DELEUM BERHAD
(COMPANY NO: 715640-T)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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.

PART A – EXPLANATORY NOTES (Cont'd)

A1. BASIS OF PREPARATION (Cont'd)

The effects of the adoption of FRS 117 are as follows:

	Before adoption of FRS 117 RM'000	Reclassification RM'000	After adoption of FRS 117 RM'000
Quarter ended 31 December 2007			
Depreciation	959	(15)	944
Amortisation of lease rentals	0	15	15
Year ended 31 December 2007			
Depreciation	4,305	(45)	4,260
Amortisation of lease rentals	0	45	45
At 31 December 2007			
Property, plant and equipment	43,451	(5,279)	38,172
Prepaid lease rentals	0	5,279	5,279

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:

	Before adoption of FRS 117 RM'000	Reclassification RM'000	After adoption of FRS 117 RM'000
Quarter ended 31 December 2006			
Depreciation	934	(15)	919
Amortisation of lease rentals	0	15	15
Year ended 31 December 2006			
Depreciation	3,440	(45)	3,395
Amortisation of lease rentals	0	45	45
At 31 December 2006			
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 year ended 31 December 2007.

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 second quarter of the current financial year, 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 year ended 31 December 2007.

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 7.72 sen per share, less income tax of 27%	3,383*
	7,149

* The net dividend payable is RM3.383m, of which RM3.336m was paid on 26 March 2007 and the balance of RM47,000 was paid on 30 January 2008.

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

	RM'000
Interim gross dividend of 5.0 sen per share, less income tax of 27%, paid on 28 September 2007	2,920

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.

PART A – EXPLANATORY NOTES (Cont'd)

A8. SEGMENTAL REPORTING (Cont'd)

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

	Individual Quarter Ended 31/12/07 RM'000	Individual Quarter Ended 31/12/06 RM'000	**Year Ended 31/12/07 RM'000**	Year Ended 31/12/06 RM'000
Segment Revenue				
Specialised equipment and services				
External revenue	62,173	57,451	363,454	226,920
Specialised equipment and services	62,173	57,451	363,454	226,920
Oilfield equipment and services				
External revenue	43,941	56,258	297,886	220,436
Intersegment revenue	1,747	3,780	6,295	8,160
Oilfield equipment and services	45,688	60,038	304,181	228,596
Oilfield chemicals and other services				
External revenue	1,536	1,846	4,217	4,691
Intersegment revenue	-	-	82	-
Oilfield chemicals and other services	1,536	1,846	4,299	4,691
Total reportable segments	109,397	119,335	671,934	460,207
Eliminations	(1,747)	(3,780)	(6,377)	(8,160)
Total Group revenue	107,650	115,555	665,557	452,047

PART A – EXPLANATORY NOTES (Cont'd)

A8. SEGMENTAL REPORTING (Cont'd)

	Individual Quarter Ended 31/12/07 RM'000	Individual Quarter Ended 31/12/06 RM'000	**Year Ended 31/12/07 RM'000**	Year Ended 31/12/06 RM'000
Segment Results				
Specialised equipment and services	6,408	757	18,990	7,540
Oilfield equipment and services	3,119	5,881	20,706	17,585
Oilfield chemicals and other services	(707)	839	(1,442)	884
Others	847	881	2,161	1,914
Segment results	9,667	8,358	40,415	27,923
Unallocated corporate expenses	(2,831)	(1,458)	(12,442)	(10,296)
Finance costs	(174)	(33)	(457)	(109)
Share of results of associates	2,020	2,075	8,283	10,011
Tax expense	(1,951)	(2,648)	(8,267)	(6,730)
Profit for the financial period/year	6,731	6,294	27,532	20,799

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revalued property, plant and equipment as at 31 December 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 year for the twelve months ended 31 December 2007.

PART A – EXPLANATORY NOTES (Cont'd)

A12. CONTINGENT LIABILITIES / ASSETS

As at 31 December 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 RM25 million out of which RM13 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 31 December 2007 are as follows:

	RM'000
Authorised and contracted for	2,083

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	82,169

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 after tax and minority interest of RM5.9 million, an increase of 13% over the previous year's corresponding quarter of RM5.2 million.

The positive variance is mainly attributable to the general trend of increase in the activities in the oil and gas ("O & G") industry.

For the year ended 31 December 2007, the Group achieved a profit after tax of RM25.1 million, an increase of 39% over the previous financial year's RM18.1 million on the back of a 47.2% increase in revenue from RM452.0 million to RM665.6 million.

The favourable result was brought about by the better performance of the oilfield equipment and services segment and the specialised equipment and services segment.

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

For the current quarter under review, the Group achieved a profit before taxation of RM8.7 million, a 7.6% reduction as compared to the RM9.4 million achieved for the immediate preceding quarter. The variance is mainly due to the higher revenue recognised in the oilfield equipment and services segment during the immediate preceding quarter compared to the current quarter under review.

B3. 2008 PROSPECTS

The Board of Directors are confident that the prospects of the Group remain positive under the current favourable outlook of the O & G industry and the prevailing business and economic environment, barring unforeseen circumstances,

B4. PROFIT FORECAST

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.

The difference between the actual results (unaudited) and forecast figures for the financial year ended 31December 2007 are tabulated as follows:

	Actual	**Forecast**	**Variance**	
	RM'000	**RM'000**	**RM'000**	**%**
Profit after tax and minority interest	25,121	23,031	2,090	9.1

The higher net profit is mainly due to higher contribution from the specialised equipment and services and the oilfield equipment and services segments.

B5. TAXATION

	Individual Quarter Ended 31/12/07 RM'000	Individual Quarter Ended 31/12/06 RM'000	**Year Ended 31/12/07 RM'000**	Year Ended 31/12/06 RM'000
Current tax	1,642	3,023	7,176	7,132
Deferred tax	309	(375)	1,091	(402)
	1,951	2,648	8,267	6,730

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 of during the quarter and financial year to date.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

(a) There were no corporate proposals announced as of 18 February 2008 (being 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 @ 31.12.2007 RM'000	Transferred to Working Capital* RM'000	Intended Timeframe for Utilisation	Balance RM'000
i	Working Capital :					
	- Expansion of Business and markets	12,000	-	-	Within 24 months	12,000
	- Existing Operations	5,700	5,700	-	Within 12 months	-
ii	Capital Expenditure :					
	- Oilfield Equipment	15,000	6,746	-	Within 24 months	8,254
	- Investment in facilities	6,000	6,000	-	Within 12 months	-
iii	Estimated Listing expenses					
	- Share premium expense	2,500	1,766	734	Immediate	-
	- Listing expenses	500	500	-		-
		41,700	20,712	734		20,254

* In accordance with the provision of the Prospectus.

B9. GROUP BORROWINGS

The amounts of Group borrowings as at 31 December 2007 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loan (Secured)	1,094	6,007	7,101

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 18 February 2008 are as follows:-

	Contract amount RM'000
Foreign exchange forward purchase contracts	32,262

The above contracts in US Dollars will mature within a period of one to nine 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 18 February 2008.

B12. DIVIDEND

In line with the dividend policy of the Company as mentioned in the Company's Prospectus dated 15 May 2007 issued pursuant to the Company's initial public offering, the Board of Directors has declared a second gross interim dividend of 10 sen per ordinary share less Malaysian income tax at 26% in respect of the financial year ended 31 December 2007 (2006: Nil). The dividend will be payable on 2 April 2008 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 19 March 2008.

A Depositor shall qualify for the entitlement only in respect of: -

(i) shares transferred into the Depositor's securities account before 4.00 p.m. on 19 March 2008 in respect of ordinary transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad Listing Requirement.

For the financial year-to-date, a total gross dividend of 15 sen per share less tax has been declared (2006: 14 sen).

B13. EARNINGS PER SHARE ("EPS")

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

	Quarter Ended 31/12/07 RM'000	Quarter Ended 31/12/06 RM'000	**Year Ended 31/12/07 RM'000**	Year Ended 31/12/06 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	5,931	5,220	25,121	18,090
Weighted average number of ordinary shares	80,000	60,000	72,762	60,000
Basic earnings per share	7.41 sen	8.70 sen	34.52 sen	30.15 sen

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

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 25 February 2008.

By order of the Board

Lim Hooi Mooi
MAICSA no. 0799764
Company Secretary

25 February 2008

Kuala Lumpur