax liabilities of RM2.0 million as well as increase in contract liabilities of RM3.2 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances was higher at RM203.7 million compared with RM192.7 million as at 31 December 2021.

The Group generated positive cash inflow of RM25.2 million and RM6.9 million from its operating activities and investing activities respectively for the financial period ended 30 June 2022.

In investing activities, the Group has paid a total of RM0.9 million for its capital expenditure, but this decrease was cushioned by the proceeds from disposals of its plant and equipment of RM3.2 million and dividend received from an associate of RM3.8 million.

However, the increase in cash inflow was partially offset by repayment of bank borrowings amounting to RM 14.2 million and dividend payments of RM7.1 million made to its shareholders and non-controlling interests.

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

	Q2'22	Q1'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	126,320	102,775	23,545	22.9
Operating profit	11,038	10,820	218	2.0
Share of results of a joint venture, net of tax	291	322	(31)	(9.6)
Share of results of an associate, net of tax	1,521	903	618	68.4
Profit before interest and tax	12,096	11,392	704	6.2
Profit before tax	12,678	11,824	854	7.2
Profit from continuing operations	9,705	9,052	653	7.2
Profit from discontinued operation	0	283	(283)	(100.0)
 Profit attributable to equity holders of the Company	 8,463	 8,108	 355	 4.4

The Group's profit attributable to equity holders of the Company improved by RM0.4 million or 4.4% quarter on quarter, due to better contribution reported by the Power and Machinery and Integrated Corrosion Solution segments. The Oilfield Services segment however, performed relatively weaker compared to the previous quarter underpinned by a material reversal of an allowance for doubtful debts in the immediate preceding quarter and the absence of the gain on disposals of plant and equipment in the current quarter.

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

The share of results of an associate was higher against the immediate preceding quarter due to higher throughput achieved from its liquid mud and dry bulk businesses.

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

	Q2'22	Q1'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	77,665	61,716	15,949	25.8
Operating profit	6,879	6,644	235	3.5
Profit before interest and tax	6,271	6,112	159	2.6
Profit before tax	7,221	6,633	588	8.9

The Power and Machinery segment results increased by RM0.6 million to RM7.2 million against the immediate preceding quarter profit of RM6.6 million. The increase is mainly attributable to lower operating expenses but offset by lower contribution from the field service representatives and retrofit projects.

	Q2'22	Q1'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	34,585	28,003	6,582	23.5
Operating profit	3,579	3,917	(338)	(8.6)
Profit before interest and tax	3,535	3,856	(321)	(8.3)
Profit before tax	3,468	3,769	(301)	(8.0)

The Oilfield Services segment results decreased by RM0.3 million to RM3.5 million against the immediate preceding quarter profit of RM3.8 million. Despite higher revenue reported in the current quarter, the segment reported a lower segment result as compared to the immediate preceding quarter. The higher reported results in the immediate preceding quarter was mainly attributable to the reversal of impairment made of RM2.1 million on its trade receivable and gain on disposals of its plant and equipment of RM1.6 million.

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

	Q2'22 RM'000	Q1'22 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	13,959	12,933	1,026	7.9
Operating profit	1,239	1,172	67	5.7
Profit before interest and tax	1,196	1,158	38	3.3
Profit before tax	1,238	1,171	67	5.7

The Integrated Corrosion Solution segment results posted a marginal increase in profit of RM67,000 mainly attributable to lower professional fees incurred in the current quarter but offset by lower contribution from its MCM projects.

B3. PROSPECTS

The outlook for the oil and gas sector is expected to remain volatile on the uptrend due to supply chain and markets challenges in Europe and Asia as a consequence of the Russia /Ukraine conflict. While prices were settling down compared to the first quarter, activity levels are still expected to remain healthy, and the industry services sector is expected to benefit from this.

We will continue with our focus on delivering our services in accordance with our plans and strategy. Inflation pressures will be of concern, and we will be mindful with cost and resource management while seeking to expand our product lines during the year.

Barring any unforeseen circumstances, we expect our activity level for the second half to be similar to that of the first half of the year.

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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	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
<u>Income tax expenses on continuing operations:</u>				
Current tax – current year	2,183	1,479	4,137	3,725
Deferred tax				
– origination and reversal of temporary differences	1,108	388	1,858	124
– recognition of previously unrecognised temporary differences	0	87	0	0
– deferred tax assets not recognised	(318)	(119)	(250)	(27)
Total income tax expense	2,973	1,835	5,745	3,822

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B5. INCOME TAX EXPENSE (Cont’d)

Including the joint venture’s and associate’s results which were presented net of tax, the effective tax rate of the Group for the financial period ended 30 June 2022 was lower than the headline tax rate as shown below.

	Cumulative Quarters ended	
	30/06/2022	30/06/2021
	%	%
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	24
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	4	13
- Income not subject to tax	(1)	(2)
- Share of results of associate and joint venture	(3)	(7)
- Deferred tax assets not recognised	(1)	0
Effective tax rate for continuing operations	23	28

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

Other than the above corporate proposals, there were no corporate proposal announced which was not completed as of 16 August 2022 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. JOINT VENTURE

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Group's share of net assets of joint venture	33,547	32,934

TOSB was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities include the provision of gas turbine overhaul and maintenance services. In March 2015, the Group entered into a Subscription Agreement with STICO, which resulted in the Group having an equity interest of 80.55%. However, both parties' approval on relevant activities is required as stated in the Subscription Agreement. Based on MFRS and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted for under the equity method of accounting.

The capital of TOSB consists of ordinary shares and redeemable convertible preference shares. It is a private company and there is no readily available quoted market price available for its shares.

Summarised statement of comprehensive income

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Profit before tax	490	537	1,026	1,105
Income tax expense	(129)	(120)	(265)	(244)
Profit for the period	361	417	761	861
Interest in joint venture (80.55%) Share of results	291	336	613	694

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B10. ASSOCIATE

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Group's share of net assets of associate	24,877	24,373

In the opinion of the Directors, Malaysian Mud and Chemicals Sdn. Bhd. ("2MC") is a material associate of the Group. The Group's effective equity interest in the associate, the nature of the relationship and place of business / country of incorporation are set out in the audited financial statements for the financial year ended 31 December 2021. The associate has share capital consisting solely of ordinary shares, which are held directly by the Group.

2MC is a private company and there is no quoted market price available for the shares.

Summarised statement of comprehensive income

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Profit before tax	6,304	6,153	10,991	12,826
Income tax expense	(1,552)	(1,505)	(3,417)	(3,710)
Profit for the period	4,752	4,648	7,574	9,116
Interest in associate (32%) Share of results	1,521	1,487	2,424	2,917

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B11. TRADE RECEIVABLES

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Neither past due nor impaired	47,968	61,716
1 to 30 days past due not impaired	6,180	11,286
31 to 60 days past due not impaired	749	1,032
61 to 90 days past due not impaired	569	542
91 to 120 days past due not impaired	448	43
More than 121 days past due not impaired	381	1,788
	<hr/>	<hr/>
	56,295	76,407
Not past due but impaired	0	93
Past due and impaired:		
1 to 30 days past due and impaired	0	175
31 to 60 days past due and impaired	0	1,043
91 to 120 days past due and impaired	0	0
More than 121 days past due and impaired	2,401	5,136
	<hr/>	<hr/>
	58,696	82,854
Less: Impairment of receivables	<hr/>	<hr/>
	(2,401)	(6,447)
	<hr/>	<hr/>
	56,295	76,407
	<hr/> <hr/>	<hr/> <hr/>

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM8.3 million (31 December 2021: RM14.7 million) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

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B12. GROUP BORROWINGS

The Group borrowings as at 30 June 2022 were as follows:

	<u>Short Term</u> RM'000	<u>Long Term</u> RM'000	<u>Total</u> RM'000
<u>30/06/2022</u>			
Borrowings - secured	9,931	600	10,531
- unsecured	5,392	198	5,590
	15,323	798	16,121
	15,323	798	16,121
<u>31/12/2021</u>			
Borrowings - secured	17,501	4,201	21,702
- unsecured	8,368	246	8,614
	25,869	4,447	30,316
	25,869	4,447	30,316

The borrowings are all denominated in Ringgit Malaysia.

	Note	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Revolving credits	(i)	4,860	7,140
Lease liabilities on right-of-use assets	(ii)	741	1,496
Term loans	(iii)	10,520	21,680
		16,121	30,316
Less: Amount repayable within 12 months			
Revolving credits		(4,860)	(7,140)
Lease liabilities on right-of-use assets		(543)	(1,249)
Term loans		(9,920)	(17,480)
		(15,323)	(25,869)
		798	4,447

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B12. GROUP BORROWINGS (Cont’d)

The decrease in borrowings was due to net repayment on term loan of RM11.2 million, revolving credits of RM2.3 million and lease liabilities for right-of-use assets of RM0.7 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 3.54% (average interest of 1.00% per annum above the bank’s cost of funds).
- (ii) Lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% per annum.
- (iii) Term loans carry interest rates ranging from 2.98% to 3.39% per annum (1.1% and 1.25% per annum above the KLIBOR). The tenure of the term loans is 3 years.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off-balance sheet financial instrument as at 30 June 2022 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

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B14. DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE

The maintenance, repair and overhaul business unit within the Power and Machinery segment that provides repair, servicing, maintenance and overhaul of motors, generators, transformers and other related services had ceased its active business activities following the Group's decision to exit from this business unit segment. As this business unit segment was not a discontinued operation as at 30 June 2021, the comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

The disposal of related assets was completed on 15 January 2022 for a consideration of RM 550,000.

(Loss)/profit attributable to the discontinued operation was as follows:

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Revenue	0	786	0	2,151
Other (expenses)/income	0	(1,694)	351	(3,335)
(Loss)/profit after tax	0	(908)	283	(1,184)

The (loss)/profit from discontinued operation is attributable entirely to the owners of the Company.

The effect of cash flows arising from discontinued operation was as follows:

	Cumulative Quarters
	30/06/2022
	RM'000
Net cash generated from operating activities	283
Effect on cash flows	283

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B15. 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 Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) (“Defendant”)

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

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

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

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

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

- (a) The Plaintiff's claim was dismissed;
- (b) The Defendant's counterclaim was dismissed, save for the declaration sought by the Defendant, namely for a declaration that the termination of the CHE Project by the Defendant was lawful and valid, which declaration was granted; and
- (c) The Plaintiff and the Defendant shall bear their own costs.

The Plaintiff has filed their appeal at the Court of Appeal on 17 February 2022 and the Memorandum of Appeal together with the Record of Appeal on 20 April 2022.

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B15. MATERIAL LITIGATION (Cont'd)

1. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd (“Plaintiff”) against Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“Defendant”) (“DTS”) (cont'd)

At the Case Management on 7 July 2022, Solicitors for the Plaintiff informed the Court that Plaintiff has been wound up and that they must apply to the liquidator, i.e. the Director General of Insolvency (“DGI”), for sanction to proceed with the appeal in the Court of Appeal under Section 486 [Powers of Liquidator in Winding Up by Court] (read together with Part I of the Twelfth Schedule) of the Companies Act 2016.

The next case management is scheduled on 3 October 2022 for the Plaintiff’s solicitors to update the court on the status of the sanction obtained from the DGI.

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

On the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM 616,535.79 has become due and payable on 3 December 2020 (i.e. after the filing of their suit on 23 November 2020), the Plaintiff decided to include the invoice amount in the total sum claimed from the Defendant and on 25 January 2021, served on the Defendant’s solicitors an Amended Writ and Statement of Claim, both dated 22 January 2021 (“the Amended Writ and Statement of Claim”), to –

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

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

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B15. MATERIAL LITIGATION (Cont'd)

2. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-768-11/2020) brought by Synergy Spectacular Sdn Bhd (“Plaintiff”) against Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) (“Defendant”) (cont'd)

Pursuant to the Amended Writ & Statement of Claim, 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 Case Management on 21 July 2021, the suit was initially fixed for Trial on 22, 23 and 29 September 2022 but was subsequently rescheduled by the Court to 8, 22 and 23 March 2023.

3. High Court Of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) against Mazrin Bin Ramli and 9 Others (“Defendants”) (“The Civil Suit”)

The Plaintiff has commenced the above legal proceedings against the Defendants by way of a Writ of Summons and Statement of Claim dated 5 November 2020 for, amongst 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. for the amount of RM19,876,389.87.

On 10 May 2022, the Plaintiff filed a Notice of Application to amend the Anton Piller Order dated 27 January 2021 to allow Virdos Lima Consultancy (M) Sdn Bhd who has been appointed as the new independent forensic expert of the Plaintiff in place of PwC Consulting Associates (M) Sdn Bhd, whose services had been terminated on 30 March 2022, to photograph, make copies, image, extract, download and/or copy into an external storage medium from the Defendants’ devices. The hearing date for this Application was fixed on 25 May 2022 and the application was allowed with no order as to cost.

On 12 May 2022, Messrs. CK Ling Izzaida & Ima had filed a Notice of Application to withdraw as solicitors for Defendant No. 8 and on 25 May 2022 the Application was allowed with no order as to cost.

At the Case Management on 13 May 2022 which relates to the Application to Strike Out the Plaintiff’s Statement of Claim filed by Defendant No. 6 on 20 November 2020, the Court has instructed for the submissions to be filed by 23 June 2022 and the hearing date was fixed on 30 June 2022. On 24 June 2022, a Notice of Discontinuance was filed by the Plaintiff against Defendant No.6 whereby the Plaintiff has withdrawn its claim against Defendant No. 6.

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B15. MATERIAL LITIGATION (Cont'd)

3. High Court Of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought By Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”) against Mazrin Bin Ramli and 9 Others (“Defendants”) (“The Civil Suit”) (cont'd)

Pursuant to the Recusal Applications filed by 6 of the Defendants on 9 March 2021, on 1 April 2022, the Plaintiff has, vide its solicitors, Messrs. Ranjit Singh & Yeoh, filed an application for Contempt of Court proceedings requesting for leave to apply for a committal order against Defendant No. 1 to Defendant No. 4, Syarifuddin bin Abdul Wahab, a director of Defendant No. 8 and Zul Hafizi bin Zainal Karib, a director of Defendant No. 10, for having committed contempt of Court. The Case Management for the application for Contempt of Court proceedings was scheduled for 25 May 2022. It was also to allow the Court to give further directions on the following ancillary applications:

- (a) Applications for Summary Judgement on their Counterclaim which were filed by Defendant No. 9 and Defendant No.10 on 4 March 2021 and 18 January 2021 respectively; and
- (b) Application to Strike Out the Plaintiff’s Statement of Claim which was filed by Defendant No.10 on 14 November 2020.

At the Case Management on 25 May 2022, the Court instructed the Parties to arrive at a possible settlement before further directions is given on Defendant No. 9 and Defendant No.10 ancillary applications above and scheduled the next case management on 14 June 2022.

At the Case Management on 14 June 2022, the Court has instructed as follows:

- (a) In relation to Summary Judgment application filed by Defendant No. 10;
 - (i) Written submissions must be filed by 30 August 2022;
 - (ii) Hearing date is fixed on 6 September 2022.
- (b) Case Management for Summary Judgment application filed by Defendant No. 9 will be on 30 June 2022.
- (c) Case Management for the Contempt of Court proceedings filed by the Plaintiff will be on 30 June 2022.

During the Case Management on 30 June 2022 the Court has instructed as follows:

- (a) In relation to Summary Judgment application filed by Defendant No.9:
 - (i) Parties are to file their written submissions by 30 August 2022; and
 - (ii) Hearing date is fixed on 6 September 2022.
- (b) In relation to the Contempt of Court proceedings filed by the Plaintiff:
 - (i) The next case management is scheduled on 6 September 2022; and
 - (ii) Hearing date is fixed on 21 November 2022.

On 7 July 2022, at the Case Management for Civil Suit No. WA-22NCVC-508-08/2020 brought by Defendant No.8 against Deleum Technology Solutions Sdn. Bhd. (formerly known as Deleum Primera Sdn. Bhd.) (“DTS”), Solicitors for Defendant No.8 informed the Court that the Defendant No.8 has been wound up on 27 May 2022.

Pursuant to this, on 27 July 2022, the Plaintiff’s solicitors have filed a Notice of Motion at the Shah Alam High Court for leave to be granted for the Plaintiff to continue with its claim against Defendant No. 8. On the same date, our solicitors have written to the Official Receiver to inform them of the ongoing Civil Suit filed by the Plaintiff against the 10 Defendants which includes, Defendant No.8.

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B16. DIVIDEND

The board of Directors have, in respect of financial year ended 31 December 2021, declared a second interim single tier dividend of 1.20 sen per share on 401,553,500 ordinary shares, totalling RM4,818,642. The dividend was paid on 30 March 2022.

The board of Directors have, in respect of financial year ending 31 December 2022, declared a first interim single tier dividend of 2.00 sen per share on 401,553,500 ordinary shares.

The dividend will be payable on 30 September 2022 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 15 September 2022.

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 September 2022 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

B17. EARNINGS PER SHARE ("EPS")

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Basic / Diluted earnings per share				
Profit/(loss) attributable to equity holders of the Company (RM'000)				
- Continuing operations	8,463	2,467	16,288	8,337
- Discontinued operation	0	(908)	283	(1,184)
	8,463	1,559	16,571	7,153
Weighted average number of shares in issue ('000)	401,554	401,554	401,554	401,554
Basic / Diluted earnings per share (sen)				
- Continuing operations	2.11	0.62	4.06	2.07
- Discontinued operation	0	(0.23)	0.07	(0.29)
Basic / Diluted earnings per share	2.11	0.39	4.13	1.78

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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. PROFIT BEFORE TAX

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Inventories consumed and recognised as cost of sales	19,686	15,921	38,751	32,867
Purchase of products, parts and consumable	4,631	3,657	7,224	5,305
Costs of services purchased	50,144	68,781	82,850	101,610
Interest income	(754)	(753)	(1,407)	(1,495)
Other income including investment income	(134)	(99)	(221)	(165)
Accretion of income on other receivable	(28)	(33)	(56)	(69)
Interest expenses	172	507	393	1,111
Depreciation and amortisation	8,369	9,640	16,923	18,233
Write-back of impairment				
- Trade receivables	(479)	(266)	(2,545)	(366)
- Contract assets	0	0	0	(36)
Bad debts written-off				
- Other receivable	0	77	0	77
Impairment for doubtful debts				
- Trade receivables	22	0	22	1
- Contract assets	0	236	0	236
Allowance for slow moving inventories	218	0	517	0
Reversal of allowance for slow moving inventories	(25)	(37)	(71)	(119)
Net fair value gain on investment securities	0	(33)	0	(28)

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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. PROFIT BEFORE TAX (Cont'd)

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

	Individual Quarter ended		Cumulative Quarters ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Inventories written-off	16	316	16	316
Amortisation of government grants	(14)	0	(27)	0
Gain on disposals of plant and equipment	(26)	0	(2,004)	0
Loss on lease modification and disposal	0	0	9	0
Foreign exchange (gains)/losses				
- Realised	(1,419)	(1,447)	(2,335)	(1,182)
- Unrealised	639	567	996	435
Provision for liquidated damages	61	0	62	0
Write back of provision of liquidated damages	(99)	(3)	(108)	(44)
Fair value (gain)/loss on forward foreign currency exchange contracts	167	(72)	183	575
Loss on liquidation of a subsidiary	352	0	352	0

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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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)

B19. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2021 was unqualified.

B20. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 23 August 2022.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
23 August 2022