

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

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2012**

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

**A1. BASIS OF PREPARATION**

The unaudited interim financial report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards 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 2011 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 2011. The results of the associates are based on management accounts.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2011, together with the standards, amendments to published standards and interpretations to existing standards effective for financial year beginning on 1 January 2012 that are applicable and adopted by the Group as follows:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 124	Related Party Disclosures
Amendment to MFRS 112	Income Taxes
Amendment to MFRS 1	First-time Adoption on Fixed Dates and Hyperinflation
Amendment to MFRS 7	Financial Instruments: Disclosures on Transfers to Financial Assets

The Group has applied the following mandatory exceptions and none of the optional exemptions under MFRS 1:

(a) Estimates

MFRS estimates as at transition date is consistent with the estimates as at the same date made in conformity with FRS.

(b) Non-controlling interests

MFRS requires attribution of total comprehensive income between equity holders and non-controlling interests (“NCI”) even if this results in the NCI having a deficit balance at transition date, and the transition date is the same as date of adoption of FRS.

The adoption of the above MFRS standards has no material impact to the Group.

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**A2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group's operation is not affected by any significant seasonal or cyclical factors in the financial period under review. It should be noted that the Group operates predominantly in the oil and gas sector in Malaysia. Accordingly, the level of the Group's business activities is closely co-related with that of the oil and gas operators and contractors in Malaysia. Any change in their level of activities will likewise have an impact on the Group.

**A3. 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-to-date.

**A4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES**

There were no material changes to estimates that have had any material effect on the financial year-to-date results.

**A5. EQUITY AND DEBT SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year-to-date.

**A6. OUTSTANDING DERIVATIVES**

The Group had not entered into any new type of derivative in the current interim quarter that was not disclosed in the preceding year's annual financial statements. In addition, the Group does not have any outstanding derivative as at 31 March 2012.

**A7. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

The Group does not have any financial liabilities measured at fair value through profit and loss as at 31 March 2012.

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**A8. DIVIDEND PAID**

During the current quarter under review, the Company paid the following second interim single tier dividend of 9 sen per share of RM1.00 each on 100,000,000 ordinary shares, in respect of the financial year ended 31 December 2011.

	<b>RM'000</b>
Second interim single tier dividend of 9 sen per share on 100,000,000 ordinary shares, paid on 23 March 2012	<u>9,000</u>

No dividend was paid in the corresponding quarter of the previous financial year.

**A9. SEGMENT INFORMATION**

During the second quarter of the previous financial year, the Group revised its segments following a management change. This change resulted in a refinement of the internal reporting information provided to the new chief decision maker. With this change, it was concluded that the Group is now primarily engaged in the following segments:

- Power and Machinery – Mainly consists of provision of gas turbine packages, supply of gas turbine parts, gas turbine overhaul, maintenance and technical services, combined heat and power plant, supply, repair, maintenance and installation of valves and flow regulators and other production related equipment and services.
- Oilfield Services – Mainly consists of provision of wireline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services and other oilfield products and technical services.
- Maintenance, Repair and Overhaul – Mainly consists of repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.

Tax expense is not allocated to the business segments as they are measured at the entity level.

The comparative segmental information of the corresponding individual quarter of the previous year has been represented accordingly.

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**A9. SEGMENT INFORMATION (Cont.)**

Segmental information for the financial year-to-date ended 31 March 2012 is as follows:

	<b>Quarter and year-to-date ended</b>	
	<b>31/03/2012 RM'000</b>	<b>31/03/2011 RM'000</b>
<u>Segment Revenue</u>		
Power and Machinery		
External revenue	51,375	112,239
Power and Machinery	51,375	112,239
Oilfield Services		
External revenue	28,080	12,700
Oilfield Services	28,080	12,700
Maintenance, Repair and Overhaul		
External revenue	3,321	3,504
Maintenance, Repair and Overhaul	3,321	3,504
<b>Total Group revenue</b>	<b>82,776</b>	<b>128,443</b>

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**A9. SEGMENT INFORMATION (Cont.)**

	Quarter and year-to-date ended	
	31/03/2012 RM'000	31/03/2011 RM'000
<u>Segment Results</u>		
Power and Machinery	9,963	5,569
Oilfield Services	3,305	676
Maintenance, Repair and Overhaul	(111)	267
Segment results	13,157	6,512
Unallocated income ^	120	114
Unallocated corporate expenses #	(1,807)	(2,333)
Share of results of associates	3,805	3,676
Tax expense	(3,354)	(1,267)
<b>Profit for the financial period</b>	<b>11,921</b>	<b>6,702</b>

^ Unallocated income comprises interest earned by the Company.

# Unallocated corporate expenses represent expenses incurred by the Group for depreciation of corporate's property, plant and equipment, and the Company's corporate expenses that are not driven by business segments.

**A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

No property, plant and equipment was revalued as at 31 March 2012.

**A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE**

Other than the corporate proposal disclosed in note B8, there were no other material events that took place subsequent to the end of the reporting date.

**A12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the financial year-to-date.

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**A13. CONTINGENT LIABILITIES / ASSETS**

As at 31 March 2012, the Group does not have any contingent liabilities or assets except for contingent liabilities for guarantees in respect of credit facilities from licensed financial institutions of RM23.3 million (31 December 2011: RM23.2 million) for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts.

**A14. COMMITMENTS**

Capital commitments for property, plant and equipment not provided for as at 31 March 2012 are as follows:

	<b>As at 31/03/2012 RM'000</b>	<b>As at 31/12/2011 RM'000</b>
Authorised and contracted for	239	2,338

**A15. 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>Quarter and year-to-date ended</b>	
	<b>31/03/2012 RM'000</b>	<b>31/03/2011 RM'000</b>
Purchases from Solar Turbines International Company	26,733	25,367

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**A15. RELATED PARTY TRANSACTIONS (Cont'd.)**

The following transactions are with a corporate shareholder and affiliate companies of a corporate shareholder of a subsidiary of the Group, Penaga Dresser Sdn. Bhd.

	<b>Quarter and year-to-date ended</b>	
	<b>31/03/2012 RM'000</b>	<b>31/03/2011 RM'000</b>
Sales to related parties of Dresser Italia S.R.L	0	14
Purchases from Dresser Italia S.R.L	204	1,199
Purchases from related parties of Dresser Italia S.R.L	2,710	2,818

**A16. RECLASSIFICATION OF PRIOR YEAR COMPARATIVE**

For the quarter ended 31 March 2012, the Group has re-aligned the functions within the organization and has accordingly reclassified the costs presented in the Statement of Comprehensive Income. The effect of the reclassification is illustrated below.

	<b>Quarter and year-to-date ended 31/03/2011</b>		
	<b>As previously reported RM'000</b>	<b>Reclassification RM'000</b>	<b>As reclassified RM'000</b>
Cost of sales	113,046	1,541	114,587
Selling and distribution expenses	542	3,142	3,684
Administrative expenses	10,203	(3,646)	6,557
Other operating expenses	631	(1,037)	(406)

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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**

(A) Revenue of the current quarter against the corresponding quarter

<b>Revenue</b>	Q1 '12 RM'000	Q1 '11 RM'000	Variance RM'000	Variance %
Power and Machinery	51,375	112,239	(60,864)	(54.2)
Oilfield Services	28,080	12,700	15,380	121.1
Maintenance, Repair and Overhaul	3,321	3,504	(183)	(5.2)
	<b>82,776</b>	<b>128,443</b>	<b>(45,667)</b>	<b>(35.6)</b>

The Group recorded revenue of RM82.8 million for the current quarter compared to RM128.4 million for the corresponding quarter.

The Group's revenue was primarily contributed by the Power and Machinery segment, however contributions from this segment decreased by RM60.9 million compared to the corresponding quarter mainly attributable to the one-off gas turbine project of RM56.3 million and a combined heat and power plant of RM4.2 million.

The Oilfield Services segment experienced an increase of RM15.4 million during the quarter largely due to the higher deployment of wireline equipment and services and its related products, oilfield chemicals activities that commenced at end of financial year 2011 and the one-off sales of spares of RM3.9 million under the wellhead maintenance contract.

The revenue contribution from the Maintenance, Repair and Overhaul segment has decreased marginally by RM0.2 million compared to the corresponding quarter.



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

**B1. PERFORMANCE REVIEW (CONT.)**

(B) Profit before tax for the current quarter against the corresponding quarter

	Q1 '12 RM'000	Q1 '11 RM'000	Variance RM'000	Variance %
Power and Machinery	9,963	5,569	4,394	78.9
Oilfield Services	3,305	676	2,629	388.9
Maintenance, Repair and Overhaul	(111)	267	(378)	(141.6)
Segment results	<u>13,157</u>	<u>6,512</u>	<u>6,645</u>	<u>102.0</u>
Share of associates' results	3,805	3,676	129	3.5
Profit before tax	<u>15,275</u>	<u>7,969</u>	<u>7,306</u>	<u>91.7</u>

The Group recorded a profit before tax of RM15.3 million for the current quarter compared to RM8.0 million in the corresponding quarter. The increase for the quarter was largely due to higher operating profit of RM7.2 million arising mainly from the Power and Machinery segment and the Oilfield Services segment and also an increase in share of associates' results by RM0.1 million.

The segments recorded an improvement in results by RM6.7 million from RM6.5 million in the corresponding quarter to RM13.2 million in the current quarter. This was mainly contributed by the Power and Machinery segment which increased by RM4.4 million and the Oilfield Services segment by RM2.6 million. This result was offset by lower results from the Maintenance, Repair and Overhaul segment by RM0.3 million.

**Power and Machinery** segment recorded a higher result of RM10.0 million for the current quarter compared to RM5.6 million in the corresponding quarter, despite a reduction in revenue. The increase was attributable to higher margins earned from the supply of gas turbine, parts, retrofit projects and installation of valves and flow regulators of RM7.1 million. The increase is offset by higher operating expenses of RM2.7 million, mainly due to higher staff cost and foreign exchange differences.

**Oilfield Services** segment recorded a higher result of RM3.3 million for the current quarter compared to the corresponding quarter of RM0.7 million. The increase was mainly due to higher deployment of wireline equipment and services and its related products, oilfield chemicals services that commenced late 2011 and higher delivery of other oilfield products and technical services, all on the back of higher production activities.

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**B1. PERFORMANCE REVIEW (CONT.)**

(B) Profit before tax for the current quarter against the corresponding quarter (Cont'd)

**Maintenance, Repair and Overhaul** segment recorded a loss of RM0.1 million for the current quarter compared to the corresponding quarter profit of RM0.3 million mainly attributable to higher operating costs.

**Share of associates' results** increased marginally as compared to the corresponding quarter.

(C) Revenue and profit before tax of the current year-to-date against the corresponding year-to-date

The performance review of the year-to-date revenue and profit before tax is consistent with the review in B1 (A) and (B).

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

	Q1 '12 RM'000	Q4 '11 RM'000	Variance RM'000	Variance %
Power and Machinery	9,963	15,190	(5,227)	(34.4)
Oilfield Services	3,305	(668)	3,973	(594.8)
Maintenance, Repair and Overhaul Segment results	(111)	(1,517)	1,406	(92.7)
	13,157	13,005	152	1.2
Share of associates' results	3,805	4,048	(243)	(6.0)
Profit before tax	15,275	12,487	2,788	22.3

The Group's profit before tax increased from RM12.5 million in the immediate preceding quarter to RM15.3 million in the current quarter. The increase for the current quarter was largely due to higher operating profit of RM2.8 million arising mainly from the Oilfield Services segment and the lower loss from the Maintenance, Repair and Overhaul segment.

The segments recorded a higher result of RM13.2 million for the current quarter compared to RM13.0 million in the preceding quarter, mainly contributed by the Oilfield Services segment by RM4.0 million and the Maintenance, Repair and Overhaul segment by RM1.4 million. The increase is offset by a reduction in profit from the Power and Machinery segment by RM5.2 million.

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**B2. MATERIAL CHANGE IN THE PROFIT BEFORE TAX AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER PROFIT BEFORE TAX (Cont'd)**

**Power and Machinery** segment recorded a lower result of RM10.0 million for the current quarter compared to RM15.2 million in the preceding quarter. Revenue fell by 39% on the back of heavy deliveries of after sales, parts and exchange engines in the preceding quarter.

**Oilfield Services** segment recorded a profit of RM3.3 million for the current quarter compared to a loss of RM0.7 million in the preceding quarter. The increase of RM4.0 million was attributable to higher deployment of wireline equipment and services and its related products, one-off sales of critical spares, higher delivery of oilfield chemical services and lower operating expenses.

**Maintenance, Repair and Overhaul** segment recorded a loss of RM0.1 million for the current quarter compared to a loss of RM1.5 million in the preceding quarter. The reduction in loss of RM1.4 million was attributable to lower operating expenses by RM0.8 million and higher gross margin of RM0.6 million. Operating expenses incurred in the immediate preceding quarter included impairment of doubtful debts of RM0.6 million.

**Share of associates' results** decreased from RM4.0 million in the preceding quarter to RM3.8 million in the current quarter mainly due to lower throughput from one of the associates, Malaysian Mud and Chemicals Sdn. Bhd.

**B3. PROSPECTS**

In line with the Economic Transformation Programme (ETP), exploration and production activities by PETRONAS and its production sharing contractors are expected to increase. These activities are expected to spur business opportunities in the oil and gas industry and promote upstream investment in the country.

However, there have been deferments of projects noted during this quarter and we expect this to have an impact on our performance going forward.

**B4. PROFIT FORECAST**

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

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**B5. INCOME TAX EXPENSE**

RM '000	Quarter and year-to-date ended	
	31/03/2012	31/03/2011
Current tax – current year	2,694	1,116
Over provision in prior year	(202)	0
Deferred tax – origination and reversal of temporary differences	862	151
<b>Total income tax expense</b>	<b>3,354</b>	<b>1,267</b>

Excluding the associates' results which are presented net of tax, the effective tax rate of the Group for the financial period ended 31 March 2012 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes and deferred tax assets arising from tax losses recorded in a subsidiary not recognised. The deferred tax has increased compared to corresponding quarter due to the purchase of the plant and equipment.

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

There were no sales of unquoted investments and/or properties during the financial year-to-date.

**B7. QUOTED SECURITIES**

There were no sales or purchases of quoted securities for the financial year-to-date.

**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

On 15 March 2012, the Company proposed to undertake a bonus issue of 50,000,000 new ordinary shares of RM1.00 each in the Company, to be credited as fully paid-up, on the basis of one (1) new share for every two (2) existing shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later ("Proposed Bonus Issue").

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**B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED (Cont'd)**

Subsequently, Bursa Malaysia Securities Berhad had vide its letter dated 17 April 2012 granted the approval-in-principle for the listing of and quotation for 50,000,000 new shares to be issued pursuant to the Proposed Bonus Issue. The Proposed Bonus Issue is subject to approvals being obtained from the shareholders of the Company at the forthcoming Annual General Meeting and any other relevant authorities where applicable, for the listing of and quotation for the new shares arising from the Proposed Bonus Issue.

The Proposed Bonus Issue is expected to be completed by the end of the second quarter of the financial year ending 31 December 2012.

**B9. GROUP BORROWINGS**

The amount of Group borrowings as at 31 March 2012 is as follows:

	<b>Short Term RM '000</b>	<b>Long Term RM '000</b>	<b>Total RM '000</b>
<b><u>31/3/2012</u></b>			
Borrowings - secured	5,712	8,506	14,218
- unsecured	11,300	0	11,300
	<u>17,012</u>	<u>8,506</u>	<u>25,518</u>
<b><u>31/12/2011</u></b>			
Borrowings - secured	5,699	9,919	15,618
- unsecured	11,300	0	11,300
	<u>16,999</u>	<u>9,919</u>	<u>26,918</u>

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 March 2012.

**B11. CHANGES IN MATERIAL LITIGATION**

There was no material litigation as at 15 May 2012 (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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**B12. DIVIDEND**

The Directors, on 22 February 2012 declared a second interim single tier dividend of 9 sen per share of RM1.00 each in respect of the financial year ended 31 December 2011, totaling RM9,000,000. The dividend was paid on 23 March 2012.

There were no dividends declared during the quarter under review for the financial year ending 31 December 2012.

**B13. EARNINGS PER SHARE (“EPS”)**

The calculation of basic earnings per share for the reporting period is computed as follows:

RM '000	Quarter and year-to-date ended	
	31/03/2012	31/03/2011
<b>Basic earnings per share</b>		
Profit attributable to equity holders of the Company	10,018	5,709
Weighted average number of ordinary shares	100,000	100,000
Basic earnings per share	10.02 sen	5.71 sen

The diluted earnings per share for the Group is not presented as there is no dilutive potential ordinary shares during the current financial year-to-date under review.

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**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:

<b>RM'000</b>	<b>Cumulative Quarter Ended 31/03/2012</b>	<b>Cumulative Quarter Ended 31/12/2011</b>
Total retained profits of the Company and its subsidiaries:		
Realised	138,429	130,268
Unrealised	(5,659)	(5,330)
	132,770	124,938
Total share of retained profits from associated companies:		
Realised	44,648	40,837
Unrealised	(2,209)	(2,203)
	42,439	38,634
Less: Consolidation adjustments	(32,681)	(22,062)
Total Group's retained profits	142,528	141,510

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 2011 was unqualified.

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

**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 22 May 2012.

By order of the Board

Lee Sew Bee (MAICSA no. 0791319)  
Lim Hooi Mooi (MAICSA no. 0799764)  
Company Secretaries  
Kuala Lumpur  
22 May 2012