

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 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 30 JUNE 2024

RM'000	INDIVIDUAL QUARTER		YEAR TO DATE ENDED		
	QUARTER ENDED	QUARTER ENDED	QUARTER ENDED	QUARTER ENDED	
	30/06/2024	30/06/2023	30/06/2024	30/06/2023	
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	A11	225,905	188,079	387,324	311,522
Cost of sales		(165,285)	(149,487)	(288,701)	(243,657)
Gross profit		60,620	38,592	98,623	67,865
Other operating income		2,039	1,714	4,088	3,156
Selling and distribution costs		(11,060)	(9,188)	(20,345)	(18,540)
Administrative expenses		(17,971)	(13,242)	(32,260)	(24,916)
Other operating gains/(expenses) ⁽¹⁾		2,003	(608)	943	3,221
Operating profit		35,631	17,268	51,049	30,786
Finance costs		(105)	(51)	(138)	(135)
Share of results of a joint venture (net of tax)	B9	223	315	510	659
Share of results of an associate (net of tax)	B10	1,777	813	3,383	2,318
Profit before tax	B18	37,526	18,345	54,804	33,628
Tax expense	B5	(9,768)	(5,523)	(14,330)	(8,629)
Profit for the period		27,758	12,822	40,474	24,999
Currency translation differences		3	(30)	8	(30)
Reclassification of reserves upon liquidation of a subsidiary during the period		0	0	1,686	0
Total comprehensive income for the period		27,761	12,792	42,168	24,969
Profit attributable to:					
- Equity holders of the Company		22,380	9,732	31,623	18,856
- Non-controlling interests		5,378	3,090	8,851	6,143
		27,758	12,822	40,474	24,999
Total comprehensive income attributable to:					
- Equity holders of the Company		22,382	9,717	33,313	18,841
- Non-controlling interests		5,379	3,075	8,855	6,128
		27,761	12,792	42,168	24,969
Basic/Diluted earnings per share (EPS) attributable to equity holders of the Company (sen)		5.57	2.42	7.88	4.70
⁽¹⁾ Other operating gains/(expenses) include the following:					
Foreign exchange gains/(losses):					
- Realised		1,705	(614)	3,919	2,847
- Unrealised		(213)	(354)	(2,320)	(1,713)
Fair value gain on forward foreign currency exchange contracts		404	67	663	1,419
Write back/(Impairment) made:					
- trade receivables		427	0	1,053	0
- other receivables		2	0	(10)	0
Loss on liquidation of a subsidiary		0	0	(1,686)	0

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 30 JUNE 2024

RM'000	Note	As at 30/06/2024 Unaudited	As at 31/12/2023 Audited
ASSETS			
Property, plant and equipment*		83,313	91,145
Investment properties		665	677
Intangible assets		184	188
Associate	B10	22,987	22,804
Joint venture	B9	35,653	35,144
Deferred tax assets		4,336	5,974
Other receivables		17,588	2,653
Financial assets at fair value through other comprehensive income ("FVOCI")		6,515	1,167
Non-current Assets		171,241	159,752
Inventories		35,058	17,736
Amounts due from an associate		1	0
Amounts due from a joint venture		218	369
Trade receivables	B11	104,783	114,967
Contract assets		125,373	90,597
Other receivables, deposits and prepayments		33,179	19,660
Derivative financial instrument	A7	209	0
Tax recoverable		1,451	1,674
Financial assets at fair value through profit or loss ("FVTPL")		109,728	0
Cash and bank balances		127,289	215,880
Current Assets		537,289	460,883
TOTAL ASSETS		708,530	620,635
EQUITY AND LIABILITIES			
Share capital		201,802	201,802
Retained earnings		280,056	263,290
Merger deficit		(50,000)	(50,000)
Foreign currency translation		(12)	(1,702)
Equity attributable to equity holders of the Company		431,846	413,390
Non-controlling interests		37,803	33,061
Total Equity		469,649	446,451
Borrowings	B12	8,104	895
Deferred income		188	206
Deferred tax liabilities		11,010	12,458
Non-current Liabilities		19,302	13,559
Trade payables		134,659	95,671
Contract liabilities		27,217	19,475
Other payables and accruals		36,933	34,341
Derivative financial instrument	A7	6	338
Provision for taxation		11,196	9,285
Borrowings	B12	9,568	1,515
Current Liabilities		219,579	160,625
Total Liabilities		238,881	174,184
TOTAL EQUITY AND LIABILITIES		708,530	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 30 JUNE 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	Share capital	Foreign currency translation	Merger deficit		Retained earnings		
	'000	RM'000	RM'000	RM'000	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 year	0	0	0	0	18,856	18,856	6,143	24,999
Other comprehensive income for the financial period	0	0	(15)	0	0	(15)	(15)	(30)
Total comprehensive income for the financial period	0	0	(15)	0	18,856	18,841	6,128	24,969
Dividend	0	0	0	0	(13,050)	(13,050)	(2,981)	(16,031)
At 30 June 2023	<u>401,553</u>	<u>201,802</u>	<u>(1,701)</u>	<u>(50,000)</u>	<u>244,443</u>	<u>394,544</u>	<u>28,940</u>	<u>423,484</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	31,623	31,623	8,851	40,474
Other comprehensive income for the financial period	0	0	4	0	0	4	4	8
Reclassification of reserves upon liquidation of a subsidiary during the financial period	0	0	1,686	0	0	1,686	0	1,686
Total comprehensive income for the financial period	0	0	1,690	0	31,623	33,313	8,855	42,168
Dividend	0	0	0	0	(14,857)	(14,857)	(4,113)	(18,970)
At 30 June 2024	<u>401,553</u>	<u>201,802</u>	<u>(12)</u>	<u>(50,000)</u>	<u>280,056</u>	<u>431,846</u>	<u>37,803</u>	<u>469,649</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 30 JUNE 2024

RM'000	YEAR TO DATE ENDED	
	30/06/2024	30/06/2023
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	40,474	24,999
<u>Adjustments for:</u>		
Trade receivables		
- write back of impairment	(1,053)	(449)
Contract assets		
Other receivables		
- impairment made	12	0
- write back of impairment	(2)	0
Allowance for slow moving inventories		
- allowance made	496	404
- write back of allowance	(1,551)	(379)
Provision for liquidated damages		
- provision made	0	345
- write back of provision	(97)	0
Amortisation of intangible assets	4	14
Accretion of income on other long-term receivable	(60)	(51)
Depreciation:		
- property, plant and equipment*	15,376	16,342
- investment properties	12	12
Amortisation of government grants	(18)	(27)
Gain on disposals of plant and equipment	0	(59)
Write off:		
- property, plant and equipment	9	0
- inventories	419	0
Interest income	(3,565)	(1,978)
Finance costs	138	135
Share of results of an associate	(3,383)	(2,318)
Share of results of a joint venture	(510)	(659)
Tax expense	14,330	8,629
Unrealised net foreign exchange loss	2,320	1,713
Net fair value gain on financial assets at FVTPL	(340)	0
Net fair value gain on forward foreign currency exchange contracts	(663)	(1,419)
Loss on liquidation of a subsidiary	1,686	0
Operating profit before working capital changes	64,034	45,254
<u>Changes in working capital</u>		
Inventories	(16,686)	13,979
Trade receivables	10,250	42,415
Contract assets	(34,543)	95,360
Other receivables, deposits and prepayments	(12,733)	5,522
Trade payables	35,727	(111,219)
Other payables and accruals	4,118	(16,471)
Contract liabilities	7,742	4,724
Cash generated from operations	57,909	79,564
Tax paid	(12,006)	(10,813)
Interest paid	(116)	(129)
Net cash generated from operating activities	45,787	68,622

* Inclusive of right-of-use assets.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2024

RM'000	YEAR TO-DATE-ENDED	
	30/06/2024	30/06/2023
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,290	1,603
Purchase of plant and equipment	(21,835)	(6,348)
Proceeds from disposals of plant and equipment	0	59
Purchase of financial assets at FVOCI	(5,349)	0
Purchase of financial assets at FVTPL	(109,388)	0
Dividend received from an associate	3,198	3,841
Amounts due to an associate	1	0
Amounts due from a joint venture	151	62
Net cash used in investing activities	(129,932)	(783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit		
- Drawn down	8,000	0
- Repayment	0	(2,580)
Term loans		
- Drawn down	7,076	0
- Repayment	0	(3,600)
Lease liabilities on right-of-use assets		
- Repayment	(870)	(605)
Dividends paid to:		
- Shareholders	(14,857)	(13,050)
- Non-controlling interests	(4,113)	(2,981)
Decrease/(increase) in restricted cash	7,149	(10,793)
Net generated from/(cash used) in financing activities	2,385	(33,609)
Net (decrease)/increase in cash and cash equivalents	(81,760)	34,230
Foreign currency translation	319	(231)
Cash and cash equivalents at beginning of the year	198,244	168,540
Cash and cash equivalents at end of period	116,803	202,539
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Deposits with licensed banks	118,196	215,360
Cash and bank balances	9,093	7,449
	127,289	222,809
Restricted cash	(10,486)	(20,270)
Cash and cash equivalents at end of period	116,803	202,539
The currency profile of cash and cash equivalents is as follows:		
Ringgit Malaysia	106,576	185,647
US Dollar	9,729	16,857
Others	498	35
	116,803	202,539

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 30 JUNE 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
FOR THE PERIOD ENDED 30 JUNE 2024

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

Effective for financial year beginning on or after 1 January 2026:

- Amendments to the MFRS 9 and 7 Classification and Measurement of Financial Instruments

Effective for financial year beginning on or after 1 January 2027:

- MFRS 18 Presentation and Disclosure in Financial Statements
- MFRS 19 Subsidiaries with Public Accountability

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 PERIOD ENDED 30 JUNE 2024

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

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

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

A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

A5. EQUITY AND DEBT SECURITIES

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

A6. FINANCIAL RISK MANAGEMENT POLICIES

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

The information on the forward foreign currency exchange contracts that remained outstanding at 30 June 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 30/06/2024		As at 31/12/2023	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
US Dollar	96,962	133,964	76,323	92,883
Others	9,313	4,027	8,212	519
	<u>106,275</u>	<u>137,991</u>	<u>84,535</u>	<u>93,402</u>
Closing exchange rate				
US Dollar	<u>4.720</u>	<u>4.720</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 30 June 2024, the net notional principal amount of the outstanding buy and sell forward foreign currency exchange contracts were RM42,116,000 (31 December 2023: RM28,005,000).

	As at 30/06/2024		As at 31/12/2023	
	Net	Net	Net	Net
	Notional	Fair Value	Notional	Fair Value
	Amount	Assets	Amount	Assets
	RM'000	RM'000	RM'000	RM'000

Type of derivatives

Forward foreign currency exchange contracts

("FX Contract")

- Less than 1 year

	39,108	209	0	0
	39,108	209	0	0

	As at 30/06/2024		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

Type of derivatives

Forward foreign currency exchange contracts

("FX Contract")

- Less than 1 year

	3,008	(6)	28,005	(338)
	3,008	(6)	28,005	(338)

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UNAUDITED INTERIM FINANCIAL REPORT
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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 30 June 2024 amounted to a fair value gain of RM203,000 (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>14,857</u>

A10. CHANGE IN THE SEGMENTS DISCLOSURE

The Oilfield Services ("OS") segment and Integrated Corrosion Solution ("ICS") segment have been aggregated in this quarter to be aligned with the Group's overall strategic goals and objectives to have a unified approach towards market expansion and in line with the chief of decision maker's review. This was also done to reflect a clearer presentation of the financial reporting to segregate the service centric businesses (OS and ICS segment) and the specialised products and services-based businesses (Power and Machinery segment) of the Group, providing clearer insights into the Group's performance, making it easier for stakeholders to understand the financial performance and strategic direction of the business.

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2024

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

A11. 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 Integrated Services (“OIS”) – 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;
 - Provision of subsurface engineering services; and
 - 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 30 June 2024 was as follows:

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000 As restated	30/06/2024 RM'000	30/06/2023 RM'000 As restated
<u>Segment Revenue</u>				
External revenue				
Power and Machinery	176,615	155,315	306,121	252,964
Oilfield Integrated Services	49,146	32,618	80,896	58,292
Other non-reportable segment	144	146	307	266
Total Group revenue	225,905	188,079	387,324	311,522

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UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2024

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

A11. SEGMENT INFORMATION (Cont'd)

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000 As restated	30/06/2024 RM'000	30/06/2023 RM'000 As restated
<u>Segment Results</u>				
Power and Machinery	30,572	17,297	52,429	33,665
Oilfield Integrated Services	6,927	646	3,501	(1,541)
Other non-reportable segment	13	13	28	24
Segment results	37,512	17,956	55,958	32,148
Unallocated income ^	137	121	252	232
Unallocated corporate expenses #	(2,123)	(860)	(5,299)	(1,729)
Share of results of a joint venture *	223	315	510	659
Share of results of an associate *	1,777	813	3,383	2,318
Tax expense (Note B5) *	(9,768)	(5,523)	(14,330)	(8,629)
Profit from continuing operations	27,758	12,822	40,474	24,999

^ 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)

A11. SEGMENT INFORMATION (Cont'd)

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000 As restated
<u>Segment Assets</u>		
Power and Machinery	424,589	365,084
Oilfield Integrated Services	186,533	164,806
Segment assets	611,122	529,890
Unallocated corporate assets ^	97,408	90,745
Total assets	708,530	620,635

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000 As restated
<u>Segment Liabilities</u>		
Power and Machinery	171,036	128,412
Oilfield Integrated Services	37,052	18,441
Segment liabilities	208,088	146,853
Unallocated corporate liabilities #	30,793	27,331
Total liabilities	238,881	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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A12. REVENUE

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Revenue from contracts with customers:				
- Goods and services	225,761	187,933	387,017	311,256
- Management fee	144	146	307	266
	225,905	188,079	387,324	311,522

Revenue from contracts with customers:

Type of goods and services

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Sale of gas turbine packages and after sales support and services	132,657	122,906	230,677	198,419
Commission based income services	1,878	658	3,734	2,683
Principal based income services	11,447	5,759	15,364	11,798
Sale of valves and flow regulators and after sales support and services	30,636	26,480	56,386	40,715
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, drilling and production services	43,256	29,303	69,213	50,775
Provision of specialty chemical and well stimulation services	1,887	1,793	3,413	2,975
Provision of solid control services	3,774	0	7,457	0
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	120	1	667	18
Provision of maintenance, construction and modification services	106	1,033	106	3,873
	225,761	187,933	387,017	311,256

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A13. ACQUISITIONS OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current quarter and cumulative quarters ended 30 June 2024, the acquisitions of plant and equipment and intangible assets by the Group were as follows:

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Acquisitions at cost:				
- Plant and equipment*	4,437	4,830	7,552	7,136

* Included in the acquisition of plant and equipment is addition of right-of-use assets of RM1,055,000 (30 June 2023: RM788,000).

A14. MATERIAL EVENTS DURING THE REPORTING DATE

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

A15. 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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A16. 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.

A17. CONTINGENT LIABILITIES/ASSETS

As at 30 June 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 RM42.9 million (31 December 2023: RM35.5 million).

A18. COMMITMENTS

Capital commitment

Capital commitments for property, plant and equipment and intangible assets not provided for as at 30 June 2024 were as follows:

	As at 30/06/2024	As at 31/12/2023
	RM'000	RM'000
Authorised but not contracted for		
- Plant and machinery	37,440	47,445
- Others	4,418	6,078
Authorised and contracted for		
- Plant and machinery	9,204	6,563
- Others	632	497
	51,694	60,583
Share of capital commitment of joint venture	739	905
	52,433	61,488

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A19. RELATED PARTY DISCLOSURES

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

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Manpower services to Solar Turbines International Company ("STICO") and its affiliated companies	825	1,141	1,971	1,988
Rental income from an affiliate company of STICO	13	13	27	27
Purchases and technical services from STICO and its affiliated companies	134,014	95,729	194,762	134,646

Significant outstanding balances arising from the above transactions as at 30 June 2024 were as follows:

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
Amount due from STICO and its affiliated companies	2,290	3,410
Amount due to STICO and its affiliated companies	103,937	62,065

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A19. RELATED PARTY TRANSACTIONS (Cont'd)

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

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Sales to related parties of Dresser Italia S.R.L	6	4	78	30
Purchases of goods and services from related parties of Dresser Italia S.R.L	10,839	13,698	22,133	21,338

Significant outstanding balances arising from the above transactions as at 30 June 2024 were as follows:

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
Amount due from related parties of Dresser Italia S.R.L	3	321
Amount due to related parties of Dresser Italia S.R.L	8,378	6,089

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A19. 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	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Sales to STICO	750	1,000	1,750	2,000
Rental income from affiliate company of STICO	140	140	281	281

Outstanding balance arising from the above transactions as at 30 June 2024 was as follows:

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
Amount due from STICO and its affiliated company	315	0

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A19. 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	
	30/06/2024	30/06/2023	30/06/2024	30/06/2023
	RM'000	RM'000	RM'000	RM'000
Directors' fees	128	147	256	320
Salaries, bonuses, allowances and other staff related expenses	5,086	4,584	7,436	7,000
Defined contribution plan	612	518	871	773
	5,826	5,249	8,563	8,093

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

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024	30/06/2023	30/06/2024	30/06/2023
	RM'000	RM'000	RM'000	RM'000
Provision for general and financial advisory services	59	17	111	17

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

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

	Q2'24	Q2'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	225,905	188,079	37,826	20.1
Operating profit	35,631	17,268	18,363	106.3
Share of results of a joint venture, net of tax	223	315	(92)	(29.2)
Share of results of an associate, net of tax	1,777	813	964	118.6
Profit before interest and tax	35,838	17,304	18,534	107.1
Profit before tax	37,526	18,345	19,181	104.6
Profit for the period	27,758	12,822	14,936	116.5
 Profit attributable to equity holders of the Company	 22,380	 9,732	 12,648	 130.0

The Group reported an increase in revenue by RM37.8 million to RM225.9 million against the previous corresponding quarter of RM188.1 million. The increase was mainly due to higher revenue generated from the Power and Machinery and Oilfield Integrated Services segments.

The Group's profit attributable to equity holders of the Company increased to RM22.4 million against the previous corresponding quarter of RM9.7 million predominantly due to higher contribution reported in the Power and Machinery and Oilfield Integrated Services segments, higher net foreign exchange gain of RM1.5 million (Q2 '23: net loss of RM1.0 million), higher gain on forward foreign currency exchange contracts in the Power and Machinery segment of RM0.4 million (Q2 '23: net gain of RM0.1 million) and reversal of impairment made on its trade receivables in the Oilfield Integrated Services segment. However, the higher results were reduced by the higher other operating expenses incurred in both segments.

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 RM1.0 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)

	Q2'24	Q2'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	176,615	155,315	21,300	13.7
Operating profit	30,593	17,315	13,278	76.7
Profit before interest and tax	28,994	16,436	12,558	76.4
Profit before tax	<u>30,572</u>	<u>17,297</u>	<u>13,275</u>	<u>76.7</u>

The Power and Machinery segment posted an increase in revenue by RM21.3 million or 13.7% to RM176.6 million against previous corresponding quarter of RM155.3 million. The increase was mainly attributable to higher retrofit income, control and safety valves and flow regulator services and commission income from mechanical and processes business. However, the increase was offset by lower sales from turbines parts and repairs, exchange engines deliveries and freight income.

The segment reported an increase in profit by RM13.3 million or 76.7% to RM30.6 million mainly due to higher gross profit achieved in the current quarter in tandem with higher revenue recorded, higher gain on foreign exchange of RM1.5 million (Q2 '23: net loss of RM1.0 million) and higher gain on forward foreign currency exchange contracts of RM0.4 million (Q2 '23: net gain of RM0.1 million). However, the gain was offset by higher other operating expenses incurred in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2'24	Q2'23	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Integrated Services</u>				
Revenue	49,146	32,618	16,528	50.7
Operating profit	7,011	665	6,346	954.3
Profit before interest and tax	6,928	496	6,432	1,296.8
Profit before tax	<u>6,927</u>	<u>646</u>	<u>6,281</u>	<u>972.3</u>

The Oilfield Integrated Services segment reported an increase in revenue by RM16.5 million or 50.7% to RM49.1 million as compared to the previous corresponding quarter of RM32.6 million. This was primarily due to higher business activities from its slickline services in East Malaysia, asset integrated solution services, specialty chemicals and well stimulations services and solid control services. However, it was offset by lower activities from its slickline services in West Malaysia, gas lift valve services and Maintenance, Construction and Modification ("MCM") projects.

The segment recorded higher profit before tax by RM6.3 million mainly attributable to higher gross profit achieved during the quarter and reversal of impairment made on its trade receivables of RM0.4 million. However, the increase was offset by higher other operating expenses incurred in the current quarter.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q2'24 RM'000	Q2'23 RM'000		
<u>Group</u>				
Revenue	387,324	311,522	75,802	24.3
Operating profit	51,049	30,786	20,263	65.8
Share of results of a joint venture, net of tax	510	659	(149)	(22.6)
Share of results of an associate, net of tax	3,383	2,318	1,065	45.9
Profit before interest and tax	51,377	31,785	19,592	61.6
Profit before tax	54,804	33,628	21,176	63.0
Profit from continuing operations	40,474	24,999	15,475	61.9
Profit attributable to equity holders of the Company	<u>31,623</u>	<u>18,856</u>	<u>12,767</u>	<u>67.7</u>

The Group's revenue increased by RM75.8 million or 24.3% to RM387.3 million against the previous corresponding period of RM311.5 million as a result of stronger revenue contribution from the Power and Machinery and Oilfield Integrated Services segments.

The Group's profit attributable to equity holders of the Company increased by RM12.8 million or 67.7% to RM31.6 million against the previous corresponding cumulative quarters of RM18.9 million. The improved results were mainly due to better group profit achieved from the Power and Machinery and Oilfield Integrated Services segments coupled with net gain on foreign exchange of RM1.6 million, fair value gain on forward foreign currency exchange contracts of RM0.7 million and reversal of impairment made on its trade receivables of RM1.0 million in the Oilfield Integrated Services segment. The higher segment results achieved were however offset by higher other operating expenses incurred in both segments.

The lower share of results of a joint venture was due to higher operating expenses incurred during the financial period.

Increase in the share of results from an associate was mainly attributable to the higher 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 %
	Q2'24 RM'000	Q2'23 RM'000		
<u>Power and Machinery</u>				
Revenue	306,121	252,964	53,157	21.0
Operating profit	52,466	33,703	18,763	55.7
Profit before interest and tax	49,270	32,072	17,198	53.6
Profit before tax	52,429	33,665	18,764	55.7

The Power and Machinery segment reported higher revenue by RM53.2 million as compared to the previous corresponding period of RM253.0 million. This was mainly due to higher activities from deliveries of exchange engines, retrofit income, control and safety valves and flow regulator services, commission income from mechanical and processes business and machinery management system services. However, the increase was offset by lower activities from sales of turbines part and repairs, freight income and lower call out for field service representatives' activities.

The segment reported a higher profit predominantly attributable to favourable sales mix and higher gross profit achieved in the current quarter. However, it was offset by lower gain on forward foreign currency exchange contracts of RM0.7 million (Q2 '23: RM1.4 million), lower gain on foreign exchange of RM1.7 million (Q2 '23: gain of RM1.9 million), lower reversal of impairment made on its trade receivables by RM0.1 million and higher other operating expenses incurred in the current financial period.

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B1. PERFORMANCE REVIEW (Cont'd)

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

	Cumulative quarters ended		Variance RM'000	Variance %
	Q2'24 RM'000	Q2'23 RM'000		
<u>Oilfield Integrated Services</u>				
Revenue	80,896	58,292	22,604	38.8
Operating profit/(loss)	3,602	(1,484)	5,086	(342.7)
Profit/(loss) before interest and tax	3,431	(1,747)	5,178	(296.4)
Profit/(loss) before tax	<u>3,501</u>	<u>(1,541)</u>	<u>5,042</u>	<u>(327.2)</u>

The Oilfield Integrated Services segment revenue recorded an increase of RM22.6 million or 38.8% to RM80.9 million as compared to the previous corresponding period of RM58.3 million. This was primarily due to higher activities from its slickline activities in East Malaysia region, asset integrated solutions as well as specialty chemicals and well stimulations activities. However, the increase was offset by lower activities from its gas lift valve services, slickline activities in West Malaysia region and MCM projects.

During the period, there was a positive swing in segment results for the segment which reported a profit of RM3.5 million against a loss of RM1.5 million in the corresponding period. This was mainly contributed by the higher gross profit achieved and higher reversal of impairment made on its trade receivables of RM1.0 million as compared to the previous corresponding period of RM0.3 million. Nevertheless, these were offset by the higher other operating expenses incurred in the current financial period.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Consolidated Statement of Financial Position

The Group's total assets as at 30 June 2024 stood at RM708.5 million against RM620.6 million at the end of the previous financial year, representing an increase of RM87.9 million or 14.2%. This was mainly due to improved profitability achieved during the period, increase in other receivables balance by RM28.5 million due to advanced payments made to the suppliers and higher contract assets by RM34.8 million upon the completion of projects towards end of the financial period. However, these were offset by lower trade receivables balances by RM10.2 million upon collections made, and lower property plant and equipment by RM7.8 million mainly due to the depreciation charges in the current financial period.

The Group's total liabilities increased by RM64.7 million mainly due to higher undue balances from trade payables by RM39.0 million as of period end, borrowings by RM15.3 million upon draw down of revolving credit and term loan, higher contract liabilities by RM7.7 million due to advances received from customers and other payables and accruals by RM2.6 million.

(D) Consolidated Statement of Cash Flows

The Group's cash and bank balances reduced from RM215.9 million to RM127.3 million predominantly due to placement of fund in investment securities which is represented as financial assets at FVTPL totalling RM109.7 million as at period end. The overall improvement in group's liquidity of RM237.0 million in the form of cash and investment fund balances was contributed by the positive cash in flows generated from the operating activities.

Cash flow generated from operating activities of RM45.8 million were primarily due to collections received from trade receivables and lower payments made to trade and other payables and accruals mainly due to the amount not yet due as of financial period end. However, it was offset by the cash out flows on advanced payments made to suppliers and an increase in contract assets balance due to projects completed near to period end.

In Group's investing activities, the cash outflows were attributable to purchase of plant and equipment of RM21.8 million, placement of funds of RM109.4 million in financial assets at FVTPL and purchase of financial assets at FVOCI of RM5.3 million. However, the cash outflows were mitigated by interest received of RM3.3 million and dividend received from an associate of RM3.2 million during the financial period.

With regards to Group's financing activities, there were a draw-down of bank borrowings of RM15.1 million and a decrease in restricted cash of RM7.1 million during the financial period. However, this was offset by dividend payments made to its shareholders and non-controlling interests of RM19.0 million.

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

	Q2'24	Q1'24	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Group</u>				
Revenue	225,905	161,419	64,486	39.9
Operating profit	35,631	15,418	20,213	131.1
Share of results of a joint venture, net of tax	223	287	(64)	(22.3)
Share of results of an associate, net of tax	1,777	1,606	171	10.6
Profit before interest and tax	35,838	15,539	20,299	130.6
Profit before tax	37,526	17,278	20,248	117.2
Profit for the period	27,758	12,716	15,042	118.3
Profit attributable to equity holders of the Company	<u>22,380</u>	<u>9,243</u>	<u>13,137</u>	<u>142.1</u>

The Group's profit attributable to equity holders of the Company increased by RM13.1 million or 142.1% as compared to the immediate preceding quarter mainly due to higher operating profit achieved in the Power and Machinery and Oilfield Integrated Services segments. In addition, the quarter recorded a higher net gain on foreign exchange of RM1.5 million against a net gain of RM0.2 million in the immediate preceding quarter and fair value gain on forward foreign currency exchange contracts of RM0.4 million. However, the higher result was offset by lower reversal of impairment made on its trade receivables in the Oilfield Integrated Services segment and higher other operating expenses incurred from both segments in the current quarter.

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)

	Q2'24	Q1'24	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Power and Machinery</u>				
Revenue	176,615	129,506	47,109	36.4
Operating profit	30,593	21,873	8,720	39.9
Profit before interest and tax	28,994	20,276	8,718	43.0
Profit before tax	<u>30,572</u>	<u>21,857</u>	<u>8,715</u>	<u>39.9</u>

The Power and Machinery segment reported higher revenue by RM47.1 million as compared to the immediate preceding quarter of RM129.5 million. This was mainly due to higher activities from retrofit income, deliveries of exchange engines, commission income from mechanical and processes business, control and safety valves and flow regulator services and sales of turbines part and repairs.

The segment reported a higher profit mainly attributable to higher gross profit achieved in the current quarter, higher gain on foreign exchange of RM1.5 million (Q1 '24: gain of RM0.2 million) and higher gain on forward foreign currency exchange contracts of RM0.4 million (Q1 '24: RM0.3 million). However, the higher profit was offset by higher other operating expenses incurred in the current quarter.

	Q2'24	Q1'24	Variance	Variance
	RM'000	RM'000	RM'000	%
<u>Oilfield Integrated Services</u>				
Revenue	49,146	31,750	17,396	54.8
Operating profit/(loss)	7,011	(3,409)	10,420	305.7
Profit/(loss) before interest and tax	6,928	(3,497)	10,425	298.1
Profit/(loss) before tax	<u>6,927</u>	<u>(3,426)</u>	<u>10,353</u>	<u>302.2</u>

The Oilfield Integrated Services segment reported higher revenue by RM17.4 million to RM49.1 million against the immediate preceding quarter of RM31.8 million due to higher activities from its slickline activities, asset integrated solution services, specialty chemical and stimulation services, solid control services and MCM projects. However, it was offset by lower activities from alternative blasting and painting jobs in Indonesia.

The segment reported a higher profit in current quarter by RM10.4 million to RM6.9 million against the immediate preceding quarter loss of RM3.4 million mainly due to higher revenue recorded and gain on foreign exchange of RM0.1 million (Q1 2024: loss of RM0.1 million). However, the higher result was offset by lower reversal of impairment made on its trade receivables of RM0.4 million (Q1 '24: RM0.6 million) and higher other operating expenses incurred as compared to the immediate preceding quarter.

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B3. PROSPECTS

The oil and gas (O&G) industry has shown resilience in overall activities in the first half of 2024, with the oil prices staying within the expected price range. Deleum remains focused on delivering sustainable growth through strategic initiatives and operational excellence while exploring new market.

The Group is investing in digital solutions and innovative technologies to optimise our operations and enhance our service offerings. Leveraging our robust financial position, we actively pursue strategic acquisitions to strengthen our market position and expand our capabilities.

We continue to see strong performance in our Power and Machinery segment, along with a significant rebound in Oilfield Integrated Services segment. These improvements are expected to contribute significantly to our overall performance in the 2024 financial year.

Deleum is encouraged by the continued recovery in global oil demand which supports a resilient outlook for the O&G industry. While there are inherent uncertainties in the global economic landscape, we remain confident in our ability to deliver sustainable growth.

B4. PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore no comparison is available.

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B5. INCOME TAX EXPENSE

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Current tax:				
- Malaysia	9,922	4,369	14,140	9,465
Deferred tax:				
- origination and reversal of temporary differences	(154)	910	190	(836)
- recognition of previously unrecognised temporary differences	0	244	0	0
Total income tax expense	9,768	5,523	14,330	8,629

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B5. INCOME TAX EXPENSE (Cont'd)

Including the joint venture's and associate's results which were presented net of tax, the effective tax rate of the Group for the financial period ended 30 June 2024 was higher than the headline tax rate as shown below.

	Cumulative quarters ended	
	30/06/2024 %	30/06/2023 %
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	2	4
- Income not subject to tax	(1)	(1)
- Share of results of associate and joint venture	(2)	(2)
- Deferred tax assets not recognised	3	1
Effective tax rate for continuing operations	26	26

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 14 August 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 made payment for the First Subscription and Second Subscription on 4 April 2024 and 29 May 2024, respectively, and the Company have received the Share Certificates.

With the completion of Second Subscription, DSSB now holds 869,565 ordinary shares, representing 7.7% of the enlarged equity interest in Lat60.

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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”). The company is in the midst of performing due diligence exercise on both companies and negotiating the terms and conditions of the definitive agreements for the Proposed Acquisition.

Except as disclosed above, there has been no other material development on the Proposed Acquisition.

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B9. JOINT VENTURE

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
Group's share of net assets of joint venture	35,653	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

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Profit before tax	381	528	860	1,101
Income tax expense	(104)	(137)	(227)	(283)
Profit for the year	277	391	633	818
Interest in joint venture (80.55%) Share of results	223	315	510	659

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B10. ASSOCIATE

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
Group's share of net assets of associate	22,987	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

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Profit before tax	8,325	3,393	14,984	8,861
Income tax expense	(2,772)	(852)	(4,413)	(1,617)
Profit for the year	5,553	2,541	10,571	7,244
Interest in associate (32%) Share of results	1,777	813	3,383	2,318

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B11. TRADE RECEIVABLES

	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
Neither past due nor impaired	87,064	87,936
1 to 30 days past due not impaired	8,114	17,100
31 to 60 days past due not impaired	3,097	1,230
61 to 90 days past due not impaired	1,461	2,680
91 to 120 days past due not impaired	2,008	2,384
More than 121 days past due not impaired	3,039	3,637
	104,783	114,967
Past due and impaired:		
More than 121 days past due and impaired	474	1,527
	105,257	116,494
Less: Impairment of receivables	(474)	(1,527)
	104,783	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 RM17.7 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 30 June 2024 were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>30/06/2024</u>			
Borrowings - secured	0	7,076	7,076
- unsecured	9,568	1,028	10,596
	<u>9,568</u>	<u>8,104</u>	<u>17,672</u>
<u>31/12/2023</u>			
Borrowings - unsecured	1,515	895	2,410
	<u>1,515</u>	<u>895</u>	<u>2,410</u>

The borrowings are all denominated in Ringgit Malaysia.

	Note	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
Revolving credits	(i)	8,000	0
Term loans	(ii)	7,076	0
Lease liabilities on right-of-use assets	(iii)	2,596	2,410
		<u>17,672</u>	<u>2,410</u>
Less: Amount repayable within 12 months			
Revolving credits		(8,000)	0
Lease liabilities on right-of-use assets		(1,568)	(1,515)
		<u>(9,568)</u>	<u>(1,515)</u>
		<u>8,104</u>	<u>895</u>

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B12. GROUP BORROWINGS (Cont'd)

The increase in borrowings was due to draw down of revolving credit of RM8.0 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) Term loans carry interest rates of 4.19% per annum (0.90% per annum above the KLIBOR). The tenure of the term loans is 5 years.
- (iii) Lease liabilities on right-of-use assets carry interest rates ranging from 2.55% to 4.44% per annum.

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off-balance sheet financial instrument as at 30 June 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 30 June 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.

On 15 July 2024, the Plaintiff has made an oral application to withdraw Suit 544 against Defendant No. 5 and Defendant No. 7, the last two defendants out of the 10 named defendants, with costs of RM75,000.00 awarded by the Court to each of the Defendant No. 5 and Defendant No.7 with an order for assessment of damages in relation to the previous Anton Pillar Order and Mareva injunction orders.

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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.

The board of Directors have, in respect of financial year ending 31 December 2024, declared a first interim single tier dividend of 4.00 sen per share on 401,553,500 ordinary shares.

The dividend will be payable on 30 September 2024 to shareholders of ordinary shares whose names appear in Record of Depositors at the close of business on 13 September 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 September 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

B16. 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	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Basic/Diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)				
- Continuing operations	22,380	9,732	31,623	18,856
Weighted average number of shares in issue ('000)	401,554	401,554	401,554	401,554
Basic/Diluted earnings per share (sen)				
- Continuing operations	5.57	2.42	7.88	4.70

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B17. PROFIT BEFORE TAX

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

	Individual quarter ended		Cumulative quarters ended	
	30/06/2024 RM'000	30/06/2023 RM'000	30/06/2024 RM'000	30/06/2023 RM'000
Inventories consumed and recognised as cost of sales	28,622	37,087	49,972	56,403
Purchase of products, parts and consumable	13,701	8,511	22,594	15,173
Costs of services purchased	98,829	84,787	173,542	135,719
Interest income	(1,793)	(1,092)	(3,565)	(1,978)
Other income including investment income	(214)	(582)	(463)	(1,068)
Accretion of income on other receivable	(32)	(25)	(60)	(51)
Interest expenses	105	51	138	135
Depreciation and amortisation	7,642	8,222	15,392	16,368
Write-back of impairment				
- Trade receivables	(427)	(443)	(1,053)	(449)
- Other receivables	(2)	0	(2)	0
Impairment for doubtful debts				
- Other receivables	0	0	12	0
Allowance for slow moving inventories	296	41	496	404
Write back of allowance for slow moving inventories	(776)	(338)	(1,551)	(379)
Net fair value gain on financial assets at FVTPL	(156)	(457)	(340)	(865)

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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):

	Individual quarter ended		Cumulative quarters ended	
	30/6/2024 RM'000	30/6/2023 RM'000	30/6/2024 RM'000	30/6/2023 RM'000
Inventories written off	400	0	419	0
Amortisation of government grants	(9)	(14)	(18)	(27)
Gain on disposals of plant and equipment	0	(15)	0	(59)
Plant and equipment written-off	0	0	9	0
Foreign exchange (gain)/loss				
- Realised	(1,705)	614	(3,919)	(2,847)
- Unrealised	213	354	2,320	1,713
Provision for liquidated damages	0	52	0	345
Write back of provision of liquidated damages	(73)	0	(97)	0
Fair value gain on forward foreign currency exchange contracts	(404)	(67)	(663)	(1,419)
Loss on liquidation of a subsidiary	0	0	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 21 August 2024.

By order of the Board

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