

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

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

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2023

RM'000		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	YEAR TO DATE ENDED	YEAR TO DATE ENDED
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		Unaudited	Audited	Unaudited	Audited
Continuing operations					
Revenue	A11	238,650	315,542	791,991	698,049
Cost of sales		(190,023)	(265,435)	(626,709)	(554,332)
Gross profit		48,627	50,107	165,282	143,717
Other operating income		1,786	1,258	6,776	5,704
Selling and distribution costs		(13,314)	(13,170)	(41,861)	(37,402)
Administrative expenses		(13,994)	(11,169)	(53,718)	(51,475)
Other operating gains/(expenses) ⁽¹⁾		1,302	(5,079)	2,930	1,531
Operating profit		24,407	21,947	79,409	62,075
Finance costs		(32)	(114)	(199)	(638)
Share of results of a joint venture (net of tax)	B9	133	262	1,064	1,147
Share of results of an associate (net of tax)	B10	1,446	1,219	4,643	5,308
Profit before tax	B18	25,954	23,314	84,917	67,892
Income tax expense	B5	(6,374)	(6,618)	(21,566)	(16,933)
Profit from continuing operations (net of tax)		19,580	16,696	63,351	50,959
Discontinued operation					
Profit from discontinued operation (net of tax)	B14	0	0	0	283
Profit for the year		19,580	16,696	63,351	51,242
Currency translation differences		(4)	(7)	(33)	(34)
Reclassification adjustment relating to a subsidiary liquidated during the period		0	0	0	395
Total comprehensive income for the year		19,576	16,689	63,318	51,603
Profit attributable to:					
- Equity holders of the Company		14,668	13,768	45,735	42,142
- Non-controlling interests		4,912	2,928	17,616	9,100
		19,580	16,696	63,351	51,242
Total comprehensive income attributable to:					
- Equity holders of the Company		14,666	13,761	45,719	42,544
- Non-controlling interests		4,910	2,928	17,599	9,059
		19,576	16,689	63,318	51,603
Basic/Diluted earnings per share (EPS) attributable to equity holders of the Company (sen)					
- Continuing operations		3.65	3.43	11.39	10.42
- Discontinued operation		0.00	0.00	0.00	0.07
	B17	3.65	3.43	11.39	10.49

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

Foreign exchange gains/(losses):					
- Realised		(120)	178	2,206	3,038
- Unrealised		3,083	825	888	(416)
Fair value (loss)/gain on forward foreign currency exchange contracts		(94)	(4,335)	940	(1,611)
Impairment made:					
- trade receivables		(1,235)	0	(1,235)	(24)
- other receivables		(26)	(359)	(26)	(359)
Inventories written-off		(161)	(511)	(255)	(526)

The above unaudited condensed interim consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

RM'000	Note	As at 31/12/2023 Unaudited	As at 31/12/2022 Audited
ASSETS			
Property, plant and equipment*		91,145	110,291
Investment properties		677	700
Intangible assets		188	212
Associate	B10	22,804	23,921
Joint venture	B9	35,144	34,081
Deferred tax assets		5,974	2,186
Other receivables		2,653	2,296
Cash and bank balances		0	3,696
Other investment		1,167	0
Non-current Assets		159,752	177,383
Inventories		17,736	40,014
Amounts due from an associate		0	1,921
Amounts due from a joint venture		369	223
Trade receivables	B11	114,967	120,299
Contract assets		90,597	178,605
Other receivables, deposits and prepayments		19,660	19,376
Tax recoverable		1,674	1,674
Cash and bank balances		215,880	174,321
Current Assets		460,883	536,433
TOTAL ASSETS		620,635	713,816
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		263,290	238,637
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(1,702)	(1,686)
Equity attributable to equity holders of the Company		413,390	388,753
Non-controlling interests		33,061	25,793
Total Equity		446,451	414,546
Borrowings	B12	895	1,175
Deferred income		206	259
Deferred tax liabilities		12,458	14,596
Non-current Liabilities		13,559	16,030
Trade payables		97,076	221,129
Contract liabilities		19,475	5,553
Other payables and accruals		32,936	38,385
Derivative financial instrument	A7	338	1,513
Provision for taxation		9,285	9,048
Borrowings	B12	1,515	7,612
Current Liabilities		160,625	283,240
Total Liabilities		174,184	299,270
TOTAL EQUITY AND LIABILITIES		620,635	713,816

* Inclusive of right-of-use assets

The above unaudited condensed interim consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD
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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	← Attributable to equity holders of the Company →					Non-controlling interests	Total equity	
	Issued and fully paid ordinary shares		-----Non-distributable-----		Distributable			
	Number of shares '000	Share capital RM'000	Foreign currency translation RM'000	Merger deficit RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2022	401,553	201,802	(2,088)	(50,000)	208,537	358,251	20,518	378,769
Profit for the financial year	0	0	0	0	42,142	42,142	9,100	51,242
Other comprehensive income for the financial year	0	0	7	0	0	7	(41)	(34)
Reclassification adjustment relating to a subsidiary liquidated during the financial year	0	0	395	0	0	395	0	395
Total comprehensive income for the financial year	0	0	402	0	42,142	42,544	9,059	51,603
Dividend	0	0	0	0	808	808	(1,519)	(711)
Acquisition of non-controlling interest	0	0	0	0	(12,850)	(12,850)	(2,281)	(15,131)
Incorporation of a subsidiary with non-controlling interest	0	0	0	0	0	0	16	16
At 31 December 2022	<u>401,553</u>	<u>201,802</u>	<u>(1,686)</u>	<u>(50,000)</u>	<u>238,637</u>	<u>388,753</u>	<u>25,793</u>	<u>414,546</u>
At 1 January 2023	401,553	201,802	(1,686)	(50,000)	238,637	388,753	25,793	414,546
Profit for the financial year	0	0	0	0	45,735	45,735	17,616	63,351
Other comprehensive income for the financial year	0	0	(16)	0	0	(16)	(17)	(33)
Total comprehensive income for the financial year	0	0	(16)	0	45,735	45,719	17,599	63,318
Dividend	0	0	0	0	(21,082)	(21,082)	(10,331)	(31,413)
At 31 December 2023	<u>401,553</u>	<u>201,802</u>	<u>(1,702)</u>	<u>(50,000)</u>	<u>263,290</u>	<u>413,390</u>	<u>33,061</u>	<u>446,451</u>

The above unaudited condensed interim consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

RM'000	YEAR-TO-DATE ENDED	
	31/12/2023	31/12/2022
	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year from:		
- Continuing operations	63,351	50,959
- Discontinued operation	0	283
	63,351	51,242
<u>Adjustments for:</u>		
Trade receivables		
- impairment made	1,235	24
- write back of impairment	(465)	(4,069)
- write off of impairment	(220)	(1,523)
Contract assets		
- write back of impairment	0	(98)
Other receivable		
- impairment made	26	359
Allowance for slow moving inventories:		
- allowance made	2,901	2,202
- write back of allowance	(726)	(258)
Allowance for foreseeable loss		
- write back of allowance	(107)	0
Amortisation of intangible assets	23	71
Accretion of income on other long-term receivable	(147)	(112)
Depreciation:		
- property, plant and equipment*	32,923	33,437
- investment properties	24	24
Amortisation of government grants	(53)	(53)
Provision for liquidated damages		
- provision made	1,799	451
- write back of provision	(99)	(108)
Gain on disposals of plant and equipment	(58)	(2,004)
Loss on lease disposal	0	8
Write off:		
- property, plant and equipment	55	5
- intangibles	1	0
- inventories	255	526
Interest income	(5,092)	(2,677)
Finance costs	199	638
Share of results of an associate	(4,643)	(5,308)
Share of results of a joint venture	(1,064)	(1,147)
Tax expense	21,566	17,001
Unrealised net foreign exchange (gain)/loss	(888)	416
Net fair value gain on forward foreign currency exchange contracts	(940)	1,611
Loss on liquidation of a subsidiary	0	353
Operating profit before working capital changes	109,856	91,011
<u>Changes in working capital</u>		
Inventories	19,849	(10,472)
Trade receivables	5,250	(38,986)
Contract assets	87,832	(90,203)
Other receivables, deposits and prepayments	25	277
Trade payables	(123,329)	78,662
Other payables and accruals	(7,150)	4,926
Contract liabilities	13,922	177
Cash generated from operations	106,255	35,392
Tax paid	(27,256)	(12,791)
Tax refunded	0	4
Interest paid	(198)	(626)
Net cash generated from operating activities	78,801	21,979

* Inclusive of right-of-use assets.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

RM'000	YEAR TO-DATE-ENDED	
	31/12/2023	31/12/2022
	Unaudited	Audited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,631	2,586
Purchase of plant and equipment	(12,072)	(8,596)
Proceeds from disposals of plant and equipment	63	3,153
Purchase of other investment	(1,167)	0
Dividend received from an associate	7,680	5,760
Amounts due to an associate	1	0
Amounts due from a joint venture	(146)	(48)
Acquisition of non-controlling interests	0	(711)
Acquisition of non controlling interest	0	16
Net cash (used in)/generated from investing activities	(1,010)	2,160
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Repayment	(2,580)	(4,560)
Term loans		
- Repayment	(4,200)	(17,480)
Lease liabilities on right-of-use assets		
- Repayment	(1,362)	(1,257)
Dividends paid to:		
- Shareholders	(21,082)	(12,850)
- Non-controlling interests	(10,331)	(2,281)
Increase in restricted cash	(8,158)	(143)
Net cash used in financing activities	(47,713)	(38,571)
Net increase/(decrease) in cash and cash equivalents	30,078	(14,432)
Foreign currency translation	(374)	(407)
Cash and cash equivalents at beginning of the year	168,540	183,379
Cash and cash equivalents at end of year	198,244	168,540
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Deposits with licensed banks	203,646	165,924
Cash and bank balances	12,234	12,093
	215,880	178,017
Restricted cash	(17,636)	(9,477)
Cash and cash equivalents at end of year	198,244	168,540
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	193,258	151,648
US Dollar	4,876	16,857
Others	110	35
	<u>198,244</u>	<u>168,540</u>

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards No.134 – “Interim Financial Reporting”, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Companies Act 2016 in Malaysia, where applicable.

The unaudited interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the attached explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2022.

The significant accounting policies and methods of computation applied in the unaudited interim financial report are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2022.

During the financial year, the Company have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”):

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

- | | |
|--|--|
| • Amendments MFRS Practice Statement 2 | Disclosure of Accounting Policies |
| • Amendments to MFRS 17 Insurance Contracts | Initial application of MFRS 17 and MFRS 9 – Comparative Information |
| • Amendments to MFRS 101 Presentation of Financial Statements | Disclosure of Accounting Policies |
| • Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors | Definition of Accounting Estimates |
| • Amendments to MFRS 112 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The adoption of the above amendments to published standards did not have any material impact to the Group financial results for the financial year ended 31 December 2023 upon their initial application.

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

A1. BASIS OF PREPARATION (Cont'd)

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

Effective for financial year beginning on or after 1 January 2024:

- Amendments to MFRS 16 Lease Liability in a Sale and Leaseback Leases
- Amendments to MFRS 101 Non-current Liabilities with Covenants Presentation of Financial Statements
- Amendments to MFRS 107 Supplier Finance Arrangements Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosure

Effective for financial year beginning on or after 1 January 2025:

- Amendments to MFRS 121 Lack of Exchangeability The Effect of Changes in Foreign Exchange Rates

The effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board ("MASB"):

- 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 YEAR ENDED 31 DECEMBER 2023

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

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

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

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

A5. EQUITY AND DEBT SECURITIES

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

A6. FINANCIAL RISK MANAGEMENT POLICIES

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

The information on the forward foreign currency exchange contracts that remained outstanding at 31 December 2023 is set out in Note A7.

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

	As at 31/12/2023		As at 31/12/2022	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	76,323	92,883	204,801	188,243
Others	8,212	519	8,247	8,448
	<u>84,535</u>	<u>93,402</u>	<u>213,048</u>	<u>196,691</u>
Closing exchange rate				
US Dollar	<u>4.592</u>	<u>4.592</u>	<u>4.413</u>	<u>4.413</u>

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM28,005,000 (31 December 2022: RM55,314,000).

Type of derivatives	As at 31/12/2023		As at 31/12/2022	
	Net	Net Fair	Net	Net
	Notional	Value	Notional	Fair Value
	Amount	Liabilities	Amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
Forward foreign currency exchange contracts				
("FX Contract")				
- Less than 1 year	28,005	(338)	55,314	(1,513)

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

A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

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

During the financial year-to-date, the fair value changes arising from the forward foreign currency exchange contract entered into by the Group and remained outstanding as at 31 December 2023 amounted to a fair value loss of RM338,000 (31 December 2022: fair value loss of RM1,513,000).

A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following second interim single tier dividend of 3.25 sen per share on 401,553,500 ordinary shares in respect of the financial year ended 31 December 2022.

	RM'000
Second interim single tier dividend of 3.25 sen per share on 401,553,500 ordinary shares, paid on 30 March 2023	13,050
	<u><u>13,050</u></u>

During the third quarter under review, the Company paid the following first interim single tier dividend of 2.00 sen per share on 401,553,500 ordinary shares in respect of the financial year ended 31 December 2023.

	RM'000
First interim single tier dividend of 2.00 sen per share on 401,553,500 ordinary shares, paid on 29 September 2023	8,032
	<u><u>8,032</u></u>

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

A10. SEGMENT INFORMATION

The segments of the Group are as follows:

- Power and Machinery (“P&M”) – Mainly consists of:
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
 - Supply and commission of combined heat and power plants; 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 solid control services;
 - Provision of drilling and completion services;
 - Provision of gas lift valve and insert strings equipment, accessories and services; and
 - Provision of subsurface engineering services.

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

- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2023.

Segmental information for the financial year ended 31 December 2023 was as follows:

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	202,206	263,061	667,929	504,394
Oilfield Services	35,702	27,938	118,114	119,302
Integrated Corrosion Solution	431	24,269	5,210	73,701
Other non-reportable segment	311	274	738	652
Total Group revenue	238,650	315,542	791,991	698,049

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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)

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
<u>Segment Results</u>				
Power and Machinery	34,455	22,110	99,332	48,137
Oilfield Services	(3,929)	(5,580)	(7,277)	347
Integrated Corrosion Solution	(4,757)	6,846	(8,603)	17,534
Other non-reportable segment	36	25	74	70
Segment results	25,805	23,401	83,526	66,088
Unallocated income ^	107	98	472	362
Unallocated corporate expenses #	(1,537)	(1,666)	(4,788)	(5,013)
Share of results of a joint venture *	133	262	1,064	1,147
Share of results of an associate *	1,446	1,219	4,643	5,308
Tax expense (Note B5) *	(6,374)	(6,618)	(21,566)	(16,933)
Profit from continuing operations	19,580	16,696	63,351	50,959
Profit from discontinued operation, net of tax	0	0	0	283
Profit for the year	19,580	16,696	63,351	51,242

^ 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 31/12/2023	As at 31/12/2022
	RM'000	RM'000
<u>Segment Assets</u>		
Power and Machinery	365,084	405,991
Oilfield Services	153,101	169,207
Integrated Corrosion Solution	11,705	50,501
Segment assets	529,890	625,699
Unallocated corporate assets ^	90,745	88,117
Total assets	620,635	713,816

	As at 31/12/2023	As at 31/12/2022
	RM'000	RM'000
<u>Segment Liabilities</u>		
Power and Machinery	128,412	224,668
Oilfield Services	15,906	20,393
Integrated Corrosion Solution	2,535	25,425
Segment liabilities	146,853	270,486
Unallocated corporate liabilities #	27,331	28,784
Total liabilities	174,184	299,270

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

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

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

A11. REVENUE

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Revenue from contracts with customers:				
- Goods and services	238,339	315,268	791,253	697,397
- Management fee	303	274	730	641
Revenue from other source:				
- Dividend income	8	0	8	11
	238,650	315,542	791,991	698,049

Revenue from contracts with customers:

Type of goods and services

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Sale of gas turbine packages and after sales support and services	156,132	233,877	522,945	404,759
Commission based income services	2,568	540	5,487	2,108
Principal based income services	10,393	3,602	31,212	17,993
Sale of valves and flow regulators and after sales support and services	33,258	25,053	109,347	79,718
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	31,643	27,008	107,781	113,380
Provision of specialty chemical and well stimulation services	1,156	919	4,621	5,738
Provision of solid control services	2,758	0	4,650	0
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	430	12,581	1,337	39,563
Provision of maintenance, construction and modification services	1	11,688	3,873	34,138
	238,339	315,268	791,253	697,397

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A12. ACQUISITIONS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Acquisitions at cost:				
- Plant and equipment*	3,903	1,593	13,837	10,555

* Included in the acquisition of plant and equipment is addition of right-of-use assets of RM1,765,086 (31 December 2022: RM1,959,013).

A13. MATERIAL EVENTS DURING THE REPORTING DATE

There were no other material events during the reporting date other than as disclosed in Note B15.

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

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

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A15. CHANGES IN THE COMPOSITION OF THE GROUP

On 19 January 2024, the Group completed the deregistration of Deleum Services Holdings Limited from the Registrar of Companies under Section 751 of the Companies Ordinance.

A16. CONTINGENT LIABILITIES/ASSETS

As at 31 December 2023, the Group did not have any contingent liabilities or assets except for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts of RM35.5 million (31 December 2022: RM13.1 million).

A17. COMMITMENTS

Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 31 December 2023 were as follows:

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Authorised but not contracted for		
- Plant and machinery	47,445	15,311
- Others	6,078	4,853
Authorised and contracted for		
- Plant and machinery	6,563	2,293
- Others	497	411
	60,583	22,868
Share of capital commitment of joint venture	905	1,250
	61,488	24,118

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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	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	3,657	564	6,905	2,507
Rental income from an affiliate company of STICO	14	13	55	54
Purchases and technical services from STICO and its affiliated companies	118,570	227,861	391,567	344,141

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

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Amount due from STICO and its affiliated companies	3,410	8,706
Amount due to STICO and its affiliated companies	62,065	178,358

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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	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Sales to related parties of Dresser Italia S.R.L	319	402	349	1,918
Purchases of goods and services from related parties of Dresser Italia S.R.L	7,869	12,230	39,876	42,066

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

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Amount due from related parties of Dresser Italia S.R.L	321	111
Amount due to related parties of Dresser Italia S.R.L	6,089	7,071

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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 year were as follows:

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Sales to STICO	1,000	1,000	4,000	4,000
Rental income from affiliate company of STICO	141	141	563	563

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

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Amount due from STICO and its affiliated company	0	380

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A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Directors' fees	155	172	586	690
Salaries, bonuses, allowances and other staff related expenses	2,417	2,986	12,662	10,920
Defined contribution plan	259	255	1,403	1,145
	2,831	3,413	14,651	12,755

- (e) The provision of general and financial advisory services by a non-independent director was as follows:

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Provision for general and financial advisory services	41	0	109	0

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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

	Q4'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	238,650	315,542	(76,892)	(24.4)
Operating profit	24,407	21,947	2,460	11.2
Share of results of a joint venture, net of tax	133	262	(129)	(49.2)
Share of results of an associate, net of tax	1,446	1,219	227	18.6
Profit before interest and tax	24,477	22,704	1,773	7.8
Profit before tax	25,954	23,314	2,640	11.3
Profit from continuing operations	19,580	16,696	2,884	17.3
Profit attributable to equity holders of the Company	<u>14,668</u>	<u>13,768</u>	<u>900</u>	<u>6.5</u>

The Group's revenue decreased by 24.4% to RM238.7 million against the previous corresponding quarter of RM315.5 million mainly due to lower revenue generated from the Power and Machinery and Integrated Corrosion Solution segments. However, the increase was offset by higher sales activities in the Oilfield Services segment.

The Group's profit attributable to equity holders of the Company decreased by 6.5% to RM14.7 million against the previous corresponding quarter of RM13.8 million predominantly due to the higher operating expenses incurred for allowance on its slow-moving inventories and impairment on its trade receivables in the Oilfield Services segment. However, these were offset by higher contribution achieved in the Power and Machinery segment, lower other operating expenses incurred in the Integrated Corrosion Solution segment, higher net gain on foreign exchange and lower loss on forward foreign currency exchange contracts 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 of a joint venture was due to higher operating expenses incurred during current quarter.

Share of results from an associate has increased by RM0.2 million mainly due to the higher throughput achieved from both its liquid mud and dry bulk businesses.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q4'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	202,206	263,061	(60,855)	(23.1)
Operating profit	34,480	22,129	12,351	55.8
Profit before interest and tax	33,196	21,504	11,692	54.4
Profit before tax	<u>34,455</u>	<u>22,110</u>	<u>12,345</u>	<u>55.8</u>

The Power and Machinery segment posted a decrease in revenue of RM60.9 million or 23.1% against previous corresponding quarter of RM263.1 million. The decrease was mainly attributable to the decrease in sales value and quantity of exchange engines delivered, sales of turbines parts and repairs and freight income. Nevertheless, these were mitigated by higher commission income from mechanical and processes activities, control and safety valves and flow regulator services, retrofit income and field service representative call out activities.

The segment profit reported an increase of RM12.3 million or 55.8% mainly due to higher gross profit achieved in the current quarter despite lower revenue recorded, higher gain on foreign exchange of RM3.2 million (2022: net gain of RM1.0 million) and lower fair value loss on forward foreign currency exchange contracts of RM0.1 million (2022: net loss of RM4.4 million).

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q4'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	35,702	27,938	7,764	27.8
Operating loss	(3,919)	(5,526)	(1,607)	(29.1)
Loss before interest and tax	(4,003)	(5,574)	(1,571)	(28.2)
Loss before tax	<u>(3,929)</u>	<u>(5,580)</u>	<u>(1,651)</u>	<u>(29.6)</u>

The Oilfield Services segment revenue recorded an increase of RM7.8 million or 27.8% to RM35.7 million as compared to the previous corresponding quarter of RM27.9 million. This was primarily due to higher business activities in the slickline services, solid control services, specialty chemical and stimulation services and asset integrated solution services in West Malaysia.

The segment recorded lower loss before tax of RM3.9 million as compared to the previous corresponding quarter of RM5.6 million mainly due to the higher contributions as a result of higher revenue recorded in the current quarter. However, it was offset by the allowance for slow-moving inventories amounting to RM1.5 million, impairment made on its trade receivables of RM1.2 million (2022: reversal of impairment made on its trade receivables of RM0.5 million), higher loss on foreign exchange of RM0.1 million (2022: net gain of RM0.2 million) and higher other operating expenses incurred in the current quarter.

	Q4'23	Q4'22	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	431	24,269	(23,838)	(98.2)
Operating (loss)/profit	(4,757)	6,847	(11,604)	(169.5)
(Loss)/profit before interest and tax	(4,814)	6,836	(11,650)	(170.4)
(Loss)/profit before tax	<u>(4,757)</u>	<u>6,846</u>	<u>(11,603)</u>	<u>(169.5)</u>

The Integrated Corrosion Solution segment recorded a decrease in revenue by RM23.8 million or 98.2% mainly attributable to lower maintenance activities from alternative blasting and painting jobs in Indonesia as well as its Maintenance, Construction and Modification ("MCM") projects.

The segment reported a loss of RM4.8 million predominantly due to the lower revenue reported in the current quarter but mitigated by lower other operating expenses incurred.

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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 %
	Q4'23 RM'000	Q4'22 RM'000		
<u>Group</u>				
Revenue	791,991	698,049	93,942	13.5
Operating profit	79,409	62,075	17,334	27.9
Share of results of a joint venture, net of tax	1,064	1,147	(83)	(7.2)
Share of results of an associate, net of tax	4,643	5,308	(665)	(12.5)
Profit before interest and tax	79,825	65,853	13,972	21.2
Profit before tax	84,917	67,892	17,025	25.1
Profit from continuing operations	63,351	50,959	12,392	24.3
Profit from discontinued operation	0	283	(283)	(100.0)
Profit attributable to equity holders of the Company	<u>45,735</u>	<u>42,142</u>	<u>3,593</u>	<u>8.5</u>

The Group's revenue increased by RM93.9 million or 13.5% to RM792.0 million against the previous corresponding period of RM698.0 million as a result of stronger revenue contribution from the Power and Machinery segment. However, the increase was offset by lower revenue contribution from the Oilfield Services and Integrated Corrosion Solution segments.

The Group's profit attributable to equity holders of the Company increased by RM3.6 million or 8.5% to RM45.7 million against the previous corresponding cumulative quarters of RM42.1 million. The increase was mainly due to the improved operating profit achieved in the Power and Machinery segment coupled with net gain on foreign exchange of RM3.1 million, fair value gain on forward foreign currency exchange contracts of RM0.9 million and lower other operating expenses incurred in the Integrated Corrosion Solution segment. The higher segment results achieved was however offset by allowance for slow-moving inventories and impairment on its trade receivables in the Oilfield Services segment and the absence of reversal of impairment made on its trade receivables in the Oilfield Services and Integrated Corrosion Solution segments in prior year.

Share of results of a joint venture has decreased slightly due to higher operating expenses incurred during the financial period.

Decrease in the share of results from an associate was mainly attributable to the lower throughput achieved from both its 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 %
	Q4'23 RM'000	Q4'22 RM'000		
<u>Power and Machinery</u>				
Revenue	667,929	504,394	163,535	32.4
Operating profit	99,421	48,182	51,239	106.3
Profit before interest and tax	95,168	45,973	49,195	107.0
Profit before tax	99,332	48,137	51,195	106.4

The Power and Machinery segment reported an increase in revenue by RM163.5 million or 32.4% against the previous corresponding period of RM504.4 million. The increase was mainly attributable to higher sales value and increase in number of exchange engines delivered, higher revenue from control and safety valves and flow regulator services, commission income from mechanical and processes projects, sales of turbines parts and repairs, retrofit income, field service representative call out activities, machinery management systems services and freight income.

The increase in segment profit by RM51.2 million or 106.4% to RM99.3 million against the previous corresponding period of RM48.1 million was in tandem with the higher revenue recorded. The segment also reported a gain on foreign exchange of RM4.3 million and fair value gain on forward foreign currency exchange contracts of RM0.9 million as compared to the previous corresponding period's net loss of RM1.6 million. However, this was offset by lower reversal of impairment made on its trade receivables in the current period of RM0.1 million (2022: RM0.4 million) and higher other operating expenses incurred in the current 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 %
	Q4'23 RM'000	Q4'22 RM'000		
<u>Oilfield Services</u>				
Revenue	118,114	119,302	(1,188)	(1.0)
Operating (loss)/profit	(7,208)	737	(7,945)	(1,078.0)
(Loss)/profit before interest and tax	(7,548)	556	(8,104)	(1,457.6)
 (Loss)/profit before tax	 (7,277)	 347	 (7,624)	 (2,197.1)

The Oilfield Services segment revenue recorded a decrease of RM1.2 million or 1.0% to RM118.1 million as compared to the previous corresponding period of RM119.3 million. This was primarily due to lower activities from asset integrated solution services in East Malaysia, gas lift valve services, slickline activities and specialty chemical and stimulation services.

The segment reported a loss before tax of RM7.3 million in the current period against a profit of RM0.3 million in previous corresponding period due to lower revenue achieved and higher other operating expenses incurred mainly from allowance for slow-moving inventories of RM1.5 million, net impairment made and reversed on its trade receivables of RM0.9 million which was in contrast with previous corresponding period that reported a reversal of impairment of RM3.6 million and loss on foreign exchange of RM0.3 million.

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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 %
	Q4'23 RM'000	Q4'22 RM'000		
<u>Integrated Corrosion Solution</u>				
Revenue	5,210	73,701	(68,491)	(92.9)
Operating (loss)/profit	(8,601)	17,538	(26,139)	(149.0)
(Loss)/profit before interest and tax	(8,832)	17,442	(26,274)	(150.6)
(Loss)/profit before tax	(8,603)	17,534	(26,137)	(149.1)

The segment reported a loss of RM8.6 million against the previous corresponding period profit of RM17.5 million. This was mainly due to lower activities from alternative blasting and painting jobs in Indonesia as well as its MCM projects, higher loss on foreign exchange of RM0.9 million and the absence of reversal of impairment made on its trade receivables of RM0.2 million but was mitigated by lower other operating expenses incurred.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 31 December 2023 stood at RM620.6 million against RM713.8 million at the end of the previous financial year, representing a decrease of RM93.2 million or 13.1%. This was mainly due to a decrease in contract assets by RM88.0 million upon billings made, lower inventories by RM22.3 million due to lower balance from goods in transit as compared to the previous financial year and lower property, plant and equipment by RM19.1 million mainly due to the depreciation charges for the current period. The reduction was however offset by higher cash and bank balances and deferred tax assets balance as at the end of the financial period.

The Group's total liabilities has decreased by RM125.1 million mainly due to lower trade payables balance by RM124.1 million upon payment made, reduction in other payables and accruals by RM5.4 million and repayment of bank borrowings of RM6.8 million. However, this was offset by the increase in contract liabilities by RM13.9 million mainly due to the deferment of deliveries of exchange engines, solar turbines parts and hardware as at financial year end.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances were higher at RM215.9 million as compared to RM178.0 million as at 31 December 2022. The increase was mainly attributable to higher cash flow generated from its operating activities of RM78.8 million in the current financial period.

Higher cash flow generated from operating activities were primarily due to higher billings made for contract assets and favourable inventories management. However, the cash inflow was offset by payments made to trade creditors and other payables and accruals during the financial period.

In investing activities, the Group has paid a total of RM12.1 million for the purchases of plant and equipment and investment made of RM1.2 million. However, the cash outflow was mitigated by the dividend received from an associate of RM7.7 million and interest received of RM4.6 million during the current the financial period.

In financing activities, dividend payments of RM31.4 million have been made to its shareholders and non-controlling interests. There was also an increase in restricted cash of RM8.2 million and repayment of bank borrowings of RM6.8 million for the period under review.

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

<u>Group</u>	Q4'23 RM'000	Q3'23 RM'000	Variance RM'000	Variance %
Revenue	238,650	241,819	(3,169)	(1.3)
Operating profit	24,407	24,216	191	0.8
Share of results of a joint venture, net of tax	133	272	(139)	(51.1)
Share of results of an associate, net of tax	1,446	879	567	64.5
Profit before interest and tax	24,477	23,762	715	3.0
Profit before tax	25,954	25,335	619	2.4
Profit from continuing operations	19,580	18,772	808	4.3
Profit attributable to equity holders of the Company	<u>14,668</u>	<u>12,211</u>	<u>2,457</u>	<u>20.1</u>

The Group's profit attributable to equity holders of the Company has increased by RM2.5 million or 20.1% as compared to the immediate preceding quarter due to higher profit reported by the Power and Machinery segment mainly driven by the higher gain on foreign exchange, fair value gain on forward foreign currency exchange contracts and lower other operating expenses incurred. However, the favourable result was offset by the weaker results achieved in the Oilfield Services segment due to allowance for slow-moving inventories, impairment made on its trade receivables and higher operating expenses incurred in the Integrated Corrosion Solution segment.

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

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

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

	Q4'23	Q3'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	202,206	212,759	(10,553)	(5.0)
Operating profit	34,480	31,238	3,242	10.4
Profit before interest and tax	33,196	29,900	3,296	11.0
Profit before tax	34,455	31,212	3,243	10.4

The Power and Machinery segment reported lower revenue of RM202.2 million as compared to the immediate preceding quarter of RM212.8 million. This was mainly due to lower activities from retrofit income, deliveries of exchange engines and control and safety valves and flow regulator services.

The segment reported higher profit despite lower revenue achieved mainly attributable to higher gain on foreign exchange of RM3.2 million as compared to the immediate preceding quarter with a loss of RM0.9 million, lower loss on forward foreign currency exchange contracts of RM0.1 million and lower other operating expenses incurred.

	Q4'23	Q3'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	35,702	28,011	7,691	27.5
Operating loss	(3,919)	(3,348)	571	17.1
Loss before interest and tax	(4,003)	(3,439)	564	16.4
Loss before tax	(3,929)	(3,350)	579	17.3

The Oilfield Services segment reported higher revenue of RM35.7 million against the immediate preceding quarter of RM28.0 million due to higher activities from slickline activities, solid control services and asset integrated solution services in West Malaysia.

The segment reported a higher loss in current quarter by RM0.6 million to RM3.9 million against the immediate preceding quarter loss of RM3.4 million mainly due to allowance for slow moving inventories and impairment made on its trade receivables of RM1.5 million and RM1.2 million respectively and higher other operating expenses incurred in the current quarter.

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

	Q4'23	Q3'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Integrated Corrosion Solution</u>				
Revenue	431	888	(457)	(51.5)
Operating loss	(4,757)	(2,301)	2,456	106.7
Loss before interest and tax	(4,814)	(2,377)	2,437	102.5
Loss before tax	<u>(4,757)</u>	<u>(2,302)</u>	<u>2,455</u>	<u>106.6</u>

The Integrated Corrosion Solution segment posted a higher loss by RM2.5 million mainly due to lower activities in both activities from its alternative blasting and painting job and MCM contracts, higher loss on foreign exchange of RM0.2 million and higher other operating cost as compared to the immediate preceding quarter.

B3. PROSPECTS

The oil and gas industry is expected to have a solid start in 2024 due in part to the high oil prices, barring further deterioration in the macroeconomic environment.

Against this backdrop, Deleum continues to identify opportunities in the O&G sector, as well as to strengthen our core earning power. Looking to the first quarter, we anticipate the typical slowdown of our activities in view of the monsoon season. While our Power and Machinery segment is expected to continue to deliver its performance, we see potentials in the Oilfield Services segment to grow its Solid Control business. In line with this and to fulfil contractual requirements, we will be increasing the operating expenditure to mobilize additional units of Solid Control equipment in early 2024.

In our Integrated Corrosion Solution segment, we are now actively participating in tenders, with a tender book of over RM500 million as at 31 December 2023. Furthermore, the implementation of enterprise resource planning system is ongoing, and is expected to enhance efficiency within the Group.

In our strategic pursuit of regional expansion, Deleum intends to strengthen our geographical presence in the Indonesian market this year through mergers and acquisitions (M&A). We are actively identifying prospective M&A targets that will add value to Deleum and create synergy for our business model. The potential M&A activities dovetail our aim to achieve transformative growth this year and in the future.

We do not anticipate any significant impact to our business activities in 2024 although geopolitical tensions persist in several regions with the resilient investments by the oil and gas majors.

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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	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
<u>Income tax expenses on continuing operations:</u>				
Current tax:				
Malaysia	5,917	8,925	28,266	13,797
Foreign	0	1,781	0	5,796
Under/(over) provision in prior years	493	(1,246)	(775)	(1,440)
Deferred tax:				
origination and reversal of temporary differences	(1,700)	(3,216)	(8,472)	(1,446)
deferred tax assets not recognised	1,664	374	2,547	226
Total income tax expense	6,374	6,618	21,566	16,933

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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 year ended 31 December 2023 was higher than the headline tax rate as shown below.

	Cumulative quarters ended	
	31/12/2023 %	31/12/2022 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate		
Malaysian tax rate	24	24
<u>Tax effects of:</u>		
- Expenses not deductible for tax purposes	3	2
- Income not subject to tax	(2)	0
- Share of results of associate and joint venture	(2)	(2)
- Deferred tax assets not recognised	3	0
- Over provision in prior years	(1)	(1)
- Effect of different tax rates in other country	0	2
Effective tax rate for continuing operations	25	25

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

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

B7. QUOTED SECURITIES

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

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposal announced which was not completed as of 19 February 2024 (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 31/12/2023 RM'000	As at 31/12/2022 RM'000
Group's share of net assets of joint venture	35,144	34,081

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

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

Summarised statement of comprehensive income

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Profit before tax	236	434	1,762	1,892
Income tax expense	(71)	(109)	(441)	(468)
Profit for the year	165	325	1,321	1,424
Interest in joint venture (80.55%) Share of results	133	262	1,064	1,147

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B10. ASSOCIATE

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Group's share of net assets of associate	22,804	23,921

In the opinion of the Directors, Malaysian Mud and Chemicals Sdn. Bhd. ("2MC") is a material associate of the Group. The Group's effective equity interest in the associate, the nature of the relationship and place of business/country of incorporation are set out in the audited financial statements for the financial year ended 31 December 2022. The associate has share capital consisting solely of ordinary shares, which are held directly by the Group.

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

Summarised statement of comprehensive income

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Profit before tax	6,119	5,051	17,610	22,132
Income tax expense	(1,601)	(1,242)	(3,102)	(5,545)
Profit for the year	<u>4,518</u>	<u>3,809</u>	<u>14,508</u>	<u>16,587</u>
Interest in associate (32%) Share of results	<u>1,446</u>	<u>1,219</u>	<u>4,643</u>	<u>5,308</u>

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B11. TRADE RECEIVABLES

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Neither past due nor impaired	87,936	91,631
1 to 30 days past due not impaired	17,100	22,561
31 to 60 days past due not impaired	1,230	5,164
61 to 90 days past due not impaired	2,680	593
91 to 120 days past due not impaired	2,384	298
More than 121 days past due not impaired	3,637	52
	<hr/>	<hr/>
	114,967	120,299
Past due and impaired:		
More than 121 days past due and impaired	1,527	977
	<hr/>	<hr/>
	116,494	121,276
Less: Impairment of receivables	(1,527)	(977)
	<hr/>	<hr/>
	114,967	120,299
	<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 RM27.0 million (31 December 2022: RM28.7 million) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

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B12. GROUP BORROWINGS

The Group borrowings as at 31 December 2023 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>31/12/2023</u>			
Borrowings - secured	0	0	0
- unsecured	1,515	895	2,410
	<u>1,515</u>	<u>895</u>	<u>2,410</u>
<u>31/12/2022</u>			
Borrowings - secured	4,200	0	4,200
- unsecured	3,412	1,175	4,587
	<u>7,612</u>	<u>1,175</u>	<u>8,787</u>

The borrowings are all denominated in Ringgit Malaysia.

	Note	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Revolving credits	(i)	0	2,580
Lease liabilities on right-of-use assets	(ii)	2,410	2,007
Term loans	(iii)	0	4,200
		<u>2,410</u>	<u>8,787</u>
Less: Amount repayable within 12 months			
Revolving credits		0	(2,580)
Lease liabilities on right-of-use assets		(1,515)	(832)
Term loans		0	(4,200)
		<u>(1,515)</u>	<u>(7,612)</u>
		<u>895</u>	<u>1,175</u>

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B12. GROUP BORROWINGS (Cont'd)

The decrease in borrowings was due to net repayment on term loan of RM4.2 million, revolving credits of RM2.6 million and lease liabilities of RM0.9 million. However, the amount has been offset by the addition in lease liabilities for right-of-use assets of RM0.4 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.60% (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 2.55% to 4.68% per annum.
- (iii) Term loans carry interest rates ranging from 4.19% to 4.45% per annum (1.1% and 1.25% per annum above the KLIBOR). The tenure of the term loans is 3 years.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off-balance sheet financial instrument as at 31 December 2023 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

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B14. DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE

The maintenance, repair and overhaul business unit within the Power and Machinery segment that provides repair, servicing, maintenance and overhaul of motors, generators, transformers and other related services had ceased its active business activities following the Group's decision to exit from this business unit segment.

Profit attributable to the discontinued operation was as follows:

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Revenue	0	0	0	0
Other income	0	0	0	351
Profit before tax	0	0	0	351
Tax expense	0	0	0	(68)
Profit after tax	0	0	0	283

The profit from discontinued operation is attributable entirely to the owners of the Company.

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

	Cumulative quarters ended	
	31/12/2023	31/12/2022
	RM'000	RM'000
Net cash generated from operating activities	0	283
Effect on cash flows	0	283

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B15. MATERIAL LITIGATION

Save as disclosed below, as at 31 December 2023, Deleum Group has not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant and our Board is not aware of any proceedings, pending or threatened, against the Deleum Group or any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Deleum Group.

All the material litigation below relates to Deleum Technology Solutions Sdn. Bhd., a 86.67% owned indirect subsidiary of Deleum Group, and does not relate to Deleum Group and its other subsidiaries.

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

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

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

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

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

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B15. MATERIAL LITIGATION (Cont'd)

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

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

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

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

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

At the Case Management on 30 November 2022, solicitors for the Plaintiff informed that they have filed a letter in Court on 22 November 2022 enclosing the DGI's approval of the Plaintiff's application for sanction to continue the above action.

Pursuant to the Hearing of the Appeal held on 12 January 2023, the Court of Appeal has granted the following Orders in favour of the Plaintiff:

- (a) Judgment for the sum of RM1,400,500.00 for outstanding invoices, as pleaded in the Statement of Claim;
- (b) Interest at the rate of 5% per annum on the judgment sum from the date of filing of the Suit, 21 August 2020, until the date of full settlement; and
- (c) Costs of RM10,000.00 be paid to the Plaintiff, subject to payment of the Allocatur fee.

Item 1 and 3 have been paid to the Plaintiff on 23 February 2023 whilst item 2 was paid on 3 March 2023.

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B15. MATERIAL LITIGATION (Cont'd)

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

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

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

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

- (a) Amend the original claim sum from RM1,568,048.66 to an amended claim sum of RM2,184,584.45; and
- (b) Withdraw their claim for a declaration and injunction as the amended claim sum has rendered the declaration and injunction as no longer applicable.

The amendments have been sought on the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM616,535.79 became due and payable on 3 December 2020 (i.e. after the filing of their suit on 23 November 2020). Therefore, the Plaintiff has included the invoice amount in the total sum claimed.

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

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

- (a) Judgment for the sum of RM2,184,584.45 being the total sum from invoices allegedly outstanding;
- (b) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (c) Costs; and
- (d) Any other relief deemed fit by the High Court.

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

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B15. MATERIAL LITIGATION (Cont'd)

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

Following the conclusion of the trial on 23 March 2023, the following decisions were delivered by the High Court on 24 May 2023:

- (a) Defendant is to pay the judgment sum of RM2,184,584.45 to the Plaintiff as well as 5% interest per annum on the judgment sum until full settlement; and
- (b) Defendant is to pay RM100,000.00 as the costs of the Suit to the Plaintiff.

The above decisions do not have material financial impact on the Group for the financial year ending 31 December 2023.

The case has been reviewed and considered and it has been decided not to proceed with the appeal at the Court of Appeal.

Item (a) and (b) have been paid to the Plaintiff on 10 August 2023.

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Technology Solutions Sdn. Bhd. (“Plaintiff”) against Mazrin bin Ramli & 9 Others (“Defendants”)

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

(a) Filing of the amended statement of claim

Pursuant to the winding up of D8 and a forensic report prepared by VLC dated 19 March 2023, DTS has filed an application to amend its Statement of Claim on 12 April 2023 which has been allowed by the Court and the Amended Statement of Claim has been filed on 25 September 2023. The amended Defence by D1-D4 was filed on 18 October 2023 and the Plaintiff has filed its amended reply on 15 December 2023.

During the case management on 30 November 2023, the Court has directed that the case management in relation to the amended Statement of Claim is fixed on 28 February 2024 to update on the status of the pre-trial documents.

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B15. MATERIAL LITIGATION (Cont'd)

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Technology Solutions Sdn. Bhd. (“Plaintiff”) against Mazrin bin Ramli & 9 Others (“Defendants”) (Cont'd)

(b) Contempt of court proceeding against D1 to D4, D8 and D10

Pursuant to the Recusal Application filed by the 6 Defendants on 9 March 2021, Plaintiff has, on 1 April 2022, vide its solicitors, Messrs. Ranjit Singh & Yeoh, filed an application for leave to apply for a committal order against Defendant No. 1 to Defendant No. 4, Syarifuddin bin Abdul Wahab, a director of Defendant No. 8 and Zul Hafizi bin Zainal Karib, a director of Defendant No. 10, for having committed contempt of Court.

During the Hearing on 21 November 2022, in relation to DTS Application for Leave to Apply for an Order of Committal against all the above and dismissed the same against Zul Hafizi bin Zainal Karib, a director of D10, with no order as to cost.

Pursuant to the above, DTS have filed an Application for an Order of Committal against all of the above except for Zul Hafizi bin Zainal Karib, a director of D10.

During the case management for the Application on 30 November 2023, the Court has fixed a hearing date for the contempt application on 23 January 2023 which has been rescheduled to 15 April 2024 at the request of the Defendants.

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B16. DIVIDEND

The board of Directors have, in respect of financial year ended 31 December 2023, declared a second interim single tier dividend of 3.70 sen per share on 401,553,500 ordinary shares.

The dividend will be payable on 29 March 2024 to shareholders of ordinary shares whose names appear in Record of Depositors at the close of business on 13 March 2024.

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 13 March 2024 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 2023 is 5.70 sen per ordinary share.

There will be no final dividend declared for the financial year ended 31 December 2023.

B17. EARNINGS PER SHARE (“EPS”)

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

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Basic/Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)				
- Continuing operations	14,668	13,768	45,735	41,859
- Discontinued operation	0	0	0	283
	14,668	13,768	45,735	42,142
Weighted average number of shares in issue ('000)	401,554	401,554	401,554	401,554
Basic/Diluted earnings per share (sen)				
- Continuing operations	3.65	3.43	11.39	10.42
- Discontinued operation	0.00	0.00	0.00	0.07
Basic/Diluted earnings per share	3.65	3.43	11.39	10.49

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B18. PROFIT BEFORE TAX

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

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Inventories consumed and recognised as cost of sales	33,284	55,484	121,597	125,254
Purchase of products, parts and consumable	13,927	20,459	39,747	31,071
Costs of services purchased	122,080	179,764	388,562	312,637
Interest income	(1,509)	(724)	(5,092)	(2,677)
Other income including investment income	(262)	(506)	(1,479)	(1,262)
Accretion of income on other receivable	(16)	(28)	(147)	(112)
Interest expenses	32	114	199	638
Depreciation and amortisation	8,337	8,247	32,970	33,532
Write-back of impairment				
- Trade receivables	(15)	(426)	(465)	(4,069)
- Contract assets	0	(98)	0	(98)
Write off of impairment				
- Trade receivable	(220)	(1,523)	(220)	(1,523)
Impairment for doubtful debts				
- Trade receivables	1,235	0	1,235	24
- Other receivables	26	359	26	359
Allowance for slow moving inventories	2,211	969	2,901	2,202
Write back of allowance for slow moving inventories	(125)	(180)	(726)	(258)
Write back of allowance for foreseeable loss	(107)	0	(107)	0
Net fair value gain on investment	61	(882)	(6)	(882)

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B18. PROFIT BEFORE TAX (Cont'd)

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

	Individual quarter ended		Cumulative quarters ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Inventories written off	161	511	255	526
Amortisation of government grants	(13)	(13)	(53)	(53)
Loss/(gain) on disposals of plant and equipment	1	0	(58)	(2,004)
Loss on lease disposal	0	0	0	8
Plant and equipment written-off	55	5	55	5
Foreign exchange (gain)/loss				
- Realised	120	(178)	(2,206)	(3,038)
- Unrealised	(3,083)	(825)	(888)	416
Provision for liquidated damages	1,354	389	1,799	451
Write back of provision of liquidated damages	0	0	(99)	(108)
Fair value loss/(gain) on forward foreign currency exchange contracts	94	4,335	(940)	1,611
Loss on liquidation of a subsidiary	0	1	0	353

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

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B19. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2022 was unqualified.

B20. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 26 February 2024.

By order of the Board

Suliana Binti Rosli (MAICSA No. 7057610)
Mohd Shahid Bin Zainol Abidin (MAICSA No. 7069754)
Company Secretaries
Kuala Lumpur
26 February 2024