

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2024

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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 MARCH 2024

RM'000	QUARTER AND YEAR TO DATE ENDED	
	QUARTER ENDED	QUARTER ENDED
	31/03/2024	31/3/2023
	Unaudited	Unaudited
Continuing operations		
Revenue	A11 161,419	123,443
Cost of sales	(123,416)	(94,170)
Gross profit	38,003	29,273
Other operating income	2,049	1,442
Selling and distribution costs	(9,285)	(9,352)
Administrative expenses	(14,289)	(11,674)
Other operating (expenses)/gains ⁽¹⁾	(1,060)	3,829
Operating profit	15,418	13,518
Finance costs	(33)	(84)
Share of results of a joint venture (net of tax)	B9 287	344
Share of results of an associate (net of tax)	B10 1,606	1,505
Profit before tax	B18 17,278	15,283
Tax expense	B5 (4,562)	(3,106)
Profit for the period	12,716	12,177
Currency translation differences	5	0
Reclassification adjustment relating to a subsidiary liquidated during the period	1,686	0
Total comprehensive income for the period	14,407	12,177
Profit attributable to:		
- Equity holders of the Company	9,243	9,124
- Non-controlling interests	3,473	3,053
	12,716	12,177
Total comprehensive income attributable to:		
- Equity holders of the Company	10,931	9,124
- Non-controlling interests	3,476	3,053
	14,407	12,177
Basic/Diluted earnings per share (EPS) attributable to equity holders of the Company (sen)	2.30	2.27
⁽¹⁾ Other operating (expenses)/gains include the following:		
Foreign exchange gains/(losses):		
- Realised	2,214	3,461
- Unrealised	(2,107)	(1,359)
Fair value gain on forward foreign currency exchange contracts	259	1,352
Write back/(Impairment) made:		
- trade receivables	626	6
- other receivables	(12)	0
Inventories (written-off)/written back	(19)	230

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 2023 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 MARCH 2024

RM'000	Note	As at 31/03/2024 Unaudited	As at 31/12/2023 Audited
ASSETS			
Property, plant and equipment*		86,510	91,145
Investment properties		671	677
Intangible assets		186	188
Associate	B10	24,410	22,804
Joint venture	B9	35,431	35,144
Deferred tax assets		6,362	5,974
Other receivables		1,917	2,653
Other investment		1,182	1,167
Non-current Assets		156,669	159,752
Inventories		27,283	17,736
Amounts due from an associate		1	0
Amounts due from a joint venture		178	369
Trade receivables	B11	57,059	114,967
Contract assets		104,924	90,597
Other receivables, deposits and prepayments		21,941	19,660
Tax recoverable		1,367	1,674
Cash and bank balances		279,847	215,880
Current Assets		492,600	460,883
TOTAL ASSETS		649,269	620,635
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		257,676	263,290
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(14)	(1,702)
Equity attributable to equity holders of the Company		409,464	413,390
Non-controlling interests		34,087	33,061
Total Equity		443,551	446,451
Borrowings	B12	5,630	895
Deferred income		197	206
Deferred tax liabilities		11,296	12,458
Non-current Liabilities		17,123	13,559
Trade payables		126,905	95,671
Contract liabilities		17,919	19,475
Other payables and accruals		34,107	34,341
Derivative financial instrument	A7	90	338
Provision for taxation		8,174	9,285
Borrowings	B12	1,400	1,515
Current Liabilities		188,595	160,625
Total Liabilities		205,718	174,184
TOTAL EQUITY AND LIABILITIES		649,269	620,635

* 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 2023 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2024

	← Attributable to equity holders of the Company →					Non-controlling interests	Total equity	
	Issued and fully paid ordinary shares	-----Non-distributable-----		Distributable	Total			
	Number of shares '000	Share capital RM'000	Foreign currency translation RM'000	Merger deficit RM'000		Retained earnings RM'000	RM'000	RM'000
At 1 January 2023	401,553	201,802	(1,686)	(50,000)	238,637	388,753	25,793	414,546
Profit for the financial period/ Total comprehensive income	0	0	0	0	9,124	9,124	3,053	12,177
Dividend					(13,050)	(13,050)	(1,960)	(15,010)
At 31 March 2023	<u>401,553</u>	<u>201,802</u>	<u>(1,686)</u>	<u>(50,000)</u>	<u>234,711</u>	<u>384,827</u>	<u>26,886</u>	<u>411,713</u>
At 1 January 2024	401,553	201,802	(1,702)	(50,000)	263,290	413,390	33,061	446,451
Profit for the financial period	0	0	0	0	9,243	9,243	3,473	12,716
Other comprehensive income for the financial period	0	0	2	0	0	2	3	5
Reclassification adjustment relating to a subsidiary liquidated during the financial period	0	0	1,686	0	0	1,686	0	1,686
Profit for the financial period/ Total comprehensive income	0	0	1,688	0	9,243	10,931	3,476	14,407
Dividend	0	0	0	0	(14,857)	(14,857)	(2,450)	(17,307)
At 31 March 2024	<u>401,553</u>	<u>201,802</u>	<u>(14)</u>	<u>(50,000)</u>	<u>257,676</u>	<u>409,464</u>	<u>34,087</u>	<u>443,551</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 2023 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2024

RM'000	QUARTER AND YEAR TO DATE ENDED	
	31/03/2024	31/3/2023
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	12,716	12,177
<u>Adjustments for:</u>		
Trade receivables		
- write back of impairment	(626)	(6)
Other receivable		
- impairment made	12	0
Allowance for slow moving inventories:		
- allowance made	200	363
- write back of allowance	(775)	(41)
Provision for liquidated damages		
- provision made	0	293
- write back of provision	(24)	0
Amortisation of intangible assets	2	9
Accretion of income on other long-term receivable	(28)	(26)
Depreciation:		
- property, plant and equipment*	7,742	8,131
- investment properties	6	6
Write back of inventories	0	(230)
Bad debts recovered:		
Amortisation of government grants	(9)	(13)
Gain on disposals of plant and equipment	0	(44)
Write off:		
- property, plant and equipment	9	0
- inventories	19	0
Interest income	(1,772)	(886)
Finance costs	33	84
Share of results of an associate	(1,606)	(1,505)
Share of results of a joint venture	(287)	(344)
Tax expense	4,562	3,106
Unrealised net foreign exchange loss	2,107	1,359
Net fair value gain on forward foreign currency exchange contracts	(259)	(1,352)
Loss on liquidation of a subsidiary	1,686	0
Operating profit before working capital changes	23,708	21,081
<u>Changes in working capital</u>		
Inventories	(8,991)	16,882
Trade receivables	58,445	45,870
Contract assets	(13,671)	110,461
Other receivables, deposits and prepayments	(1,141)	2,677
Trade payables	26,820	(145,073)
Other payables and accruals	1,085	(8,775)
Contract liabilities	(1,556)	7,497
Cash generated from operations	84,699	50,620
Tax paid	(6,915)	(3,561)
Interest paid	(23)	(77)
Net cash generated from operating activities	77,761	46,982

* Inclusive of right-of-use assets.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2024

RM'000	YEAR TO-DATE-ENDED	
	31/03/2024	31/3/2023
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,469	696
Purchase of plant and equipment	(3,115)	(1,539)
Proceeds from disposals of plant and equipment	0	44
Dividend received from an associate	(2)	1,921
Amounts due to an associate	1	0
Amounts due from a joint venture	191	138
Net cash (used in)/generated from investing activities	(1,456)	1,260
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	5,000	0
- Repayment	0	(1,140)
Term loans		
- Repayment	0	(1,800)
Lease liabilities on right-of-use assets		
- Repayment	(381)	(303)
Dividends paid to:		
- Shareholders	(14,857)	(13,050)
- Non-controlling interests	(2,450)	(1,960)
Decrease/(increase) in restricted cash	8,260	(10,129)
Net cash used in financing activities	(4,428)	(28,382)
Net increase in cash and cash equivalents	71,877	19,860
Foreign currency translation	350	(266)
Cash and cash equivalents at beginning of the year	198,244	168,540
Cash and cash equivalents at end of period	270,471	188,134
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Deposits with licensed banks	274,378	194,246
Cash and bank balances	5,469	13,492
	279,847	207,738
Restricted cash	(9,376)	(19,604)
Cash and cash equivalents at end of period	270,471	188,134
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	261,639	171,242
US Dollar	8,646	16,857
Others	186	35
	270,471	188,134

The above consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2024

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 2023 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 2023.

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 2023.

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 2024:

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

The adoption of the above amendments to published standards did not have any material impact to the Group financial results for the financial year ending 31 December 2024 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 2025:

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

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
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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 March 2024 is set out in Note A7.

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

	As at 31/03/2024		As at 31/12/2023	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	60,411	104,532	76,323	92,883
Others	3,853	3,598	8,212	519
	<u>64,264</u>	<u>108,130</u>	<u>84,535</u>	<u>93,402</u>
Closing exchange rate				
US Dollar	<u>4.729</u>	<u>4.729</u>	<u>4.592</u>	<u>4.592</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 31 March 2024, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM43,250,000 (31 December 2023: RM28,005,000).

Type of derivatives	As at 31/03/2024		As at 31/12/2023	
	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	43,250	(90)	28,005	(338)
	43,250	(90)	28,005	(338)

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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 March 2024 amounted to a fair value loss of RM90,000 (31 December 2023: fair value loss of RM338,000).

A9. DIVIDENDS PAID

During the first quarter under review, the Company paid the following first interim single tier dividend of 3.70 sen per share on 401,553,500 ordinary shares in respect of the financial year ended 31 December 2023.

	RM'000
Second interim single tier dividend of 3.70 sen per share on 401,553,500 ordinary shares, paid on 29 March 2024	<u><u>14,857</u></u>

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2024

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 2024.

Segmental information for the financial period ended 31 March 2024 was as follows:

	Quarter and year-to-date ended	
	31/03/2024	31/03/2023
	RM'000	RM'000
<u>Segment Revenue</u>		
External revenue		
Power and Machinery	129,506	97,649
Oilfield Services	31,203	22,817
Integrated Corrosion Solution	547	2,857
Other non-reportable segment	163	120
Total Group revenue	161,419	123,443

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

A10. SEGMENT INFORMATION (Cont'd)

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
<u>Segment Results</u>		
Power and Machinery	21,857	16,368
Oilfield Services	(194)	(2,229)
Integrated Corrosion Solution	(3,232)	42
Other non-reportable segment	15	11
Segment results	18,446	14,192
Unallocated income ^	115	111
Unallocated corporate expenses #	(3,176)	(869)
Share of results of a joint venture *	287	344
Share of results of an associate *	1,606	1,505
Tax expense (Note B5) *	(4,562)	(3,106)
Profit for the year	12,716	12,177

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

A10. SEGMENT INFORMATION (Cont'd)

	As at 31/03/2024 RM'000	As at 31/12/2023 RM'000
<u>Segment Assets</u>		
Power and Machinery	380,299	365,084
Oilfield Services	161,145	153,101
Integrated Corrosion Solution	8,189	11,705
Segment assets	549,633	529,890
Unallocated corporate assets ^	99,636	90,745
Total assets	649,269	620,635

	As at 31/03/2024 RM'000	As at 31/12/2023 RM'000
<u>Segment Liabilities</u>		
Power and Machinery	153,206	128,412
Oilfield Services	23,153	15,906
Integrated Corrosion Solution	3,056	2,535
Segment liabilities	179,415	146,853
Unallocated corporate liabilities #	26,303	27,331
Total liabilities	205,718	174,184

^ 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

	Quarter and year-to-date ended	
	31/03/2024	31/03/2023
	RM'000	RM'000
Revenue from contracts with customers:		
- Goods and services	161,256	123,323
- Management fee	163	120
	161,419	123,443

Revenue from contracts with customers:

Type of goods and services

	Quarter and year-to-date ended	
	31/03/2024	31/03/2023
	RM'000	RM'000
Sale of gas turbine packages and after sales support and services	98,020	75,513
Commission based income services	1,856	2,025
Principal based income services	3,917	6,039
Sale of valves and flow regulators and after sales support and services	25,750	14,235
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	25,957	21,472
Provision of specialty chemical and well stimulation services	1,526	1,182
Provision of solid control services	3,683	0
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	547	17
Provision of maintenance, construction and modification services	0	2,840
	161,256	123,323

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

A12. ACQUISITIONS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter and cumulative quarters ended 31 March 2024, the acquisitions of plant and equipment and intangible assets by the Group were as follows:

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
Acquisitions at cost:		
- Plant and equipment*	3,115	2,306

* Included in the acquisition of plant and equipment is addition of right-of-use assets of RM Nil (31 December 2023: RM1,765,086).

A13. MATERIAL EVENTS DURING THE REPORTING DATE

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

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

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.

On 2 February 2024, VSM Technology Sdn Bhd, a dormant indirect subsidiary, has been dissolved pursuant to Section 551(3) of the Companies Act 2016.

On 11 March 2024, a new indirect subsidiary, Deleum Services (Sarawak) Sdn Bhd, was incorporated. Deleum Services Sdn Bhd ("DSSB"), a wholly owned subsidiary of the Company, holds 9 ordinary shares, representing 90% of the total paid up share capital.

A16. CONTINGENT LIABILITIES/ASSETS

As at 31 March 2024, 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 RM36.7 million (31 December 2023: RM35.5 million).

A17. COMMITMENTS

Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 31 March 2024 were as follows:

	As at 31/03/2024	As at 31/12/2023
	RM'000	RM'000
Authorised but not contracted for		
- Plant and machinery	33,376	47,445
- Others	4,937	6,078
Authorised and contracted for		
- Plant and machinery	14,650	6,563
- Others	927	497
	53,890	60,583
Share of capital commitment of joint venture	791	905
	54,681	61,488

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

A18. RELATED PARTY DISCLOSURES

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

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	1,146	847
Rental income from an affiliate company of STICO	14	14
Purchases and technical services from STICO and its affiliated companies	60,748	38,917

Significant outstanding balances arising from the above transactions as at 31 March 2024 were as follows:

	31/03/2024 RM'000	31/12/2023 RM'000
Amount due from STICO and its affiliated companies	5,288	3,410
Amount due to STICO and its affiliated companies	51,913	62,065

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

A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
Sales to related parties of Dresser Italia S.R.L	72	26
Purchases of goods and services from related parties of Dresser Italia S.R.L	11,294	7,640

Significant outstanding balances arising from the above transactions as at 31 March 2024 were as follows:

	31/03/2024 RM'000	31/12/2023 RM'000
Amount due from related parties of Dresser Italia S.R.L	70	321
Amount due to related parties of Dresser Italia S.R.L	9,465	6,089

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

A18. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
Sales to STICO	1,000	1,000
Rental income from affiliate company of STICO	141	141

Outstanding balance arising from the above transactions as at 31 March 2024 was as follows:

	31/03/2024 RM'000	31/12/2023 RM'000
Amount due from STICO and its affiliated company	1,000	0

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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:

	Quarter and year-to-date ended	
	31/03/2024	31/03/2023
	RM'000	RM'000
Directors' fees	128	173
Salaries, bonuses, allowances and other staff related expenses	2,350	2,416
Defined contribution plan	259	255
	2,737	2,844

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

	Quarter and year-to-date ended	
	31/03/2024	31/03/2023
	RM'000	RM'000
Provision for general and financial advisory services	52	0

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B1. PERFORMANCE REVIEW

(A) Performance of the current quarter against the corresponding quarter

<u>Group</u>	Q1'24	Q1'23	Variance	Variance
	RM'000	RM'000	RM'000	%
Revenue	161,419	123,443	37,976	30.8
Operating profit	15,418	13,518	1,900	14.1
Share of results of a joint venture, net of tax	287	344	(57)	(16.6)
Share of results of an associate, net of tax	1,606	1,505	101	6.7
Profit before interest and tax	15,539	14,481	1,058	7.3
Profit before tax	17,278	15,283	1,995	13.1
Profit for the period	12,716	12,177	539	4.4
Profit attributable to equity holders of the Company	<u>9,243</u>	<u>9,124</u>	<u>119</u>	<u>1.3</u>

The Group's reported an increase in revenue by RM38.0 million to RM161.4 million against the previous corresponding quarter of RM123.4 million. The increase was mainly due to higher revenue generated from the Power and Machinery and Oilfield Services segments. However, the increase was offset by lower activities from the Integrated Corrosion Solution segment.

The Group's profit attributable to equity holders of the Company increased marginally to RM9.2 million against the previous corresponding quarter of RM9.1 million predominantly due to higher contribution reported in the Power and Machinery and Oilfield Services segments and reversal of provision made on its trade receivables in the Oilfield Services segment. However, the higher results were offset by the higher other operating expenses incurred and lower net foreign exchange gain reported in three segments of RM0.1 million (Q1 '23: net gain of RM2.1 million) and lower gain on forward foreign currency exchange contracts in the Power and Machinery segment of RM0.3 million (Q1 '23: net gain of RM1.4 million).

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 the current quarter.

Share of results from an associate has increased by RM0.1 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)

	Q1'24 RM'000	Q1'23 RM'000	Variance RM'000	Variance %
<u>Power and Machinery</u>				
Revenue	129,506	97,649	31,857	32.6
Operating profit	21,873	16,388	5,485	33.5
Profit before interest and tax	20,276	15,636	4,640	29.7
Profit before tax	21,857	16,368	5,489	33.5

The Power and Machinery segment posted an increase in revenue by RM31.9 million or 32.6% to RM129.5 million against previous corresponding quarter of RM97.6 million. The increase was mainly attributable to the higher sales value and quantity of exchange engines delivered, control and safety valves and flow regulator services, machinery management system services and sales of turbines parts and repairs. However, the increase was offset by lower retrofit income and commission income from mechanical and processes business.

The segment reported an increase in profit of RM5.5 million or 33.5% mainly due to higher gross profit achieved in the current quarter in tandem with higher revenue recorded. However, the improved profit was reduced by higher other operating expenses incurred in the current period which mainly derived from lower gain on foreign exchange of RM0.2 million (2023: net gain of RM2.8 million) and lower gain on forward foreign currency exchange contracts of RM0.3 million (2023: net gain of RM1.4 million).

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q1'24 RM'000	Q1'23 RM'000	Variance RM'000	Variance %
<u>Oilfield Services</u>				
Revenue	31,203	22,817	8,386	36.8
Operating loss	(177)	(2,192)	(2,015)	(91.9)
Loss before interest and tax	(228)	(2,258)	(2,030)	(89.9)
Loss before tax	<u>(194)</u>	<u>(2,229)</u>	<u>(2,035)</u>	<u>(91.3)</u>

The Oilfield Services segment reported an increase in revenue by RM8.4 million or 36.8% to RM31.2 million as compared to the previous corresponding quarter of RM22.8 million. This was primarily due to higher business activities in the asset integrated solution services, solid control services, slickline activities in West Malaysia and specialty chemical and stimulation services.

The segment recorded lower loss before tax by RM2.0 million as compared to the corresponding quarter loss of RM2.2 million mainly due to the higher contributions achieved in the current quarter and reversal of provision made on its trade receivables of RM0.6 million.

	Q1'24 RM'000	Q1'23 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	547	2,857	(2,310)	(80.9)
Operating (loss)/profit	(3,232)	43	(3,275)	(7,616.3)
(Loss)/profit before interest and tax	(3,269)	15	(3,284)	(21,893.3)
(Loss)/profit before tax	<u>(3,232)</u>	<u>42</u>	<u>(3,274)</u>	<u>(7,795.2)</u>

The Integrated Corrosion Solution segment recorded a decrease in revenue by RM2.3 million or 80.9% mainly attributable to lower maintenance activities from its Maintenance, Construction and Modification ("MCM") projects but mitigated by the higher activities from alternative blasting and painting jobs in Indonesia.

The segment reported a loss of RM3.2 million predominantly due to the lower revenue reported and higher other operating expenses incurred in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 31 March 2024 stood at RM649.3 million against RM620.6 million at the end of the previous financial year, representing an increase of RM28.7 million or 4.6%. This was mainly due to an increase in contract assets by RM14.3 million upon the completion of projects towards end of the financial period and higher cash and bank balances by RM64.0 million. However, these were offset by lower trade receivables balances by RM57.9 million upon collections made and lower property plant and equipment due to the depreciation charges in the current financial period.

The Group's total liabilities has increased by RM31.5 million mainly due to higher trade payables balance by RM31.2 million and borrowings by RM4.6 million. However, these were offset by the reduction in contract liabilities by RM1.6 million, deferred tax liabilities by RM1.2 million, other payables and accruals by RM1.1 million and provision for taxation by RM1.1 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances were higher at RM279.8 million as compared to RM215.9 million as at 31 December 2023. The increase was mainly attributable to higher cash flow generated from its operating activities of RM77.8 million in the current financial period.

Higher cash flow generated from operating activities were primarily due to higher collections received from the trade receivables and lower payments made to the trade and other payables and accruals mainly due to the amount not yet due as of financial period end.

In Group's investing activities, the Group has paid a total of RM3.1 million for the purchase of plant and equipment but mitigated by interest received of RM1.5 million during the current financial period.

With regards to Group's financing activities, a total of RM17.3 million dividend payments have been made to its shareholders and non-controlling interests. The cash outflow from financing activities was mitigated by a decrease in restricted cash of RM8.3 million and draw-down of bank borrowings of RM5.0 million during the period.

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

<u>Group</u>	Q1'24 RM'000	Q4'23 RM'000	Variance RM'000	Variance %
Revenue	161,419	238,650	(77,231)	(32.4)
Operating profit	15,418	24,407	(8,989)	(36.8)
Share of results of a joint venture, net of tax	287	133	154	115.8
Share of results of an associate, net of tax	1,606	1,446	160	11.1
Profit before interest and tax	15,539	24,477	(8,938)	(36.5)
Profit before tax	17,278	25,954	(8,676)	(33.4)
Profit for the period	12,716	19,580	(6,864)	(35.1)
Profit attributable to equity holders of the Company	<u>9,243</u>	<u>14,668</u>	<u>(5,425)</u>	<u>(37.0)</u>

The Group's profit attributable to equity holders of the Company decreased by RM5.4 million or 37.0% as compared to the immediate preceding quarter mainly due to lower operating profit achieved in the Power and Machinery segment. In addition, the quarter recorded a lower net gain on foreign exchange of RM0.1 million against a net gain of RM3.0 million in the immediate preceding quarter. However, the lower results were mitigated by reversal of impairment made on its trade receivables in the Oilfield Services segment of RM0.6 million, gain on forward foreign currency exchange contracts in the Power and Machinery segment and lower other operating expenses incurred in the Oilfield Services and Integrated Corrosion Solution segments.

Share of results of a joint venture was higher due to lower 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)

	Q1'24	Q4'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	129,506	202,206	(72,700)	(36.0)
Operating profit	21,873	34,480	(12,607)	(36.6)
Profit before interest and tax	20,276	33,196	(12,920)	(38.9)
Profit before tax	<u>21,857</u>	<u>34,455</u>	<u>(12,598)</u>	<u>(36.6)</u>

The Power and Machinery segment reported lower revenue by RM72.7 million as compared to the immediate preceding quarter of RM202.2 million. This was mainly due to lower activities from deliveries of exchange engines, control and safety valves and flow regulator services, commission income from mechanical and processes business, sales of turbines parts and repairs, freight income, retrofit income and lower call out for field service representatives' activities.

The segment reported a lower profit mainly attributable to lower gross profit achieved in the current quarter, lower gain on foreign exchange of RM0.2 million (Q4 '23: gain of RM3.2 million) and higher other operating expenses incurred in the current quarter. However, these were mitigated by gain on forward foreign currency exchange contracts of RM0.3 million (Q4 '23: loss of RM0.1 million).

	Q1'24	Q4'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Services</u>				
Revenue	31,203	35,702	(4,499)	(12.6)
Operating loss	(177)	(3,919)	(3,742)	(95.5)
Loss before interest and tax	(228)	(4,003)	(3,775)	(94.3)
Loss before tax	<u>(194)</u>	<u>(3,929)</u>	<u>(3,735)</u>	<u>(95.1)</u>

The Oilfield Services segment reported lower revenue by RM4.5 million to RM31.2 million against the immediate preceding quarter of RM35.7 million due to lower activities from slickline activities and asset integrated solution services in West Malaysia.

The segment reported a lower loss in current quarter by RM3.7 million to RM0.2 million against the immediate preceding quarter loss of RM3.9 million mainly due to reversal of impairment made on its trade receivables of RM0.6 million as compared to the impairment made of RM1.2 million in the immediate preceding quarter and lower other operating expenses incurred in the current quarter. However, the improvement in results were offset by the lower gross profit achieved which was in tandem with the lower revenue recorded in the current period.

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

	Q1'24 RM'000	Q4'23 RM'000	Variance RM'000	Variance %
<u>Integrated Corrosion Solution</u>				
Revenue	547	431	116	26.9
Operating loss	(3,232)	(4,757)	(1,525)	(32.1)
Loss before interest and tax	(3,269)	(4,814)	(1,545)	(32.1)
Loss before tax	<u>(3,232)</u>	<u>(4,757)</u>	<u>(1,525)</u>	<u>(32.1)</u>

The Integrated Corrosion Solution segment posted a lower loss by RM1.5 million mainly due to higher gross profit achieved from alternative blasting and painting jobs in Indonesia, lower loss on foreign exchange by RM0.2 million and lower other operating cost as compared to the immediate preceding quarter.

B3. PROSPECTS

The oil and gas industry's prospects remain positive for 2024, attributable to sustained high oil prices and increasing investments in energy production globally. This outlook is backed by continued tight oil supply, heightened geopolitical risk, and growing global demand for energy, driven by developing nations and the Artificial Intelligence industry. Against this backdrop, energy equipment and service providers like Deleum stand to benefit from the opportunities.

Deleum's recent collaborations with technology firms such as LatConnect 60 Ltd and Paradigm Technology Services BV, investment in CRA Tubulars B.V., as well as the potential acquisition of a 70% stake in PT OSA Industries Indonesia, reflects our proactive approach to tap into growth opportunities. The Group is actively pursuing other potentials and is open to allocating capital for further investments in mergers and acquisitions activities.

As we move forward in the financial year 2024, the Group remains optimistic about its growth trajectory but is also mindful of risks and uncertainties that might affect the businesses. This optimism is driven by strategic expansions and anticipated healthy financial performance across all segments. The Group will strive to sustain its competitiveness within the market and strengthen the position in the industry with the target to bring growth in its financial performance for the financial year ending 2024.

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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

	Quarter and year-to-date ended	
	31/03/2024	31/03/2023
	RM'000	RM'000
Current tax:		
- Malaysia	4,218	5,096
Deferred tax:		
- origination and reversal of temporary differences	(158)	(1,824)
- recognition of previously unrecognised temporary differences	0	(244)
- deferred tax assets not recognised	502	78
Total income tax expense	4,562	3,106

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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 31 March 2024 was higher than the headline tax rate as shown below.

	Quarter and year-to-date ended	
	31/03/2024 %	31/03/2023 %
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	1
- Income not subject to tax	(1)	(1)
- Share of results of associate and joint venture	(3)	(3)
- Deferred tax assets not recognised	3	1
- Recognition of previously unrecognised temporary differences	0	(2)
Effective tax rate for continuing operations	26	20

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

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

B7. QUOTED SECURITIES

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

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposal announced which was not completed as of 21 May 2024 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report) other than as set out below.

1. Proposed subscription of new ordinary shared in LatConnect 60 Limited

The Company, on 1 April 2024 announced that a wholly-owned subsidiary of Deleum Berhad (“Deleum” or the “Company”), Deleum Services Sdn Bhd (“DSSB”), had signed Share Placement Offer and Application Forms (“Forms”) for the subscription of 869,565 new ordinary shares (“the Shares”) representing 7.7% of the enlarged equity interest in LatConnect 60 Limited (“Lat60”) (Australian Company Number: 635 426 149) for a total purchase consideration of AU\$1,530,434.40 (equivalent to approximately RM4,718,023.17) representing AU\$1.76 (equivalent to approximately RM5.43) per Sale Share (the “Purchase Consideration”).

The Proposed Subscription is a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) as Datuk Vivekananthan a/l M.V. Nathan, a Director and major shareholder of the Company, is deemed interested in the Proposed Subscription.

The Proposed Subscription will be undertaken in 2 stages based on the following payment structure:

- (i) Subscription of 434,783 shares (“First Subscription”) Purchase Consideration for the First Subscription amounting to AU\$765,218.08 (equivalent to approximately RM2,359,014.30*) will be payable on 1 April 2024 and upon receipt of payment by Lat60, 434,783 shares representing 3.85% of the enlarged issued share capital of Lat60 will be allotted to DSSB; and
- (ii) Subscription of 434,782 (“Second Subscription”) Purchase Consideration for the Second Subscription amounting to AU\$765,216.32 (equivalent to approximately RM2,359,008.87*) will be payable within 14 days upon Lat60 securing another investor subscribing to Lat60’s shares for the purpose of financing the development of Lat60’s constellation of Very High Resolution Emission monitoring satellites. Upon receipt of payment by Lat60, 434,782 shares representing 3.85% of the enlarged issued share capital of Lat60 will be allotted to DSSB.

Accordingly, the Company had made payment for the First Subscription and received the Shares Certificate on 4 April 2024. There is no material development pertaining to the Second Subscription of the shares.

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED (Cont’d)

2. Heads of Agreement in relation to the proposed acquisition of 70% of the issued share capital of PT OSA Industries Indonesia (OSAI)

On 4 March 2024, the Company announced that Deleum Services Sdn Bhd, a wholly-owned subsidiary of the Company, has on 4 March 2024 entered into a Heads of Agreement (“HOA”) with OSA Industries Pte. Ltd. a private limited company incorporated in Singapore, PT OSA Industries Indonesia (“OSAI”) a private limited company incorporated in Indonesia, PT OSA Megah Indonesia (“MI”) a private limited company incorporated in Indonesia, Ong Siow Aik a Singaporean, and Erik Aristino and Fenty Herlinda both citizens of Indonesia (collectively, referred to as the “Parties”). The HOA shall be legally binding on the Parties, subject to the terms therein.

The HOA sets out the main terms and conditions on and subject to which Deleum Services Sdn Bhd or another related entity (“Purchaser”) is willing, in principle, to acquire 17,500 shares being 70% of the issued share capital of OSAI held by Ong Siow Aik and OSA Industries Pte. Ltd. (“Proposed Acquisition”) at the consideration of USD7,000,000.00 (equivalent to RM33,085,500.00) (“Purchase Consideration”). To date, The Company is in the midst of completing the due diligence exercise on OSAI and MI and to negotiate the terms and conditions of the definitive agreements for the Proposed Acquisition.

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B9. JOINT VENTURE

	As at 31/03/2024 RM'000	As at 31/12/2023 RM'000
Group's share of net assets of joint venture	35,431	35,144

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

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
Profit before tax	479	573
Income tax expense	(123)	(146)
Profit for the year	356	427
Interest in joint venture (80.55%) Share of results	287	344

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B10. ASSOCIATE

	As at 31/03/2024 RM'000	As at 31/12/2023 RM'000
Group's share of net assets of associate	24,410	22,804

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 2023. 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

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
Profit before tax	6,659	5,468
Income tax expense	(1,641)	(765)
Profit for the year	5,018	4,703
Interest in associate (32%)		
Share of results	1,606	1,505

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B11. TRADE RECEIVABLES

	As at 31/03/2024 RM'000	As at 31/12/2023 RM'000
Neither past due nor impaired	40,650	87,936
1 to 30 days past due not impaired	7,247	17,100
31 to 60 days past due not impaired	1,261	1,230
61 to 90 days past due not impaired	2,950	2,680
91 to 120 days past due not impaired	1,251	2,384
More than 121 days past due not impaired	3,700	3,637
	<hr/>	<hr/>
	57,059	114,967
Past due and impaired:		
More than 121 days past due and impaired	902	1,527
	<hr/>	<hr/>
	57,961	116,494
Less: Impairment of receivables	(902)	(1,527)
	<hr/>	<hr/>
	57,059	114,967

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are debtors with good payment history. 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 RM16.4 million (31 December 2023: RM27.0 million) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

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B12. GROUP BORROWINGS

The Group borrowings as at 31 March 2024 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>31/03/2024</u>			
Borrowings - unsecured	1,400	5,630	7,030
	<u>1,400</u>	<u>5,630</u>	<u>7,030</u>
	<u><u>1,400</u></u>	<u><u>5,630</u></u>	<u><u>7,030</u></u>
<u>31/12/2023</u>			
Borrowings - unsecured	1,515	895	2,410
	<u>1,515</u>	<u>895</u>	<u>2,410</u>
	<u><u>1,515</u></u>	<u><u>895</u></u>	<u><u>2,410</u></u>

The borrowings are all denominated in Ringgit Malaysia.

	Note	As at 31/03/2024 RM'000	As at 31/12/2023 RM'000
Revolving credits	(i)	5,000	0
Lease liabilities on right-of-use assets	(ii)	2,030	2,410
		<u>7,030</u>	<u>2,410</u>
Less: Amount repayable within 12 months			
Lease liabilities on right-of-use assets		(1,400)	(1,515)
		<u>5,630</u>	<u>895</u>
		<u><u>5,630</u></u>	<u><u>895</u></u>

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B12. GROUP BORROWINGS (Cont'd)

The increase in borrowings was due to draw down of revolving credit of RM5.0 million but mitigated by the repayment of lease liabilities for right-of-use assets of RM0.4 million.

- (i) Revolving credits are rolled over on a monthly basis at an average interest rate of 4.14% (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.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off-balance sheet financial instrument as at 31 March 2024 other than the outstanding derivatives on forward foreign currency exchange contracts as disclosed in Note A7.

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B14. MATERIAL LITIGATION

Save as disclosed below, as at 31 March 2024, 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.

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.

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

The Plaintiff 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.

On 13 May 2024, the Plaintiff entered into a Settlement Agreement with Defendant Nos. 1 to 4, Defendant No. 8 and Defendant No. 10 (collectively referred to as “Parties”).

Following through from the Settlement Agreement, the Case Management on 16 May 2024 recorded as follows:

- (a) Plaintiff filed its Notice of Discontinuance dated 14 May 2024 for Suit 544 against the Parties without any orders to cost and without liberty to file afresh;
- (b) Defendant No. 8 filed its Notice of Discontinuance dated 14 May 2024 for Defendant No. 8’s counterclaim without any orders to cost and without liberty to file afresh;
- (c) Defendant No. 10 filed its Notice of Discontinuance dated 14 May 2024 for Defendant No. 10’s counterclaim without any orders to cost and without liberty to file afresh;
- (d) A copy of the Notices of Discontinuance has been sent to the Parties; and
- (e) Plaintiff paid to Defendant No. 10 the amount of RM834,225.00 on 15 May 2024.

The next case management is on 5 June 2024.

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B15. 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, totalling RM14,857,480. The dividend was paid on 29 March 2024.

No dividend was declared during the quarter under review for the financial year ending 31 December 2024.

B16. EARNINGS PER SHARE (“EPS”)

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

	Quarter and year-to-date ended	
	31/03/2024	31/03/2023
	RM'000	RM'000
Basic/Diluted earnings per share		
Profit attributable to equity holders of the Company (RM'000)		
- Continuing operations	9,243	9,124
Weighted average number of shares in issue ('000)	401,554	401,554
Basic/Diluted earnings per share (sen)		
- Continuing operations	2.30	2.27

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B17. PROFIT BEFORE TAX

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

	Quarter and year-to-date ended	
	31/03/2024 RM'000	31/03/2023 RM'000
Inventories consumed and recognised as cost of sales	21,350	19,316
Purchase of products, parts and consumable	8,893	6,662
Costs of services purchased	74,713	50,932
Interest income	(1,772)	(886)
Other income including investment income	(249)	(486)
Accretion of income on other receivable	(28)	(26)
Interest expenses	33	84
Depreciation and amortisation	7,750	8,146
Write-back of impairment - Trade receivables	(626)	(6)
Impairment for doubtful debts - Other receivables	12	0
Allowance for slow moving inventories	200	363
Write back of allowance for slow moving inventories	(775)	(41)
Write back of allowance for foreseeable loss	0	(408)

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B17. PROFIT BEFORE TAX (Cont'd)

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

	Quarter and year-to-date ended	
	31/3/2024 RM'000	31/3/2023 RM'000
Inventories written off/(written back)	19	(230)
Amortisation of government grants	(9)	(13)
Gain on disposals of plant and equipment	0	(44)
Plant and equipment written-off	9	0
Foreign exchange (gain)/loss		
- Realised	(2,214)	(3,461)
- Unrealised	2,107	1,359
Provision for liquidated damages	0	293
Write back of provision of liquidated damages	(24)	0
Fair value gain on forward foreign currency exchange contracts	(259)	(1,352)
Loss on liquidation of a subsidiary	1,686	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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B18. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2023 was unqualified.

B19. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 28 May 2024.

By order of the Board

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