

DELEUM BERHAD
(COMPANY NO: 715640-T)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

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 2008 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 2008.

As stated previously, on the acquisition of Penaga Dresser Sdn. Bhd. effective 1 August 2008, and pursuant to FRS 3 “Business Combination”, a preliminary purchase price allocation review was performed which produced a goodwill (“intangibles”) of RM1,487,815 and was recorded in the balance sheet of the Group as at 31 December 2008. In the current quarter, management revisited the purchase price allocation in accordance with FRS 3 and the fair value adjustment arising from the acquisition amounted to RM862,838 and is made up as follows:

	RM
Fair value of contracts	664,313
Fair value adjustment of leasehold land	198,525

The difference arising from the preliminary and the current evaluation amounting to RM450,644 was charged to the Income Statement for the quarter and year to date ended 30 September 2009.

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 2008 except for the revision of useful lives of certain equipment and the adoption of the accounting policy for customers’ contracts on acquisition as set out in A1(a) and A1(b) below.

A1 (a) Depreciation

Useful lives of assets are reviewed and adjusted where appropriate at balance sheet date. The Group revised the useful lives of certain equipment from between 5 to 7 years to 10 years effective from 1 January 2009. The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for the quarter and the year to date ended 30 September 2009 was reduced by RM0.8 million and RM1.9 million respectively.

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PART A – EXPLANATORY NOTES (Cont'd)

A1. BASIS OF PREPARATION (Cont'd)

A1 (b) Intangibles – Customers' Contracts

Customers' contracts acquired are recognised at fair value at the acquisition date. The fair value of these contracts is recorded in intangibles in the balance sheet and amortised over the lives of the respective contracts. The amount amortised and included in the results for the quarter and the year to date amounted to RM232,432.

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 period ended 30 September 2009 other than the matters referred to in A1.

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

Except as disclosed in A1 for the change in useful lives of the assets, 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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

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PART A – EXPLANATORY NOTES (Cont'd)

A7. DIVIDEND PAID

During the second quarter of the current financial year, the Company paid the following final single tier tax exempt dividend of 6 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2008.

RM'000

Final tax exempt dividend of 6 sen per ordinary share paid on 29 May 2009	<u>6.000</u>
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During the current quarter, the Company paid a first interim single tier tax exempt dividend of 5 sen per ordinary share of RM1.00 each in respect of the current financial year ending 31 December 2009.

RM'000

Interim tax exempt dividend of 5 sen per ordinary share paid on 18 September 2009	<u>5.000</u>
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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, control safety valves repair and services.
- Oilfield equipment and services – Mainly consist of provision of wireline and wellhead equipment and related services, offshore drilling rig operations, gas turbine overhaul, supply of gas turbine parts and other oilfield equipment and technical services.
- Oilfield chemicals and 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 year is as follows:

	Individual Quarter Ended 30/09/09 RM'000	Individual Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/09 RM'000	Cumulative Quarter Ended 30/09/08 RM'000
<u>Segment Revenue</u>				
Specialised equipment and services				
External revenue	86,866	58,472	202,809	131,510
Specialised equipment and services	86,866	58,472	202,809	131,510
Oilfield equipment and services				
External revenue	68,862	56,717	206,923	145,759
Intersegment revenue	2,601	2,078	11,375	5,290
Oilfield equipment and services	71,463	58,795	218,298	151,049
Oilfield chemicals and other services				
External revenue	9	363	404	3,471
Oilfield chemicals and other services	9	363	404	3,471
Total reportable segments	158,338	117,630	421,511	286,030
Eliminations	(2,601)	(2,078)	(11,375)	(5,290)
Total Group revenue	155,737	115,552	410,136	280,740

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PART A – EXPLANATORY NOTES (Cont'd)

A8. SEGMENTAL REPORTING (Cont'd)

	Individual Quarter Ended 30/09/09 RM'000	Individual Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/09 RM'000	Cumulative Quarter Ended 30/09/08 RM'000
<u>Segment Results</u>				
Specialised equipment and services	6,972	2,880	16,949	6,847
Oilfield equipment and services	6,461	7,405	21,773	13,391
Oilfield chemicals and other services	1,281	(486)	(163)	139
Others	167	1,779	470	2,576
Segment results	14,881	11,578	39,029	22,953
Unallocated corporate expenses	(6,239)	(2,472)	(12,425)	(7,892)
Finance costs	(365)	(123)	(978)	(358)
Share of results of associates	2,279	4,205	7,187	12,114
Tax expense	(1,891)	(2,309)	(7,284)	(4,189)
Profit for the financial period	8,665	10,879	25,529	22,628

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revalued property, plant and equipment as at 30 September 2009.

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

There were no changes in the composition of the Group during the current financial period for the nine months ended 30 September 2009.

A12. CONTINGENT LIABILITIES / ASSETS

As at 30 September 2009, the Group does not have any contingent liabilities or assets except for guarantees in respect of credit facilities from licensed financial institutions of RM40 million for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts, out of which RM30 million has been utilised.

A13. COMMITMENTS

Capital commitments for property, plant and equipment not provided for as at 30 September 2009 are as follows:

	RM'000
Authorised and contracted for	<u>1,013</u>

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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 30/09/09 RM'000	Individual Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/09 RM'000	Cumulative Quarter Ended 30/09/08 RM'000
Purchases from Solar Turbines International Company	27,324	19,515	86,165	49,824

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

	Individual Quarter Ended 30/09/09 RM'000	Individual Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/09 RM'000	Cumulative Quarter Ended 30/09/08 RM'000
Purchases from Dresser Italia S.R.L	639	-	784	-
Purchases from related parties of Dresser Italia S.R.L	11,713	-	21,798	-

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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's revenue increased by 35% but profit before taxation ("PBT") declined by 20% compared to the corresponding quarter in the previous year. The Group's revenue increased from RM115.6 million to RM155.7 million and the PBT decreased from RM13.2 million to RM10.6 million.

The increase in revenue was primarily due to the increased contribution from the specialised equipment and services segment and oilfield equipment and services segment. The decrease in PBT is as a result of the increase in other operating expenses and decreased contribution from the associates.

On the year to date basis, the Group's revenue and PBT increased by 46% and 22% respectively compared to the corresponding period in the previous year. The increase was primarily due to the increased contribution from the specialised equipment and services segment and oilfield equipment and services segment and inclusion of contributions from Penaga Dresser Sdn.Bhd., a subsidiary acquired by the Group in the third quarter of 2008.

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

The Group's profit before taxation reduced by 10% compared to the immediate preceding quarter from RM11.7 million to RM10.6 million primarily due to the write off of goodwill on acquisition, amortisation of intangible assets and higher payroll expenses incurred during the current quarter.

B3. 2009 PROSPECTS

The current economic environment remains challenging. Current crude oil prices are in the range of USD70 – USD80 per barrel, which has brought back some level of confidence to the industry.

As production of crude oil and gas is ongoing, the opportunities in the provision of maintenance and repair and service activities continue. In this regard, the Board of Directors is confident that the Group will be able to sustain its current earnings level.

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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 period and therefore no comparison is available.

B5. TAXATION

	Individual Quarter Ended 30/09/09 RM'000	Individual Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/09 RM'000	Cumulative Quarter Ended 30/09/08 RM'000
Current tax	105	1,972	5,195	3,874
Deferred tax	1,786	337	2,089	315
	1,891	2,309	7,284	4,189

Excluding the associates' results which are presented net of tax, the effective tax rate of the Group for the current period 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.

B7. QUOTED SECURITIES

Quoted securities were sold off in the first quarter at carrying value.

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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

There were no corporate proposals announced as of 12 November 2009 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

B9. GROUP BORROWINGS

The amount of Group borrowings as at 30 September 2009 are as follows:

	<u>Short Term</u> RM'000	<u>Long Term</u> RM'000	<u>Total</u> RM'000
Borrowings (secured)	<u>667</u>	<u>24,810</u>	<u>25,477</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 12 November 2009 are as follows:

	Contract amount RM'000
Foreign exchange forward purchase contracts	<u>9,850</u>

The above contracts in US Dollars will mature within a period of one to ten 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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**PART B – ADDITIONAL INFORMATION AS REQUIRED BY PART A OF APPENDIX 9B
OF BURSA MALAYSIA LISTING REQUIREMENTS (Cont'd)**

B11. CHANGES IN MATERIAL LITIGATION

Save as disclosed in the first quarter announcement of 2008 dated 22 May 2008, there were no other material litigation as at 13 August 2009. The said case is now fixed for full trial between 18 to 21 January 2010.

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 2009.

B13. EARNINGS PER SHARE (“EPS”)

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

	Individual Quarter Ended 30/09/09 RM'000	Individual Quarter Ended 30/09/08 RM'000	Cumulative Quarter Ended 30/09/09 RM'000	Cumulative Quarter Ended 30/09/08 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	5,899	8,330	20,128	18,632
Weighted average number of ordinary shares	100,000	100,000	100,000	100,000
Basic earnings per share	5.90 sen	8.33 sen	20.13 sen	18.63 sen

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

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BURSA MALAYSIA LISTING REQUIREMENTS (Cont'd)**

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 19 November 2009.

By order of the Board

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