DELEUM BERHAD
(COMPANY NO: 715640-T)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER/YEAR ENDED 31 DECEMBER 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.

PART A – EXPLANATORY NOTES

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 year ended 31 December 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 year 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 was 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.

PART A – EXPLANATORY NOTES (Cont'd)

A7. DIVIDEND 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 third quarter of the current financial year, the Company paid an interim dividend on 100,000,000 ordinary shares in respect of the current financial year ended 31 December 2008:

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

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 is as follows:

	Individual Quarter Ended 31/12/08 RM'000	Individual Quarter Ended 31/12/07 RM'000	**Cumulative Quarter Ended 31/12/08 RM'000**	Cumulative Quarter Ended 31/12/07 RM'000
Segment Revenue				
Specialised equipment and services				
External revenue	71,030	62,173	202,540	363,454
Specialised equipment and services	71,030	62,173	202,540	363,454
Oilfield equipment and services				
External revenue	71,251	43,941	217,010	297,886
Intersegment revenue	3,144	1,747	8,434	6,295
Oilfield equipment and services	74,395	45,688	225,444	304,181
Oilfield chemicals and other services				
External revenue	783	1,428	4,254	4,109
Oilfield chemicals and other services	783	1,428	4,254	4,109
Total reportable segments	146,208	109,289	432,238	671,744
Eliminations	(3,144)	(1,747)	(8,434)	(6,295)
Total Group revenue	143,064	107,542	423,804	665,449

PART A – EXPLANATORY NOTES (Cont'd)

A8. SEGMENTAL REPORTING (Cont'd)

	Individual Quarter Ended 31/12/08 RM'000	Individual Quarter Ended 31/12/07 RM'000	**Cumulative Quarter Ended 31/12/08 RM'000**	Cumulative Quarter Ended 31/12/07 RM'000
Segment Results				
Specialised equipment and services	4,191	6,408	12,526	18,990
Oilfield equipment and services	6,354	3,119	19,745	20,706
Oilfield chemicals and other services	(207)	(815)	(68)	(1,442)
Others	221	955	1,309	2,161
Segment results	10,559	9,667	33,512	40,415
Unallocated corporate expenses	(3,910)	(2,854)	(11,802)	(12,465)
Finance costs	(199)	(151)	(557)	(434)
Share of results of associates	3,675	2,020	15,789	8,283
Tax expense	(2,254)	(1,951)	(6,443)	(8,267)
Profit for the financial period/year	7,871	6,731	30,499	27,532

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revalued property, plant and equipment as at 31 December 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.

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. acquired 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.

(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.

The goodwill arising from the acquisition of PDSB and DCSB of RM1.8 million is provisionally calculated as at 31 December 2008. Any adjustments to these provisional values upon finalisation of a detailed fair value exercise will be recognised in intangible assets within 12 months of the acquisition date in accordance with FRS 3 "Business Combination".

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 31 December, 2008, the Group does not have any contingent liabilities or assets except for guarantees in respect of 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 RM12 million has been utilised.

A13. COMMITMENTS

Capital commitments for property, plant and equipment not provided for as at 31 December 2008 are as follows:

	RM'000
Authorised and contracted for	13,570

PART A – EXPLANATORY NOTES (Cont'd)

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 31/12/08 RM'000	Individual Quarter Ended 31/12/07 RM'000	**Cumulative Year Ended 31/12/08 RM'000**	Cumulative Year Ended 31/12/07 RM'000
Purchases from Solar Turbines International Company	40,129	25,234	89,953	82,169

The following transactions are with the corporate shareholder and parties related to a corporate shareholder of a subsidiary of the Group, Penaga Dresser Sdn. Bhd.

	Individual Quarter Ended 31/12/08 RM'000	Individual Quarter Ended 31/12/07 RM'000	**Cumulative Year Ended 31/12/08 RM'000**	Cumulative Year Ended 31/12/07 RM'000
Sales to related parties of Dresser Italia S.R.L	-	-	88	-
Purchases from Dresser Italia S.R.L	58	-	137	-
Purchases from related parties of Dresser Italia S.R.L	8,560	-	11,362	-

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER/YEAR ENDED 31 DECEMBER 2008

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 revenue increased by 33% from RM107.5 million to RM143.1 million compared with the corresponding quarter and this was mainly due to higher billings of the specialised equipment and services segment during the quarter.

However, for the year to date results, the Group revenue decreased by 36% from RM665.4 million to RM423.8 million which was mainly on account of the significantly higher number of projects completed and delivered to customers in the previous financial year and deferment of several projects to 2009.

The profit before taxation ("PBT") for the current quarter under review improved by 17% from RM8.7 million to RM10.1 million compared with the corresponding quarter last year and the year to date result improved by 3% from RM35.8 million to RM36.9 million. The increase in the current quarter and the year to date was mainly due to the higher earnings reported by associates and contribution from Penaga Dresser Sdn Bhd, a subsidiary acquired in August, 2008 and was negated by higher operating expenses.

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

The Group's profit before taxation declined by 23% from RM13.2 million in the immediate preceding quarter to RM10.1 million in the current quarter. The decline is mainly due to increased operating expenses and decrease in the Group's share of results of associate companies.

B3. 2009 PROSPECTS

The global economic slow down is upon us and the prospects of the immediate future will be of concern. This may result in the lower demand for Oil & Gas and may lead to lower prices. Therefore, we anticipate deferments and potential slow down in execution of projects. However, we expect existing development and production activities to continue thus ensuring on going supply of products and services for operations and maintenance activities. The Board of Directors is confident that with the Group's diversified portfolio of products and services, it is well positioned to withstand the prevailing economic pressures.

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 31/12/08 RM'000	Individual Quarter Ended 31/12/07 RM'000	**Cumulative Year Ended 31/12/08 RM'000**	Cumulative Year Ended 31/12/07 RM'000
Current tax	2,434	1,642	6,308	7,176
Deferred tax	(180)	309	135	1,091
	2,254	1,951	6,443	8,267

Excluding the associates' results which are presented net of tax and the write back of provision made for an associate, 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 and losses of certain subsidiaries which are not available for relief against the Group's profits.

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 16 February 2009 (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 @ 31/12/2008 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	15,000	-	Within 24 months	-
	- 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	-		-
		41,700	34,740	800		6,160

* In accordance with the provision of the Prospectus.

B9. GROUP BORROWINGS

The amounts of Group borrowings as at 31 December 2008 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loan (Secured)	720	5,360	6,080

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 16 February 2009 are as follows:

	Contract amount RM'000
Foreign exchange forward purchase contracts	24,560

The above contracts in US Dollars will mature within a period of two to seven 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 LITIGATION

Save as disclosed in the first quarter announcement dated 22 May 2008, there were no other material litigation as at 16 February 2009.

B12. DIVIDEND

There were no dividends declared during the quarter under review for the financial year ended 31 December 2008.

The Board however has proposed, for shareholders approval at the forthcoming Annual General Meeting, the payment of a final single tier tax exempt dividend of 6 sen per share in respect of the financial year ended 31 December 2008. The entitlement and payment dates have yet to be fixed and will be announced later.

B13. EARNINGS PER SHARE ("EPS")

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

	Individual Quarter Ended 31/12/08 RM'000	Individual Quarter Ended 31/12/07 RM'000	**Cumulative Year Ended 31/12/08 RM'000**	Cumulative Year Ended 31/12/07 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	4,619	5,930	23,251	25,121
Weighted average number of ordinary shares	100,000	100,000	100,000	100,000
Basic earnings per share	4.62 sen	5.93 sen	23.25 sen	25.12 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 on 23 February 2009.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
23 February 2009