

**DELEUM BERHAD (715640-T)**  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**

**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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 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 2009.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of new standards, amendments to standards and IC interpretations that are mandatory for the Group for the financial year beginning 1 January 2010. The adoption of these standards, amendments and interpretations do not have a material impact on the interim financial information of the Group except for the adoption of the following standards as set out below:

**(a) FRS 8: Operating Segments**

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. In conjunction with the adoption of FRS 8, a review of the Group’s reportable segment was performed. The review concluded that the Group is primarily engaged in one operating segment namely, oilfield equipment and services to the oil and gas industry. This conclusion is consistent with the financial information regularly reviewed by the Group’s Group Managing Director to make decisions about resources to be allocated and to assess the Group’s performance.

**(b) FRS 101: Presentation of Financial Statements**

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transaction with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

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**A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

(c) **Amendment to FRS 117: Leasehold Land**

Leasehold land is classified as a finance lease if the Group has substantially all the risks and rewards incidental to ownership. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Following the amendment to FRS 117, the classification of leasehold land has been changed from operating to finance lease. The effect of the change which is adjusted for retrospectively is disclosed as follows:

<b>RM'000</b>	<b>Previously stated</b>	<b>Effects of FRS 117</b>	<b>As restated</b>
<b>Balance at 31 December 2009</b>			
Property, plant and equipment	90,096	3,888	93,984
Prepaid lease rentals	3,888	(3,888)	-

(d) **FRS 139: Financial Instruments: Recognition and Measurement**

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. The classification depends on the nature of the financial instruments and the purpose for which the instrument was required. Management determines the classification of its financial instruments at initial recognition. Set out below are the major changes in classifications of financial instruments of the Group:

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

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**A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(d) FRS 139: Financial Instruments: Recognition and Measurement (Cont'd)**

(ii) Loans and receivables

Loans and receivables are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(iii) Derivative financial instruments

Derivative financial instruments were not previously recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognised in profit or loss at each reporting date.

The Group has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS139 by recognising and re-measuring all financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained earnings. Comparatives are not restated. The effects of changes are disclosed as follows:

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**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (Cont'd)**

**A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

(d) **FRS 139: Financial Instruments: Recognition and Measurement (Cont'd)**

(iii) Derivative financial instruments (cont'd)

Balance as at 1 January 2010:

<b>RM'000</b>	<b>Previously stated</b>	<b>Effects of FRS 139</b>	<b>As restated</b>
<b>Liabilities</b>			
Derivatives Financial Liabilities	-	57	57
Borrowings	25,257	26	25,283
<b>Equity</b>			
Retained earnings	112,824	(83)	112,741

**A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group's operation is not affected by any significant seasonal or cyclical factors in the 4th quarter and the financial year ended 31 December 2010.

**A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE, OR INCIDENCE**

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the financial year ended 31 December 2010 except for the effects arising from the adoption of FRS 139 as disclosed in Note A2.

**A5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES**

There were no material changes to estimates that have had any material effect in the 4<sup>th</sup> quarter and financial year ended 31 December 2010.

**A6. EQUITY AND DEBT SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 31 December 2010.

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**A7. OUTSTANDING DERIVATIVES**

- (a) The Group had not entered into any new type of derivatives in the current interim quarter that was not disclosed in the preceding year's annual financial statements. As at the financial year ended 31 December 2010, the Group had realised all of its forward foreign exchange contract.
- (b) The credit and price risk associated with the forward foreign exchange contracts and the policies in place for mitigating such risks were disclosed in the annual financial statements for the year ended 31 December 2009. The accounting policy adopted by the Group to account for the forward foreign exchange contracts is set out in Note A2d(iii).
- (c) The losses arising from the fair value changes of derivative financial instruments that are carried at fair value to profit or loss for the current and cumulative quarters ended on 31 December 2010 are as follows:

Derivatives	Contract or notional value RM '000	Fair value as at 31 December 2010 RM '000	Gain arising from fair value changes	
			Individual Quarter Ended 31/12/2010 RM '000	Cumulative Quarter Ended 31/12/2010 RM '000
Forward foreign currency contracts	-	-	(124)	-

**A8. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

As at 31 December 2010, the Group does not have any financial liabilities measured at fair value through profit and loss, except as disclosed in Note A7.

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**A9. DIVIDEND PAID**

During the second quarter of the current financial year, the Company paid the following final single tier tax exempt dividend of 7 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2009.

	<b>RM'000</b>
Final tax exempt dividend of 7 sen per ordinary share paid on 27 May 2010	<u>7,000</u>

During the third quarter, the Company paid a first interim single tier tax exempt dividend of 3.5 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2010.

	<b>RM'000</b>
Interim tax exempt dividend of 3.5 sen per ordinary share paid on 21 September 2010	<u>3,500</u>

**A10. SEGMENT INFORMATION**

The financial information is not presented as the Group operates in one operating segment.

**A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There was no revalued property, plant and equipment as at 31 December 2010.

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**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (Cont'd)**

**A12. MATERIAL EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

There were no material subsequent events that took place subsequent to the end of the reporting date.

**A13. CHANGES IN THE COMPOSITION OF THE GROUP**

- (a) On 2 July 2010, the Company incorporated a wholly-owned subsidiary via its wholly-owned subsidiary, Delcom Services Sdn. Bhd., under the name of Sledgehammer Malaysia Sdn. Bhd. ("SMSB") with a paid-up capital of RM100. SMSB is currently dormant and is intended for venturing into the oilfield business.
- (b) On 6 July 2010, the Company completed the share sale transaction in connection with the proposed acquisition of 1,275,000 ordinary shares of RM1.00 each representing the entire issued and paid-up ordinary share capital of Rotary Technical Services Sdn. Bhd. ("Rotary") for a total revised consideration of RM5.937 million. Rotary is now a wholly-owned subsidiary of the Company via its wholly-owned subsidiary, Delcom Services Sdn. Bhd.

A provisional fair value of Rotary's identifiable net assets as at 6 July 2010 was performed. Arising from this fair value, an adjustment RM1,223,330 relating to customers' contracts was allocated to intangible assets. The fair value of these contracts are amortised over the lives of the respective contracts. The amount amortised and included in the results for the quarter and the financial year amounted to RM592,773. Management continues to assess the fair value of Rotary's identifiable net assets. This assessment is expected to be completed in due course.

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

**A14. CONTINGENT LIABILITIES / ASSETS**

As at 31 December 2010, the Group does not have any contingent liabilities or assets except for guarantees in respect of credit facilities from licensed financial institutions of RM7.8 million for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts.

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**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (Cont'd)**

**A15. COMMITMENTS**

Capital commitments for property, plant and equipment not provided for as at 31 December 2010 are as follows:

	<b>RM '000</b>
Authorised and contracted for	<u>1,629</u>

**A16. RELATED PARTY TRANSACTIONS**

The following transaction is with a party related to a corporate shareholder of a subsidiary of the Group, Turboservices Sdn. Bhd.

<b>RM '000</b>	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>31/12/2010</b>	<b>31/12/2009</b>
Purchases from Solar Turbines International Company	31,349	37,883	107,235	124,048

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.

<b>RM '000</b>	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>31/12/2010</b>	<b>31/12/2009</b>
Sales to related parties of Dresser Italia S.R.L	9	-	30	-
Purchases from Dresser Italia S.R.L	42	(68)	324	716
Purchases from related parties of Dresser Italia S.R.L	4,910	6,264	16,577	28,062



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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING  
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. PERFORMANCE REVIEW**

For the current quarter under review as compared to the corresponding quarter in the previous year, the Group's revenue increased by 42.3% from RM104.2 million to RM148.2 million whilst the Group's profit before taxation ("PBT") declined by 20.8% from RM12.9 million to RM10.2 million.

The higher revenue was mainly attributable to higher project sales. The decrease in PBT was primarily due to the completion of projects with lower margins and higher operating expenses incurred in respect of technical support fees and amortisation of intangible assets.

For the year to date results, the Group's revenue declined by 22.4% from RM514.3 million to RM399.0 million, and PBT declined by 17.7% from RM45.7 million to RM37.6 million. The lower revenue was due to lower project sales in the current year.

The lower PBT was attributable to lower activities levels, approved gratuity payments, an increase in technical support fees and amortisation of intangible assets in the current year.

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

The Group's PBT declined by 13.6% from last quarter of RM11.8 million to RM10.2 million primarily due to higher operating expenses in respect of technical support fees and amortisation of intangible assets during the current quarter under review.

**B3. 2011 PROSPECTS**

Crude oil prices have increased from an average of USD53 in 2009 to an average of USD86 in 2010. Further, crude oil prices have continued to increase recently as a result of recent global events.

This increasing trend and with the National oil company placing greater emphasis on domestic oil and gas exploration and production, we see increased opportunities for the Group in the supply of equipment and the provision of maintenance repair and oilfield services.

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**B4. PROFIT FORECAST**

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

**B5. INCOME TAX EXPENSE**

RM '000	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Current tax	1,568	1,964	6,647	7,159
Over provision in prior year	(434)	-	(703)	-
Deferred tax	390	706	1,437	2,795
<b>Total income tax expense</b>	<b>1,524</b>	<b>2,670</b>	<b>7,381</b>	<b>9,954</b>

Excluding the associates' results which are presented net of tax, the effective tax rate of the Group for the financial year ended 31 December 2010 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes, tax losses of subsidiaries, and offset by over provision of tax in prior year.

**B6. PROFIT ON SALES OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sales of unquoted investments and/or properties during the financial year ended 31 December 2010.

**B7. QUOTED SECURITIES**

There were no sales or purchases of quoted securities for the financial year ended 31 December 2010.

**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

There were no corporate proposals announced as of 17 February 2011 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

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REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

**B9. GROUP BORROWINGS**

The amount of Group borrowings as at 31 December 2010 is as follows:

	<u>Short Term</u> RM '000	<u>Long Term</u> RM '000	<u>Total</u> RM '000
Borrowings (secured) – at fair value	6,214	15,407	21,621

The borrowings are all denominated in Ringgit Malaysia.

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at 31 December 2010.

**B11. CHANGES IN MATERIAL LITIGATION**

Saved as disclosed in the audited financial statements for the year ended 31 December 2009, there was no other material litigation as at 17 February 2011.

**B12. DIVIDEND**

The Board of Directors have, in respect of financial year ended 31 December 2010, declared a second interim dividend of 8.0 sen single tier exempt dividend per ordinary share on 100,000,000 ordinary shares.

The dividend will be payable on 8 April 2011 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 18 March 2011.

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

- (i) shares transferred into the Depositor's securities account before 4.00p.m. on 18 March 2011 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

Total dividend for the current financial year ended 31 December 2010 is 11.5 sen per ordinary share. There will be no final dividend declared for the financial year ended 31 December 2010.

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**B13. EARNINGS PER SHARE (“EPS”)**

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

RM '000	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company	7,371	6,322	23,237	26,450
Weighted average number of ordinary shares	100,000	100,000	100,000	100,000
Basic earnings per share	7.37 sen	6.32 sen	23.24 sen	26.45 sen

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

**B14. REALISED AND UNREALISED PROFITS**

The breakdown of the retained profits of the Group into realised and unrealised profits, pursuant to a directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:

RM'000	Cumulative Quarter Ended 30/09/2010	Individual Quarter Ended 31/12/2010	Cumulative Quarter Ended 31/12/2010
Total retained profits of the Group and its subsidiaries:			
Realised	114,806	4,603	119,409
Unrealised	(5,533)	43	(5,490)
	109,273	4,646	113,919
Total share of retained profits from associated companies:			
Realised	36,731	1,866	38,597
Unrealised	(1,825)	(70)	(1,895)
	34,906	1,796	36,702
(Less) / add: Consolidation adjustments	(26,072)	929	(25,143)
Total Group's retained profits	118,107	7,371	125,478

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REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)**

**B14. REALISED AND UNREALISED PROFITS (Cont'd)**

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purposes of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

**B15. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the financial year ended 31 December 2009 was unqualified.

**B16. 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 February 2011.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)  
Lim Hooi Mooi (MAICSA no. 0799764)  
Company Secretaries  
Kuala Lumpur  
24 February 2011