

DELEUM BERHAD
(COMPANY NO: 715640-T)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008**

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 2007 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 2007.

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 2007 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 2008:

- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in.
- FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances.
- Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes compared to the original standards:
 - FRS 107 Cash Flow Statements
 - FRS 118 Revenue
 - FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above amendments and standards do not have a material impact on the Group.

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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

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the current financial period ended 30 September 2008, except for the reversal of a provision for doubtful debts in the first quarter made at the Group level for an associate company of RM2.56 million which is no longer required.

A5. NATURE AND AMOUNT OF 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, except for the matter referred to in A4.

A6. EQUITY AND DEBT SECURITIES

On 25 June 2008, the issued and paid-up share capital of the Company increased by RM20,000,000 by way of bonus issue of 20,000,000 new Ordinary Shares of RM1.00 each in the Company, credited as fully paid-up, on the basis of one (1) new Ordinary Share of RM1.00 each for every four (4) existing Ordinary Share of RM1.00 each held in the Company.

Save as disclosed above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial year-to-date.

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PART A – EXPLANATORY NOTES (Cont'd)

A7. DIVIDENDS PAID

During the second quarter of the current financial year, the Company paid the following interim dividends on 80,000,000 ordinary shares in respect of the previous financial year ended 31 December 2007:

	RM'000
Interim gross dividend of 10 sen per share, less income tax of 26% paid on 2 April 2008	5,920

During the current quarter, the Company paid an interim dividend on 100,000,000 ordinary shares in respect of the current financial year ending 31 December 2008:

	RM'000
Interim dividend of 5 sen single tier exempt dividend per ordinary share paid on 29 September 2008	5,000
	<hr/> 10,920 <hr/>

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 is as follows:

	Individual Quarter Ended 30/09/08 RM'000	Individual Quarter Ended 30/09/07 RM'000	Cumulative Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/07 RM'000
<u>Segment Revenue</u>				
Specialised equipment and services				
External revenue	58,472	18,689	131,510	252,702
Specialised equipment and services	58,472	18,689	131,510	252,702
Oilfield equipment and services				
External revenue	56,717	156,816	145,759	302,524
Intersegment revenue	2,078	1,758	5,290	4,548
Oilfield equipment and services	58,795	158,574	151,049	307,072
Oilfield chemicals and other services				
External revenue	363	909	3,471	2,681
Intersegment revenue	-	-	-	82
Oilfield chemicals and other services	363	909	3,471	2,763
Total reportable segments	117,630	178,172	286,030	562,537
Eliminations	(2,078)	(1,758)	(5,290)	(4,630)
Total Group revenue	115,552	176,414	280,740	557,907

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A8. SEGMENTAL REPORTING (Cont'd)

	Individual Quarter Ended 30/09/08 RM'000	Individual Quarter Ended 30/09/07 RM'000	Cumulative Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/07 RM'000
<u>Segment Results</u>				
Specialised equipment and services	2,880	1,594	6,847	11,206
Oilfield equipment and services	7,405	9,273	13,391	18,963
Oilfield chemicals and other services	(486)	(376)	139	(735)
Others	1,779	562	2,576	1,314
Segment results	11,578	11,053	22,953	30,748
Unallocated corporate expenses	(2,472)	(3,084)	(7,892)	(9,611)
Finance costs	(123)	(93)	(358)	(283)
Share of results of associates	4,205	1,514	12,114	6,263
Tax expense	(2,309)	(2,333)	(4,189)	(6,316)
Profit for the financial period	10,879	7,057	22,628	20,801

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revalued property, plant and equipment as at 30 September 2008.

A10. MATERIAL EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

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PART A – EXPLANATORY NOTES (Cont'd)

A11. CHANGES IN THE COMPOSITION OF THE GROUP

- (a). On 1 August 2008, an 80% subsidiary, Delcom Holdings Sdn. Bhd. entered into an agreement with Dato Seri Abdul Ghani bin Abdul Aziz and Tan Sri Abdul Aziz bin Mohd Zain to purchase 1,275,000 Ordinary Shares of RM1.00 each representing 51% of the total issued and paid-up share capital of Penaga Dresser Sdn. Bhd. (“PDSB”) for a total consideration of RM7.25 million.

Management is in the midst of identifying the fair value of PDSB’s identifiable net assets as at 1 August 2008. For the purpose of the announcement, the provisional amount of goodwill is calculated to be RM1,487,815.

- (b). On 11 September 2008, a wholly-owned subsidiary, Delcom Services Sdn. Bhd. (“DSSB”) acquired the remaining 40,000 ordinary shares of RM1.00 each, representing 40% of the issued and paid-up share capital of a subsidiary company, Delcom Chemicals Sdn. Bhd. (“DCSB”) for a cash consideration of RM40,000 from its joint venture partner, Navdeep Chemicals Pvt Ltd. Following the acquisition, DCSB is now a wholly-owned subsidiary of DSSB.

Management is in the midst of identifying the fair value of DCSB’s identifiable net assets as at 1 September 2008. For the purpose of the announcement, the provisional amount of goodwill is calculated to be RM308,087.

Save as disclosed above, there were no other changes in the composition of the Group during the quarter and financial year-to-date.

A12. CONTINGENT LIABILITIES / ASSETS

As at 30 September 2008, the Group does not have any contingent liabilities or assets except for credit facilities from licensed financial institutions of RM25 million for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts, out of which RM13 million has been utilised.

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PART A – EXPLANATORY NOTES (Cont'd)

A13. COMMITMENTS

Capital commitments for property, plant and equipment not provided for as at 30 September 2008 are as follows:

	RM'000
Authorised and contracted for	<u>6,613</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.

	Individual Quarter Ended 30/09/08 RM'000	Individual Quarter Ended 30/09/07 RM'000	Cumulative Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/07 RM'000
Purchases from Solar Turbines International Company	19,515	17,165	49,824	56,935

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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 and year to date, the Group revenue decreased by 34% to RM115.6 million and 50% to RM280.7 million compared with the corresponding quarter and year to date respectively. The decline was mainly due to lower billings of the specialised equipment and services segment mainly on account of the significantly higher number of projects completed and delivered to customers in the previous financial year. The decline was also felt by the oilfield equipment and services segment in the current quarter compared against the corresponding quarter of 2007 with certain maintenance contracts running in full capacity in 2007.

The profit before taxation (“PBT”) for the current quarter improved by 40% from RM9.4 million in the same period last year to RM13.2 million. The improved PBT for the current quarter under review was mainly earned from the Group’s share of results from associates which increased from RM1.5 million in the corresponding quarter to RM4.2 million in the current quarter and contribution of RM1.0 million from Penaga Dresser Sdn Bhd which became a subsidiary in August 2008.

The year to date results is marginally lower by 1% at RM26.8 million compared to the RM27.1m in the same period last year. The change is due to lower segment earnings, offset by improved contribution from associates.

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

The Group’s profit before taxation in the current quarter improved from RM6.3 million in the preceding quarter to RM13.2 million in the current quarter. The favorable variance is mainly due to an improvement in the Group’s share of results from associates; contribution from Penaga Dresser Sdn. Bhd. and better margins earned by the specialised equipment and services segment.

B3. 2008 PROSPECTS

Global economies are displaying clear signs of significant slowdown in economic activities, characterized by falling global demand for goods and services. Prices of commodities including crude oil have fallen sharply. However, to date the Group has not experienced any significant slowdown and anticipates sustaining current activity levels.

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

B4. PROFIT FORECAST

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

B5. TAXATION

	Individual Quarter Ended 30/09/08 RM'000	Individual Quarter Ended 30/09/07 RM'000	Cumulative Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/07 RM'000
Current tax	1,972	2,174	3,874	5,534
Deferred tax	337	159	315	782
	2,309	2,333	4,189	6,316

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due to the recognition of tax overprovided in previous year. For financial year to date, the effective tax rate is 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.

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

- (a) There were no corporate proposals announced as of 17 November 2008 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).
- (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 @ 30/09/2008 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	5,840	-	Within 24 months	6,160
- Existing Operations	5,700	5,700	-	Within 12 months	-
ii Capital Expenditure :					
- Oilfield Equipment	15,000	9,271	-	Within 24 months	5,729
- Investment in facilities	6,000	6,000	-	Within 12 months	-
iii Estimated Listing expenses					
- Share issue expense	2,500	1,700	800	Immediate	-
- Listing expenses	500	500	-		-
	<u>41,700</u>	<u>29,011</u>	<u>800</u>		<u>11,889</u>

* In accordance with the provision of the Prospectus.

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

B9. GROUP BORROWINGS

The Group borrowings as at 30 September 2008, are as follows:

	<u>Short Term</u> RM'000	<u>Long Term</u> RM'000	<u>Total</u> RM'000
Term Loan (Secured)	<u>932</u>	<u>5,443</u>	<u>6,375</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 17 November 2008 are as follows:-

	Contract amount RM'000
Foreign exchange forward purchase contracts	<u>24,560</u>

The above contracts in US Dollars will mature within a period of two to eleven 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.

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

B11. CHANGES IN LITIGATION

Save as disclosed in the first quarter announcement dated 22 May 2008, there were no other material litigation as at 17 November 2008.

B12. DIVIDEND

Save as disclosed in A7, there were no other dividends declared during the quarter under review for the financial year ending 31 December 2008.

B13. EARNINGS PER SHARE (“EPS”)

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

	Individual Quarter Ended 30/09/08 RM'000	Individual Quarter Ended 30/09/07 RM'000	Cumulative Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/07 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	8,330	6,654	18,632	19,191
Weighted average number of ordinary shares	100,000	100,000	100,000	100,000
Basic earnings per share	8.33 sen	6.65 sen	18.63 sen	19.19 sen

The diluted earnings per share for the Group are not presented as there is no dilutive potential ordinary shares 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 24 November 2008.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
24 November 2008