

DELEUM BERHAD
(COMPANY NO: 715640-T)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007**

PART A – EXPLANATORY NOTES

A1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the reporting requirements as set out in Financial Reporting Standards (“FRS”) No.134 – “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the attached explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

The significant accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those of the annual financial statements for the financial year ended 31 December 2006 except for the adoption of the following new accounting standards and amendment to published standards issued by MASB that are effective for the Group’s financial years beginning on or after 1 January 2007:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments.
- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures.
- Amendment to FRS 119 ²⁰⁰⁴ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment is not relevant to the Group as the Group does not have any defined benefit plan.
- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007). FRS 6 is not relevant to the Group as the Group does not carry out exploration for and evaluation of mineral resources.

The adoption of the new accounting standards and amendments to published standards did not have material impact on the financial statements of the Group except for FRS 117 Leases. The Group has applied the changes in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease rentals has been accounted for retrospectively. The comparatives have been reclassified as disclosed in note A1.

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PART A – EXPLANATORY NOTES (Cont'd)

A1. BASIS OF PREPARATION (Cont'd)

The effects of the adoption of FRS117 are as follows:

	Before adoption of FRS117 RM'000	Reclassification RM'000	After adoption of FRS 117 RM'000
<u>Quarter ended 30 September 2007</u>			
Depreciation	2,146	(15)	2,131
Amortisation of lease rentals	0	15	15
<u>Period ended 30 September 2007</u>			
Depreciation	3,346	(45)	3,301
Amortisation of lease rentals	0	45	45
<u>At 30 September 2007</u>			
Property, plant and equipment	33,195	(3,985)	29,210
Prepaid lease rentals	0	3,985	3,985

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PART A – EXPLANATORY NOTES (Cont'd)

A1. BASIS OF PREPARATION (Cont'd)

The following comparatives have been restated due to the adoption of FRS 117:

	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
<u>Quarter ended 30 September 2006</u>			
Depreciation	1,733	(15)	1,718
Amortisation of lease rentals	0	15	15
<u>Period ended 30 September 2006</u>			
Depreciation	2,506	(45)	2,461
Amortisation of lease rentals	0	45	45
<u>At 31 December 2006</u>			
Property, plant and equipment	24,139	(4,051)	20,088
Prepaid lease rentals	0	4,051	4,051

A2. QUALIFICATION OF PRECEDING ANNUAL AUDITED STATUTORY FINANCIAL STATEMENTS

There was no qualification to the preceding annual audited statutory financial statements.

A3. SEASONAL OR CYCLICAL FACTORS

The Group's operation is not affected by any significant seasonal or cyclical factors in the quarter under review.

A4. NATURE AND AMOUNT OF ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME, OR CASH FLOWS THAT ARE UNUSUAL BECAUSE OF THEIR NATURE, SIZE, OR INCIDENCE

Other than the receipt of proceeds from the rights issue and the initial public offer of the Company's shares, there were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the current financial period for the nine months ended 30 September 2007.

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PART A – EXPLANATORY NOTES (Cont'd)

A5. NATURE AND AMOUNT OF CHANGES IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS OF THE CURRENT FINANCIAL YEAR OR CHANGES IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR FINANCIAL YEARS, IF THOSE CHANGES HAVE A MATERIAL EFFECT IN THE CURRENT INTERIM PERIOD

There were no material changes to estimates made in prior periods that have had a material effect in the current financial period results.

A6. EQUITY AND DEBT SECURITIES

During the previous quarter, the issued and paid-up capital of the Company was increased by the following:

- (a) On 6 April 2007, 6 million ordinary shares of RM 1 each were issued pursuant to a rights issue to the existing shareholders of Deleum on the basis of 1 new ordinary share per every 10 existing ordinary shares at an issue price of RM1.00. The proceeds from the rights issue were received on 6 April 2007.
- (b) On 29 May 2007, 14 million ordinary shares of RM 1 each were issued to the public in conjunction with the listing of the Company on the Main Board of Bursa Malaysia at an issue price of RM2.55 per ordinary share.

Save as disclosed above, there were no issuances, cancellations, repurchases, resale and repayments of equity and debt securities during the current financial period for the nine months ended 30 September 2007.

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PART A – EXPLANATORY NOTES (Cont'd)

A7. DIVIDEND PAID

During the first quarter of the current financial year, the Company paid the following interim dividends on 60,000,000 ordinary shares in respect of the previous financial year ended 31 December 2006 :

	RM'000
Interim tax exempt dividend of 6.28 sen per share, paid on 26 March 2007	3,766
Interim gross dividend of 7.62 sen per share, less income tax of 27%, paid on 26 March 2007	3,336
	<u>7,102</u>

During the current quarter, the Company paid an interim dividend on 80,000,000 ordinary shares in respect of the current financial year ending 31 December 2007:

	RM'000
Interim gross dividend of 5.00 sen per share, less income tax of 27%, paid on 28 September 2007	<u>2,920</u>

A8. SEGMENTAL REPORTING

The Group is organised into three main business segments:

- Specialised equipment and services – Mainly consist of provision of subsea production development, gas turbine packages and umbilicals.
- Oilfield equipment and services – Mainly consist of provision of wireline equipment and related services, wellhead maintenance services, gas turbine overhaul, supply of gas turbine parts and other oilfield equipment and technical services.
- Oilfield chemicals and other services – Development and provision of solid deposit removal solutions and speciality chemicals.

Other operations of the Group comprise mainly investment holding.

Inter-segment revenue comprise marketing fees charged to Turboservices Sdn. Bhd. based on agreed terms and conditions between the relevant parties.

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PART A – EXPLANATORY NOTES (Cont'd)

A8. SEGMENTAL REPORTING (Cont'd)

Segmental information for the financial period to-date is as follows:

	Individual Quarter Ended 30/09/07 RM'000	Individual Quarter Ended 30/09/06 RM'000	Period Ended 30/09/07 RM'000	Period Ended 30/09/06 RM'000
<u>Segment Revenue</u>				
Specialised equipment and services ("Specialised equipment") External revenue	18,689	44,212	252,702	169,469
Specialised equipment revenue	18,689	44,212	252,702	169,469
Oilfield equipment and services ("Oilfield equipment") External revenue	156,816	60,777	302,524	164,178
Intersegment revenue	1,758	2,409	4,548	4,380
Oilfield equipment revenue	158,574	63,186	307,072	168,558
Oilfield chemicals and other services ("Oilfield chemicals") External revenue	909	152	2,681	2,845
Intersegment revenue	-	-	82	-
Oilfield chemicals revenue	909	152	2,763	2,845
Total reportable segments	178,172	107,550	562,537	340,872
Eliminations	(1,758)	(2,409)	(4,630)	(4,380)
Total Group revenue	176,414	105,141	557,907	336,492

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A8. SEGMENTAL REPORTING (Cont'd)

	Individual Quarter Ended 30/09/07 RM'000	Individual Quarter Ended 30/09/06 RM'000	Period Ended 30/09/07 RM'000	Period Ended 30/09/06 RM'000
<u>Segment Results</u>				
Specialised equipment	1,594	1,437	11,206	6,783
Oilfield equipment	9,273	2,582	18,963	11,704
Oilfield chemicals	(376)	(485)	(735)	45
Others	562	128	1,314	1,033
Segment results	11,053	3,662	30,748	19,565
Unallocated corporate expenses	(3,084)	(3,100)	(9,611)	(8,838)
Finance costs	(93)	(18)	(283)	(76)
Share of results of associates	1,514	1,735	6,263	7,936
Tax expense	(2,333)	(860)	(6,316)	(4,082)
Profit for the financial period	7,057	1,419	20,801	14,505

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revalued property, plant and equipment as at 30 September 2007.

A10. MATERIAL EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There were no material subsequent events that took place subsequent to the balance sheet date.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period for the nine months ended 30 September 2007.

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PART A – EXPLANATORY NOTES (Cont'd)

A12. CONTINGENT LIABILITIES / ASSETS

As at 30 September 2007, the Group does not have any contingent liabilities or assets except for guarantees in respect of credit facilities from licensed financial institutions amounting to RM27 million out of which RM10 million has been utilised. Guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts amount to RM3 million.

A13. COMMITMENTS

Capital commitments for property, plant and equipment not provided for as at 30 September 2007 are as follows:

	RM'000
Authorised and contracted for	<u>7,376</u>

A14. RELATED PARTY TRANSACTIONS

The following transaction is with a party related to a corporate shareholder of a subsidiary of the Group, Turboservices Sdn. Bhd.

	RM'000
Purchases from Solar Turbines International Company	<u>56,935</u>

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**PART B – ADDITIONAL INFORMATION AS REQUIRED BY PART A OF APPENDIX 9B
OF BURSA MALAYSIA LISTING REQUIREMENTS**

B1. PERFORMANCE REVIEW

For the current quarter under review, the Group achieved a profit before tax of RM9.4 million, an increase of 309% over the previous year corresponding quarter's RM2.3 million.

The favourable results is mainly attributable to the higher contribution from the oilfield equipment and services as well as the specialised equipment and services segments. The result for the previous year's corresponding quarter was also impacted by a charge of RM2.4million arising from the loss on disposal of a subsidiary during that financial period.

For the nine months ended 30 September 2007, the revenue increased 65.8% from RM336.5 million to RM557.9 million and the Group achieved a profit before tax of RM27.1 million, an increase of 46% over the nine months period of the previous financial year's RM18.6 million.

The positive variance was brought about by the better performance of the oilfield equipment and services and specialised equipment and services segments but was offset partly by the lower contribution from the associate involved in bulking services as a result of a lower throughput compared to the previous year.

The profit after taxation attributable to shareholders increased by 48.1% from RM12.9 million for the 9 months ended 30 September 2006 to RM19.2 million for the period under review.

B2. MATERIAL CHANGE IN THE PROFIT BEFORE TAXATION AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

No material change in the profit before taxation for the current quarter as compared with the immediate preceding quarter. For the current quarter under review, the Group achieved a profit before taxation of RM9.4 million, a 1.1% increase as compared to the RM9.3 million achieved for the immediate preceding quarter.

B3. CURRENT YEAR PROSPECTS

The Group has issued a profit forecast in conjunction with the Company's listing on the Main Board of Bursa Malaysia in the Company's Prospectus dated 15 May 2007.

Based on actual results for the period ended 30 September 2007 and after due and careful inquiry, and having taken into account the contracts secured, the Directors are of the opinion that the consolidated profit forecast of RM23 million for the financial year ending 31 December 2007 is achievable under the prevailing business and economic environment.

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B4. PROFIT FORECAST

Save for the profit forecast of RM23 million included in the Company's Prospectus dated 15 May 2007, the Group did not issue any forecast for the current financial year. Disclosure on explanatory notes for the variance between actual and forecast results would be provided in the final quarter announcement for the current financial year ending 31 December 2007.

B5. TAXATION

	Individual Quarter Ended 30/09/07 RM'000	Individual Quarter Ended 30/09/06 RM'000	Period Ended 30/09/07 RM'000	Period Ended 30/09/06 RM'000
Current tax	2,174	1,235	5,534	4,484
Deferred tax	159	(375)	782	(402)
	2,333	860	6,316	4,082

Excluding the associates' results which are presented net of tax, the effective tax rates of the Group for the current quarter and financial year to date are higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes.

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

There were no sales of unquoted investments and/or properties during the current quarter under review and financial year to date.

B7. QUOTED SECURITIES

There were no quoted securities acquired or disposed during the quarter and financial year to date.

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OF BURSA MALAYSIA LISTING REQUIREMENTS (Cont'd)**

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

- (a) There were no corporate proposals announced as of 8 November 2007 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this report) except for the proposed acquisition of 1,275,000 Ordinary shares of RM1.00 each representing 51% equity interest in Penaga Dresser Sdn. Bhd. for a total consideration of RM7.25 million. The proposed acquisition has yet to be completed pending the fulfillment of conditions precedent.

For further details on the proposed acquisition, please refer to the Company's announcement dated 24 September 2007.

- (b) On 1 June 2007, the Company was listed on the Main Board of Bursa Malaysia. The status of utilisation of the listing proceeds from the Initial Public Offering exercise are as follows: -

Purpose	Proposed Utilisation RM'000	Actual Utilisation @ 30.09.2007 RM'000	Transferred to Working Capital* RM'000	Intended Timeframe for Utilisation	Balance RM'000
i Expansion of Business and Markets	12,000	-	-	Within 24 months	12,000
Working Capital :					
- Existing Operations	5,700	5,700	-	Within 12 months	-
ii Capital Expenditure :					
- Oilfield Equipment	15,000	6,000	-	Within 24 months	9,000
- Investment in facilities	6,000	-	-	Within 12 months	6,000
iii Estimated Listing expenses	3,000	1,662	1,338	Immediate	-
	41,700	13,362	1,338		27,000

* In accordance with the provision of the Prospectus.

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**PART B – ADDITIONAL INFORMATION AS REQUIRED BY PART A OF APPENDIX 9B
OF BURSA MALAYSIA LISTING REQUIREMENTS (Cont'd)**

B9. GROUP BORROWINGS

The amounts of Group borrowings as at 30 September 2007 are as follows:

	<u>Short Term</u> RM'000	<u>Long Term</u> RM'000	<u>Total</u> RM'000
Term Loan (Secured)	<u>727</u>	<u>5,216</u>	<u>5,943</u>

The borrowings are all denominated in Ringgit Malaysia.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Derivative financial instruments are used to reduce the Group's exposure to fluctuations in foreign exchange rates and are viewed as risk management tools by the Group and not used for trading or speculative purposes.

Off balance sheet financial instruments as at 8 November 2007 are as follows:-

	Contract amount RM'000
Foreign exchange forward purchase contracts	<u>32,093</u>

The above contracts in US Dollars mature within a period of 4 to 12 months.

There is minimal credit and market risk because the contracts were executed with an established financial institution.

Gains and losses on foreign exchange forward contracts are recognised in the income statements upon realisation.

B11. CHANGES IN MATERIAL LITIGATION

Save as disclosed in the prospectus dated 15 May 2007, there were no other material litigation as at 8 November 2007.

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B12. DIVIDEND

No dividend has been declared for the current quarter.

For the financial year-to-date, a total gross dividend of 5.0 sen per share less 27% tax has been declared (2006: Nil).

B13. EARNINGS PER SHARE (“EPS”)

The calculations of basic earnings per share for the reporting period are computed as follows:

	Quarter Ended 30/09/07 RM'000	Quarter Ended 30/09/06 RM'000	Cumulative Quarter 30/09/07 RM'000	Cumulative Quarter 30/09/06 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	6,654	1,342	19,191	12,870
Weighted average number of ordinary shares	80,000	60,000	70,322	60,000
Basic earnings per share	8.32 sen	2.24 sen	27.30 sen	21.45 sen

The diluted earnings per share for the Group are not presented as there is no dilutive potential ordinary share during the financial period.

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B14. AUTHORISATION OF ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated on 15 November 2007.

By order of the Board

Lim Hooi Mooi
MAICSA no. 0799764
Company Secretary

15 November 2007

Kuala Lumpur