

1. SUMMARY INFORMATION

THE INFORMATION HERE IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE SHARES OF THE COMPANY. THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 PRINCIPAL BUSINESS

Deleum was incorporated in Malaysia under the Act on 23 November 2005 as a private limited company under the name of Deleum Sdn Bhd. Subsequently, on 15 September 2006, it was converted to a public limited company and assumed its present name of Deleum Berhad.

Deleum is an investment holding company and through its subsidiaries, provides a diverse range of supporting specialised products and services for the oil and gas industry, particularly the exploration and production of oil and gas. The principal business activities of the Group cover the following areas:

- Specialised equipment and services;
- Oilfield equipment and services; and
- Oilfield chemicals and services.

The subsidiaries and associate corporations of Deleum and their respective principal activities are as follows:

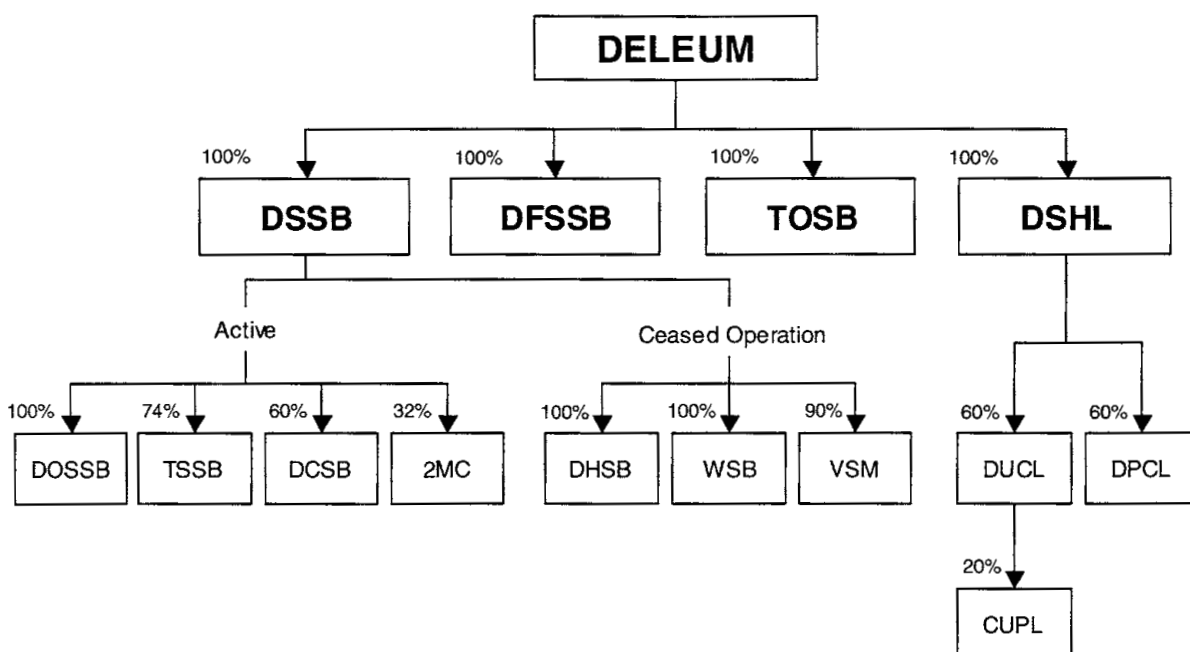
Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities of Company/ Nature of Business
Subsidiaries of Deleum				
DSSB	10 July 1976/ Malaysia	RM10,000,000	100.0	Provision of supporting specialised products and services for the exploration and production of oil and gas
DSHL	26 January 1995/ Hong Kong	HK\$100	100.0	Investment holding
DFSSB	21 August 2006/ Malaysia	RM100	100.0	Presently dormant, proposed manufacture of DRA
TOSB	21 December 2005/ Malaysia	RM100,000	100.0	Presently dormant, proposed provision of gas turbine overhaul and maintenance services
Subsidiaries of DSSB				
DOSSB	20 March 1978/ Malaysia	RM1,000,000	100.0	Provision of supporting specialised products and services
TSSB	6 November 1987/ Malaysia	RM2,600,000	74.0	Provision of gas turbine overhaul and technical services
DCSB	5 July 1982/ Malaysia	RM100,000	60.0	Development and supply of oilfield chemicals and services

1. SUMMARY INFORMATION (Cont'd)

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities
Subsidiaries of DSSB (Cont'd)				
WSB	10 May 1985/ Malaysia	RM135,002	100.0	Ceased operations in 2004
DHSB	18 February 1984/ Malaysia	RM2	100.0	Ceased operations in 1997
VSM	11 June 1981/ Malaysia	RM404,000	90.0	Ceased operations in 2004
Subsidiaries of DSHL				
DUCL	26 October 1998/ BVI	USD10	60.0	Investment holding
DPCL	10 October 2001/ BVI	USD10	60.0	Dormant
Associate Corporation of DSSB				
2MC	19 April 1985/ Malaysia	RM1,700,000	32.0	Provision of bulking services for the oil and gas industry
Associate Corporation of DUCL				
CUPL	24 April 1995/ Cambodia	USD12,000,000	12.0	Independent power producer operating in Cambodia

Further details on the history and business of the Group are set out in Section 4 of this Prospectus.

The structure of the Group is as set out below:-



1. SUMMARY INFORMATION (Cont'd)**1.2 COMPETITIVE ADVANTAGES**

The competitive advantages of Deleum Group in the oil and gas industry include the following:

- PETRONAS licensed company;
- Experienced management team and skilled employees;
- Established track record and market reputation;
- Good safety track record;
- Strategic alliances with key global players;
- Investment in facilities and specialised equipment;
- Established customer base of multinational corporations; and
- Financial strength of the Group.

Further details on Deleum Group's competitive advantages are set out in Section 4.2.16 of this Prospectus.

1.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL

The promoters, substantial shareholders and Directors of the Group are as follows:

- Deleum's Promoters are Dato' Izham Bin Mahmud and Datuk Vivekananthan a/l M. V. Nathan.
- Deleum's substantial shareholders are Dato' Izham Bin Mahmud, Datin Che Bashah @ Zaiton Binti Mustafa, IMHSB, Datuk Vivekananthan a/l M. V. Nathan, Hj Abd Razak Bin Abu Hurairah, LMSB, Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain, Chandran Aloysius Rajadurai, HSB, Sian Rahimah Abdullah, Faye Miriam Abdullah and Hugh Idris Abdullah.
- The Directors of Deleum are as follows:

Name	Designation
Directors	
Dato' Izham Bin Mahmud	Non-Independent Executive Chairman
Datuk Vivekananthan a/l M. V. Nathan	Non-Independent Deputy Executive Chairman
Chandran Aloysius Rajadurai	Non-Independent Group Managing Director
Hj Abd Razak Bin Abu Hurairah	Non-Independent Executive Director
Datuk Ishak Bin Imam Abas	Independent Non-Executive Director
Dato' Kamaruddin Bin Ahmad	Independent Non-Executive Director
Chin Kwai Yoong	Independent Non-Executive Director

Further details of the Promoters, substantial shareholders, Directors, key management and technical personnel of Deleum are set out in Section 5 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)**1.4 FINANCIAL HIGHLIGHTS**

The following table sets out a summary of the proforma consolidated income statements of the Group for the past three (3) financial years ended 31 December 2006, prepared on the assumption that the Group has been in existence from the beginning of the earliest period presented. The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions set out in Sections 9.1 and 9.4 of this Prospectus.

Financial Year Ended 31 December	Proforma		
	2004 (RM'000)	2005 (RM'000)	2006 (RM'000)
Revenue	269,677	342,316	432,417
Cost of sales	(242,605)	(307,553)	(390,962)
Gross profit	27,072	34,763	41,455
Other operating income	942	1,795	1,885
Selling and distribution costs	(2,847)	(3,259)	(2,868)
Administrative expenses	(10,731)	(12,581)	(16,096)
Other operating expenses	(2,385)	(1,743)	(2,286)
Finance cost	(130)	(145)	(109)
Share of results of associates	8,015	7,821	10,011
PBT	19,936	26,651	31,992
Tax expense	(5,614)	(6,377)	(7,161)
PAT	14,322	20,274	24,831
Attributable to:			
Equity holders of the Company	11,531	16,929	21,474
MI	2,791	3,345	3,357
	14,322	20,274	24,831
Number of Shares in Deleum had the Deleum Group been in existence * ('000)	60,000	60,000	60,000
Basic EPS (sen) ^	19	28	36
EBITDA	22,793	29,984	35,555
Gross Profit Margin	10%	10%	10%
Net Profit Margin	5%	6%	6%

1. SUMMARY INFORMATION (Cont'd)

Notes:

- (1) The proforma consolidated income statements have been prepared for illustrative purposes only to present the results of the Group had the transactions set out in Sections 9.1 and 9.4 of this Prospectus been effected prior to the earliest period presented, and after taking into consideration the following adjustments and restatements:
- a. Adjustments to reflect the effect of disposals and internal group reorganisation at the beginning of the earliest period presented.
 - b. Amendments to the presentation of income statements arising from the adoption of FRS 101 (Presentation of Financial Statements).
- Further details on the adjustments are highlighted in Section 9.4.
- (2) There are no exceptional and extraordinary items for the financial years under review.
- * Based on the issued and paid-up share capital of 60,000,000 Shares immediately prior to the Rights Issue and Public Issue.
- ^ Basic EPS calculated based on profit attributable to equity holders of the Company for the financial year divided by the number of shares in issue as at 31 December 2006.

Detailed information and commentaries on the Proforma Consolidated Income Statements are set out in Sections 9.1 and 9.4 of this Prospectus.

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1. SUMMARY INFORMATION (Cont'd)**1.5 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006**

The Proforma Consolidated Balance Sheets as at 31 December 2006 set out below has been prepared for illustrative purposes to show the effects on the audited consolidated balance sheets of Deleum Group as at 31 December 2006, had the Listing Scheme as set out in Notes 1 and 2 below been effected on that date.

	Audited Balance Sheet as at 31 December 2006 (RM'000)	Proposals	
		Proforma I After Rights Issue ⁽¹⁾ (RM'000)	Proforma II After IPO ⁽²⁾ (RM'000)
NON-CURRENT ASSETS			
Property, plant and equipment	24,139	24,139	45,139
Investment properties	1,108	1,108	1,108
Associates	31,655	31,655	31,655
Other investments	3	3	3
	56,905	56,905	77,905
CURRENT ASSETS	123,376	129,376	141,076
LESS: CURRENT LIABILITIES	82,181	82,181	82,181
Net current assets	41,195	47,195	58,895
LESS: NON-CURRENT LIABILITIES			
Deferred tax liabilities	879	879	879
Term loans (secured)	3,031	3,031	3,031
	3,910	3,910	3,910
	94,190	100,190	132,890
CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY			
Share capital	60,000	66,000	80,000
Share premium	-	-	19,200
Retained earnings	69,950	69,950	69,450
Merger deficit	(50,000)	(50,000)	(50,000)
Currency translation differences	(1,447)	(1,447)	(1,447)
Shareholders' equity	78,503	84,503	117,203
MINORITY INTEREST	15,687	15,687	15,687
Total equity	94,190	100,190	132,890
NTA attributable to the equity holders of the Company	78,503	84,503	117,203
NTA per Share	1.31	1.28	1.47

Notes:

- (1) Proforma I incorporates the effects the Rights Issue of 6,000,000 Shares to the existing shareholders of Deleum on the basis of one (1) Rights Share for every ten (10) existing Shares.
- (2) Proforma II incorporates the effects of Proforma I and the Public Issue comprising 14,000,000 new Shares of RM1.00 each in Deleum at an Issue Price of RM2.55 per Share. The gross proceeds from the Rights Issue of RM6,000,000 and Public Issue of RM35,700,000 will be utilised as set out in Sections 1.9 and 2.5 of this Prospectus.
- (3) Proformas I and II do not take into account of the interim dividends declared by Deleum on 5 March 2007 amounting to RM7.1 million. Details of this interim dividend are set out in Sections 9.4 and 9.5.4 of this Prospectus.

Detailed Proforma Consolidated Balance Sheets are set out in Sections 9.2 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)**1.6 SUMMARY OF MATERIAL RISK FACTORS**

The following are a list of some of the material risk factors (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the Public Issue should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue:-

Item	Risk Factors
Section 3.1 – Risks Relating to the Industry in which the Deleum Group Operates	
(a)	Volatility of Oil Prices
(b)	Activity in the Malaysian Oil and Gas Industry
(c)	Currency Risks
(d)	Depletion of Natural Resources
(e)	Political, Economic and Regulatory Considerations
(f)	Regulatory Compliance/ Dependence on Licenses/ Permits
(g)	Profit Margins
Section 3.2 – Risks Relating to Operations and Business of the Deleum Group	
(a)	Business Risks
(b)	Operational, Health and Safety Risks
(c)	Reliance on Suppliers, Partners and Principals
(d)	Dependence on the Domestic Market
(e)	Foreign Operations Risk
(f)	Dependence on Directors, Key Personnel and Skilled Workforce
(g)	Dependence on Key Customers
(h)	Competitive Risks
(i)	Control by Promoters/ Substantial Shareholders
(j)	Environmental Concerns
(k)	Litigation/ Legal Uncertainties
(l)	Conflict of Interest
(m)	New Products and Services
(n)	Investment Activities Risk and New Ventures
Section 3.3 – Other Risks Relating to the Deleum Group	
(a)	Achievability of Forecast Results
(b)	Disclosure Regarding Forward-Looking Statements
(c)	No Prior Market for Securities
(d)	Capital Market Risks
(e)	Failure/ Delay In The Listing
(f)	Delay between Admission and Trading of the Issue Shares

Further details of the material risk factors are set out in Section 3 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)**1.7 PROFIT AND DIVIDEND RECORD****1.7.1 CONSOLIDATED PROFIT FORECAST**

The following table depicts the consolidated profit forecast for Deleum Group for FYE2007.

Financial Year Ending 31 December	Forecast 2007 (RM'000)
Revenue	581,486
PBT *	34,023
Tax	(7,690)
PAT	<u>26,333</u>
Attributable to:	
Equity holders of the Company	23,031
MI	<u>3,302</u>
	<u>26,333</u>
Weighted average number of shares ('000)	72,416
Enlarged issued share capital ('000)	80,000
Gross EPS (sen) ⁽¹⁾	47
Gross EPS (sen) ⁽²⁾	43
Net EPS (sen) ⁽¹⁾	32
Net EPS (sen) ⁽²⁾	29
Gross PE Multiple (times) ^{(1) (3)}	5.4
Gross PE Multiple (times) ^{(2) (3)}	5.9
Net PE Multiple (times) ^{(1) (3)}	8.0
Net PE Multiple (times) ^{(2) (3)}	8.8

Notes:

- (1) Based on the weighted average number of shares in issue.
(2) Based on the enlarged share capital.
(3) Based on the IPO price of RM2.55 per Share.

* Includes share of profits after tax from associate corporations namely CUPL and 2MC amounting to approximately RM3.8 million and RM4.1 million respectively.

Further information on the consolidated profit forecast is set out in Section 9.7 of this Prospectus.

1.7.2 DIVIDEND FORECAST AND POLICY

The following table shows the dividend forecast for Deleum for FYE2007.

Financial Year Ending 31 December	Forecast 2007
Gross dividend per share (sen)	14.4 ⁽¹⁾
Gross dividend yield (%)	5.6 ⁽²⁾
Net dividend cover (times)	2.7

Notes:

- (1) Based on the enlarged share capital.
(2) Based on the IPO price of RM2.55 per Share.

1. SUMMARY INFORMATION (Cont'd)

Further information on the dividend forecast and dividend policy is set out in Section 9.10 of this Prospectus. It is the intention of the Board, subject to the factors as set out in Section 9.10, to distribute 50% of the Group's annual profit attributable to the equity holders of the Company as gross dividends.

1.8 PRINCIPAL STATISTICS RELATING TO THE IPO

The following statistics relating to the IPO are derived from the full text of the Prospectus and should be read in conjunction with the text.

	Number of Shares of RM1.00 each	Share Capital (RM)
AUTHORISED SHARE CAPITAL	100,000,000	100,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:		
• Existing Deleum Shares	66,000,000	66,000,000
• New Deleum Shares to be issued pursuant to Public Issue	14,000,000	14,000,000
ENLARGED SHARE CAPITAL	80,000,000	80,000,000
• Existing Deleum Shares to be issued pursuant to Offer For Sale	6,450,000	6,450,000
• IPO Price		RM2.55
• Market Capitalisation		204,000,000

The IPO Price is RM2.55 per Share payable in full upon application, subject to the terms and conditions of this Prospectus. Further details of the particulars of the IPO are set out in Section 2 of this Prospectus.

1.9 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Rights Issue and the Public Issue will be utilised by the Group in the following manner:-

	Timeframe for Utilisation upon Listing	Amount (RM'000)
(i) Capital Expenditure *:		
- Oilfield Equipment	Within 24 months	15,000
- Investment in Facilities	Within 12 months	6,000
(ii) Working Capital *:		
- Expansion of Business and Markets	Within 24 months	12,000
- Existing Operations	Within 12 months	5,700
(iii) Estimated Listing Expenses ^	Immediate	3,000
Total proceeds		41,700

Note:

* Should any of items (i) and (ii) occur prior to the IPO, triggering the Group to resort to financing, the IPO proceeds shall be used to repay the said financing.

^ The estimated listing expenses include share issue expenses of RM2.5 million which will be debited against the share premium account.

Further details of the utilisation of proceeds are set out in Section 2.5 of this Prospectus.

2. PARTICULARS OF THE IPO

This Prospectus is dated 15 May 2007. The IPO is subject to the terms and conditions of this Prospectus.

A copy of this Prospectus has been registered with the SC and lodged with the ROC who takes no responsibility for its contents.

The approval of the SC for the IPO, as set out in Section 6.1, obtained vide its letter dated 6 December 2006, shall not be taken to indicate that the SC recommends the IPO and that investors should rely on their own evaluation to assess the merits and risks of the IPO.

An application will be made to the Bursa Securities within three (3) Market Days of the issuance of this Prospectus for admission to the Official List of the Main Board of Bursa Securities and for the listing of and quotation for the entire issued and fully paid-up shares failing which any allotment made on an application to subscribe for Deleum Shares pursuant to the Prospectus shall be void and the Company shall repay without interest, all monies received from the applicant. These Deleum Shares will be admitted to the Official List on the Main Board of Bursa Securities and official quotation will commence upon receipt of confirmation from the Issuing House that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Acceptance of Application for the Issue Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of the entire enlarged issued and fully paid-up Deleum Shares on the Main Board of Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned without interest within 14 days if the aforesaid permission is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the Bursa Securities within the aforesaid timeframe. If such monies are not repaid within the said period, the provision of sub-section 52(2) of the Securities Commission Act, 1993 shall apply accordingly.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed Deleum Shares as a Prescribed Security. In consequence thereof, the Deleum Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Deleum Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

Persons submitting applications by way of Application Forms or by way of Electronic Share Application or Internet Share Application must have a CDS Account. In the case of an application by way of Application Form, an application should state his/her CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application or Internet Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application or Internet Share Application.

Pursuant to the Listing Requirements, the Company must have at least 25% of the total number of Deleum Shares for which listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 Deleum Shares each at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with its listing on the Main Board of Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Board of Bursa Securities is not to be taken as an indication of the merits of the Company or of its shares.

2. PARTICULARS OF THE IPO (Cont'd)

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Deleum. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Deleum since the date hereof.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of the Issue Shares are subject to Malaysian laws and the Company takes no responsibility for the distribution of this Prospectus and the offer of any part of the Issue Shares outside Malaysia which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in doubt concerning this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant, or any other professional advisers.

2.1 SHARE CAPITAL

	Number of Shares of RM1.00 each	Share capital (RM)
AUTHORISED SHARE CAPITAL	100,000,000	100,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:		
• Existing Deleum Shares	66,000,000	66,000,000
• New Deleum Shares to be issued pursuant to Public Issue	14,000,000	14,000,000
ENLARGED SHARE CAPITAL	80,000,000	80,000,000
• Existing Deleum Shares to be issued pursuant to Offer For Sale	6,450,000	6,450,000
• IPO Price		RM2.55
• Market Capitalisation		204,000,000

The IPO Price is RM2.55 per IPO Share payable in full upon application, subject to the terms and conditions of this Prospectus.

There is only one (1) class of shares in the Company, namely, Shares of RM1.00 each, all of which rank pari passu with one another. The IPO Shares will rank pari passu in all respects with the other existing issued Shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

2. PARTICULARS OF THE IPO (Cont'd)

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held.

2.2 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

- (i) To provide immediate funds for investment in equipment, facilities, expansion of its business and markets as well as working capital, as such increasing the overall capability of the Group. This would further enhance Deleum Group's operating capability and business capacity both locally and overseas as well as widening its scope of product and service offerings and support for its expanding customer base;
- (ii) To provide an opportunity for the eligible employees, together with the business associates who have contributed to the success of the Group as well as the public and investors, to participate in Deleum's equity and the continuing growth of the Deleum Group;
- (iii) To enable the Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and the overall continued growth of the Group; and
- (iv) To further enhance the Group's visibility and presence as a provider of supporting specialised products and services in the oil and gas industry.

2.3 DETAILS OF THE IPO

Following the completion of the Rights Issue, the Company will undertake the Public Issue and the Offer For Sale in conjunction with its Listing on the Main Board of Bursa Securities.

2.3.1 Public Issue

The Public Issue comprises the issuance of 14,000,000 Issue Shares at an issue price of RM2.55 payable in full on Application upon such terms and conditions as set out in this Prospectus. The Public Issue will be allocated and allotted in the following manner:-

(a) Public

4,000,000 Public Issue Shares will be made available for application by individuals, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

2. PARTICULARS OF THE IPO (Cont'd)

(b) Eligible Employees and/or Business Associates of the Group

4,000,000 Public Issue Shares will be reserved for the eligible employees and business associates of the Deleum Group.

The Public Issue Shares to be allocated to 192 eligible employees of the Group based on the following criteria as approved by the Company's Board of Directors:

- (i) Designation and position;
- (ii) Length of service; and
- (iii) Performance.

The Public Issue Shares to be allocated to 26 business associates of the Group will be based on the following criteria as approved by the Company's Board of Directors:

- (i) Length of relationship; and
- (ii) Recognition of contribution and support to the Group's growth.

None of the Directors of Deleum are eligible to the pink form allocation save for the eligible Directors of Deleum as set out in Section 2.3.2 (a) of this Prospectus.

(c) Places

6,000,000 Issue Shares are reserved for private placement to selected investors, which are to be identified.

Any of the Public Issue under Section 2.3.1 (b) above, not taken up by Deleum's eligible employees and/or business associates of the Deleum Group, will be reoffered to Deleum's eligible employees and/or business associates of the Deleum Group. Subsequently, any of the Public Issue reoffered which are not taken up will be made available for application by the public under Section 2.3.1 (a) via balloting and/or selected investors via Private Placement.

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2. PARTICULARS OF THE IPO (Cont'd)**2.3.2 Offer For Sale**

The Offer For Sale comprises the offer for sale by the Offerors of 6,450,000 Deleum Shares held by them collectively at an offer price of RM2.55 which is payable in full on application upon such terms and conditions as set out in this Prospectus. The Offer Shares will be allocated in the following manner:-

(a) Independent Directors of the Group

450,000 Offer Shares will be reserved for the Independent Directors of the Company as follows:-

Name of Independent Directors	Designation	Pink Form Allocation
Datuk Ishak Bin Imam Abas	Independent Non-Executive Director	150,000
Dato' Kamaruddin Bin Ahmad	Independent Non-Executive Director	150,000
Chin Kwai Yoong	Independent Non-Executive Director	150,000
Total		450,000

Save for the eligible Directors disclosed under Section 2.3.2 (a) above, none of the Directors of Deleum are eligible to the pink form allocation.

(b) Placees

6,000,000 Offer Shares are reserved for private placement to selected investors, which are to be identified.

In summary, the IPO Shares will be allocated and/or allotted in the following manner:

	Public Issue Shares	Offer Shares	Total IPO Shares
Public	4,000,000	-	4,000,000
Eligible Employees, Independent Directors and/or Business Associates of the Group	4,000,000	450,000	4,450,000
Placees	6,000,000	6,000,000	12,000,000
Total	14,000,000	6,450,000	20,450,000

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2. PARTICULARS OF THE IPO (Cont'd)

2.3.3 Clawback and Reallocation

8,000,000 IPO Shares available for application by the Public, and the eligible employees and/or business associates of the Group have been fully underwritten. Neither the Offer Shares reserved for the Independent Directors nor the IPO Shares available for application by selected investors under the private placement ("Private Placement") are underwritten. Irrevocable undertakings from the Independent Directors have been obtained whilst the Sole Placement Agent will procure irrevocable undertakings from the selected investors to take up the IPO Shares available for application under the Private Placement.

In the event of an under-subscription of the IPO Shares by the Public, the unsubscribed IPO Shares will be made available to selected investors under Private Placement, or vice versa.

Any IPO Shares which are not taken up by eligible employees, Independent Directors and/or the business associates of the Group, will be reoffered to the Group's eligible employees and/or business associates of the Deleum Group. Subsequently, any of the IPO Shares reoffered which are not taken up will be made available for application by the Public under Section 2.3.1 (a) via balloting and/or selected investors via Private Placement. Any further IPO Shares not subscribed for up to a maximum of 8,000,000 IPO Shares will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

The minimum level of subscription for the IPO shares shall be 20,450,000 IPO shares at the IPO price of RM2.55 each, raising a total amount of RM52.15 million with RM35.70 million accruing directly to the Company and RM16.45 million accruing directly to the Offerors. The said minimum has been determined based on the number of shares required to meet the minimum public shareholding spread.

2.3.4 Disqualified Persons

No person who is deemed connected to a substantial shareholder or Director of Deleum is permitted to acquire any of the Deleum shares to be offered pursuant to the IPO.

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2. PARTICULARS OF THE IPO (Cont'd)

2.4 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price of RM2.55 per IPO Share was determined and agreed upon by the Company, the Offerors and AmInvestment Bank as Adviser and Sole Underwriter based on various factors including the following:-

- (a) The Group's financial operating history and conditions and financial position as outlined in Section 9 of this Prospectus;
- (b) The future plans and prospects of the Deleum Group as set out in Section 4.11 of this Prospectus;
- (c) The prospects of the industry in which the Group operates as outlined in Section 4.8 of this Prospectus;
- (d) The FYE2007 forecasted net PE Multiple of 8.8 times based on the forecasted net EPS of 29 sen based on the enlarged issued and paid-up share capital of 80,000,000 Deleum Shares;
- (e) The FYE2007 forecasted gross dividend yield of 5.6% based on the enlarged issued and paid-up share capital of 80,000,000 Deleum Shares;
- (f) The Proforma Consolidated NTA of Deleum as at 31 December 2006 of RM1.47 per Share based on the enlarged issued and paid-up share capital of 80,000,000 Deleum Shares;
- (g) The prevailing favourable market conditions in the oil and gas industry in which Deleum Group operates in, with a forecasted annual growth of approximately 5% to 8% for the next five (5) years, as explained in Section 11, subsection 1.15 of this Prospectus; and
- (h) Competitive advantages as listed in Section 4.2.16 of this Prospectus.

However, investors should also note that the market price of Deleum Shares upon listing on Bursa Securities is subject to the vagaries of the market forces and other uncertainties which may affect the market price of Deleum Shares being traded. Investors should form their own views on the valuation of the IPO Shares before deciding to invest in the IPO Shares.

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2. PARTICULARS OF THE IPO (Cont'd)**2.5 UTILISATION OF PROCEEDS**

The Rights Issue and the Public Issue will raise gross proceeds of approximately RM6.0 million and RM35.7 million respectively as follows, which shall accrue to the Company in full:-

	Gross Proceeds (RM)
Rights Issue	6,000,000
Public Issue	35,700,000
Total	41,700,000

The Company intends to utilise the proceeds raised in the following manner:-

	Timeframe for Utilisation upon Listing	Amount (RM'000)
(i) Capital Expenditure *:		
- Oilfield Equipment	Within 24 months	15,000
- Investment in Facilities	Within 12 months	6,000
(ii) Working Capital *:		
- Expansion of Business and Markets	Within 24 months	12,000
- Existing Operations	Within 12 months	5,700
(iii) Estimated Listing Expenses ^	Immediate	3,000
Total proceeds		41,700

Note:

* Should any of items (i) and (ii) occur prior to the IPO, triggering the Group to resort to financing, the IPO proceeds shall be used to repay the said financing.

^ The estimated listing expenses include share issue expenses of RM2.5 million which will be debited against the share premium account.

(a) Capital Expenditure***Oilfield Equipment***

The Group intends to invest a further RM15.0 million for the purchase of oilfield equipment to replace and enhance the operating capability and also to expand on the current equipment availability. This will enable the Group to offer a wider scope of services and to expand its business in the specialised oilfield products and services locally and overseas.

Investment in Facilities

The Group has allocated RM6.0 million of the proceeds for investment in facilities. In line with the Group's efforts to localise the overhaul operations with the transfer of technology to Malaysia, the Group will invest in an integrated service center and overhaul facility for gas turbines. The investment will include the upgrading of facilities and equipment.

This will result in the Group having an overhaul facility in Malaysia and also will enhance the Group's competitive edge as well as reinforcing its commitment for the transfer of technology and investment in Malaysia.

In addition, in view of the business expansion by the Group, the Group will also utilise the proceeds for the fitting out of its head office in Bangsar pursuant to the acquisition of a new adjacent building.

2. PARTICULARS OF THE IPO (Cont'd)

(b) Working Capital

Expansion of Business and Markets

To ensure the growth and sustainability of the Group's operations, the management recognises the need to expand the businesses locally and overseas. For this purpose, the Group intends to further invest in the existing business as well as acquisition of new businesses and has allocated RM12.0 million of the proceeds for this purpose. Based on current outlook the Group is targeting the ASEAN region, Middle East, and African countries where opportunities in oil and gas industry exist.

Existing Operations

The working capital of the Group is expected to increase in tandem with the projected growth of the Group. Therefore, of the total proceeds, RM5.7 million will be used as additional working capital to finance the Group's operations including purchase of consumables, fabrication costs and operating expenses. This would further enhance the cash flow position of the Group.

(c) Estimated Listing Expenses

The Group will utilise RM3.0 million to finance all expenses and fees incidental to the Listing, which include underwriting commission, placement fees, brokerage, professional fees, authorities' fees, advertising and other fees.

The estimated Listing expenses are as follows:

Estimated Listing Expenses	Amount (RM'000)
Fees to authorities	200
Professional fees #	1,900
Underwriting and brokerage fees	600
Printing, advertising and other expenses	300
Total	3,000 ®

Notes:

Includes fees for the Adviser, Sole Placement Agent, Reporting Accountants, Solicitors, Independent Business and Market Research Consultants and other professional advisors as well as Issuing House.

® Any unutilised amount shall be used for working capital purposes of the Group.

The Offer For Sale will raise gross proceeds of approximately RM16.45 million which shall accrue entirely to the Offerors in their respective proportions. No part of the proceeds raised under the Offer For Sale will be received by the Company.

The Offerors shall bear all expenses relating to the Offer For Sale such as transfer fees and cost incidental to the transfer of Offer Shares to the successful placees. The Offerors shall also bear the placement fees at the rate of 1.5% of up to the total of 6,000,000 Offer Shares at the IPO Price of RM2.55 per Share to be placed out successfully by the Sole Placement Agent to the placees.

2. PARTICULARS OF THE IPO (Cont'd)

2.6 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The utilisation of the proceeds from the Rights Issue and Public Issue by the Group is expected to have a financial impact on the Group as follows:-

(a) Increase in revenue from new opportunities

The Group will use proceeds to expand its current capabilities to enhance its support to its existing customer base as well as to new customers in the region and overseas countries. This will enhance the revenues of the Group as its business base expands over the next few years. These new business opportunities will give the Group added flexibility in terms of utilisation of human capital and assets of the Group.

(b) Enhancement of working capital

The Group is operating with minimal borrowings, as reflected in the recent years. It is the objective of the Group to minimise its gearing to enable the Group to have the flexibility to invest in new contracts and projects and to raise financing as and when the opportunities arise.

2.7 UNDERWRITING COMMISSION AND BROKERAGE

The Sole Underwriter has agreed to underwrite the 8,000,000 IPO Shares to be issued to the Public and eligible employees and/or business associates of the Group. Underwriting commission is payable by Deleum in respect of the Public Issue at the rate of 1.5% of the total underwritten shares of 8,000,000 at the IPO Price of RM2.55 per Share to the Sole Underwriter.

The Sole Placement Agent has agreed to place the IPO Shares set out in Section 2.3.1 (c) and 2.3.2 (b), which are reserved for selected investors. Accordingly, Deleum will pay a placement fee to the Sole Placement Agent at the rate of 1.5% of up to the total of 6,000,000 Issue Shares at the IPO Price of RM2.55 per Share to be placed out successfully by the Sole Placement Agent to the placees.

Brokerage is payable by the Company in respect of the Public Issue made available for application at the rate of 1.00% of the IPO Price of RM2.55 per Share described in Section 2.3.1 (a) herein, in respect of successful applications which bear the stamp of AmInvestment Bank, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or MIH.

2.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the Underwriting Agreement are summarised as follows:-

(a) Conditions Precedent

Unless waived by the Underwriter (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Underwriter under the Underwriting Agreement shall be conditional, inter-alia, upon the following:

- (i) the issue of the Public Issue Shares and/or the Offer for Sale of the Offer Shares (as the case may be) having been approved by the SC and or any other relevant authority and the shareholders of the Company in General Meeting;

2. PARTICULARS OF THE IPO (Cont'd)

- (ii) the listing of and quotation for the IPO Shares/ issued and paid-up capital of the Company on the Stock Exchange (as defined in the Underwriting Agreement) having been unconditionally approved-in-principle by the Stock Exchange (as defined in the Underwriting Agreement) or subject only to conditions which are acceptable to the Underwriter and such approval is not withdrawn and the Underwriter being reasonably satisfied that such listing and quotation shall be granted within two (2) clear Market Days after an application for quotation is made to the Stock Exchange (as defined in the Underwriting Agreement);
- (iii) the Prospectus having been registered with the SC and lodged with the CCM within three (3) months from the date of the Underwriting Agreement, or within such other period as the parties may mutually agree;
- (iv) there shall not have occurred, on or prior to the Closing Date (as defined in the Underwriting Agreement), any event rendering untrue, inaccurate or incorrect any of the representations or warranties contained in Clause 6(1);
- (v) there shall not have occurred, on or prior to the Closing Date (as defined in the Underwriting Agreement), any breach of and or failure to perform any of the undertakings contained in Clause 6(1);
- (vi) the Offer for Sale and/or Public Issue (as the case may be) not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
- (vii) the Prospectus having been issued within three (3) months of the date hereof or within such extended period as may be consented to by the Underwriter; and
- (viii) an application being made to the Stock Exchange (as defined in the Underwriting Agreement) within three (3) Market Days from the date of issue of the Prospectus for admission to the Official List of the Stock Exchange (where applicable).

(b) Termination

- (1) Subject to Clause 15(2) of the Underwriting Agreement but notwithstanding any other provision contained in the Underwriting Agreement, the Underwriter may by notice in writing to the Company given at any time before the listing and quotation of the IPO Shares, terminate and cancel and withdraw the commitment of the Underwriter to underwrite the Underwritten Shares if:-
 - (i) any of the conditions precedent set out in Clause 5 are not duly satisfied by the Closing Date (as defined in the Underwriting Agreement); or
 - (ii) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 6(1), which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriter within ten (10) Market Days from the date the Company is notified by the Underwriter of such breach; or

2. PARTICULARS OF THE IPO (Cont'd)

- (iii) there is failure on the part of the Company to perform any of its obligations herein contained; or
- (iv) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriter, would have a material adverse effect on the business or operations of the Group, the success of the Offer for Sale and/or Public Issue (as the case may be), or the distribution or sale of the IPO Shares; or
- (v) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or
- (vi) there shall have occurred, or happened any of the following circumstances:-
 - (A) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or
 - (B) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, national disorder, outbreak or pandemic of diseases/sickness, declaration of a state of national emergency, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Offer for Sale and/or Public Issue (as the case may be), or the distribution or sale of the IPO Shares, or which has or is reasonably likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

- (2) In the event that the Underwriting Agreement is terminated pursuant to Clause 15(1)(f), the Underwriter and the Company may confer with a view to deferring the Offer for Sale and/or Public Issue (as the case may be) by amending its terms or the terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.

2. PARTICULARS OF THE IPO (Cont'd)

(c) Force Majeure

Notwithstanding anything therein contained in the Underwriting Agreement, the Underwriter may, at any time before the listing and quotation of the IPO Shares, by notice in writing delivered to the Company terminate the obligations of the Underwriter under the Underwriting Agreement if in the reasonable opinion of the Underwriter:

- (i) there shall have been such a change in national or international monetary, financial, political, economic or stock market conditions or exchange control or currency exchange rates or interest rates or otherwise as would in the reasonable opinion of the Underwriter prejudice materially and adversely the success of the Offer for Sale and/or Public Issue (as the case may be) and the listing of and quotation for the IPO Shares; or
- (ii) should there occur an event or cause which is unpredictable and beyond the control of the party claiming the same, national disorder, outbreak of war, hostilities, riots or uprisings, acts of God, floods, fires, earthquakes and similar natural disasters, outbreak or pandemic of disease/sickness or the declaration of a state of national emergency,

and thereupon the parties shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 20 of the Underwriting Agreement incurred prior to or in connection with such termination) be released and discharged from their respective obligations under the Underwriting Agreement.

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3. RISK FACTORS

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:-

3.1 RISKS RELATING TO THE INDUSTRY IN WHICH THE DELEUM GROUP OPERATES

Deleum Group is a provider of supporting specialised products and services for the exploration and production of oil and gas. These specialised products and services supplied by the Group are primarily utilised in the upstream sector of the oil and gas industry, which focuses on exploration and production of oil and gas. The level of oil exploration, development and production activities in the oil and gas industry has a direct impact on Deleum Group's operations. The factors which may affect the level of oil exploration, development and production activities include, inter alia:

(a) Volatility of Oil Prices

Oil is an internationally traded commodity which price fluctuates with the constant interaction between supply and demand. Unforeseen supply disruptions, geographical and political factors are amongst an entire host of factors that may influence the market price of oil. There exists a direct correlation between oil prices and the level of activity in the oil and gas industry. Exploration, development and production of crude oil reserves accelerate or decelerate with fluctuations in correlation to global prices of crude oil.

The event of a prolonged period of lower oil prices may discourage various exploration, development and production activities resulting in lower demand for product and services provided by oil and gas support companies such as Deleum Group.

For example, the Group experienced in 1998 a deferment of projects in the period subsequent to the Asian Economic Crisis of 1997 due to the downward spiral of crude oil prices which resulted in lower activity in certain areas of the Deleum Group's business base. Nevertheless, the Deleum Group was able to sustain its operations due to a well diversified portfolio of specialised product and service offerings.

However, in the event of a significant prolonged period of depressed oil prices, there can be no assurance that the Group will not be materially affected by this risk.

An upward trend in oil prices could result in an increase in oil exploration, development and production activities as the potential returns from the upstream activity increases.

The sustained current high crude oil prices is the present market driver of the oil and gas industry, motivating oil companies to further explore and develop new oil fields and/or fields that were previously considered not commercially viable. Consequently, the level of activity in the industry has increased resulting in a higher demand for Deleum Group's products and services.

(b) Activity in the Malaysian Oil and Gas Industry

Pursuant to the PDA, PETRONAS is vested with exclusive ownership to Malaysian oil and gas reserves. The PDA provides for all exploration and exploitation of petroleum by PETRONAS in Malaysia, and accordingly, any initiative to undertake the exploration and extraction of crude oil and gas in Malaysia can only be carried out via a PSC with PETRONAS.

3. RISK FACTORS (Cont'd)

Consequently, any new terms that may have an adverse impact to the regular terms of a PSC such as reduction of profit sharing of the contractors under the PSC may lower the level of oil exploration, development and production activities as the contractors will be less motivated to carry out crude oil exploration and extraction activities in Malaysia as well as preclude investors from future ventures. This reduction in the level of oil exploration and extraction will lower the demand for products and services provided by oil and gas support companies such as the Deleum Group.

In the event PETRONAS does not react to change the terms of the PSC to reflect the current market, global conditions or economic situations that affect the oil and gas industry, many PSCs may be discouraged to enter the Malaysian oil and gas market, resulting in a downturn of market activity and consequently affect the performance of the Deleum Group. However, in the event PETRONAS reacts timeously to the current market conditions, the resultant outlook will be favourable for the Group.

The oil and gas industry is one of the major contributors to the Malaysian economy, both as a source of energy and a major foreign exchange earner, and as such, it is expected that there will be continued growth in the industry in terms of steady stream of contracts and in turn, revenue and growth in the long term.

(c) Currency Risks

The oil and gas industry in Malaysia significantly depends on specialised products and services imported from abroad. As a result, service companies in the oil and gas industry, like the Deleum Group, depend on overseas suppliers to effectively conduct and sustain their businesses.

As such, fluctuations in the foreign currency rates may have an impact on the price of specialised products and services imported by the Group to be supplied to its customers. However, the Group mitigates its exposure to foreign currency fluctuations by entering into contracts for both the supply and sale in the same currency. This forms a natural hedge, ensuring that the Deleum Group is not adversely affected by unfavourable foreign currency movements.

Notwithstanding the above, there can be no assurance that foreign currency fluctuations will not adversely affect the Group.

(d) Depletion of Natural Resources

Hydrocarbons are non-renewable sources of energy. In that connection, all hydrocarbon producing regions, including Malaysia, will eventually be depleted, if no new finds are progressively discovered. As at 1 January 2006, hydrocarbon reserves in Malaysia were as follows:

- (i) Reserves of crude oil (including condensates) totalled 5.25 billion barrels of oil equivalent. If these reserves were extracted at a constant rate equal to the Crude Oil (Including Condensate) production rate recorded in 2006, production is projected to continue for twenty (20) years.
- (ii) Reserves of natural gas totalled 14.66 billion barrels of oil equivalent. At the current daily rate of Natural Gas production, production in Malaysia is projected to continue for 34 years.

(Source: Independent Assessment of the Supporting Specialised Products and Services for the Oil and Gas Industry prepared by Vital Factor Consulting Sdn Bhd)

3. RISK FACTORS (Cont'd)

However, the National Depletion Policy introduced to safeguard the exploitation of the natural oil reserves by postponing development and control of the production of major oil fields will ensure that the extraction of hydrocarbons is carefully managed and sustainable over the long term. PETRONAS has also stepped up exploration efforts, especially in deep-water exploration, in an effort to prolong the lifespan of the industry.

In addition, current reserve estimates tend to be conservative and may underestimate the actual amount of hydrocarbons that is ultimately extracted, as they do not take into account the existence of undiscovered oil reserves as well as the technological advances which increase the amount of oil which may be commercially extracted from existing reserves and the production from previously inaccessible regions.

The Group seeks to mitigate these risks through, inter alia, securing long term contract agreements in terms of provision of services, equipment and parts to its various customers. The Group also intends to expand its overseas activities and is currently pursuing markets outside of Malaysia, which includes amongst others, the ASEAN region, Middle East and African countries where opportunities in oil and gas industry exist, in order to reduce dependency on any single geographical market.

(e) Political, Economic and Regulatory Considerations

Changes and developments in political, economic and regulatory conditions in Malaysia and the countries in which the Deleum Group operates could materially and/or adversely affect the profitability and business prospects of the Group and industry in which it operates. These uncertainties include, but are not limited to, the changes in political leadership, changes in investment policies and taxation, expropriation, nationalisation, changes in interest rates, changes in regulatory structure, risks of war and global economic downturn.

The Group's revenue and its ability to achieve and sustain profitability depend on the overall demand for the products and services that the Group offers. Any economic slowdown in the world, region or national economy may cause the Group's customers to defer purchases of the Group's products and services. Uncertainty in the global economic environment may cause some businesses to curtail or eliminate spending and as such may have an impact on the Group where certain customers may curtail their procurement of products and services.

Although the Group practices efficient operating procedures and prudent financial management, there can be no assurance that adverse political and economic developments, which are beyond the Group's control, will not materially affect the performance of the Group or the industry as a whole.

(f) Regulatory Compliance/ Dependence on Licenses/ Permits

All service providers wishing to participate in the oil and gas industry in Malaysia are required to obtain the necessary licenses, or registrations with PETRONAS and other relevant authorities. All of these licenses and registrations are only valid for a stipulated time frame which is renewable subject to compliance with the relevant conditions. The requirements set out by PETRONAS and the authorities may be subject to changes, which could then affect certain operations of the Group. Failure by the Group to renew, maintain or obtain the required licenses and registrations may have an adverse effect on the Group.

3. RISK FACTORS (Cont'd)

As such, there can be no assurance that the licences and registrations will be renewed within the anticipated time frame or without any new terms and conditions imposed, nor the future legislative or regulatory policy changes will not affect the operations of the Group. Nevertheless, the Group will continue to ensure that it is compliant with the relevant requirements/regulations at all times.

In addition, any fundamental changes to PETRONAS' policy with regards to the regulation of the oil and gas industry may occur. These changes either by restricting or liberalising the regulations governing the oil and gas industry may have an adverse or favourable impact on how the Deleum Group operates. If restrictive, there can be no assurance that the business of the Group will not be materially affected by these changes.

(g) Profit Margins

The Deleum Group has a broad business base in the oil and gas industry spreading across its three (3) business segments as highlighted in Section 1.1 of this Prospectus.

The profit margins generated by these three (3) business segments consist of a combination of revenue with relatively low gross margins and revenue with relatively high gross margins.

Notwithstanding the above, the Group seeks to mitigate this risk by increasing the profit margins of the Group. It is the management's objective to increase the Group's business base further in the higher margin business segments, primarily in the value added and services sector.

3.2 RISKS RELATING TO OPERATIONS AND BUSINESS OF THE DELEUM GROUP

(a) Business Risks

The Group is subject to business risks common to the industry at large. This may include amongst others, changes in government policies, shortages in skilled workforce, fluctuations in demand for its products and services, market acceptance of new products and services, changes in general economic, competitive conditions in the industry, business and credit conditions and other business risks common to going concerns.

The Group has to a certain extent experienced some of the business risks mentioned above which had affected the operations of the Group particularly during the post Asian Economic Crisis period, in 1998, mentioned in Section 3.1 (a). However due to the diversity in its provision of supporting services and specialised equipment, the Group was able to continue sustaining its operations profitably.

The senior management of the Group have in excess of twenty (20) years relevant experience in the industry and further the other management and technical personnel of the Group having in excess of ten (10) years of relevant experience as well.

However, no assurance can be given that any changes in these factors would not have any material adverse impact on the Group's business and profitability.

3. RISK FACTORS (Cont'd)

(b) Operational, Health and Safety Risks

Like any other business involved in the oil and gas industry, the Deleum Group's operation of its business is subject to disruption by a variety of risks and hazards, which are beyond its control such as fires, explosions, leakages, energy crisis and other accidents at the oil and gas facilities. These risks could ultimately result in personal injury, business interruptions and potential legal proceedings. To address these risks, the Group has established a safety policy that clearly sets out the safety measures that must be strictly adhered to by its employees and contractors. Refer to Section 4.2.14 for the Group's Health, Safety and Environment ("HSE") policies.

The Directors believe that these risks are mitigated through the periodic audits of its health and safety procedures and practices, drills, continuous health and safety meetings and reviews, training and other measures. While the Group places heavy emphasis on health and safety throughout all levels of its operations and undertakes continuous health and safety training for its employees, there is no assurance that incidents and damages will not occur.

The Directors of the Group will use their best endeavours to ensure that an adequate level of insurance coverage against such risks is maintained. Notwithstanding the above, no assurance can be given that any insurance coverage arranged will be adequate and available to cover all and any claims arising therefrom.

(c) Reliance on Suppliers, Partners and Principals

Oil and gas support service companies like the Deleum Group are dependent on their suppliers, partners and principals for the supply of certain supporting specialised products and services.

The Group relies on its partners and principals for the supply of certain products and services as disclosed in Section 4.2 of this Prospectus. These partners and principals are internationally renowned corporations supporting the oil and gas industry, namely STI, Vetco, SBM and ReedHycalog. Any severance of these relationships will have a negative impact on the Group's ability to supply those specific supporting products and services to their customers.

Although there is no assurance that the Group will be able to maintain these partners and principals, the Group currently enjoys long-standing relationships with its partners and principals, majority of which have been dealing with the Group for five (5) years or more and some for twenty (20) years or more. In addition, the Group seeks to mitigate this risk by maintaining good working relationships and ensuring obligations are fulfilled. In addition, this is further mitigated by establishing joint ventures with local operations, thus enhancing the local support and operations of these partners and principals.

(d) Dependence on the Domestic Market

The Deleum Group is an established player in the provision of specialised products and services supporting the domestic oil and gas industry. The Group also has all the relevant licenses and registrations pertinent to its operations. For the financial year ended 31 December 2006, 93.35% or approximately RM403.6 million of the Group's proforma revenue was derived from Peninsular and East Malaysia. The balance of 6.65% was derived from the Joint Development Area.

However, the local oil and gas industry is still very active with new and existing PSC operators increasing activity through deepwater exploration and development activities, marginal field developments and enhanced recovery.

3. RISK FACTORS (Cont'd)

Thus it is expected that the local oil and gas industry will continue to be active and grow in the near future.

Further as mentioned in Section 3.1 (d) above, the Group is looking at expanding its current operations overseas, where opportunities in oil and gas industry exist, to mitigate against any over dependence on the domestic market by spreading its revenue base over a greater geographical area.

(e) Foreign Operations Risk

Currently, the Group's only foreign operation is an IPP in Phnom Penh, Cambodia, operated by its associate corporation, CUPL.

The risks affecting CUPL are mitigated as follows:

- The power purchase agreement is signed with a take-or-pay clause, which would sufficiently protect its business profitability as far as market risk is concerned;
- CUPL's only customer, Electricite du Cambodge, is a wholly owned government agency, and as such credit risk is less likely to materially affect CUPL's income; and
- There are also separate agreements signed with its suppliers for fuel, spare parts and lubricating oil to ensure continuity of plant operations.

In addition, as mentioned in Section 3.1 (d) above, the Group is looking at expanding its operations overseas to those markets where opportunities in oil and gas industry exist. Unfavourable developments in political, economic, government control and regulatory framework of these overseas markets may affect the Deleum Group's plans for expansion. Any unfavourable developments not assessed or accounted for may cause disruptions to these future overseas operations.

There can also be no assurance that any changes in the policies of the foreign governments with respect to foreign investment and repatriation of profits will not materially and adversely affect the operations and business of the Deleum Group.

The Group will mitigate the abovementioned risks by collaborating with established and reputable local partners and associates as well as undertaking thorough due diligence, prior to the commencement of any overseas ventures or entering into any overseas contracts.

(f) Dependence on Directors, Key Personnel and Skilled Workforce

The nature of the oil and gas industry demands for high levels of skill and technical competency. The Deleum Group believes that its continued success in the industry will depend, to a significant extent, on the abilities and efforts to attract and retain specialised and skilled personnel.

To date, the Group has been guided by its experienced Directors and managed by a team of qualified key personnel who have extensive knowledge and experience in the oil and gas industry. This is proven by the Group's established track record as a provider of supporting specialised products and services in the oil and gas industry for approximately 25 years.

The credentials and list of Directors and key personnel of the Group are set out in Section 5 of this Prospectus.

In addition, the Group emphasises on-the-job training coupled with scheduled training, succession planning and incentive driven remuneration to motivate its employees to continue enhancing and supporting the Group's operations.

3. RISK FACTORS (Cont'd)

The Group continuously seeks to enhance its human capital by also importing new talent into the Group.

Notwithstanding that the Group currently employs a broad base of personnel with varied and extensive experience in the industry, the Group will continually face the challenge of retaining its personnel and attracting new talent. There can be no assurance that the above measures will always be successful. If the Group is unable to attract and retain skilled personnel, the performance and future prospects of the Group may be adversely affected.

However, the Group has and will continue to provide competitive compensation packages to its personnel and maintain a conducive working environment for them.

(g) Dependence on Key Customers

The key customers which contributed more than 10% of the total proforma Group revenue for each of the past three (3) financial years are as disclosed in Section 4.9 of this Prospectus. Of note are SSB/SSPC, MDFT, PCSB, Murphy and PGB which collectively contributed to 74.4% of the total proforma Group revenue for FYE2006, PCSB and SSB/SSPC which collectively contributed to 53.8% of the total proforma Group revenue for FYE2005, and SSB/SSPC and EMEPMI which collectively contributed to 49.5% of the total proforma Group revenue for FYE2004.

There are approximately ten (10) major oil and gas exploration and production companies in Malaysia and the Joint Development Area, including PCSB, SSB/SSPC, EMEPMI and Talisman. The Deleum Group, like any other service company in the oil and gas industry, is dependent to a certain extent on its relationship with these oil and gas exploration and production companies.

The key customers of the Deleum Group in any one financial year may change depending on the level of activity undertaken by any of the oil and gas exploration and production companies. However, the Group is confident that with its diversified range of supporting specialised products and services, it will be able to adapt to any changes in the level and field of activities in the industry by these major players and to continue offering a wide range of products and services to them to avoid over-dependence on any one particular customer.

Further, as at the financial year ended 31 December 2006, the average length of relationship the Group has with its top twenty (20) customers is nine (9) years, of which the Group has had a relationship of more than twenty (20) years with four (4) of its customers. However, there is no guarantee that the business relationships with these customers may not be disrupted.

Nevertheless, the Group believes that its long-term business relationships with its customers will mitigate any possible disruption to such relationships.

(h) Competitive Risks

The Group faces competition from both local and global service providers in the oil and gas industry. Although there is competition between the local licensed service providers in the industry, the threat from new entrants is relatively low due to high barriers of entry in terms of initial capital investment and working capital resources, technical expertise, skilled workforce and the requirements for licenses and registrations with PETRONAS and other authorities.

3. RISK FACTORS (Cont'd)

As a mitigating factor, the Group believes that its proven track record of approximately 25 years, and its team of experienced and skilled personnel will enable the Deleum Group to remain competitive in the future. Nevertheless, there can be no assurance that the Group will be able to maintain or increase its market share in the future in light of competition from existing players and/or potential new entrants into the industry.

This risk is mitigated by the Group's historical track record, dedicated, experienced and skilled personnel, ready access to technology, synergistic services and products through its strategic alliances with global players who are specialists in various fields to meet customer requirements, quality of services, high safety standards and prompt delivery. In addition, the Group has successfully established a reputable track record associated with quality, reliability as well as technical expertise.

(i) Control by Promoters/ Substantial Shareholders

After the IPO, the Promoters and substantial shareholders, as set out in Section 5 of this Prospectus will collectively control 74.4% of Deleum's enlarged issued and paid-up capital.

As a result, the Promoters and substantial shareholders will be able to exercise some influence over the direction and matters governing the Group requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

(j) Environmental Concerns

The Group believes that its existing operations are in compliance with the relevant environmental legislation governing activities within Malaysia such as the stringently monitored Environmental Quality Act, 1974.

Nevertheless, there is a possibility that the Government may change its regulations with regards to environmental matters in the future which would require the Group to modify its facilities or incur expenses that could have an effect on the Group's operating results.

(k) Litigation/ Legal Uncertainties

Save for the litigation disclosed in Section 14.5 of this Prospectus, the Group is not engaged in any litigation, claim and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of Deleum or its subsidiaries and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of Deleum or its subsidiaries.

However, there can be no assurance that the existing legal action will not materially and adversely affect the position or business of the Group and that there would be no further actions that could adversely affect the positions or business of the Group in the future.

(l) Conflict of Interest

Save as disclosed in Section 7.1 of this Prospectus, none of the Promoters, directors and/or substantial shareholders of Deleum are in positions which may give rise to potential conflict of interest arising from their directorships and/or shareholdings in Deleum Group as at 6 April 2007.

3. RISK FACTORS (Cont'd)

To mitigate any potential conflict of interest, arising from common directorships, the Directors and substantial shareholders of Deleum will provide a declaration that all business transactions between the Group and the Directors and substantial shareholders and their related persons, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to the Group and not to be involved in any new business in the future, which will give rise to competition/ conflict with the current business of the Group.

(m) New Products and Services

The development and introduction of new products and services into the Group's existing portfolio of specialised equipment and services supporting the oil and gas industry is a continuous process and is coupled with the future plans of the Group in Section 4.11 of this Prospectus. The markets for the Group's future offerings are often characterised not only by changes in customer requirements or needs, technological developments and enhancements, but also upon customers' acceptance of its products and services as well as its ability to address the needs of its customers.

As a mitigating factor, the Group continuously exercises due care in the evaluation of the market trend and customer requirements or needs over time and focuses on developing solutions to meet its customers' need.

(n) Investment Activities Risk and New Ventures

If appropriate opportunities present themselves, the Group may from time to time acquire additional businesses or invest in synergistic new ventures. As such, there is a potential risk that these investments may have longer than expected gestation periods or may not be entirely successful. In this event, the Group may take time to recover or be unable to recover its initial investments.

The Group plans to mitigate this risk by exercising due care with effective evaluation and assessment prior to the commencement of such business or ventures in relation to customer demand or market trends.

3.3 OTHER RISKS RELATING TO THE DELEUM GROUP

(a) Achievability of Forecast Results

It should be noted that the profit forecast are based on various assumptions with respect to the levels and timing of revenues, cost and various other matters of an operational or financial nature, which the Directors of the Company believe to be reasonable.

A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which are outside the control of Deleum Group and its Directors. Also, events and circumstances often do not occur as anticipated and therefore actual results may differ from the forecast either positively or negatively. Accordingly, the Directors cannot and do not guarantee the achievement of the forecast.

The consolidated profit forecast should be reviewed in conjunction with the description of the business, the historical financial information and other material contained in this Prospectus. Potential investors should note carefully the bases and assumptions to the profit forecast.

3. RISK FACTORS (Cont'd)**(b) Disclosure Regarding Forward-Looking Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements express or implied in such forward-looking statements.

Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of the Company or its adviser that the plans and objectives of the Group will be achieved.

(c) No Prior Market for Securities

There is currently no public market for the Company's Shares. There can be no assurance that an active market for Company's Shares will develop and continue to develop upon or subsequent to its Listing on the Main Board of Bursa Securities or, if developed, that such a market will be sustained.

The IPO Price of RM2.55 for the Public Issue and Offer Shares has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the industry in which the Company operates, the management of the Company and the market prices for shares of companies engaged in business similar to that of the Company. There can be no assurance that the IPO Price will correspond to the price at which Deleum's shares will trade on the Main Board of Bursa Securities upon or subsequent to its Listing.

(d) Capital Market Risks

The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of the listed securities. Nevertheless, the profitability of the Deleum Group is not dependent on the performance of Bursa Securities as the business activities of the Group have no direct correlation with the performance of securities listed on Bursa Securities.

(e) Failure/ Delay in the Listing

The occurrence of any one or more of the following events may cause a delay in or cancellation of the listing of Deleum Shares on the Main Board of Bursa Securities:

- (i) The identified investors failing to subscribe to the portion of Shares intended to be placed to them;
- (ii) The Sole Underwriter exercising its rights pursuant to the underwriting agreement to discharge itself from its obligations thereunder; or

3. RISK FACTORS (Cont'd)

- (iii) The Company being unable to meet the public spread requirement as determined by Bursa Securities, including a minimum of 1,000 public shareholders holding not less than 100 Deleum Shares each upon completion of the IPO and at the point of Listing.

(f) Delay between Admission and Trading of the Issue Shares

The date of Admission will normally occur at least two (2) clear Market Days after the Issue Shares have been allocated to investors' respective CDS Accounts in Bursa Depository. Delays in the Admission and the commencement of trading in shares on Bursa Securities have occurred previously. In order for Deleum to return monies to investors in respect of Issue Shares following their allotment and issue, a reduction of Deleum's share capital would be required. This would require a special resolution of its shareholders and such resolution would have to be confirmed by the Malaysian High Court. There can be no assurance that monies can be recovered within a short period of time or at all. If Bursa Securities does not admit the Deleum Shares for the listing, the market for the Deleum Shares will be illiquid and it may not be possible to trade the Deleum Shares. This may also have a material adverse effect on the value of Deleum Shares.

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4. INFORMATION ON THE DELEUM GROUP

4.1 BACKGROUND

4.1.1 Incorporation and Commencement of Business

Deleum was incorporated in Malaysia under the Act on 23 November 2005 as a private limited company under the name of Deleum Sdn Bhd. Subsequently, on 15 September 2006, it was converted to a public limited company and assumed its present name of Deleum Berhad.

Deleum commenced business on 29 November 2005 as an investment holding company. It had on 29 November 2005 entered into a sale and purchase agreement, to acquire the entire issued and paid-up share capital of DSSB. The Acquisition of DSSB was completed on 20 December 2005.

Subsequently, on 28 December 2005, Deleum acquired the entire issued and paid-up share capital of DSHL. The internal group reorganisation resulted in Deleum being the new holding company of DSSB and DSHL, with the same shareholders as those immediately prior to the reorganisation.

In addition to the aforementioned Acquisitions, disposals of certain subsidiaries and associate corporations were also carried out to streamline the business operations of the Group.

The history of the Deleum Group dates back to 1976 where DSSB began operations in marketing telecommunication equipment. In 1982, DSSB diversified into the Malaysian oil and gas industry and established itself as a service company. On obtaining exclusive representations, for the provision of drilling rigs and drilling services, gas turbines as well as pneumatic electronic instruments, DSSB became a PETRONAS licensed service company.

Solar Turbines Inc appointed DSSB in 1982 as its representative on an exclusive basis for the sale and marketing of gas turbines, compressors and generators for use in the oil and gas industry in Malaysia and subsequently in 1996, the power generation sector as well. After the acquisition by the Solar Turbines Inc of Turbomach SA, Turbomach SA appointed DSSB in 2005 as its sales and marketing representative in Malaysia for the power generation sector.

TSSB was formed in 1987 as a joint venture between DSSB and Solar Turbines Inc to provide after sales technical service for gas turbine packages in Malaysia.

In 1985, DSSB was appointed to act as the sole and exclusive sales and marketing agent by Vetco Singapore (Pte) Ltd (currently known as Vetco Gray Pte Ltd) ("Vetco Gray") for Vetco products and services in Malaysia.

In 1991, Vetco Gray and DSSB formed a joint venture through VGD to undertake the manufacture, assembly and sale of Wellheads, Christmas Trees, conductors and other ancillary equipment. However, in 1999, VGD ceased operations.

DSSB secured in 1985 another sole and exclusive sales representative right with Single Buoy Moorings Inc for the sale of their products, including single point mooring systems, floating storage and offloading systems and floating production storage and offloading systems, in Malaysia.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

In 1987, DSSB acquired a majority interest of 51% in Camco (Malaysia) Sdn Bhd and thus formed a joint venture with Camco Services International Inc (“Camco”). Following the successful transfer of technology and skills to the local personnel, DSSB then in 2001 purchased the remaining shares owned by Camco and changed the name of Camco (Malaysia) Sdn Bhd to DOSSB, making it a wholly owned subsidiary of DSSB. DOSSB today provides an extensive range of oilfield services to PSC operators in Malaysia.

In 2000, DSSB was appointed as a sole and exclusive representative in Malaysia for the sale of submarine cables and umbilicals and offshore support services by Duco Ltd, part of the Technip Group.

Over the years, in addition to STI, Vetco, SBM and Duco, the Group has established relationships with other principals and partners who are internationally renowned in supporting the oil and gas industry, such as ReedHycalog and Grayloc Products Ltd. The Group has also developed its own capabilities specifically in providing specialised products and services to the oil and gas industry, for example, Wireline rental and services, Integrated Wellhead maintenance services, specialty chemicals, and other related products and services.

Since its diversification into the Malaysian oil and gas industry 1982, the Group has grown from strength to strength and is today, one of the leading companies in the provision of supporting specialised products and services for the oil and gas from exploration to production in Malaysia.

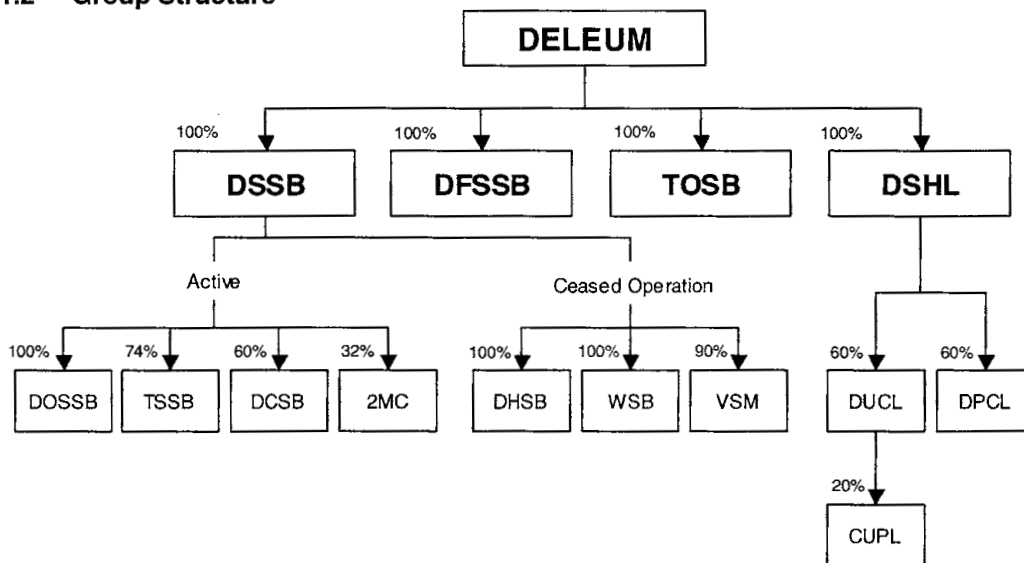
The principal business activities of the Group cover the following areas:

- Specialised equipment and services;
- Oilfield equipment and services; and
- Oilfield chemicals and services.

The Deleum Group’s other business activities through its associate corporations include bulking services and an IPP.

With approximately 25 years of experience in the oil and gas industry, the Group has become a provider of supporting specialised products and services to the oil and gas industry in Malaysia.

4.1.2 Group Structure



4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Details of the subsidiary and associate corporations of the Company are summarised below:

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities
Subsidiaries of Deleum				
DSSB	10 July 1976/ Malaysia	RM10,000,000	100.0	Provision of supporting specialised products and services for the exploration and production of oil and gas
DSHL	26 January 1995/ Hong Kong	HK\$100	100.0	Investment holding company
DFSSB	21 August 2006/ Malaysia	RM100	100.0	Presently dormant, proposed manufacture of DRA
TOSB	21 December 2005/ Malaysia	RM100,000	100.0	Presently dormant, proposed provision of gas turbine overhaul and maintenance services
Subsidiaries of DSSB				
DOSSB	20 March 1978/ Malaysia	RM1,000,000	100.0	Provision of supporting specialised products and services
TSSB	6 November 1987/ Malaysia	RM2,600,000	74.0	Provision of gas turbine technical services
DCSB	5 July 1982/ Malaysia	RM100,000	60.0	Development and supply of oilfield chemicals and services
WSB	10 May 1985/ Malaysia	RM135,002	100.0	Ceased operations in 2004
DHSB	18 February 1984/ Malaysia	RM2	100.0	Ceased operations in 1997
VSM	11 June 1981/ Malaysia	RM404,000	90.0	Ceased operations in 2004
Subsidiaries of DSHL				
DUCL	26 October 1998/ BVI	USD10	60.0	Investment holding company
DPCL	10 October 2001/ BVI	USD10	60.0	Dormant
Associate Corporation of DSSB				
2MC	19 April 1985/ Malaysia	RM1,700,000	32.0	Provision of bulking services for the oil and gas industry
Associate Corporation of DUCL				
CUPL	24 April 1995/ Cambodia	USD12,000,000	12.0	Independent power producer operating in Cambodia

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

4.1.3 Share Capital and Changes in Share Capital

The present authorised share capital of Deleum is RM100,000,000 comprising 100,000,000 Shares. The issued and paid-up share capital of Deleum is RM66,000,000 comprising 66,000,000 Shares.

Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:

Date of Allotment	No. of Shares Allotted	Par Value (RM)	Consideration	Total Issued and Paid-up Share Capital (RM)
23.11.2005	2	1.00	Subscribers' shares	2
20.12.2005	59,999,998	1.00	Otherwise than cash, pursuant to the Acquisition of DSSB	60,000,000
06.04.2007	6,000,000	1.00	Pursuant to Rights Issue	66,000,000

4.1.4 Listing Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Deleum on the Main Board of Bursa Securities, the Company undertook a listing scheme which involved the following:

(a) Rights Issue

Deleum undertook a Rights Issue of 6,000,000 new Deleum Shares at an issue price of RM1.00 per Rights Issue Share to the existing shareholders of Deleum. The Rights Issue was undertaken on the basis of one (1) new Deleum Share for every existing ten (10) Deleum Shares. The Rights Issue was completed on 6 April 2007.

Under the Rights Issue, Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain renounced his portion of rights of allotment under the Rights Issue in favour of LMSB. The Rights Shares were allotted to the shareholders of Deleum in the following manner as agreed:-

Shareholders Immediately Prior to Rights Issue	No. of Rights Shares Issued	After Rights Issue	
		No. of Shares Held	% of Enlarged Share Capital
Dato' Izham Bin Mahmud	225,000	2,475,000	3.75
Datin Che Bashah @ Zaiton Binti Mustaffa IMHSB	679,412	7,473,536	11.32
Datuk Vivekananthan a/l M. V. Nathan	490,588	5,396,464	8.18
Hj Abd Razak Bin Abu Hurairah	885,000	9,735,000	14.75
LMSB	150,000	1,650,000	2.50
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	2,179,412	18,679,412	28.30
Chandran Aloysius Rajadurai	-	5,294,124	8.02
HSB	420,000	4,620,000	7.00
	970,588	10,676,464	16.18
Total	6,000,000	66,000,000	100.00

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

(b) Public Issue

The Public Issue comprises the issuance of 14,000,000 Issue Shares at an issue price of RM2.55 per Share payable in full on Application upon such terms and conditions as set out in this Prospectus. The Public Issue will be allocated and allotted in the following manner:-

(i) Public

4,000,000 Public Issue Shares will be made available for application by individuals, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Eligible Employees and/or Business Associates of the Group

4,000,000 Public Issue Shares will be reserved for the eligible employees and business associates of the Deleum Group.

The Public Issue Shares are to be allocated to 192 eligible employees of the Group based on the following criteria as approved by the Company's Board of Directors:-

- Designation and position;
- Length of service; and
- Performance.

The Public Issue Shares to be allocated to 26 business associates of the Group will be based on the following criteria as approved by the Company's Board of Directors:-

- Length of relationship; and
- Recognition of contribution and support to the Group's growth.

None of the directors of Deleum are eligible to the pink form save for the eligible Directors of Deleum as set out in Section 4.1.4 (c)(i) below.

(iii) Places

6,000,000 Public Issue Shares are reserved for Private Placement to selected investors, which are to be identified.

Any of the Public Issue under Section 4.1.4 (b)(ii) above, not taken up by Deleum's eligible employees and/or business associates of the Deleum Group, will be reoffered to Deleum's eligible employees and/or business associates of the Deleum Group. Subsequently, any of the Public Issue reoffered which are not taken up will be made available for application by the Public under Section 4.1.4 (b)(i) via balloting and/or selected investors via Private Placement.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)**(c) Offer For Sale**

The Offer For Sale comprises the offer for sale by the Offerors of 6,450,000 Deleum Shares held by them collectively at an offer price of RM2.55 per Share which is payable in full on application upon such terms and conditions as set out in this Prospectus. The Offer Shares will be allocated in the following manner:-

(i) Independent Directors of the Group

450,000 Offer Shares will be reserved for the Independent Directors of the Group as follows:-

Name of Independent Directors	Designation	Pink Form Allocation
Datuk Ishak Bin Imam Abas	Independent Non-Executive Director	150,000
Dato' Kamaruddin Bin Ahmad	Independent Non-Executive Director	150,000
Chin Kwai Yoong	Independent Non-Executive Director	150,000
Total		450,000

Save for the eligible Directors disclosed under Section 4.1.4 (c)(i) above, none of the Directors of Deleum are eligible to the pink form allocation.

(ii) Placees

6,000,000 Offer Shares are reserved for Private Placement to selected investors, which are to be identified.

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4. INFORMATION ON THE DELEUM GROUP (Cont'd)**4.1.5 Location of Business**

The Group's head office is located at 42, Jalan Bangsar Utama 1, Bangsar Utama 59000 Kuala Lumpur. Details of the other locations of business where the Group operates from including their warehouses, operational and support offices, are set out below:

No.	Location	Nature
1.	Sarawak Lot 1315 Miri Waterfront Commercial Centre 98008, Miri Sarawak	Sales, marketing and operations.
2.	Labuan Asian Supply Base Ranca Ranca Industrial Estate PO Box 80751 87017 Labuan	Technical services, storage facilities, workshop and logistics centre.
3.	Terengganu Kemaman Supply Base Warehouse 22 PO Box 102 24007 Kemaman	Technical services, storage facilities, workshop and logistics centre.
4.	Selangor Lot 46, Lower Ground Floor Kompleks Selayang Batu 8½, Jalan Ipoh 68100 Batu Caves Selangor Darul Ehsan	Storage facility.

Presently, the abovementioned offices and workshops are rented, save and except for item 1, which is owned by the Group. Details of ownership of the properties owned by the Group are set out in Section 8.1 of this Prospectus.

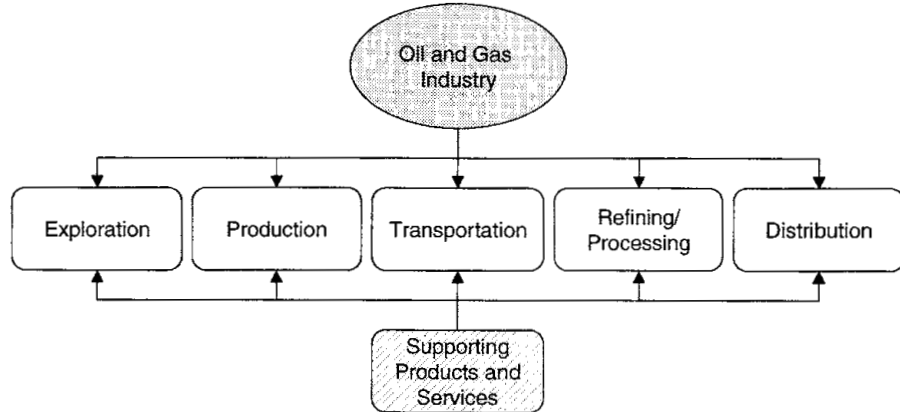
The Group's overhaul and repair operations for gas turbines are currently located at Airod Sdn Bhd's ("Airod") facility in the Sultan Abdul Aziz Airport, Subang.

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4. INFORMATION ON THE DELEUM GROUP (Cont'd)

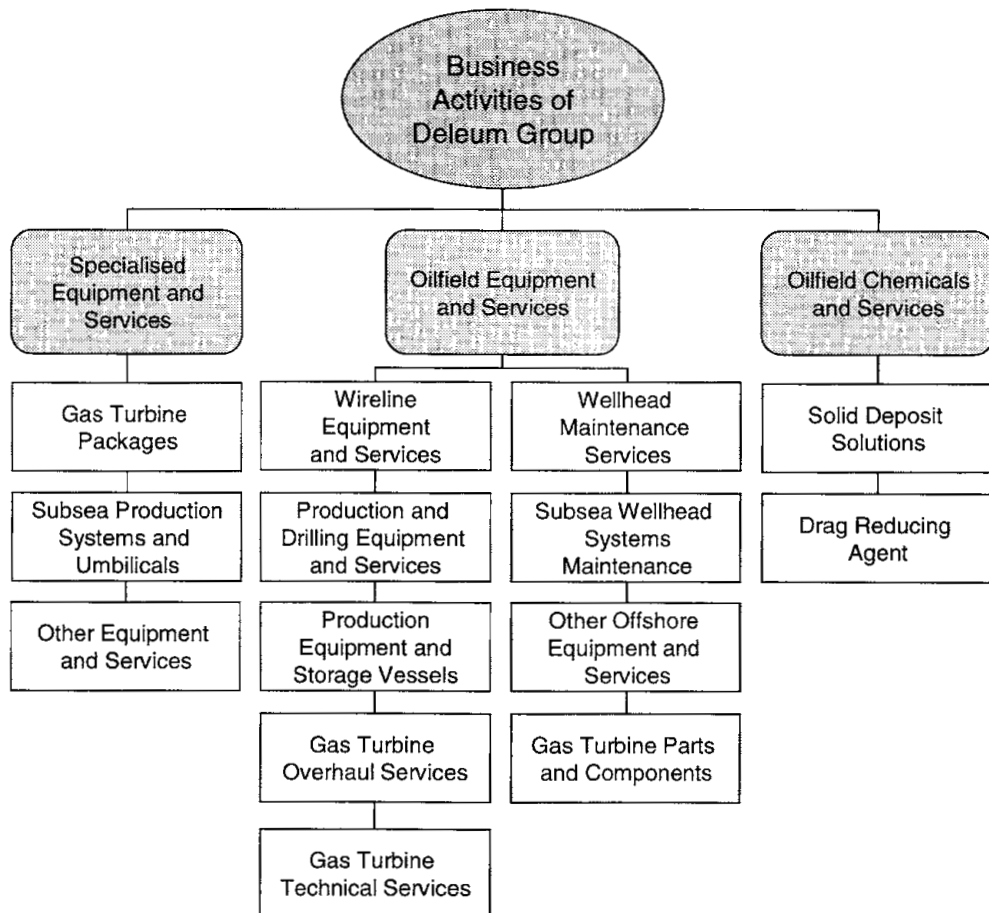
4.2 TYPES OF PRODUCTS AND/OR SERVICES

The structure of the oil and gas industry may be depicted as follows:



The supporting specialised products and services supplied by Deleum Group are primarily utilised in the upstream sector of the oil and gas industry, which focuses on exploration and production of oil and gas.

The range of supporting specialised products and services provided by Deleum Group includes the following:



The Deleum Group's other business activities through its associate corporations include bulking services as well as an IPP.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

4.2.1 Specialised Equipment and Services

Deleum Group supplies a range of specialised equipment and technical services, comprising gas turbine packages, subsea production systems and umbilicals, and other equipment and services.

Gas Turbine Packages

Gas turbine packages supplied by Deleum Group comprise the following:

- generator sets;
- compressor sets; and
- mechanical drive sets.

Deleum Group supplies gas turbine packages through DSSB. Deleum Group has the capability to be involved in every stage of a gas turbine solution, from initial consultation and design to commissioning. After commissioning, it also has the capability to provide technical support and maintenance throughout the lifespan of a gas turbine.

The majority of gas turbine packages supplied are used in the oil and gas industry, with the bulk of these installed on offshore oil and gas production platforms.

Gas turbine packages supplied by Deleum Group to the oil and gas industry are primarily utilised by customers such as PCSB, PGB, Talisman, SSB, SSPC, EMEPMI, and Nippon Oil Exploration (M) Sdn Bhd ("Nippon") and consist of:

- Gas turbine generator sets for offshore facilities;
- Gas turbine compressor sets for offshore facilities and onshore compression stations; and
- Gas turbine mechanical drive sets for offshore facilities.

Several gas turbine packages supplied by the Group were also installed for non-oil and gas industry applications, including district cooling and industrial power generation.

The Group supplied gas turbine packages to Gas District Cooling (M) Sdn Bhd for the following gas district cooling plants:

- Kuala Lumpur City Center; and
- Universiti Teknologi Petronas.

The Group also supplied gas turbine packages to the following for their co-generation plants:

- Malaysian Mosaic Ltd; and
- Muda Paper Mills Sdn Bhd.

Deleum Group's association and partnership with STI enables Deleum Group to provide the highest possible level of support to its customers.

Gas turbines supplied by Deleum Group have rated power-generating capacity of between 1 megawatt to 15 megawatts. By offering packages that integrate multiple gas turbines, the Group's gas turbine packages are competitive for power generation applications of between 1 megawatt to 50 megawatt.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

DSSB provides services covering all stages of the gas turbine procurement process. Services provided by DSSB are as follows:

- Initial consultation with the customer to determine customer needs and specifications;
- Equipment selection and plant design;
- Gas turbine package performance, engineering and other data;
- Preliminary project economic evaluation and total cost of ownership evaluation; and
- Procurement of gas turbines and auxiliary systems.

DSSB also assists in the design and engineering, procurement and delivery of the total gas turbine package, incorporating gas turbine, generator, compressor and other systems. Upon delivery, TSSB, a subsidiary of Deleum Group is involved in the installation and commissioning. TSSB provides after sales support for the gas turbine package after commissioning.

For co-generation plants, the Group also has the capability to develop and undertake :

- Turnkey projects ; and
- Build, Own and Operate or Transfer Projects ("BOO/BOT").

Subsea Production Systems and Umbilicals

The Group provides complete subsea production systems and umbilicals to its customers.

The provision of subsea production systems includes the design, procurement, installation and commissioning of subsea production and control systems.

Subsea production systems consists of subsea Wellheads and manifolds, control systems and umbilicals.

Subsea Wellhead systems consist of structures, valves, pipes and fittings that are used to control the flow of hydrocarbons from a sub-surface well. Subsea Wellhead systems are installed on the seafloor, and are typically controlled from a surface platform through the surface control system.

Subsea Wellheads are designed to operate continuously under intense pressure and in a corrosive environment for up to twenty (20) years. As carrying out underwater maintenance on subsea Wellhead systems is expensive or even impossible, these systems are designed not to require any maintenance.

A subsea manifold acts as a hub connecting several subsea Wellheads to a production platform. Hydrocarbons extracted from subsea Wellhead systems are conveyed to the subsea manifold through pipes running on the seafloor, and from the manifold to the production platform via a riser.

Subsea control systems are used to control and monitor subsea production systems. A typical subsea control system would include a control module to control electronic and hydraulic systems, a chemical injection distribution system, and Wellhead instrumentation. The master control, power, communications and hydraulic power units are located on the surface. The surface portion of the subsea control system is connected to the subsea portion by subsea umbilicals.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Subsea umbilicals refer to cables used to connect surface platforms to subsea equipment, including subsea Wellhead systems and subsea manifolds. Subsea umbilicals provide power and/or control to subsea systems. Subsea umbilicals normally consist of electrical, hydraulic and/or chemical lines, bundled together in a protective casing.

4.2.2 Oilfield Equipment and Services

Deleum Group supplies a range of oilfield equipment and services, including:

- Wireline equipment and services;
- Wellhead maintenance services;
- Production and drilling equipment and services;
- Subsea Wellhead systems maintenance;
- Production equipment and storage vessels; and
- Other offshore equipment and services.

Deleum Group also provides gas turbine technical services through its subsidiary, TSSB. TSSB is a joint venture formed in 1987 between DSSB and STICO, a wholly owned subsidiary of STI.

TSSB provides the following range of comprehensive services:

- Gas turbine overhaul services;
- Gas turbine parts and components; and
- Technical services.

Wireline Equipment and Services

Wireline services refer to the range of services performed using Wireline tools, and a single-strand or multi-strand wire or cable in hydrocarbon wells. Deleum Group offers Wireline services through its subsidiary DOSSB.

The Wireline equipment and services business of Deleum Group is segmented into the following:

- Provision of Wireline services;
- Sales of Wireline equipment; and
- Rental of Wireline equipment.

Deleum Group performs a wide range of Wireline services, including:

- Multi-imaging;
- Slickline perforation;
- Running and pulling Wireline plugs;
- Heavy Wireline fishing;
- Bailing sand and debris;
- Paraffin cutting;
- Bottom hole pressure and temperature measurement; and
- Down-hole surveys.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

DOSSB owns and operates the following major equipment necessary for providing Wireline services:

- Hydraulic mast equipment;
- Winches and Zone 2-power pack; and
- A wide range of Wireline tools including amongst others, memory logging, multi-imaging, perforation and measurement tools.

In addition to the services offered above, DOSSB is able to provide onshore maintenance of Wireline equipment and Wireline tools at its workshop located in Labuan. Onshore maintenance service is required for all major equipment and tools.

Wellhead Maintenance Services

Deleum Group, through its subsidiary DOSSB, provides a range of maintenance services for Wellhead maintenance services, including:

- Planned maintenance;
- Corrective maintenance;
- Computer data management;
- Trouble-shooting and solution provider;
- Parts and inventory management; and
- Procurement and management of critical spares.

DOSSB is currently engaged in the provision of planned maintenance on a contractual basis to PSC operators in East Malaysia. Planned maintenance has the following advantages:

- Reduces the probability of random equipment failure, and thereby reduces production downtime;
- Reduces the probability of hydrocarbon leak;
- Increases offshore platform safety; and
- Extends the useful life of the Wellhead.

DOSSB has the capability to disassemble Wellheads and Christmas Trees, enabling the Group to transport equipment for offsite maintenance at its workshop located in Labuan. This is commonly done in cases where space constraints offshore do not allow for work to be done on large items.

DOSSB personnel engaged in Surface Wellhead and Christmas Tree maintenance have an average of fifteen (15) years of specialised experience in this field.

4. INFORMATION ON THE DELEUM GROUP (*Cont'd*)

Production and Drilling Equipment and Services

Deleum Group supplies production and drilling equipment through its subsidiary, DSSB. Production and drilling equipment refers to equipment, materials and consumables used to facilitate the extraction of hydrocarbon from underground reserves.

Production and drilling equipment supplied by Deleum Group includes:

- Drill bits;
- Specialised connectors and clamps; and
- Seamless casing.

Drill Bits

A drill bit is a piece of equipment installed at the end of the drill collar which is designed to break down rock so as to facilitate penetration of the earth's crust into the hydrocarbon reserve. A typical drill bit is made of high strength steel. DSSB supplies a range of drill bits to operators involved in drilling activities, including:

- Roller cone drill bits; and
- Fixed cutter drill bits.

Specialised Connectors and Clamps

Specialised connectors and clamps refer to specially engineered and manufactured equipment that is used to form a secure, sealed connection between two different systems or objects. The engineering and manufacturing requirements of these specialised connectors and clamps are generally high, as they often operate under demanding conditions and their proper function is critical to safety.

Seamless Casing

Seamless casings refer to seamless stainless steel pipes used as casings for wells. Seamless casings run down wells and are cemented to support and protect the Wellbore. The seamless casings form a physical barrier to prevent potential cross-contamination between subterranean water and the oil and gas being extracted to the surface.

Subsea Wellhead Systems Maintenance

Deleum Group is involved in providing maintenance services for subsea systems primarily for surface control systems. After sales maintenance services includes planned and corrective maintenance.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Production Equipment and Storage Vessels

Deleum Group is involved in the supply, installation and after-sales services of production equipment supplied for production facilities and on storage vessels (example: FPSOs and FSOs), including:

- Fluid transfer lines ("FTL").
- Mooring systems; and
- Offshore offloading systems.

FPSOs are equipped with onboard production, processing and storage facilities, whereas FSOs are primarily equipped with storage facilities.

A common component of FPSO's and FSO's production system is the turret mooring system (i.e. a system that connects the subsea riser to the FPSO/FSO). There are two (2) turret mooring systems in widespread use:

- Internal turret system (i.e. turret is part of the vessel); and
- External turret system (i.e. turret is protruding from the bow or stern of the vessel).

The offshore offloading system's major components consists of various mooring-configured buoys, which act as a connection that facilitates the transfer from the storage facilities located onboard the vessel to tankers or pipelines for transportation onshore.

Gravity Actuated Pipes ("GAP") are new FTLs, which comprise a bundle of neutrally buoyant flow lines, suspended at pre-determined depth, between two (2) floating facilities, or a fixed structure and a floating facility.

Other Offshore Equipment and Services

Deleum Group's subsidiary DOSSB is also engaged in the provision of other equipment and services for the offshore oil and gas industry.

These include gas lift valves which assists in enhancing production, cementing equipment and accessories and equipment for drilling rigs namely automated drilling systems.

The Deleum Group also has supplied and is also able to supply and carry out offshore drilling rig operations for PSC operators engaged in the exploration and production of oil and gas in Malaysia. Offshore drilling rig operations comprise a range of services, including:

- Provision of offshore drilling rig;
- Manage rig operations; and
- Supply of skilled and unskilled manpower to operate the offshore drilling rig.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Gas Turbine Overhaul Services

Gas turbines are long-lived assets that are generally engineered with a lifespan of twenty (20) years. With proper maintenance and upgrades, useful lifespan can be extended.

Gas turbine overhauls are typically required after 30,000 fired hours (equivalent to approximately five (5) years under typical operational conditions), and are usually the single most expensive maintenance item for a gas turbine operator.

The Company currently has the facilities to carry out offsite overhaul, repair and testing for the following STI gas turbines installed in Malaysia:

- Saturn 10;
- Centaur 40;
- Centaur 50; and
- Taurus 60.

Other STI gas turbine models, particularly the larger capacity models, are sent back to the manufacturer for overhaul. Deleum Group together with STI intend to expand its capabilities to include the overhaul of larger capacity models, as the installed base increases.

For those turbines that are overhauled locally, the Group undertakes performance testing of the turbines prior to delivery to customers at its own specially built test cells.

All technical staff at the facility are local and trained by STI. A considerable amount of technical skill and experience has been transferred to the Malaysian technical staff over the course of the joint venture between DSSB and STI. STI continues to provide training and technical support services to TSSB as and when required, to ensure compliance with STI specifications.

Gas Turbine Parts and Components

Deleum Group supplies the following parts and components for gas turbine packages:

- Standard replacement parts;
- Fuel system components;
- Air filtration components;
- Lubricating oil system components; and
- Control system components.

Parts and components are supplied during the course of scheduled gas turbine maintenance and servicing. Some of which are also supplied to replace those that have worn out or failed during the course of normal operations. Deleum Group sources its parts and components solely from the original gas turbine manufacturer.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Gas Turbine Technical Services

After sales Gas turbine technical services provided by TSSB include:

- On-site maintenance;
- Scheduled and unscheduled maintenance;
- Systems upgrade and retrofit; and
- Technical training.

Gas turbine technical services are provided by personnel consisting of Field Service Representatives, Turbomachinery Specialists and Turbine Control Retrofit Technicians.

All technical services personnel are trained by the OEM. Their skills and knowledge are continually updated to keep abreast with advances in gas turbine technology.

TSSB has the capability to provide onsite maintenance (or field services) for all STI gas turbine packages. The after sales support outlined above is a significant source of recurring revenue for Deleum Group. The Group has an installed gas turbine base of 179 gas turbine packages, with a further 25 gas turbine packages scheduled for delivery during the financial year ending 31 December 2007. The average fleet age of the installed gas turbine packages is approximately twenty (20) years.

4.2.3 Oilfield Chemicals and Services

Deleum Group supplies a range of specialty chemicals and related services for the oil and gas industry. The chemicals and related services currently supplied by Deleum Group include:

- Solid deposit solutions; and
- Drag Reducing Agent.

In addition to formulating specialty chemicals, Deleum Group through its subsidiary DCSB (a joint venture with Navdeep), undertakes R&D activities with strategic partners and customers for development of technology for the enhancement of crude oil production.

In addition, Deleum Group also provides other services to its customers.

Solid Deposit Solutions

Deleum Group supplies Solid Deposit Solutions through DCSB which was jointly developed with PRSS.

Due to changes in temperature, pressure and composition of crude oil during production, solid deposits of wax, other asphaltene solid hydrocarbon and non-hydrocarbon material can form in and around the Wellbore, production tubing and other locations in the production path. These deposits can increase resistance to flow thereby reducing the rate of oil production. Thus this solution is designed to remove the deposits and enhance oil production.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Drag Reducing Agent

DRA is used to reduce drag as liquid hydrocarbons are pumped through a pipeline. This reduces the loss of energy due to friction as the liquid hydrocarbon flows through the pipeline, thus allowing higher throughput without additional pump pressure.

By reducing drag, DRA increases transmission efficiency by increasing the rate at which liquid hydrocarbons can be pumped through a particular pipeline.

Deleum Group supplies DRA through DSSB. DSSB operates a DRA storage facility in Kemaman, Terengganu, and also provides equipment and technical services to inject the DRA into the pipeline.

4.2.4 Business Operations of Associate Corporation of DSSB

Deleum Group is involved in the provision of bulking services through its associate corporation, 2MC.

Bulking Services

Deleum Group's associate corporation 2MC is engaged in the provision of bulking services. The company currently provides dry and liquid bulking services at the Asian Supply Base in Labuan.

The company currently provides dry bulking and liquid services for the following materials:

- Barite;
- Cement;
- Bentonite;
- Oil-based mud;
- Base oil;
- Water-based mud;
- Brine; and
- Other miscellaneous mud products.

2MC also provides other supporting services to the oil and gas industry:

- Logistics and handling of oil well cement;
- Blending of chemicals in bulk;
- Rental of equipment, such as silos;
- Warehousing and rental of space; and
- Other services.

4.2.5 Business Operations of Associate Corporation of DUCL

Deleum Group's associate corporation CUPL is an IPP operating in Cambodia.

Independent Power Production

CUPL currently operates a power plant located in Phnom Penh, Cambodia and delivers a net capacity of 35 megawatts of electricity to the Phnom Penh transmission grid, since 1997.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

4.2.6 Technology Used

The oil and gas industry utilises a significant amount of technology, particularly in exploration and production. The Deleum Group has access to the technology necessary to provide supporting specialised products and services to its customers.

It is not uncommon in the oil and gas industry to utilise external expertise and technology, as there may be no local technology available or manufacturing of certain specialised equipment and services for the oil and gas industry.

The Group relies on in-house expertise and locally developed technology, and this is supported by the technology, expertise and supply of products from its strategic partners/principals. Examples of the various types of technology used by the Deleum Group and its sources are as follows:

Technology	Partner/Principal
Subsea production systems	: Vetco
Umbilicals	: Duco
GAP systems	: SBM
Gas turbine technology	: STI
Solid deposit solutions	: In-house development in collaboration with PRSS

The abovementioned technology relevant to the Group is as detailed below:

Subsea Production Systems

Subsea production systems refer to offshore production systems whereby the production equipment are installed on the seabed.

Subsea production systems range in size and complexity from a single subsea system or multiple subsea systems producing through a subsea manifold, to offshore production facilities.

Subsea production systems typically consist of the following major components:

- Subsea Wellhead systems;
- Subsea control systems; and
- Umbilicals.

Subsea Wellhead systems consist of structures, valves, pipes and fittings that are used to control the flow of hydrocarbons from a sub-surface well. Subsea Wellhead systems are installed on the seafloor, and are typically controlled from a surface platform through the surface control system.

Umbilicals provide power and control to the subsea components of the subsea system, and link these components back to the surface platform.

The subsea control systems enable operators on the surface platform to monitor and control the various components of the subsea production system.

In subsea production systems with multiple subsea Wellhead systems, the subsea manifold acts as a hub connecting several subsea Wellhead systems to the production platform. Hydrocarbon extracted from subsea Wellhead systems are conveyed to the subsea manifold through pipes running on the seafloor, and from the manifold to the production platform via a riser.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

All of the major components of a subsea production system are typically designed to operate continuously under intense pressure and in a harsh environment for up to twenty (20) years.

Umbilicals

Umbilicals refer to cables used to connect surface control equipment to subsea equipment.

Umbilicals normally consist of electrical, hydraulic and/or injection lines, bundled together either in thermoplastic hoses, steel tubing or a similar protective casings.

Umbilicals are a critical component in any subsea development, as they control and monitor subsea equipment.

Umbilicals are also engineered and designed with a useful life in excess of twenty (20) years, similar to that of subsea equipment.

Gravity Actuated Pipe System

A GAP system is a deepwater fluid transfer system, comprising a neutrally buoyant bundle of flow lines, suspended at a pre-determined depth, between two floaters, or a floater and a fixed structure.

GAP systems are typically used for the transfer of hydrocarbons between gathering satellite facilities and a FPSO.

The principal components of a GAP system are:

- Pipe Carrier;
- Flowlines and umbilicals;
- Flexible Jumpers for joining to production and/or storage facilities; and
- Buoyant supports and clump weights.

The pipe carrier forms the backbone of the GAP system, providing buoyancy to the GAP system and structural support for flowlines and umbilicals. The pipe carrier is fabricated such that bulkheads separate individual sections from each other, thereby avoiding full flooding of the pipe carrier.

GAP technology can be a substitute to seabed flowlines as a means of fluid transfer in a deepwater environment. The main advantages of GAP technology over seabed flowlines are that the system is installed at a shallower water depth. The advantages of this are:

- Higher fluid temperature, ensuring more efficient fluid flow and minimising wax or hydrate formation;
- Reduced need for flowline insulation;
- Higher fluid arrival temperature;
- Reduced cost of chemicals;
- Easier start-up; and
- More efficient and lower cost for maintenance as the system is suspended at diver-depth.

4. INFORMATION ON THE DELEUM GROUP (*Cont'd*)

Other advantages of GAP technology includes:

- System can be designed to accommodate any diameter and number of flow lines;
- System contains umbilicals, for power, data transfer, chemical injection, and other items between the platform and/or production and storage facilities; and
- GAP system has no seabed contact, and thus there is no need for span correction.

The main pipe carrier is fabricated onshore and launched by tug. Installation at site is carried out with tugboats and a diver support vessel. No lay barges are required.

Gas Turbine Technology

A gas turbine is a type of internal combustion engine. Within the gas turbine, chemical energy (fuel) is converted to heat energy which in turn is converted to mechanical energy (rotational shaft) to drive an electric generator, compressor(s) or a pump.

The basic components of a gas turbine consist of a compressor, combustor, turbine, output shaft and exhaust system.

Basic Gas Turbine

Outside air is filtered and drawn into the engine through a series of rotating blades (compressor section) and then flows into a combustion chamber where fuel is added. The air and fuel mixture is ignited and burned producing hot gas. This hot gas moves at high velocity and expands across the turbine section. The turbine converts the energy from the high velocity gas into useful rotational power through a series of turbine rotor blades. Rotational power from the turbine section is delivered to driven equipment through the output shaft. The hot exhaust gas is ducted away from the turbine section into the atmosphere.

Gas Turbine Applications

The turbine operation described above is called a Simple Cycle or Open Cycle gas turbine system or application. In addition to this, there are an additional two (2) types of applications of gas turbines in use:

- Combined Cycle gas turbine system, where waste heat from the hot exhaust gas is ducted through a boiler to generate steam to drive the steam turbine; and
- Combined Heat and Power (co-generation) gas turbine systems, where waste heat from the hot exhaust gas is used to perform other useful work, such as industrial heating or district cooling.

Combined Cycle and Co-generation systems are generally more efficient compared to the Simple Cycle gas turbine system as they recover heat energy that would otherwise be lost.

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Solid Deposit Solutions

Deleum Group has successfully collaborated with PRSS to develop a new chemical treatment system for solid deposition problem in an oil well. Successful field trials have been carried out, and Deleum Group is in the position now to supply this technology to oil and gas operators.

Deleum Group and PRSS have agreed to collaborate in R&D and field trial activities for the purposes of overcoming the solid deposition problem in production wells, with the objective of finding and producing a solution to this problem.

Additional R&D is currently on-going, and Deleum Group also plans to market and supply Solid Deposit Solutions to overseas operators.

Due to changes in temperature, pressure and composition of crude oil during production, solid deposits of wax, other asphaltene solid hydrocarbon and non-hydrocarbon material can form in and around the Wellbore, production tubing and other locations in the production path. These deposits can increase resistance to flow thereby reducing the rate of oil production. Thus this solution is designed to remove the deposits and enhance oil production.

Chemical injection pumps are used to simultaneously inject controlled quantities of chemicals directly into the Wellbore. A chemical reaction occurs, generating heat in the Wellbore and creating a reaction product. The heat, in combination with the reaction product, dissolves and disperses the organic solid in the Wellbore and tubing, and flows out of the well, along with produced crude oil, thereby restoring well productivity.

The reaction product also has corrosion inhibition properties.

As the nature of the solid deposit choking may differ from well to well in terms of chemical composition and the physical properties, DCSB carries out R&D work to formulate the exact solid deposit solution composition required for each well.

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4. INFORMATION ON THE DELEUM GROUP (Cont'd)

4.2.7 Approvals, Major Licences and Permits Obtained

As at 6 April 2007, being the latest practicable date before the printing of this Prospectus, there are no approvals, major licences and permits obtained by the Group other than those approvals, major licences and permits detailed below. The conditions imposed and status of compliance are as disclosed below:

Company	Authority	Description and Approval Date/ Expiry Date	Major Conditions Imposed	Status of Compliance
Deleum	FIC	FIC Approval 8 December 2005 and 27 March 2007/ -	According to the FIC letter dated 8 December 2005, Deleum was required to maintain at least 51% of Bumiputera equity interest at all times. However, pursuant to the FIC letter dated 27 March 2007, the FIC informed that the company, listed on Bursa Securities will be subject to the terms and conditions imposed by the SC. In relation thereto, the previous equity condition imposed by the FIC in its letter dated 8 December 2005, will be cancelled. In accordance with the SC's letter dated 6 December 2006, Deleum will need to comply with, amongst others, the National Development Policy requirement whereby Bumiputera investors holding 30% of the enlarged share capital of Deleum to be approved by MITI.	In compliance
TSSB	FIC	FIC Approval 29 December 2004/ -	To maintain at least 51% of Bumiputera equity interest in TSSB at all times.	In compliance
DCSB	FIC	FIC Approval 20 November 2003/ -	To maintain at least 30% Bumiputera equity interest in DCSB at all times.	In compliance
DSSB	MoF	Registered Bumiputera Contractor 5 October 2006/ 4 October 2009	Company shall endeavour to improve the company's standing in order for 51% Bumiputera majority to be maintained in equity shareholding, composition of the Board of Directors and company staff at management and employee levels.	In compliance
DSSB	MoF	Registered Contractor 5 October 2006/ 4 October 2009	Approved with the condition that only one (1) company, either DSSB or DOSSB is allowed to participate in any one (1) government procurement in the category of petroleum industrial equipment.	In compliance

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Company	Authority	Description and Approval Date/ Expiry Date	Major Conditions Imposed	Status of Compliance
DOSSB	MoF	Registered Contractor 15 July 2006/ 14 July 2009	None	In compliance
DOSSB	MoF	Certificate of Additional Category (Petroleum Industrial equipment) 2 October 2006/ 14 July 2009	Approved with the condition that only one (1) company, either DOSSB or DSSB is allowed to participate in any one (1) government procurement in the category of petroleum industrial equipment.	In compliance
DSSB	PETRONAS	Licence to supply equipment/ services to mining companies and petroleum/gas suppliers in Malaysia (Licence No. L-28307-K) 1 May 2006/ 30 April 2008	<ul style="list-style-type: none"> • This licence may be revoked if the company is in liquidation, winding-up or dissolution. • The company shall inform PETRONAS of any changes to the company such as equity ownership, board of directors and management personnel in fourteen (14) days from the date of such changes. Failure to do so may cause the licence to be revoked. • The company shall not engage any other company as principal, agent, sub-contractor or otherwise to provide any services or facilities, equipments or tools on its behalf without the prior written consent from PETRONAS. • The company shall recruit local workers available in Malaysia and the recruitment of foreign workers will only be allowed when the company has proved that there are no local workers that are capable of doing such work. • The company shall, unless with the consent of PETRONAS, operate its activities in Malaysia and to use local facilities such as bank, insurance and other professional services or otherwise, managed by Malaysians or firms or companies incorporated in Malaysia. 	In compliance

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Company	Authority	Description and Approval Date/ Expiry Date	Major Conditions Imposed	Status of Compliance
DOSSB	PETRONAS	<p>Licence to supply equipment/ services to mining companies and petroleum/gas suppliers in Malaysia (Licence No. L-38274-D).</p> <p>1 October 2006/ 30 September 2008</p>	<ul style="list-style-type: none"> • This licence may be revoked if the company is in liquidation, winding-up or dissolution. • The company shall inform PETRONAS of any changes to the company such as equity ownership, board of directors and management personnel in fourteen (14) days from the date of such changes. Failure to do so may cause the licence to be revoked. • The company shall not engage any other company as principal, agent, sub-contractor or otherwise to provide any services or facilities, equipments or tools on its behalf without the prior written consent from PETRONAS. • The company shall recruit local workers available in Malaysia and the recruitment of foreign workers will only be allowed when the company has proved that there are no local workers that are capable of doing such work. • The company shall, unless with the consent of PETRONAS, operate its activities in Malaysia and to use local facilities such as bank, insurance and other professional services or otherwise, managed by Malaysians or firms or companies incorporated in Malaysia 	In compliance

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Company	Authority	Description and Approval Date/ Expiry Date	Major Conditions Imposed	Status of Compliance
TSSB	PETRONAS	Licence to supply equipment/ services to mining companies and petroleum/gas suppliers in Malaysia (Licence No. L-165849-A) 1 July 2006/ 30 June 2007	<ul style="list-style-type: none"> • This licence may be revoked if the company is in liquidation, winding-up or dissolution. • The company shall inform PETRONAS of any changes to the company such as equity ownership, board of directors and management personnel within fourteen (14) days from the date of such changes. Failure to do so may cause the licence to be revoked. • The company shall not engage any other company as principal, agent, sub-contractor or otherwise to provide any services or facilities, equipments or tools on its behalf without the prior written consent of PETRONAS • The company shall recruit local workers available in Malaysia and the recruitment of foreign workers will only be allowed when the company has proved that there are no local workers that are capable of doing such work. • The company shall, unless with the consent of PETRONAS, operate its activities in Malaysia and to use local facilities such as bank, insurance and other professional services or otherwise, managed by Malaysians or firms or companies incorporated in Malaysia. 	In compliance
DSSB	CIDB	Registered Contractor (No. 0120031224-WP091358) 24 December 2006/ 23 December 2009	None	In compliance

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Company	Authority	Description and Approval Date/ Expiry Date	Major Conditions Imposed	Status of Compliance
DSSB	SIRIM Berhad	Registered Contractor (Registration certificate No. D 0036) 17 April 2007/ 15 April 2009	None	In compliance
TSSB	Director of General Environmental Quality	Written Approval for erection of fuel burning equipment and chimney under Environmental Quality (Clean Air) Regulation 1978. (Approval No. APB/101/2004) 11 May 2004/-	<ul style="list-style-type: none"> TSSB shall erect 6 units of fuel burning equipment (Gas Turbine) and 4 units of chimney. TSSB shall obtain prior written approval in writing from the Director General of Environmental Quality before making any modification to the specification of the fuel burning equipment and the chimney. TSSB shall comply with all instructions of the Department of Environmental Quality from time to time and without breaching any provisions under the Environmental Quality Act 1974 and its regulations. 	In compliance
TOSB	MIDA	Income tax exemption for 10 years from the date fixed by the Ministry of International Trade and Industry, in relation to overhaul, repair, servicing and testing of gas turbines activities 31 May 2006/-	<ul style="list-style-type: none"> The company shall invest at least RM18 million in fixed assets, excluding cost on land, within 3 years from the date of this letter. The value shall be increased by at least 30% for such activity to be operated by the company. The number of staff at the managerial, technical and supervisory levels shall be at least 15% of the Company's total workforce. Turbines to be restored must be dismantled and rebuilt and that the company shall conduct the dynamic balancing and testing of gas turbines activities. The company shall submit to MIDA the project implementation progress report every 6 months. 	In progress

4. INFORMATION ON THE DELEUM GROUP (Cont'd)

Company	Authority	Description and Approval Date/ Expiry Date	Major Conditions Imposed	Status of Compliance
DFSSB	MIDA	<p>Pioneer Status for industry in Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak, with the tax exemption of 100% on the statutory income for 5 years under the Promotion of Investments Act 1986, for the production of "Drag Reducing Agent"</p> <p>1 August 2006/-</p>	<ul style="list-style-type: none"> • The company is to operate at its factory in Terengganu. • The added value of the company shall be at least 25% (gross sale – raw material cost). • The company is to submit its application for the pioneer status certificate under section 7 of the Promotion of Investment Act 1986 within 6 months from the date of this letter. This has been extended vide MIDA's letter dated 23 March 2007, to 21 January 2008. • If the shareholders' fund of the company is to increase to RM250,000 or more, or engaging 75 or more full-time employees, the company is required to apply for a manufacturing licence under the Industrial Co-ordination Act 1975. • The company is required to inform MIDA of any changes to the location of its factory. 	<p>In progress.</p>