

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012

RM'000	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	QUARTER ENDED 30/06/2012 Unaudited	QUARTER ENDED 30/06/2011 Unaudited	YEAR-TO-DATE ENDED 30/06/2012 Unaudited	YEAR-TO-DATE ENDED 30/06/2011 Unaudited
Revenue	110,199	80,594	192,975	209,037
Cost of sales	(85,482)	(58,591)	(144,393)	(173,178)
Gross profit	24,717	22,003	48,582	35,859
Other income	602	576	1,135	1,192
Selling and distribution expenses	(4,289)	(4,823)	(8,467)	(8,507)
Administrative expenses	(9,207)	(7,429)	(17,394)	(13,986)
Other operating expenses	(442)	(697)	(679)	(291)
Profit from operation	11,381	9,630	23,177	14,267
Finance costs	(368)	(346)	(694)	(690)
Share of post tax profits of associates	4,458	2,436	8,263	6,112
Profit before tax	15,471	11,720	30,746	19,689
Income tax expense	(3,761)	(2,692)	(7,115)	(3,959)
Profit for the period	11,710	9,028	23,631	15,730
Other comprehensive income				
Currency translation differences	710	(65)	(603)	(504)
Total comprehensive income for the period	12,420	8,963	23,028	15,226
Profit attributable to:				
- Equity holders of the Company	8,748	7,377	18,766	13,086
- Non-controlling interests	2,962	1,651	4,865	2,644
	11,710	9,028	23,631	15,730
Total comprehensive income attributable to:				
- Equity holders of the Company	9,072	7,298	18,190	12,801
- Non-controlling interests	3,348	1,665	4,838	2,425
	12,420	8,963	23,028	15,226
Earnings per share (EPS) attributable to equity holders of the Company (sen)				
- Basic EPS	5.83	7.38	12.51	13.09

The above consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

RM'000	As at 30/6/2012 Unaudited	As at 31/12/2011 Audited
ASSETS		
Property, plant and equipment	96,785	99,106
Investment properties	947	959
Intangible assets	237	365
Associates	42,951	44,054
Deferred tax assets	581	476
Non-current Assets	141,501	144,960
Inventories	16,206	13,429
Amounts due from associates	3	15
Trade receivables	122,907	96,130
Other receivables, deposits and prepayments	6,971	8,404
Tax recoverable	3,248	3,972
Deposits with licensed banks	71,957	63,640
Cash and bank balances	12,972	6,959
Current Assets	234,264	192,549
TOTAL ASSETS	375,765	337,509
EQUITY AND LIABILITIES		
Share capital	150,000	100,000
Retained earnings	101,276	141,510
Merger deficit	(50,000)	(50,000)
Currency translation differences	(3,173)	(2,597)
Equity attributable to equity holders of the Company	198,103	188,913
Non-controlling interests	24,828	25,288
Total Equity	222,931	214,201
Borrowings	7,142	9,919
Deferred tax liabilities	7,266	5,797
Non-current Liabilities	14,408	15,716
Trade payables	103,416	70,120
Deferred revenue	6,712	6,055
Other payables and accruals	11,412	13,087
Dividend payable	666	68
Taxation	660	1,263
Borrowings	15,560	16,999
Current Liabilities	138,426	107,592
Total Liabilities	152,834	123,308
TOTAL EQUITY AND LIABILITIES	375,765	337,509
Net assets per share attributable to equity holders of the Company (RM)	1.32	1.89

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2012

RM'000	← Attributable to equity holders of the Company →				Total	Non-controlling interests	Total equity
	Share capital	Currency translation differences	Merger deficit	Retained earnings			
At 1 January 2011	100,000	(2,914)	(50,000)	125,477	172,563	27,979	200,542
Total comprehensive income for the period	0	(285)	0	13,086	12,801	2,425	15,226
Dividend	0	0	0	(8,000)	(8,000)	(3,745)	(11,745)
At 30 June 2011	<u>100,000</u>	<u>(3,199)</u>	<u>(50,000)</u>	<u>130,563</u>	<u>177,364</u>	<u>26,659</u>	<u>204,023</u>
At 1 January 2012	100,000	(2,597)	(50,000)	141,510	188,913	25,288	214,201
Total comprehensive income for the period	0	(576)	0	18,766	18,190	4,838	23,028
Dividend	0	0	0	(9,000)	(9,000)	(5,298)	(14,298)
Bonus issue	50,000	0	0	(50,000)	0	0	0
At 30 June 2012	<u>150,000</u>	<u>(3,173)</u>	<u>(50,000)</u>	<u>101,276</u>	<u>198,103</u>	<u>24,828</u>	<u>222,931</u>

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

DELEUM BERHAD (715640-T)
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CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2012

RM'000	Year-to-date ended	
	30/6/2012	30/6/2011
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	169,899	250,913
Cash payments to suppliers	(102,536)	(187,177)
Cash payments to employees and for operating expenses	(33,248)	(36,173)
Cash generated from operations	34,115	27,563
Interest paid	(642)	(641)
Tax paid	(5,630)	(4,011)
Net cash generated from operating activities	27,843	22,911
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	834	571
Property, plant and equipment		
- Purchases	(4,723)	(7,523)
- Proceeds from disposals	178	404
Dividends received from associate	9,260	9,090
Net cash generated from investing activities	5,549	2,542
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings:		
- Repayments	(4,276)	(3,274)
Dividends paid to:		
- Shareholders	(9,000)	(8,000)
- Non-controlling interest	(5,298)	(3,745)
Increase in restricted cash	(8)	(16)
Net cash used in financing activities	(18,582)	(15,035)
Net increase in cash and cash equivalents	14,810	10,418
Effects of exchange rate changes	(488)	(54)
Cash and cash equivalents at beginning of period	70,088	57,098
Cash and cash equivalents at end of period	84,410	67,462
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short term deposits	71,957	48,860
Cash and bank balances	12,972	19,129
	84,929	67,989
Restricted cash	(519)	(527)
Cash and cash equivalents at end of period	84,410	67,462

The consolidated statement of cash flow for the year-to-date ended 30 June 2011 has been represented using the direct method of presentation.

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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PART A, APPENDIX 9B OF LISTING REQUIREMENT
NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

RM'000	INDIVIDUAL QUARTERS		CUMULATIVE QUARTERS	
	QUARTER ENDED	QUARTER ENDED	YEAR-TO-DATE ENDED	YEAR-TO-DATE ENDED
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	Unaudited	Unaudited	Unaudited	Unaudited
(a) Interest income	(461)	(265)	(834)	(571)
(b) Other income including investment income	(141)	(311)	(301)	(621)
(c) Interest expense	368	346	694	690
(d) Depreciation and amortisation	3,638	3,208	7,088	6,235
(e) Reversal of provision for doubtful debt	-	-	-	(65)
(f) Foreign exchange (gain) or loss	(276)	(412)	(101)	256

DELEUM BERHAD (715640-T)
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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 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, except for the adoption of Malaysian Financial Reporting Standards 1 (“MFRS 1”) which complies with International Financial Reporting Standards Board.

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 are 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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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

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, other than the bonus issue as disclosed in note B8.

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 30 June 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 30 June 2012.

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

A8. DIVIDEND PAID

During the first 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.

	RM'000
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 current quarter under review.

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 and cumulative quarters of the previous year has been represented accordingly.

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

A9. SEGMENT INFORMATION (Cont'd)

Segmental information for the financial year-to-date ended 30 June 2012 is as follows:

	Individual Quarter ended		Cumulative quarter ended	
	30/6/2012 RM'000	30/6/2011 RM'000	30/06/2012 RM'000	30/06/2011 RM'000
<u>Segment Revenue</u>				
Power and Machinery				
External revenue	83,733	66,056	135,108	178,295
Power and Machinery	83,733	66,056	135,108	178,295
Oilfield Services				
External revenue	24,071	11,001	52,151	23,701
Oilfield Services	24,071	11,001	52,151	23,701
Maintenance, Repair and Overhaul				
External revenue	2,395	3,537	5,716	7,041
Maintenance, Repair and Overhaul	2,395	3,537	5,716	7,041
Total Group revenue	110,199	80,594	192,975	209,037

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

A9. SEGMENT INFORMATION (Cont'd)

	Individual Quarter ended		Cumulative quarter ended	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
<u>Segment Results</u>				
Power and Machinery	11,947	11,490	21,910	17,059
Oilfield Services	2,053	(790)	5,358	(114)
Maintenance, Repair and Overhaul	(453)	(127)	(564)	140
Segment results	13,547	10,573	26,704	17,085
Unallocated income ^	81	190	201	304
Unallocated corporate expenses #	(2,615)	(1,479)	(4,422)	(3,812)
Share of results of associates	4,458	2,436	8,263	6,112
Tax expense	(3,761)	(2,692)	(7,115)	(3,959)
Profit for the financial period	11,710	9,028	23,631	15,730

^ 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 30 June 2012.

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

On 14 August 2012, the Company announced that Deleum Services Sdn. Bhd. (formerly known as Delcom Services Sdn. Bhd.) ("DSSB"), a wholly-owned subsidiary of the Company entered into a conditional Share Sale Agreement ("SSA") with the shareholders of Northern Primera Sdn. Bhd. ("NPSB") as hereinafter defined (collectively referred to as the "Vendors"), to acquire 594,000 ordinary shares of RM1.00 each in NPSB, representing 60% equity interest of NPSB from the Vendors at the total cash consideration of RM3.18 million.

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

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE (Cont'd)

The principal activities of NPSB are to provide services in integrated corrosion, inspection and mitigation, primarily using Sponge-Jet technology.

The completion of the Proposed Acquisition is conditional upon the conditions precedent being fulfilled on or before the Cut-Off Date, which is a period of six (6) weeks from the date of the SSA, unless otherwise extended by mutual agreement between the Vendors and DSSB.

The Proposed Acquisition is not expected to have any material effect on the net assets, gearing, earnings and earnings per share of the Group for the financial year ending 31 December 2012 as the Proposed Acquisition is estimated to be completed by the third quarter of the current financial year ending 31 December 2012.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CONTINGENT LIABILITIES / ASSETS

As at 30 June 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 RM26.4 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 30 June 2012 are as follows:

	As at 30/6/2012 RM'000	As at 31/12/2011 RM'000
Authorised and contracted for	1,687	2,338

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**UNAUDITED INTERIM FINANCIAL REPORT
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

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.

	Individual Quarter ended		Cumulative quarter ended	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
Purchases from Solar Turbines International Company	50,151	33,681	76,884	59,048
Technical fees paid to Solar Turbines International Company	378	348	844	969

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.

	Individual Quarter ended		Cumulative quarter ended	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
Sales to related parties of Dresser Italia S.R.L.	0	6	0	20
Purchases from Dresser Italia S.R.L.	114	761	318	1,960
Purchases from related parties of Dresser Italia S.R.L.	4,493	3,720	7,203	6,538

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

A16. RECLASSIFICATION OF PRIOR YEAR COMPARATIVE

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.

	Individual Quarter ended 30/6/2011		
	As previously reported RM'000	Reclassification RM'000	As reclassified RM'000
Cost of sales	57,929	662	58,591
Selling and distribution expenses	1,021	3,802	4,823
Administrative expenses	10,994	(3,565)	7,429
Other operating expenses	1,596	(899)	697

	Cumulative Quarter ended 30/6/2011		
	As previously reported RM'000	Reclassification RM'000	As reclassified RM'000
Cost of sales	170,975	2,203	173,178
Selling and distribution expenses	1,563	6,944	8,507
Administrative expenses	21,197	(7,211)	13,986
Other operating expenses	2,227	(1,936)	291

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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) Performance of the current quarter against the corresponding quarter

Revenue	Q2 '12 RM'000	Q2 '11 RM'000	Variance RM'000	Variance %
Power and Machinery	83,733	66,056	17,677	26.8
Oilfield Services	24,071	11,001	13,070	118.8
Maintenance, Repair and Overhaul	2,395	3,537	(1,142)	(32.3)
	<u>110,199</u>	<u>80,594</u>	<u>29,605</u>	<u>36.7</u>

The Group recorded revenue of RM110.2 million for the current quarter compared to RM80.6 million for the corresponding quarter.

The Group's revenue was primarily contributed by the Power and Machinery segment. Contributions from this segment increased by RM17.7 million compared to the corresponding quarter mainly attributable to the increase in revenue from supply of gas turbine parts and services, valves and regulators, retrofit projects and a new manpower contract for preventive maintenance. These increases were offset by the completion of a combined heat and power plant project of RM8.0 million in the previous year.

The Oilfield Services segment experienced an increase of RM13.1 million during the current quarter largely due to the higher deployment of wireline equipment and services and its related products, oilfield chemicals activities on wells performance enhancement that commenced at end of financial year 2011 and also an increase in demand of drilling related products and services on the back of increased drilling activities and upgrading works.

The revenue contribution from the Maintenance, Repair and Overhaul segment has decreased by RM1.1 million compared to the corresponding quarter with the completion of several projects and deferment of maintenance jobs to the later part of the year.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B1. PERFORMANCE REVIEW (Cont'd)

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

	Q2 '12 RM'000	Q2 '11 RM'000	Variance RM'000	Variance %
Power and Machinery	11,947	11,490	457	4.0
Oilfield Services	2,053	(790)	2,843	(359.9)
Maintenance, Repair and Overhaul	(453)	(127)	(326)	256.7
Segment results	13,547	10,573	2,974	28.1
Share of associates' results	4,458	2,436	2,022	83.0
Profit before tax	15,471	11,720	3,751	32.0

The Group recorded a profit before tax of RM15.5 million for the current quarter compared to RM11.7 million in the corresponding quarter.

The segments recorded an improvement in results by RM2.9 million from RM10.6 million in the corresponding quarter to RM13.5 million in the current quarter. This was mainly contributed by an increase in the Oilfield Services segment by RM2.8 million and the Power and Machinery segment by RM0.4 million.

Power and Machinery segment recorded a result of RM11.9 million for the current quarter compared to RM11.5 million in the corresponding quarter. The gross profit margins earned in relation to sales is lower mainly attributable to lower margins earned on retrofit projects.

Oilfield Services segment recorded a higher result of RM2.0 million for the current quarter compared to the corresponding quarter loss of RM0.8 million. The increase was mainly due to higher deployment of wireline equipment and services and its related products, oilfield chemicals services on wells performance enhancement that commenced late 2011, a new wellhead maintenance job and higher delivery of drilling related parts and services due to higher drilling and production activities.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B1. PERFORMANCE REVIEW (Cont'd)

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

Maintenance, Repair and Overhaul segment recorded a loss of RM0.5 million for the current quarter as compared to a loss of RM0.1 million in the corresponding quarter mainly attributable to lower revenue.

Share of associates' results has increased from RM2.4 million in the corresponding quarter to RM4.5 million in the current quarter with higher throughput from Malaysian Mud and Chemicals Sdn. Bhd. on the back of higher drilling activities in the East Malaysia region.

(C) Revenue of the current year-to-date against the corresponding year-to-date

	Cumulative Quarter ended		Variance RM'000	Variance %
	Q2 '12 RM'000	Q2 '11 RM'000		
Revenue				
Power and Machinery	135,108	178,295	(43,187)	(24.2)
Oilfield Services	52,151	23,701	28,450	120.0
Maintenance, Repair and Overhaul	5,716	7,041	(1,325)	(18.8)
	<u>192,975</u>	<u>209,037</u>	<u>(16,062)</u>	<u>(7.7)</u>

The Group recorded revenue of RM193.0 million for the current 6-months period compared to RM209.0 million for the corresponding period.

Revenue from the Power and Machinery segment decreased by RM43.2 million compared to the corresponding period. The main contribution to the decrease in revenue was the one-off projects amounting to RM67.4 million, offset with the increase in sales of supply of gas turbine parts and services, valves and regulators, retrofit projects and a new manpower contract for preventive maintenance.

The Oilfield Services segment experienced an increase of RM28.5 million during the current 6-months period largely due to the higher deployment of wireline equipment and services and its related products of RM15.0 million, oilfield chemicals activities on wells performance enhancement that commenced at end of financial year 2011 of RM2.8 million, the one-off sales of spares of RM3.9 million under the wellhead maintenance contract and an increase in delivery of drilling related products and services of RM5.5 million.

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B1. PERFORMANCE REVIEW (Cont'd)

(C) Revenue of the current year-to-date against the corresponding year-to-date (Cont'd)

The revenue contribution from the Maintenance, Repair and Overhaul segment has decreased by RM1.3 million compared to the corresponding period mainly attributable to the completion of projects and deferment of jobs.

(D) Profit before tax of the current year-to-date against the corresponding year-to-date

	Cumulative Quarter ended		Variance RM'000	Variance %
	Q2 '12 RM'000	Q2 '11 RM'000		
Power and Machinery	21,910	17,059	4,851	28.4
Oilfield Services	5,358	(114)	5,472	(4800.0)
Maintenance, Repair and Overhaul Segment results	(564)	140	(704)	(502.9)
	<u>26,704</u>	<u>17,085</u>	<u>9,619</u>	<u>56.3</u>
Share of associates' results	8,263	6,112	2,151	35.2
Profit before tax	<u>30,746</u>	<u>19,689</u>	<u>11,057</u>	<u>56.2</u>

The Group recorded a profit before tax of RM30.7 million for the current 6-months period compared to RM19.7 million in the corresponding period. The increase for the current period was largely due to higher operating profit of RM8.9 million arising mainly from the Power and Machinery segment and the Oilfield Services segment and also an increase in share of associates' results by RM2.2 million.

The segments recorded an improvement in results by RM9.6 million for the 6-months period, from RM17.1 million in the corresponding period to RM26.7 million in the current period. This was mainly contributed by the Power and Machinery segment which increased by RM4.9 million and the Oilfield Services segment by RM5.5 million. This result was offset by lower results from the Maintenance, Repair and Overhaul segment by RM0.7 million.

Power and Machinery segment recorded a higher result of RM21.9 million for the current 6-months period compared to RM17.1 million in the corresponding period, despite a reduction in revenue. The increase was due to improved sales of supply of gas turbine parts and services, valves and regulators, retrofit projects and a new manpower contract for preventive maintenance. The profits earned from the one-off projects in the corresponding period were not significant.

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B1. PERFORMANCE REVIEW (Cont'd)

(D) Profit before tax of the current year-to-date against the corresponding year-to-date (Cont'd)

Oilfield Services segment recorded a higher result of RM5.4 million for the current 6-months period compared to the corresponding period loss of RM0.1 million. The increase was mainly due to higher margin arising from the deployment of wireline equipment and services and its related products, oilfield chemicals services on wells performance enhancement that commenced late 2011 and a higher delivery of drilling related products and services, due to higher drilling and production activities. The higher margin is offset by higher operating expenses of RM0.6 million during the period.

Maintenance, Repair and Overhaul segment recorded a loss of RM0.6 million for the current 6-months period compared to the corresponding period profit of RM0.1 million mainly attributable to higher operating costs.

Share of associates' results has increased from RM6.1 million in the corresponding 6-months period to RM8.3 million in the current 6-months period with higher throughput from Malaysian Mud and Chemicals Sdn. Bhd. on the back of higher drilling activities in the East Malaysia region.

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

	Q2 '12 RM'000	Q1 '12 RM'000	Variance RM'000	Variance %
Power and Machinery	11,947	9,963	1,984	19.9
Oilfield Services	2,053	3,305	(1,252)	(37.9)
Maintenance, Repair and Overhaul	(453)	(111)	(342)	308.1
Segment results	13,547	13,157	390	3.0
Share of associates' results	4,458	3,805	653	17.2
Profit before tax	15,471	15,275	196	1.3

The Group's profit before tax for the current quarter was RM15.5 million compared to RM15.3 million in the immediate preceding quarter.

The segments recorded a higher result of RM13.5 million for the current quarter compared to RM13.2 million in the preceding quarter.

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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 higher result of RM11.9 million for the current quarter compared to RM10.0 million in the preceding quarter. The increase of RM1.9 million was in line with the increase in revenue from supply of gas turbine parts and services, valves and regulators, retrofit projects and a new manpower contract for preventive maintenance, offset by lower margins earned from retrofit projects.

Oilfield Services segment recorded a profit of RM2.1 million for the current quarter compared to a profit of RM3.3 million in the preceding quarter. The decrease of RM1.2 million was mainly attributable to lower deployment of wireline equipment and services and its related products.

Maintenance, Repair and Overhaul segment recorded a loss of RM0.5 million for the current quarter as compared to a loss of RM0.1 million in the preceding quarter mainly attributable to lower sales.

Share of associates' results increased from RM3.8 million in the preceding quarter to RM4.5 million in the current quarter mainly due to higher throughput from Malaysian Mud and Chemicals Sdn. Bhd. on the back of higher drilling activities in the East Malaysia region.

B3. PROSPECTS

The outlook for the oil and gas industry remains positive in light of the intensified activities by PETRONAS and other oil majors to enhance Malaysia's oil reserves and to increase energy resources. These activities are expected to spur business opportunities and the Company is well positioned to capitalise on the growing opportunities in the domestic oil and gas industry.

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

	Individual Quarter ended		Cumulative Quarter ended	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
Current tax – current year	3,259	2,391	5,953	3,507
Over provision in prior year	0	0	(202)	0
Deferred tax – origination and reversal of temporary differences	502	301	1,364	452
Total income tax expense	3,761	2,692	7,115	3,959

Excluding the associates' results which are presented net of tax, the effective tax rate of the Group for the financial period ended 30 June 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.

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. Save as disclosed in the first quarter announcement dated 22 May 2012, the bonus issue was completed with the listing and quotation for the bonus shares on the main market of Bursa Securities Berhad on 11 June 2012.

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B9. GROUP BORROWINGS

The amount of Group borrowings as at 30 June 2012 is as follows:

	Short Term RM '000	Long Term RM '000	Total RM '000
<u>30/6/2012</u>			
Borrowings - secured	5,760	7,142	12,902
- unsecured	9,800	0	9,800
	<u>15,560</u>	<u>7,142</u>	<u>22,702</u>
<u>31/12/2011</u>			
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 30 June 2012.

B11. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at 7 August 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.

The Board of Directors have, in respect of financial year ending 31 December 2012, declared a first interim single tier dividend of 5 sen per ordinary share (2011: 5 sen first interim single tier dividend per ordinary share on 100,000,000 ordinary shares) on 150,000,000 ordinary shares.

The dividend will be payable on 20 September 2012 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 6 September 2012.

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

- (i) shares transferred into the Depositor’s securities account before 4.00 p.m, 6 September 2012 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 ending 31 December 2012 is 5 sen per ordinary share.

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	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
Basic earnings per share				
Profit attributable to equity holders of the Company	8,748	7,377	18,766	13,086
Weighted average number of ordinary shares	150,000	100,000	150,000	100,000
Basic earnings per share	5.83 sen	7.38 sen	12.51 sen	13.09 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:

RM'000	Cumulative Quarter Ended 30/6/2012	Cumulative Quarter Ended 31/12/2011
Total retained profits of the Company and its subsidiaries:		
Realised	100,890	130,268
Unrealised	(6,842)	(5,330)
	94,048	124,938
Total share of retained profits from associated companies:		
Realised	39,730	40,837
Unrealised	(2,092)	(2,203)
	37,638	38,634
Less: Consolidation adjustments	(30,410)	(22,062)
Total Group's retained profits	101,276	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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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 14 August 2012.

By order of the Board

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