DELEUM BERHAD
(COMPANY NO: 715640-T)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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 third 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 evaluation amounting to RM450,644 was charged to the Income Statement for the year ended 31 December 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 ended 31 December 2009 was reduced by RM0.8 million and RM2.8 million respectively.

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 ended 31 December 2009 amounted to RM77,477 and RM309,909 respectively.

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 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 year 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.

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	6,000

During the third quarter of the current financial year, 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 ended 31 December 2009.

	RM'000
Interim tax exempt dividend of 5 sen per ordinary share paid on 18 September 2009	5,000

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.

PART A – EXPLANATORY NOTES (Cont'd)

A8. SEGMENTAL REPORTING (Cont'd)

Segmental information for the financial year is as follows:

	Individual Quarter Ended 31/12/09 RM'000	Individual Quarter Ended 31/12/08 RM'000	**Cumulative Quarter Ended 31/12/09 RM'000**	Cumulative Quarter Ended 31/12/08 RM'000
<u>Segment Revenue</u>				
Specialised equipment and services				
External revenue	27,092	71,030	229,901	202,562
Specialised equipment and services	27,092	71,030	229,901	202,562
Oilfield equipment and services				
External revenue	77,042	71,251	283,965	218,239
Intersegment revenue	3,221	3,144	14,596	8,434
Oilfield equipment and services	80,263	74,395	298,561	226,673
Oilfield chemicals and other services				
External revenue	23	783	427	4,254
Oilfield chemicals and other services	23	783	427	4,254
Total reportable segments	107,378	146,208	528,889	433,489
Eliminations	(3,221)	(3,144)	(14,596)	(8,434)
Total Group revenue	104,157	143,064	514,293	425,055

PART A – EXPLANATORY NOTES (Cont'd)

A8. SEGMENTAL REPORTING (Cont'd)

	Individual Quarter Ended 31/12/09 RM'000	Individual Quarter Ended 31/12/08 RM'000	**Cumulative Quarter Ended 31/12/09 RM'000**	Cumulative Quarter Ended 31/12/08 RM'000
Segment Results				
Specialised equipment and services	7,778	4,191	24,727	13,274
Oilfield equipment and services	6,248	6,354	28,021	19,197
Oilfield chemicals and other services	(375)	(207)	(538)	(68)
Others	231	221	700	1,879
Segment results	13,882	10,559	52,910	34,282
Unallocated corporate expenses	(3,170)	(3,910)	(15,594)	(12,377)
Finance costs	(301)	(199)	(1,279)	(563)
Share of results of associates	2,464	3,675	9,651	15,570
Tax expense	(2,670)	(2,254)	(9,954)	(6,472)
Profit for the financial period/year	10,205	7,871	35,734	30,440

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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 year ended 31 December 2009.

A12. CONTINGENT LIABILITIES / ASSETS

As at 31 December 2009, the Group does not have any contingent liabilities or assets except for guarantees in respect of credit facilities from licensed financial institutions of RM38.5 million for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts, out of which RM27.6 million has been utilised.

A13. COMMITMENTS

Capital commitments for property, plant and equipment not provided for as at 31 December 2009 are as follows:

	RM'000
Authorised and contracted for	4,326

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 31/12/09 RM'000	Individual Quarter Ended 31/12/08 RM'000	**Cumulative Quarter Ended 31/12/09 RM'000**	Cumulative Quarter Ended 31/12/08 RM'000
Purchases from Solar Turbines International Company	37,883	40,129	124,048	89,953

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 31/12/09 RM'000	Individual Quarter Ended 31/12/08 RM'000	**Cumulative Quarter Ended 31/12/09 RM'000**	Cumulative Quarter Ended 31/12/08 RM'000
Sales to related parties of Dresser Italia S.R.L	-	-	-	88
Purchases from Dresser Italia S.R.L	(68)	58	716	137
Purchases from related parties of Dresser Italia S.R.L	6,264	8,560	28,062	11,362

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 profit before taxation ("PBT") increased by 27.3% from RM10.1 million to RM12.9 million against a decline in revenue of 27.2% from RM143.1 million to RM104.2 million compared to the corresponding quarter in the previous year.

The increase in profit is mainly due to the increased contribution from the specialised equipment and services segment, a write back of provision no longer required in a subsidiary and offset by lower profits from associates. Revenue is lower due to the completion of certain projects in the specialised equipment and services segment in the corresponding quarter.

For the year to date results, the Group's PBT increased by 23.8% from RM36.9 million to RM45.7 million and revenue by 21.0% from RM425.1 million to RM514.3 million mainly due to increased activities in the oilfield equipment and services segment and specialised equipment and services segment.

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

The Group's profit before taxation increased by 21.7% compared to the immediate preceding quarter from RM10.6 million to RM12.9 million primarily due to the increased contribution from the specialised equipment and services segment, a write back of provision no longer required in a subsidiary and offset by lower profits from associates.

B3. 2010 PROSPECTS

The economic environment remains challenging with the crude oil prices stabilising in the range of USD70 – USD80 per barrel since mid of last year, sustaining the level of confidence in the industry.

Based on the ongoing production to meet the production targets and the enhanced recovery in the industry, the Group continues to seize opportunities in the provision of maintenance, repair and service activities, and further with the stabilisation of the crude oil prices, we anticipate projects to be accelerated.

In this regard, the Board of Directors is optimistic about the performance of the Group in the forthcoming year.

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 31/12/09 RM'000	Individual Quarter Ended 31/12/08 RM'000	**Cumulative Quarter Ended 31/12/09 RM'000**	Cumulative Quarter Ended 31/12/08 RM'000
Current tax	1,964	2,950	7,159	6,824
Deferred tax	706	(696)	2,795	(352)
	2,670	2,254	9,954	6,472

Excluding the associates' results which are presented net of tax, the effective tax rate of the Group for the financial year ended 31 December 2009 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

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced as of 15 February 2010 the latest practicable date which shall not be earlier than 7 days from the date of issue of this report.

B9. GROUP BORROWINGS

The amounts of Group borrowings as at 31 December 2009 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Borrowings (secured)	3,988	21,268	25,256

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 15 February 2010 are as follows:

	Contract amount RM'000
Foreign exchange forward purchase contracts	9,019

The above contracts in US Dollars will mature within a period of one 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 MATERIAL LITIGATION

Save as disclosed in the first quarter announcement of 2008 dated 22 May 2008, there were no other material litigation as at 15 February 2010. The said case is now fixed for full trial on 8, 9, April 2010 and 5, 6 , 7 May 2010.

B12. DIVIDEND

Save as disclosed in A7, there were no other dividends declared during the quarter under review for the financial year ended 31 December 2009.

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 7 sen per share in respect of the financial year ended 31 December 2009. 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 31/12/09 RM'000	Individual Quarter Ended 31/12/08 RM'000	**Cumulative Quarter Ended 31/12/09 RM'000**	Cumulative Quarter Ended 31/12/08 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	6,322	4,619	26,450	23,251
Weighted average number of ordinary shares	100,000	100,000	100,000	100,000
Basic earnings per share	6.32 sen	4.62 sen	26.45 sen	23.25 sen

The diluted earnings per share for the Group is not presented as there is no dilutive potential ordinary share during the current 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 22 February 2010.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)
Lim Hooi Mooi (MAICSA no. 0799764)
Company Secretaries
Kuala Lumpur
22 February 2010