



DELEUM BERHAD



ANNUAL REPORT 2007

UNISON IN DIVERSITY

UNISON IN DIVERSITY

“Deleum’s Success Formula”

The history of Deleum Group’s involvement in the oil and gas industry dates back to 1982 where its wholly-owned subsidiary Delcom Services Sdn. Bhd. established itself in the Malaysian Oil and Gas Industry.

Deleum Sdn. Bhd. was incorporated on 23 November 2005 and on 15 September 2006, was converted to a public limited company and assumed its present name Deleum Berhad. Subsequently, on 1 June 2007, we made our debut on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

With over 25 years of experience in the oil and gas industry, we have become an established provider of supporting specialised products and services to the industry.

Through our relationships with local and overseas partners, principals and associates, as well as the support of our dedicated and experienced employees, we have developed in-country technologies and resources to better serve our customers. These collective relationships and commitment result in our success formula “Unison In Diversity”.



“To be a leading regional integrated services company predominantly focusing on the oil and gas and energy related industries.”

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The Deleum Family

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of DELEUM BERHAD (“the Company”) will be held at Ballroom 3, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 3 June 2008 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

- | | | |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. | To re-elect the following directors retiring pursuant to Article 78 of the Company's Articles of Association:
i) Datuk Vivekananthan a/l M. V. Nathan
ii) Hj. Abd Razak bin Abu Hurairah | Ordinary Resolution 2
Ordinary Resolution 3 |
| 3. | To approve the payment of Directors' fees of RM126,291 in respect of the financial year ended 31 December 2007. | Ordinary Resolution 4 |
| 4. | To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Resolutions:

- | | | |
|----|--|-----------------------|
| 5. | Proposed Amendments to the Company's Articles of Association.

“THAT the alterations, modifications, deletions and/ or additions to the Articles of Association of the Company as set out per attached Appendix 1 be and are hereby approved and that the Directors and Secretaries be and are hereby authorised to carry out all the necessary formalities in effecting the aforesaid amendments.” | Special Resolution 1 |
| 6. | Proposed Increase in the Authorised Share Capital.

“THAT the Authorised Share Capital of the Company be and is hereby increased from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 500,000,000 ordinary shares by the creation of 400,000,000 new ordinary shares of RM1.00 each.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give full effect to the increase in the Authorised Share Capital.” | Special Resolution 2 |
| 7. | Proposed Bonus Issue.

“THAT, subject to the approvals of Bursa Malaysia Securities Berhad and any other relevant authorities for the listing of and quotation for the new ordinary shares to be issued hereunder, the Directors be and are hereby authorised to capitalise a sum of RM20,000,000 from the balance standing in the Share Premium Reserve of the Company as at 31 December 2007 by way of a bonus issue and that the same be applied in making payment in full for 20,000,000 new ordinary shares of RM1.00 each in the share capital of the Company, such new ordinary shares be distributed and credited as fully paid-up to the registered shareholders of the Company whose names shall appear in the Record of Depositors of the Company at the close of business on a date to be determined by the Directors (“the Book Closure Date”), in the | Ordinary Resolution 6 |

proportion of one (1) new ordinary share of RM1.00 each for every four (4) existing ordinary shares held at the Book Closure Date (the "Proposed Bonus Issue") and that such new shares shall upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to participate in any dividends, rights, allotments and/ or any other distributions whose entitlement date precedes the allotment date of the Proposed Bonus Issue;

THAT fractional entitlements, if any, arising from the Proposed Bonus Issue shall be disregarded and be dealt with in such manner as the Directors in their absolute discretion shall think fit in the best interest of the Company;

AND THAT the Directors be and are hereby authorised to give effect to the aforesaid Proposed Bonus Issue with full power to assent to any modifications and/ or amendments as may be required or permitted by the relevant authorities."

8. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.**

Ordinary Resolution 7

"THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/ regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company, from time to time and upon such terms and conditions and for such purposes the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate of number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company from time to time and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

9. To transact any other ordinary business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

LEE SEW BEE (MAICSA 0791319)
LIM HOOI MOOI (MAICSA 0799764)
Joint Company Secretaries

Kuala Lumpur
12 May 2008

Notes:

- | | | |
|--|--|---|
| <p>(i) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.</p> <p>(ii) A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the</p> | <p>proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Security Industries (Central Depositories) Act, 1991, he may appoint not more than two (2) proxies in respect of each securities account he holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account.</p> <p>(iii) The instrument appointing a proxy shall be in writing under the hand of the</p> | <p>appointer or his attorney duly authorised in writing or if the appointer is a corporation under its Common Seal or the hand of its duly authorised officer or attorney.</p> <p>(iv) An instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.</p> |
|--|--|---|

Explanatory Notes on Special Business

i) Special Resolution 1 - Proposed Amendments to the Company's Articles of Association.

The proposed Special Resolution 1, if passed, would render the Articles of Association of the Company to be in line with the current provisions of the Listing Requirements of Bursa Malaysia Securities Berhad which has been revised since the Company's Initial Public Offering and also for accounting and administrative expediency.

ii) Special Resolution 2 - Proposed Increase in the Authorised Share Capital.

The proposed Special Resolution 2, if passed, would increase the authorised share capital of the Company to a higher level.

iii) Ordinary Resolution 6 - Proposed Bonus Issue.

The proposed Ordinary Resolution 6, if passed, will increase the capital base of the Company and also reward shareholders for their continuous support to the Company. The increased number of shares in issue is expected to improve the liquidity of the shares in the market.

iv) Ordinary Resolution 7 - Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.

The proposed Ordinary Resolution 7, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company but not exceeding 10% of the issued and paid-up share capital of the Company from time to time for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Third Annual General Meeting of the Company

(Pursuant to Paragraph 8.28(2) of Bursa Malaysia Listing Requirements)

1. Directors who are standing for re-election pursuant to Article 78 of the Company's Articles of Association are:
 - i) Datuk Vivekananthan a/l M. V. Nathan
 - ii) Hj. Abd Razak bin Abu Hurairah
2. Further details of Directors who are standing for re-election are set out in their respective profiles on pages 17 and 18 of the Annual Report and their securities holdings in the Company and its subsidiaries are set out on pages 46 and 103.

Chairman's Statement

“ The Group has come a long way since first venturing into the oil and gas service industry. Over the last 25 years we have built a strong foundation in the business, gained valuable experience and forged strong partnerships which will enable us to grow further. ”



Dear Shareholders,

On behalf of the Board of Directors and the Management of Deleum Berhad, it is my pleasure to present the Company's first Annual Report as a listed entity for the Financial Year 2007.

The year 2007 marked our 25th year of participation in the oil and gas industry. The journey has enabled us to accumulate the necessary experience for us to grow from strength to strength resulting in us meeting and surpassing our earnings forecast.

The year under review was a momentous year for the Deleum Group as we made our debut on the Main Board of Bursa Malaysia. The listing paved the way for the Company's growth and will lend the impetus to initiate strategic investments and provide the necessary platform for expansionary efforts which will drive sustainable performance over the long term.

During the course of the financial year, we were also able to strengthen our position, explore new business opportunities and set the foundation for regional growth for the Group which will place us in a strong position to pursue prospects and face challenges in the years ahead.



Launch of Prospectus for the IPO of Deleum Berhad.

FINANCIAL REVIEW

The Group recorded a revenue of RM665.4 million and net profit attributable to shareholders of RM25.1 million for the financial year ended 31 December 2007. The performance was attributable to the better performance of the oilfield equipment and services segment and the specialised equipment and services segment, due to the general trend of increasing activities in the oil and gas industry.

OPERATIONS REVIEW

For the period under review, the Group continued to build and strengthen its position as a provider of specialised equipment and services to the oil and gas industry. Always mindful of the importance of operational efficiency for business sustainability and survival, we streamlined our operations to enhance productivity and competitiveness.

Together with Single Buoy Moorings Inc., we are also very proud to have fabricated the first Fluid Transfer Line (FTL) System in the world and have successfully installed it for the Kikeh Deepwater Field Development Project. FTL is utilised for the near surface transfer of hydrocarbon fluids suspended between two floaters.

Deleum also initiated the acquisition of a 51% stake in Penaga Dresser Sdn. Bhd. in September which is pending the fulfilment of conditions precedent and completion. Beyond that, the Company will continue to explore strategic acquisitions that will offer synergistic and intrinsic value to the Group as a way for us to increase our service offerings.

The year under review also saw us enhancing our local capability in support of improving our customer base. We invested in excess of RM20 million in the Turboservices: Solar Turbines Integrated Service Centre based in Tuanku Jaafar Industrial Park, Negeri Sembilan. The facility will have the capacity to carry out overhauls, repairs, reconditioning, modification, servicing and testing of Solar gas turbines regionally.

This facility will serve as a catalyst for us to expand our support services to the Asia Pacific Region, boost Malaysia's services industry and increase revenue streams for the Group as we move forward. The facility would also be the transfer point for sophisticated technical services skills to Malaysia in the area of heavy machinery support.

CORPORATE RESPONSIBILITY

We acknowledge that we have a responsibility to our employees, our shareholders and the communities in which we do business as well as to the environment. In line with this, we have implemented various initiatives to ensure responsible practices are carried out in all areas of our businesses. Our excellent safety record for instance highlights the fact that we have not experienced any work stoppages. A number of activities aimed at promoting Health, Safety and Environment (HSE) awareness and practices were organised during the year.

We are focused on developing our human capital as our employees form the foundation and strength of our business. We place high emphasis on training, in-house and externally and also with our partners and associates. Several of our employees have been sent abroad over the years for training with our partners and business associates to enhance their competency levels and experience base.

Our most productive investment remains in our people. It is through the dedication, skills and initiative of our people that Deleum has prospered. In moving to our new office and headquarters in early 2008, we placed much emphasis on creating a warm and conducive work environment for the benefit of all employees.



The Deleum team at its debut on Bursa Malaysia's Main Board.

Furthermore, the Delcom Sports & Recreational Club (DSRC) was established to promote interaction and comradeship between the staff, management and their families. The club organises activities such as family days, company trips and inter-departmental games and activities. The members of the club also participate in tournaments such as football, netball, bowling and golf that promote interaction between customers and other industry players.

We are committed to being a responsible corporate citizen. In meeting the requirements that society demands of us today, we have implemented various CSR initiatives such as contributions to employees welfare and various charitable organisations including The Malaysian Diabetes Association, The Heart Foundation of Malaysia and Yayasan Mukmin.

On the environmental front, we strive to be in compliance with the environmental best practices.

As a company we will continue to place greater emphasis on CSR initiatives.

CORPORATE GOVERNANCE

Deleum remains committed to upholding good corporate governance practices to ensure that the highest standards of governance culture is practised throughout the Group in the interest of all stakeholders. Risk management initiatives will be strengthened continuously to ensure that we are able to respond effectively to the constantly changing business environment, thus able to protect and enhance stakeholder's value.

OUTLOOK AND PROSPECTS

As we move forward into our next phase of development and growth, we are focused on sustaining our momentum by expanding into new markets and capitalising on opportunities in mergers and acquisitions which will be synergistic to our existing business portfolio. In line with our focus on more service related products, we see potential opportunities in specialty chemicals where we are already a supplier of drag reducing agents and solid deposit solutions.

We are making inroads into Indonesia and Brunei Darussalam and have identified potential opportunities which



Launching of FTL pipe bundle from the Bintulu fabrication site.

hold much promise. Our focus is also to expand our operations in the region by seeking new markets where our technology, innovative products and services expertise can be applied.

Moving forward, we see the viability of forming strategic joint ventures and alliances which will add value to our existing business operations. This will enable us to grow our market share and deliver value to our investors and business partners.

DIVIDEND

The Company's policy is to distribute gross dividends of 50% of the Group's annual profit attributable to the shareholders of the Company, subject to amongst others, the availability of adequate distributable reserves and cash flows of the Company.

The Company paid the second gross interim dividend of 10 sen per share in April 2008. Together with the first gross interim dividend of 5 sen per share paid in September 2007, the total dividend declared for the financial year was 15 sen per share.

The Board does not recommend the payment of any final dividend for the financial year ended 31 December 2007.

BONUS ISSUE

On 24 April 2008, the Company made an announcement of a proposed bonus issue of 20,000,000 shares on the basis of one new share for every four existing shares. The Company is seeking the shareholders' approval, subject to the approval of the relevant authorities, at the forthcoming Annual General Meeting (AGM).

The bonus issue will bring the issued and paid-up share capital of the Company to RM100 million.

In line with the Group's expansion plans, we are also seeking the shareholders' approval at the forthcoming AGM to increase the Company's authorised share capital currently at RM100 million to RM500 million.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my gratitude to all employees and the Management for their tireless efforts and dedication in contributing towards our success.

I would like to extend my sincere appreciation to the shareholders for their confidence in the Deleum Group and to our customers and business partners for their unwavering support and confidence which have sustained us all these years. Last but not least, I would also like to record my appreciation to my fellow Board Members for their invaluable guidance and counsel.

Dato' Izham bin Mahmud

Executive Chairman

Kuala Lumpur
12 May 2008

Corporate Information



Headquarters: Bangsar, Kuala Lumpur.



East Malaysia Regional Office: Miri, Sarawak.



Turboservices Facility: Tuanku Jaafar Industrial Park, Negeri Sembilan.

Board of Directors

Dato' Izham bin Mahmud
Executive Chairman

**Datuk Vivekananthan
a/I M. V. Nathan**
Deputy Executive Chairman

Chandran Aloysius Rajadurai
Group Managing Director

Hj. Abd Razak bin Abu Hurairah
Executive Director

Datuk Ishak bin Imam Abas
Independent Non-Executive Director

Dato' Kamaruddin bin Ahmad
Independent Non-Executive Director

Chin Kwai Yoong
Independent Non-Executive Director

Audit Committee

Datuk Ishak bin Imam Abas
Chairman

Dato' Kamaruddin bin Ahmad

Chin Kwai Yoong

Joint Remuneration and Nomination Committee

Dato' Kamaruddin bin Ahmad
Chairman

Dato' Izham bin Mahmud

**Datuk Vivekananthan
a/I M. V. Nathan**

Datuk Ishak bin Imam Abas

Chin Kwai Yoong

Joint Company Secretaries

Lee Sew Bee
MAICSA No. 0791319

Lim Hooi Mooi
MAICSA No. 0799764

Registered Office/ Head Office

No. 2, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Malaysia
Tel: 603-2295 7788
Fax: 603-2295 7777
Email: info@deleum.com
Website: <http://www.deleum.com>

Share Registrars

Symphony Share Registrars Sdn. Bhd.

Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 603-2721 2222
Fax: 603-2721 2530/31

Auditors

PricewaterhouseCoopers

Level 10, 1 Sentral
Jalan Travers, Kuala Lumpur Sentral
P. O. Box 10192, 50706 Kuala Lumpur
Tel: 603-2173 1188
Fax: 603-2173 1288

Solicitors

Zain & Co.

6th Floor, Menara Etiqa
23, Jalan Melaka, 50100 Kuala Lumpur
Tel: 603-2698 6255
Fax: 603-2693 6488

Principal Bankers

Standard Chartered Bank Malaysia Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad

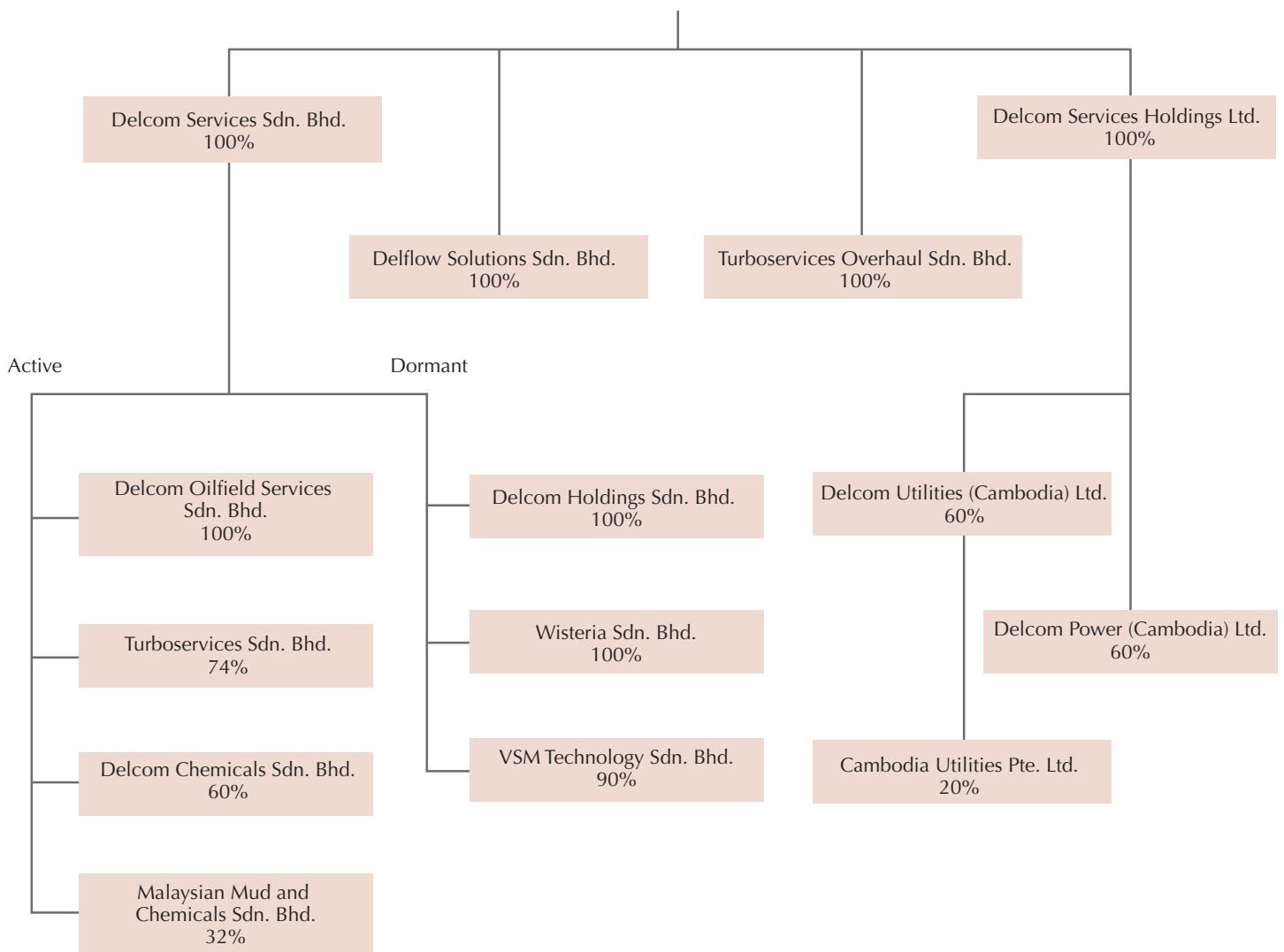
Stock Code: 5132

Group Organisation Structure

Subsidiaries and Associate Companies



DELEUM BERHAD



Milestones & Achievements



- 1982**
- Licensed as a service provider to PETRONAS
 - Established relationships with Solar Turbines Inc. and Forasol SA
 - First drilling rig, Ile De Sein, mobilised
 - First order for gas turbine package secured

- 1985**
- Established relationships with Vetco Gray Pte. Ltd. and Single Buoy Moorings Inc.
 - Established Malaysian Mud and Chemicals Sdn. Bhd., for the provision of bulking services in the Asian Supply Base, Labuan
 - First surface wellhead contract secured

- 1987**
5th Anniversary
- Established Turboservices Sdn. Bhd. in partnership with Solar Turbines Inc. for the provision of the first in-country overhaul facility for Solar gas turbines
 - Established Camco (Malaysia) Sdn. Bhd., in partnership with Camco Inc. for the provision of wireline services and completion equipment

- 1989**
- First wireline contract secured

- 1992**
10th Anniversary
- 100th order for gas turbine package secured

- 1995**
- Established Cambodia Utilities Pte. Ltd. for Independent Power Production in Cambodia

- 1996**
- Relationship with Solar Turbines Inc. expanded to include Industrial Power Generation

- 1997**
15th Anniversary
- First Industrial Power Generation project secured



2000

- Established relationship with Duco Ltd. for the supply of Umbilicals
- First subsea production system contract inclusive of umbilicals secured
- Commissioned gas turbine package for Kuala Lumpur City Centre (KLCC) District Cooling system

2001

- Camco (Malaysia) Sdn. Bhd. became a wholly owned subsidiary and renamed Delcom Oilfield Services Sdn. Bhd. Expanded scope of activities in oilfield operations

2002

20th Anniversary

- Signed Integrated Maintenance Contract for Solar gas turbines with major Production Sharing Contractors (PSC)
- First Integrated Wellhead Maintenance contracts secured

2003

- Established Delcom Chemicals Sdn. Bhd. in partnership with Navdeep Chemicals Pvt. Ltd. for the supply of oilfield chemicals and services
- Commenced research and development for Solid Deposition Treatment Technology
- Established relationship with ReedHycalog UK Ltd. for the supply of drill bits



2004

- First contract secured for the supply of Drag Reducing Agents (DRA)
- Turboservices Sdn. Bhd. and Delcom Oilfield Services Sdn. Bhd. were awarded the ISO 9001:2000 certification

2006

- Established relationship with Caledus UK Ltd. for the supply of Specialised Drilling Equipment
- 200th order for gas turbine package secured

2007



- Commissioned the Fluid Transfer Line (FTL) system, the first of its kind in the world for Kikeh Deepwater Development Project, offshore Sabah
- First gas turbine contract beyond Malaysian shores secured in Turkmenistan
- Listed on the Main Board of Bursa Malaysia
- Successfully completed the Engineering, Procurement, Construction and Commissioning (EPCC) of a Cogeneration Plant

2008

First Quarter

- Signed Long Term Service Agreement contract for the Provision of Turbomachinery Maintenance Services for Solar gas turbines
- Official opening of Turboservices: Solar Turbines Integrated Service Centre at Tuanku Jaafar Industrial Park, Negeri Sembilan



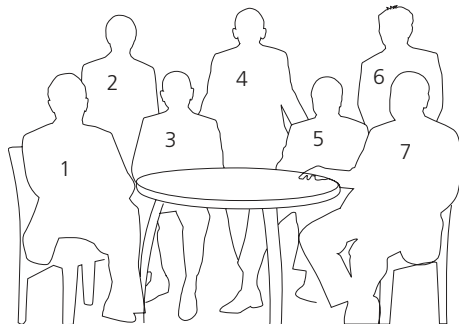




Living One Culture



The Profiles of Directors



1. Dato' Izham bin Mahmud
2. Hj. Abd Razak bin Abu Hurairah
3. Datuk Vivekananthan a/I M. V. Nathan
4. Chandran Aloysius Rajadurai
5. Dato' Kamaruddin bin Ahmad
6. Chin Kwai Yoong
7. Datuk Ishak bin Imam Abas

Dato' Izham bin Mahmud

Executive Chairman

Dato' Izham bin Mahmud, aged 67, a Malaysian, is the Executive Chairman of Deleum Berhad, having been appointed to its Board of Directors on 21 December 2005. He obtained a Bachelor of Science Degree (Honours) in Economics in 1965 from Queen's University in Belfast, Northern Ireland. In 1971, he obtained a Master of Arts (Economics Development) from Vanderbilt University, USA.

He started his career in 1965 as a civil servant at the Federal Treasury, Malaysia. He was seconded to the Malacca State Development Corporation in 1972 as General Manager and in 1974, he left the Government service to join a leading merchant bank, Aseambankers Malaysia Berhad. In 1975, he was promoted as its General Manager and became the Managing Director in 1979. He retired from Aseambankers in 1996 after being the Managing Director for over 17 years.

He joined Delcom Services Sdn. Bhd. ("DSSB") in 1996 as its Chairman and assumed the position of Executive Chairman in 2000. His earlier involvement with the Deleum Group was through his family holding company, IM Holdings Sdn. Bhd. which was one of the co-founders of DSSB.

Currently Dato' Izham sits on the boards of two other listed companies on the Main Board of Bursa Malaysia namely AMMB Holdings Berhad and Opus Group Berhad.

He is an independent non-executive director of AmlInvestment Bank Berhad and also holds directorships in several private limited companies.

Datuk Vivekananthan a/l M. V. Nathan

Deputy Executive Chairman

Datuk Vivekananthan a/l M. V. Nathan, aged 67, a Malaysian, is a co-founder of Delcom Services Sdn. Bhd. ("DSSB") and the Deputy Executive Chairman of Deleum Berhad, having been appointed to its Board of Directors on 21 December 2005. He has over 45 years of extensive background and experience in the oil and gas industry.

He started his career in 1958 with Perak River Hydro Electric Power Company under an apprenticeship programme in Electrical Engineering. He subsequently joined ESSO Malaysia in 1962 in the Instrumentation and Electrical Engineering Services Department and undertook assignments at ESSO refineries in Malaysia and Thailand before joining the Mobil Refinery in Jurong, Singapore in 1965. He then joined Avery Laurence (S) Pte. Ltd., Singapore, an offshore oil and gas industry engineering company as a Project Engineer in 1969 where he

worked on various projects in Brunei Darussalam, Thailand and Indonesia, and also attended training in Japan with Yokogawa Electric Works.

He later joined Teledyne Inc. in 1971 and was based in USA for training in management before being posted as its Marketing Director of the Far East Operations. In 1976, he joined an oil and gas support services company as Marketing Director.

In 1982, together with his founding partners he spearheaded DSSB's venture into the oil and gas industry and was appointed as its Managing Director. He was re-designated as its President in 1998.

He is also a director of Malaysia Deepwater Production Contractors Sdn. Bhd. and Malaysia Deepwater Floating Terminal (Kikeh) Ltd.

Chandran Aloysius Rajadurai

Group Managing Director

Chandran Aloysius Rajadurai, aged 53, a Malaysian, is the Group Managing Director of Deleum Berhad, having been appointed to its Board of Directors on 21 December 2005. He is a Chartered Management Accountant. He was admitted as an Associate Member of the Chartered Institute of Management Accountants, UK in 1980, and was subsequently admitted as a Member of the Malaysian Institute of Accountants in 1993. He has extensive experience overseas and locally including over 24 years experience in the oil and gas industry.

In 1977, he started his career in London with LRC International PLC ("LRC"), UK, a Home, Healthcare and Leisure Group, and was appointed as its Divisional Accountant in 1979 with LRC

Overseas Ltd. Subsequently in 1981, he was promoted to Group Financial Analyst of LRC. In January 1983, he took up an assignment with W. Woodward (Pakistan) Ltd., a subsidiary of LRC., as a Financial Controller, based in Karachi, Pakistan.

He subsequently returned to Malaysia and joined ESSO Production Malaysia Inc. (currently known as ExxonMobil Exploration and Production Malaysia Inc.) in November 1983. During his tenure with ESSO, he held various positions in the Controllers Department including Attest Manager and PETRONAS Reporting and Coordination Manager.

He then joined Delcom Services Sdn. Bhd. in 1992 as the Director of Finance and Administration. He was subsequently appointed the Senior Executive Director in 1997, and later in that year, re-designated as Executive Vice President – Support and Operations. He was promoted to the position of Group Managing Director in 2006.

Ir. Hj. Abd Razak bin Abu Hurairah

Executive Director

Ir. Hj. Abd Razak bin Abu Hurairah, aged 50, a Malaysian, is the Executive Director of Deleum Berhad, having been appointed to its Board of Directors on 21 December 2005. He graduated in 1979 with a Bachelor of Science (Honours) Degree in Mechanical Engineering from the University of Birmingham, United Kingdom. He also obtained an Executive Master of Business Administration in 1989 from the University of Ohio, USA, externally from Institute Teknologi Mara. He is a Member of the Institute of Engineers Malaysia (1986); a Professional Engineer of the Board of Engineers, Malaysia (1987), and a Member of the Society of Petroleum Engineers (2001).

He started his career in October 1979 with a tyre manufacturer, before joining ESSO Production Malaysia Inc. (currently known as ExxonMobil Exploration and Production Malaysia Inc.) in October

1980 and served in various capacities in the Engineering Division, Development Projects Division, the Quality Control Group and the Machinery Engineering Group there.

He joined Turboservices Sdn. Bhd., a joint venture between Delcom Services Sdn. Bhd. ("DSSB") and Solar Turbines Incorporated, as Manager in February 1992 and was later redesignated as General Manager in August 1994. He was then appointed the Vice President of DSSB in November 1997 and later promoted to the post of Executive Vice President – Sales and Marketing in October 2001 where he was responsible for the overall marketing function and safety management. He was subsequently appointed to the post of Chief Executive Officer of DSSB in 2006, and has over 25 years experience in the oil and gas industry.

He currently serves as the Adviser to the Oil, Gas & Mining Technical Division of the Institute of Engineers Malaysia for 2008/2009; and as the Secretary of the Malaysian Oil & Gas Services Council for 2006/2008.

Datuk Ishak bin Imam Abas

Independent Director

Datuk Ishak bin Imam Abas, aged 62, a Malaysian, is an Independent Director of Deleum Berhad, having been appointed to its Board of Directors on 21 March 2007. He is a Fellow Member of Chartered Institute of Management Accountants and a member of Malaysian Institute of Accountants.

He was admitted as an Associate and Fellow Member of Chartered Institute of Management Accountants in 1974 and 2002 respectively.

Prior to joining PETRONAS in 1981, he worked, amongst others, as Finance Director of Pfizer (M) Sdn. Bhd., Bursar of the National University of Malaysia, Finance Director of Western Digital (M) Sdn. Bhd. and as an Accountant in Pernas International Holdings Berhad.

During his tenure at PETRONAS, he held various senior positions including Deputy General Manager Commercial of PETRONAS Dagangan Berhad, Senior General Manager Finance of PETRONAS, Senior Vice-President of PETRONAS, Chief Executive Officer of KLCC (Holdings) Sdn. Bhd. and KLCC Property

Holdings Berhad. He was also member of Board of Directors of PETRONAS and several of its subsidiaries. He retired from PETRONAS as the Senior Vice President in April 2006 but continued to be the Chief Executive Officer of KLCC (Holdings) Sdn. Bhd. and KLCC Property Holdings Berhad. He subsequently retired from the above said executive positions in April 2007.

He is currently the Chairman of Putrajaya Holdings Sdn. Bhd., Convex Malaysia Sdn. Bhd. as well as a director of KLCC Property Holdings Berhad, all of which are subsidiaries of PETRONAS.

Dato' Kamaruddin bin Ahmad

Independent Director

Dato' Kamaruddin bin Ahmad, aged 68, a Malaysian, is an Independent Director of Deleum Berhad, having been appointed to its Board of Directors on 21 March 2007. He is a chartered accountant and a member of Malaysian Institute of Accountants. He obtained his accountancy qualification from the Royal Melbourne Institute of Technology, Melbourne, Australia in 1965. He is a member of the Malaysian Institute of Certified Public Accountants and fellow of CPA Australia. He also attended the Advance Management Programme at

the Harvard Business School, Harvard University, USA, in 1984.

He started his career in the civil service in 1966. He joined Malaysian Airlines System Berhad in 1974 as an Accounts Manager and held various senior management positions there, including Director of Finance, Senior Director (Operations) and Chief Executive Officer before assuming the position of Managing Director in 1991. He retired as its Managing Director in August 1994.

He joined ACP Industries Berhad, a company listed on Bursa Malaysia as its Chairman from October 1994 and resigned in August 2006. He is currently the Deputy Chairman of Intelligent Edge Technologist Berhad, a company listed on MESDAQ and also sits on the board of Penerbangan Malaysia Berhad and Himpunan Seri Sdn. Bhd.

Chin Kwai Yoong

Independent Director

Chin Kwai Yoong, aged 59, a Malaysian, is an Independent Director of Deleum Berhad, having been appointed to its Board of Directors on 21 March 2007. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

He started his career with Price Waterhouse (currently known as PricewaterhouseCoopers) as an Audit Senior in 1974 and was promoted to

Audit Manager in 1978. He was Audit Partner in the firm from 1982 until his retirement in 2003. During his tenure as Partner, he was the Executive Director in charge of the Consumer and Industrial Products and Services Group and was the Director-in-charge of the Audit and Business Advisory Services and Management Consulting Services division.

He has extensive experience in the audits of major companies in banking, oil and gas, automobile, heavy equipment, manufacturing, construction and

property development industries. He was also involved in the corporate advisory services covering investigations, mergers and acquisitions and share valuations.

He sits on the boards of two other listed companies on the Main Board of Bursa Malaysia namely Astro All Asia Networks Plc. and Genting Berhad. He has been a director of Rangkaian Pengangkutan Integrasi Deras Sdn. Bhd. since January 2005 and was a director of Tractors Malaysia Holdings Berhad until February 2006.

Notes:

1. Directors attendance at the Board and Board Committees' meetings during the financial year ended 31 December 2007 are set out in the Statement of Corporate Governance and Audit Committee Report.

2. None of the directors has any family relationship with any other director or substantial shareholder of the Company save and except for Dato' Izhah bin Mahmud whose wife Datin Che Bashah@ Zaiton Binti Mustafa is a substantial shareholder of the Company.

3. None of the directors has had convictions for any offence within the past 10 years.

4. None of the directors has any business arrangement with the Company in which he has a personal interest.

The Management Team



Jayanthi Gunaratnam

Nan Yusri Nan Rahimy

Lee Sew Bee

Mohd Fadzli Hamidun

Resli Anak Tawi

Zamani Abd Ghani

Yam Kee Joon

Zamani bin Abd Ghani,

aged 36, is the Chief Operating Officer – Power and Machinery. He graduated in 1994 with a Bachelor in Engineering (Mechanical) Honours Class II Division I from the University of Wollongong, New South Wales, Australia. He was admitted to the Board of Engineers in Malaysia in 1996.

His started his career with Edaran Otomobil Berhad before joining Wan Mohamed & Khoo Sdn. Bhd., a consultancy firm based in Shah Alam,

Selangor as a Mechanical Engineer in 1996 where he was tasked to design mechanical services for general industries, petrochemicals as well as oil and gas.

He joined Delcom Services Sdn. Bhd. in August 1997 as a Senior Project Engineer before being promoted in June 1998 to the post of Senior Manager, responsible for the marketing of gas turbines and compressors for oil and gas and petrochemical industries.

In January 2002, he was promoted to Vice President – Power Sales, Oil and Gas, a section of the Power and Machinery Division and in May 2006, he was promoted to Vice President of the Division with expanded responsibility to cover industrial power generation. He was promoted to his current position in January 2008.

Nan Yusri bin Nan Rahimy,

aged 36, is the Chief Operating Officer-Oilfield Services. In 1996, he completed his Bachelor of Engineering Degree (Honours) in Mechanical Engineering from the Royal Melbourne Institute of Technology, Australia. He has been a Member of the Society of Petroleum Engineers since 2004.

He joined Delcom Services Sdn. Bhd. in April 1996 as a Marketing Executive in the Industrial Power Generation

section of the Power and Machinery Division. He was appointed Assistant Manager in July 1997 before being promoted to Senior Marketing Manager in January 1999.

In April 2001, he was promoted to Assistant Vice President – Business Development primarily responsible for overseeing special projects and new ventures. In September 2003, he was promoted to Vice President – Exploration and Production and heads

the division for all marketing and operational activities in relation to Exploration and Production of the Group. He was promoted to his current position in January 2008.

Yam Kee Joon,

aged 51, is the Vice President – Business Development and Operations. He holds a Bachelor of Science Honours Degree in Mechanical Engineering from Teeside University, United Kingdom and a member of the Society of Petroleum Engineers since 1985.

He started his career in 1980 with Public Utilities Board (Senoko Power Station) in Singapore. He joined Sedco Forex Schlumberger in 1983 as a Field Trainee Engineer in Saudi Arabia and upon graduation, was assigned to Irian Jaya as a Drilling Engineer for a year assisting the Operations Manager in managing a fleet of rigs.

In 1985, he was promoted as Drilling Engineer in Singapore on several turnkey projects for China and in 1987 as Senior Drilling Engineer based in Miri. In 1990, he was promoted to Operations Manager, based in Bangkok, responsible for the semi-submersible operations in Thailand. In 1992, he was transferred to Oman and was responsible for the smooth operation of five land rigs there.

In 1994, he joined Muhibbah Engineering Berhad as General Manager and later in 1997 served as General Manager of Pestar Manufacturing Sdn. Bhd. until 2002.

In 2002, he joined Delcom Services Sdn. Bhd. as the General Manager – East Malaysia and was based in Miri, Sarawak. In 2006, he was redesignated as Vice President – Business Development and Operations responsible for managing and overseeing the business development and overall oilfield operations for Deleum Group.

Lee Sew Bee,

aged 46, is the Vice President, Corporate Services of Deleum Berhad, having been appointed as its Company Secretary on 21 December 2005. She completed her professional qualification examinations from the Institute of Chartered Secretaries and Administrators, UK ("ICSA") in 1984 and was later admitted as an Associate Member of the ICSA as well as an

Associate Member of Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") in 1988.

She started her career in August 1985, as a Secretarial Assistant in a secretarial management company, before joining a property development company as Company Secretary in 1988.

She joined Delcom Services Sdn. Bhd. in 1989 as Company Secretary overseeing the company secretarial, contractual and statutory compliance matters. She was promoted to Vice President – Corporate Services in October 2001 where her responsibilities were expanded to include legal as well as corporate affairs.

Jayanthi Gunaratnam,

aged 35 is the Group Accountant of Deleum Berhad. She obtained the Bachelors of Accounting (Hons) Degree from Universiti Utara Malaysia in 1996. She was admitted as a Member of the Malaysian Institute of Accountants in 2000 and a Member of the Malaysian Institute of Certified Public Accountants in 2004.

She started her career in May 1996 with Arthur Andersen as an Auditor where she was involved in the audit of companies in the manufacturing, trading and oil and gas sector. She was also involved in special audit assignments, due diligence and corporate exercises.

She joined Delcom Services Sdn. Bhd. in April 2001 as an Accountant and was later promoted to her current post of Group Accountant in January 2006. She currently oversees the overall finance function of the Group.

Resli Anak Tawi,

aged 50, is the General Manager – East Malaysia, Delcom Oilfield Services Sdn. Bhd. He holds a National Certificate in Plant Technology from the British Technical Education College, UK, in collaboration with Shell.

He started his career in 1977 with Sarawak Shell Berhad and held various positions there over a period of 18 years. In December 1994, he was seconded to PETRONAS Carigali Sdn. Bhd. - Baram Delta Operations as Well

Services Supervisor where he planned and oversaw the Baram Delta Well Services Operations.

In September 1996, he joined Amsito Oilwell Services Sdn. Bhd. as a Senior Wireline Operator and Wireline Supervisor.

In March 1997, he joined Delcom Oilfield Services Sdn. Bhd. as Senior Wireline Supervisor and was promoted to General Manager – Operations in October 2001 where he was responsible

for managing the operations of Delcom Oilfield Services Sdn. Bhd. He is experienced in leading and supervising operations. In 2006, he was promoted to General Manager – East Malaysia, responsible for all oilfield operations for Delcom Oilfield Services Sdn. Bhd.

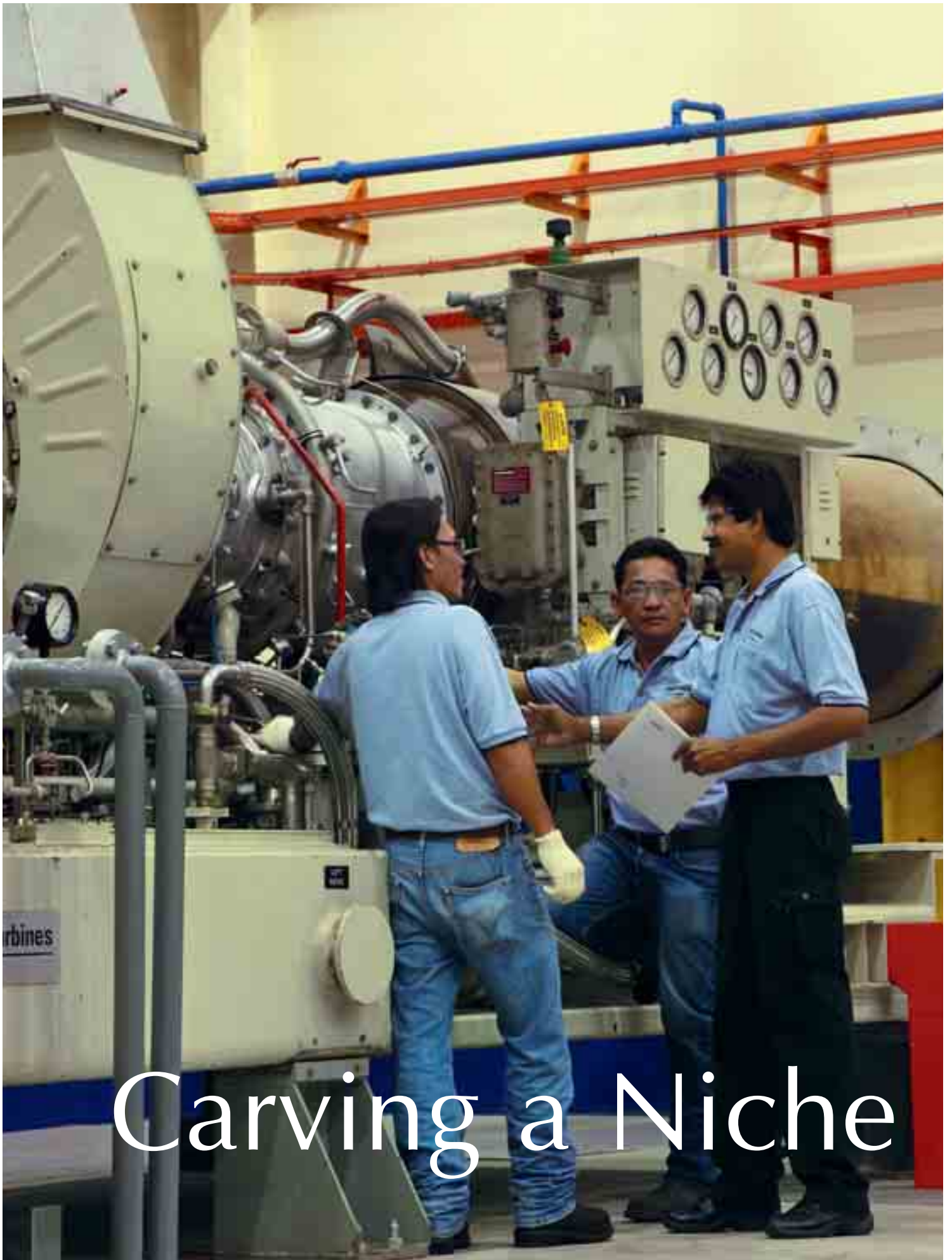
Mohd Fadzli bin Hamidun,

aged 39 is the General Manager – Sales and Technical of Delcom Oilfield Services Sdn. Bhd. ("DOSSB"). He graduated in 1992 with a Bachelor of Science in Electrical Engineering from the University of Tennessee, USA and was admitted to the Board of Engineers in Malaysia in 1992.

He started his career in 1992 with Halliburton Energy Services (M) Sdn. Bhd., Kuala Lumpur as a wellsite

engineer/supervisor where he was involved in sand control business for upstream operations covering the Asia Pacific region. He later joined the Power Generation Division of Siemens Malaysia Sdn. Bhd. in 1995 where he served as Technical/Applications Manager and Country Sales Manager based in Kuala Lumpur. He was seconded for two years at Siemens' headquarters in Germany and was responsible for the sales and marketing of Siemens' industrial steam turbines and power plant projects for the Asia Pacific Region.

After 12 years with Siemens Malaysia Sdn. Bhd., he joined DOSSB in July 2007 as General Manager – Sales and Technical. He is based in Miri, Sarawak and is responsible for all sales and marketing activities of DOSSB for East Malaysia operations.



Carving a Niche

Business Performance Review

Financial Year (FY) 2007 was a transitional year for the Company as we made our debut on the Main Board of Bursa Malaysia and during which we consolidated both the structural and financial foundations for future growth.

The Group turned in a commendable financial performance on the back of favourable market conditions for the oil and gas industry. Deleum Group's revenue for the year increased by 47.2% to RM665.4 million as compared to the previous year. This result shows that with the strong backing of a dedicated and experienced workforce, the Group is able to ride on the current buoyant environment of the industry.

We will continue to seek profitable growth and to strategically expand our operations while taking into account the interests of all stakeholders.

Deleum's operations are conducted through three main business segments as follows.

SPECIALISED EQUIPMENT AND SERVICES

Subsea Production System and Umbilicals

During FY 2007, we completed the commissioning of the G7 and M3S subsea projects and commenced work on the Saderi project which is targeted for completion in 2008.

We were also awarded with a two year healthcare maintenance contract to provide scheduled maintenance for all existing subsea trees and control systems supplied by us.

Gas Turbine Packages

The Group managed to secure its first gas turbine package contract beyond Malaysian shores in Turkmenistan. We will leverage on this achievement as a catalyst for further ventures abroad.



System testing on a gas turbine unit at Turboservices: Solar Turbines Integrated Service Centre.

The effort to further expand our customer base beyond the oil and gas upstream sector has been noteworthy as during the year we secured the contract for the supply of gas turbine generators for a fertiliser plant in Kedah.

The Engineering, Procurement, Construction and Commissioning (EPCC) of the 9.6 MW Cogeneration Plant for Muda Paper Mills commissioned in FY 2007, was a testament to our capability to be a turnkey solutions provider, encompassing initial consultation and design to commissioning and subsequently to provide technical support and maintenance throughout the life cycle of a gas turbine.

OILFIELD EQUIPMENT AND SERVICES

Wireline Equipment and Services

Deleum is currently providing wireline services for several exploration and production blocks in East and West Malaysia. The work scope involves the provision of skilled personnel and

specialised equipment to conduct well services related activities such as Bottom-Hole Pressure and Temperature Surveys (BHPT), Multi-finger Imaging Tool (MIT) and Memory Production Logging Tool (MPLT).

Gas Turbine After Sales Services

The Company invested in excess of RM20 million in the Turboservices: Solar Turbines Integrated Service Centre in Tuanku Jaafar Industrial Park, Negeri Sembilan, aimed at further strengthening our local support for the after-sales services for gas turbines. The opening of this Integrated Service Centre which is the first of its kind in Malaysia, was officiated by the Menteri Besar of Negeri Sembilan on 31 January 2008. The facility will have the capacity to carry out overhauls, repairs, reconditioning, modifications, servicing and testing of Solar gas turbines in the region. The facility will also be the transfer point for sophisticated technical services skills to Malaysia in the area of heavy machinery support.

With the new integrated service centre, we are targeting to increase our revenue for the gas turbine after-sales services.

Wellhead Maintenance Services

During FY 2007, we successfully completed two cycles of integrated wellhead and christmas tree maintenance covering approximately 780 units for various PSCs. This entailed intensive planning and corrective maintenance services for wellheads and christmas trees set-up at oil and gas installations to maintain their integrity.

With our experienced and skilled personnel, we are able to provide comprehensive and specialised maintenance programmes and thus, able to maintain various types of OEM surface wellheads and christmas trees.

We provided technical expertise on wellhead maintenance services in Duri, Indonesia and we are also exploring opportunities to participate in other fields in the region.

Fluid Transfer Line System

Together with SBM Offshore Inc., we have successfully completed the fabrication of the Fluid Transfer Line (FTL) System in April 2007. The FTL System was commissioned for deployment in Kikeh Field, Malaysia's first deepwater development offshore Sabah. This 1,300m length pipe bundle, fabricated in

Bintulu, Sarawak, incorporated numerous high quality codes and standards covering all important aspects from the overall concept design, pipeline fabrication and installation methods and QA/QC inspection.

Installation commenced in early June 2007 and was completed in August 2007. This unique FTL System is also known as Gravity Actuated Pipe (GAP™) System. It is a newly introduced proprietary concept developed by SBM Offshore Inc. and Kikeh is the first deepwater field in the world to be successfully installed with the FTL System. It is for the purpose of near-surface transfer of hydrocarbon fluids suspended between two floaters, such as a Spar Dry Tree Unit (DTU) platform and a Floating Production, Storage and Offloading (FPSO) vessel. This system significantly reduces flow assurance problems caused by hydrate formation and waxing.

Drilling Equipment

In partnership with the respective OEMs, we supply drilling related equipment such as Brunel Thermoplastic Centralisers, Single Run Motors and Drill Bits. The broad range of equipment that we supply are technologically advanced and have been successfully utilised in operations by our customers. We will continue to expand and grow this sector of the business complementing the services we already provide.



Wireline spooling on a reel skid.

OILFIELD CHEMICALS AND SERVICES

The Group provided solid deposit solutions treatment for wells in Tukau and Temana offshore Sarawak and has recently completed treatment of the Baronia wells.

We continued the supply of Drag Reducing Agents (DRA) and provided associated services to the Tapis platform offshore Terengganu to increase the throughput of crude oil being transported in the pipeline.

The operation is managed from Deleum's DRA storage facility in Kemaman Supply Base (KSB), Terengganu, which also provides equipment and technical services to support these operations.

OTHER BUSINESSES

During the year under review, our associate company, Malaysian Mud and Chemicals Sdn. Bhd. continued to provide Dry and Liquid Bulking services for offshore operations in East Malaysia including for the Murphy Kikeh Deepwater Development Project. We are also currently preparing for the commencement of the Gumusut deepwater operations.



Liquid Mud Plant

Our associate company Cambodia Utilities Pte. Ltd. (CUPL), the first independent power producer in Cambodia entered into its 12th year of commercial operation. CUPL continues to deliver a net capacity of 35 MW of electricity to the city of Phnom Penh.

MALAYSIA OIL AND GAS INDUSTRY OUTLOOK*

The oil and gas outlook for Malaysia in 2008 is expected to improve with a pick-up in development activities arising from higher planned capital expenditure in upstream activities, expected new discoveries and marginal field developments.

The need to find and develop more new oil fields is reinforced by the high level of oil prices. Deepwater field explorations are more than economically feasible at such level and this is expected to drive capital expenditure within the oil and gas industry. Due to demand growth, PETRONAS and its Production Sharing Contracts (PSC) partners are venturing into deepwater fields which may yield up to 500 million barrels of oil equivalent (mmboe) in recoverable reserves compared to 30 mmboe for shallow water fields.

Deepwater Field Development

An estimated RM116 billion will be spent from 2007 to 2010 in the Malaysian oil and gas industry. The consensus among industry observers is that approximately RM31.0 billion of it is going towards the development of eight deepwater fields of Kikeh, Gumusut/Kakap, Malikai, Keabangan, Jangas, Ubah Crest, Pisangan and Kamunsu.

The figure does not include the field development plans of at least four other deepwater fields which have not been finalised. Going forward, actual capital expenditure planned could be higher.

As these deepwater fields will be developed in stages, capital expenditure cycle is expected to peak in 2010 as all eight fields will be in the capital intensive development stage by then. In 2008, oil and gas activities will still be largely centered on exploration and to a certain extent, development.

Marginal Field Development

First oil drawn from Cendor in block PM304 offshore peninsular Malaysia in September 2006 proved that it is possible to commercialise marginal fields (<50 mmboe of recoverable reserves) due to high crude oil prices. Around 80



CUPL Power Plant, Cambodia.

marginal fields have been earmarked for development. Marginal fields that are currently being developed are Abu, Bunga Tulip, Puteri, East Belumut, Chermingat, J4 and D21. Going forward, marginal field development will require at least RM13 billion in capital expenditure and RM10 billion in recurring operating expenditure annually. More marginal fields may be commercialised due to higher level of crude oil prices.

* Figures sourced from Kenanga Investment Bank's Market Outlook Research.

LOOKING AHEAD

As we move forward, we will strengthen our teamwork, both internally and externally, focus our experience on the tasks at hand and seek other avenues of opportunity in the industry. The ability to rise to the challenge and respond to opportunities is important for Deleum's future success.

We will explore the feasibility of mergers and acquisitions that are synergistic with our business focus and will complement our service offerings. In a globalised environment, it is no longer sufficient to operate in a single market. With the experience gained in the local oil and gas service industry, we hope to expand and further explore opportunities beyond Malaysian shores that may potentially lead to lucrative ventures and partnerships.



Chemical blending process.

Quality, Health, Safety & Environment



Safety briefing being conducted.

HEALTH, SAFETY AND ENVIRONMENT

In the oil and gas industry, safety is of paramount importance and human capital is our greatest asset. In this regard, we recognise the value and importance of implementing safety processes and inculcating a strong safety culture. The Group has established a safety policy that clearly sets out the safety measures that must be strictly adhered to by all employees and contractors.

The policy and commitment serves as a guideline for our operational endeavour. We believe that a strong HSE performance will allow us to be a responsible corporate citizen and to contribute to sustainable development of our industry. This will in turn strengthen the confidence of all our stakeholders. As a testament to the commitment of the Group towards HSE, 2.3 million accident-free man-hours have been recorded over the past ten years.

HSE Programmes

We constantly aim for best practices in all aspects of our operations. It is imperative to have a good HSE culture and the awareness is nurtured through various HSE Programmes such as Safety Meetings and HSE Week. This year's HSE Week theme of "Safety Through Teamwork" was specially selected to highlight our commitment to HSE and the need to work as a team.

Safety Training

A Chemical Safety Standards training was held at the Labuan Facility to improve practical knowledge of employees and to increase their sense of alertness towards possible hazards from the handling of chemical substances.

Personnel going on offshore assignments are required to undergo the Basic Offshore Safety Induction and Emergency Training (BOSIET) that includes, among others, Helicopter Underwater Evacuation Training (HUET), Emergency Breathing System (EBS) and Boat Transfer Training. Mercury Training is also required for personnel going to fields with high mercury content.

The NIOSH-PETRONAS Safety Passport system is a required training programme designed for specific target groups in the oil and gas industry. Where relevant, personnel are required to undergo this training programme.

QUALITY COMMITMENT

Turboservices Sdn. Bhd. (TSSB) and Delcom Oilfield Services Sdn. Bhd. (DOSSB) were awarded the ISO 9001:2000 quality accreditation by SIRIM QAS International Sdn. Bhd. in 2004. This is a testament to the significant emphasis that we place on quality. In maintaining the certification the companies act in conformity with various requirements such as Internal Quality Audit, Management Review Meeting and Conducting Customer Survey periodically. These certifications were renewed in 2007 for another 3 years.

AWARDS

In 2007, an employee of DOSSB, Pamin Nordin, did the Group proud when he won the "Shell Best STOP Card Award" in September 2007 for his safety



awareness in identifying and correcting at-risk behaviour before the occurrence of incidents.

At the Petronas Carigali HSE Forum held on 4-6 November 2007, DOSSB received a HSE Excellence Award in the "Improved HSE and Zero LTI" category for 2006/07.



Delcom Oilfield Services Sdn. Bhd. received an HSE Excellence Award in the "Improved HSE and Zero LTI" category for 2006/07.

Calendar of Events

Corporate Activities



10-11 April 2007

SPE-UTP Oil & Gas Symposium 2007
Deleum participated in the SPE-UTP Oil & Gas Symposium 2007 held in Universiti Teknologi PETRONAS (UTP). The main objective of this symposium was to expose students to the oil and gas industry specifically in technical knowledge and career opportunities.

23 May 2007

Analyst Briefing Prior to Listing
A briefing was held at the Mandarin Oriental, Kuala Lumpur to introduce Deleum Berhad to market analysts prior to its listing. The event also served to highlight the Group's background, achievements, key financials and prospects for growth.



15 May 2007

Prospectus Launch of Deleum Berhad

YB Tan Sri Mohamed Nor Yakcop, Minister of Finance II, was the guest-of-honour in conjunction with the prospectus launch of Deleum Berhad, held at the Mandarin Oriental. The listing exercise involved the public issue of 14 million new ordinary shares of RM1 each and the offer for sale of 6.45 million ordinary shares of RM1 each at an offer price of RM2.55 each. A media conference was later held.



1 June 2007

Listing on Bursa Malaysia

Deleum Berhad made its debut on Bursa Malaysia's Main Board, opening at RM3.98 for a premium of RM1.43 against its initial offer price of RM2.55. The counter closed at RM4.18 for a gain of RM1.63, or 63.92%, after touching an intra-day high of RM4.38. A reception was later held at Crowne Plaza Mutiara in conjunction with the event.



13-15 June 2007

11th Asian Oil, Gas & Petrochemical Engineering Exhibition (OGA 2007)

The Company participated in the OGA 2007 which was organised in conjunction with a high profile technical seminar, the 12th Annual Asia Oil & Gas Conference (AOGC 2007). Deleum participated in the exhibition to further promote the Group's diverse range of supporting specialised products and services for the oil and gas industry.



31 January 2008

Official Opening of Turboservices: Solar Turbines Integrated Service Centre

The opening of Turboservices: Solar Turbines Integrated Service Centre, the first-of-its-kind in Malaysia that facilitates the overhaul, repair, parts remanufacturing, testing and technical training of Solar's gas turbines for the Asia-Pacific region. The facility is located on a 3.5-acre site in the Tuanku Jaafar Industrial Park, Negeri Sembilan.

14 August 2007

Announcement of First Interim Dividend

Announcement of the first interim dividend of 5 sen per ordinary share less 27% income tax in respect of the financial year ended 31 December 2007.

24 September 2007

Proposed Acquisition of Penaga Dresser Sdn. Bhd.

Announcement of the proposed acquisition of 1,275,000 ordinary shares of RM1.00 each, representing 51% equity interest in Penaga Dresser Sdn. Bhd., for a total consideration of RM7.25 million.

25 February 2008

Announcement of Group's Fourth Quarter and Financial Year Ending 31 December 2007 Results

Deleum Berhad announced the Group's fourth quarter and FY 2007 results with profits after tax and minority interests of RM25.12 million exceeding forecast of RM23.03 million.

3-7 September 2007

HSE Week

The HSE Week is an annual event aimed at promoting HSE awareness and practices. The theme "Safety Through Teamwork" was specially selected to highlight our commitment to HSE and the need to work as a team. Various events were held that focused on the "hearts and minds" programme to nurture our work and life.

Some of the presentations included First-Aid for Choking, Defensive Driving, Wellness Programme, Tips for Office Safety, Environment Protection and Chemical Handling.



27 February 2008

Announcement of Second Gross Interim Dividend

Deleum Berhad announced the second gross interim dividend of 10 sen per share less income tax at 26% for the financial year ended 31 December 2007. Payment of dividend was made on 2 April 2008.

Calendar of Events

Employees Social and Sports Activities



27 January 2007

Kuala Lumpur Section Society of Petroleum Engineers 2007 (KLSSPE) Football and Netball Tournament

This annual event was organised by the KLSSPE Committee with participation by most major oil and gas operating companies and service contractors. Delcom has participated in most of its yearly events since it was first introduced. We took part in both the Football and Netball events where our Netball team successfully emerged as the 2nd Runner-up.



24 February 2007

Go-Kart Challenge 2007

About 30 staff participated in this tournament which was held at the Shah Alam Stadium Go-Kart Circuit. It was an interesting affair as it was a first time experience for most participants.



August-September 2007

Super Bowl League 2007

This league was held for five consecutive weeks at Cosmic Bowl, Mid Valley Megamall. Employees from various departments were grouped into 6 teams. The United Bowlers of Bangsar emerged as the champions. For the individual category, Ramkumar was the top scorer for the men and Juanita for the women.





1 December 2007

Futsal Championship 2007

This tournament was held at the Petaling Jaya Futsal Sports Centre. The players were divided into 2 groups. The game was played for 4 quarters of 15 minutes each.



7 December 2007

Annual Pool Tournament 2007

This tournament was held at Brewball, Mid Valley Megamall. About 20 participants took part in this event.



14 December 2007

DSRC Annual Dinner & Dance 2007 – “Red & Black Night”

The highlight of the year for the DSRC Events calendar was the annual dinner and dance held at the Ritz-Carlton Hotel, Kuala Lumpur. It was a fantastic occasion where all members were dressed to the nines in conjunction with the theme, “Red & Black Night”. As an appreciation to the employees who had contributed their services for over 10 to 25 years to the company, Long Service Awards were presented to 14 employees. The fun-filled event was made more memorable and enjoyable with hilarious and entertaining performances.



23 February 2008

DSRC Family Day 2007

This event was held at Sunway Lagoon Theme & Extreme Park. The members had taken the opportunity to attend and participate in the event along with their spouses and children. Among the highlights of the event were telematch games for the children and the “Sunway Challenge”. The Sunway Challenge is akin to the Amazing Race/Explorace where participants were required to complete certain assigned tasks throughout the theme park.

Statement of Corporate Governance

The Board of Directors (“the Board”) of Deleum Berhad (“Deleum”) recognises the importance of the practice of good corporate governance throughout the Group as a fundamental part of its responsibilities in protecting and enhancing shareholders’ value and the financial performance of the Group.

The Board is committed to maintaining high standards of corporate governance and will continue to integrate good and effective corporate governance practices into the overall business direction and management of the Group, in line with the principles and best practices outlined in the Malaysian Code of Corporate Governance (“the Code”) and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

1. THE BOARD OF DIRECTORS

1.1 Composition

Deleum is led and managed by an experienced and proactive Board comprising Directors with a wide range of experience and expertise relevant to the Group’s business in the oil and gas industry. The mix of skills and experience is vital for the successful direction of the Group. A brief profile of each director is set out on pages 17 to 19 of this Annual Report.

The Board comprises of seven (7) directors, with four (4) Executive Directors and three (3) Independent Non-Executive Directors. This is in compliance with the Listing Requirements of the Bursa Malaysia for one-third of the Board to be independent.

The three (3) Independent Non-Executive Directors were appointed to the Board during the financial year ended 31 December 2007.

The Directors collectively possess the wide range of business, commercial and financial experience essential to the management and direction of the Group. The Board, through its Nomination Committee, is satisfied that its current size and composition are optimum and effective for the proper functioning of the Board.

1.2 Roles and Responsibilities

The roles and responsibilities of the Board include the charting of strategic direction and corporate values of the Group and supervising its business operations and affairs. The Board also reviews the performance of the Group and ensures that a proper internal control system is in place.

The positions of the Executive Chairman and the Group Managing Director are held by separate members of the Board. The Executive Chairman is primarily responsible for the orderly conduct and working of the Board, and presides over meetings of the Board. The Deputy Executive Chairman supports the Executive Chairman in this role and also oversees business development and customer relations. The Group Managing Director oversees the day-to-day running of the business and operations, making of operational decisions and development and implementation of the Group’s operating plans and budgets, as well as the implementation of policies and decisions made and approved by the Board. The Group Managing Director and the Executive Directors are also responsible for developing, coordinating and implementing business and corporate policies and strategies for the Group. They are accountable to the Board for the profitability, operations and development of Deleum Group, consistent with the primary objective of enhancing long-term shareholder value.

The Independent Non-Executive Directors are independent of management and are free from any business or other relationships that could materially interfere with the exercise of independent judgment. They play a pivotal role in corporate accountability and transparency which is reflected in their membership in the Board Committees and their attendance of meetings as detailed below. The Independent Non-Executive Directors provide independent and balanced assessment and unbiased views and advice to the Board’s deliberation and decision-making process, so as to safeguard the interests of the Group and its stakeholders whilst ensuring that high standards of conduct and integrity are maintained.

1.3 Board Meetings

The Board meets on a scheduled basis at least four (4) times a year at quarterly intervals and at other times when the need arises.

During the financial year ended 31 December 2007, the Board met ten (10) times, where it deliberated and considered a variety of matters affecting the Group's operations including the Group's financial results, business plans, budgets, strategic direction, corporate proposals and other business development activities of the Group.

The Executive Chairman encourages full deliberation of issues brought up at the Board meetings by all members of the Board. Senior management and external advisors are invited to attend the Board and Board Committee meetings to brief and advise on relevant agenda items to enable the Board and its Committees to arrive at a considered decision. At these meetings, the Company Secretaries are responsible for ensuring that all relevant procedures are complied with and all proceedings recorded in writing.

The details of the attendance of each Director at Board meetings during the financial year are as follows:-

	Name	Designation	No. of Board Meetings attended
1	Dato' Izham bin Mahmud	Executive Chairman	10/10
2	Datuk Vivekananthan a/l M. V. Nathan	Deputy Executive Chairman	10/10
3	Chandran Aloysius Rajadurai	Group Managing Director	9/10
4	Hj. Abd Razak bin Abu Hurairah	Executive Director	9/10
5	Dato' Kamaruddin bin Ahmad (Appointed w.e.f. 21 March 2007)	Independent Non-Executive Director	7/7
6	Datuk Ishak bin Imam Abas (Appointed w.e.f. 21 March 2007)	Independent Non-Executive Director	7/7
7	Chin Kwai Yoong (Appointed w.e.f. 21 March 2007)	Independent Non-Executive Director	6/7

All the directors have complied with the requirements in respect of board meetings attendance as provided in Deleum's Articles of Association.

1.4 Supply of Information

The members of the Board have full and unrestricted access to all information pertaining to the businesses and affairs of the Company and the Group.

Prior to the meetings of the Board and Board Committees, all Directors are furnished with the agenda together with comprehensive board papers containing information relevant to the business of the meetings. This allows the Directors to obtain further information, explanations or clarification, where necessary, in order that deliberations at the meetings are focused and constructive to enable the Board to effectively discharge its function.

Minutes of each Board meeting are circulated to all Directors for their perusal prior to confirmation, and Directors may raise comments or seek clarification on the minutes prior to the confirmation of minutes.

In discharging their duties, all the Directors have full access to the advice and services of the Company Secretaries and other senior management. The Directors may, if necessary, also seek external independent professional advice in the furtherance of their duties at the Group's expense.

2. BOARD COMMITTEES

The Board delegates certain responsibilities to the Board Committees, namely an Audit Committee and a Joint Remuneration and Nomination Committee, which operate within their own terms of reference in order to enhance business efficacy and operational efficiency.

The Board Committees deliberate in greater detail and examine the issues within their terms of reference as set out by the Board in compliance with the Code. The Chairmen of the Board Committees then inform the Directors at Board meetings of matters discussed and recommendations arrived at by the Board Committees.

2.1 Audit Committee

The composition of the Audit Committee, its terms of reference and a summary of its activities are set out in Audit Committee Report on pages 39 to 42 of this Annual Report

2.2 Joint Remuneration and Nomination Committee

The Joint Remuneration and Nomination Committee is primarily responsible for the following:

- i) reviewing and recommending the appropriate remuneration packages for Executive Directors of Deleum to the Board;
- ii) identifying and recommending of new individuals to be appointed to the Board as well as of Directors to the Board Committees; and
- iii) evaluating the effectiveness of the Board and Board Committees including reviewing the Board's required mix of skills, experience and other qualities and core competencies.

The Joint Remuneration and Nomination Committee has five (5) members comprising the three (3) Independent Directors and two (2) Executive Directors, as follows:-

	Name	Designation
1	Dato' Kamaruddin bin Ahmad	Chairman
2	Dato' Izham bin Mahmud	Member
3	Datuk Vivekananthan a/l M. V. Nathan	Member
4	Datuk Ishak bin Imam Abas	Member
5	Chin Kwai Yoong	Member

The above composition ensures a healthy and balanced mix of views on the responsibilities which the Joint Remuneration and Nomination Committee are charged with. The majority of the Independent Directors are able, together with the Executive Directors, to assess the calibre, professionalism and core competencies of nominees recommended to the Board so as to ensure that that individual if appointed will be able to contribute effectively to the Group. Despite their being on the Joint Remuneration and Nomination Committee, the Executive Directors abstain from any decision making on their own remuneration, which are matters solely reserved for the Board.

During the year ended 31 December 2007, one meeting of the Joint Remuneration and Nomination Committee was held, at which all members of the Committee attended the meeting.

3. DIRECTORS' TRAINING

All Directors of the Company have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. As part of its efforts to keep the Directors abreast of new relevant laws and regulations, the Board attended an in-house training program on the latest amendments to the Companies Act, 1965 and the Malaysian Code on Corporate Governance (Revised 2007) conducted by the Company's solicitors.

Also at the scheduled quarterly meetings, the Directors are updated with the relevant amendments to the Listing Requirements received from Bursa Malaysia and if thought necessary, training/briefing on topics which would be relevant to the Directors in the discharge of their duties and responsibilities would be provided.

The Board fully supports the need for its members to further enhance their skills and knowledge and to keep abreast with latest developments in regulatory requirements and business practices, and will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

4. RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association (the "Articles"), at each Annual General Meeting (AGM), one-third (1/3) of the Directors for the time being, or if their number is not three or multiple of three, then the number nearest to one-third (1/3), shall retire from office and be eligible for re-election.

Directors who are appointed by the Board during a financial year are subject to re-election by the shareholders at the next AGM to be held following their appointments.

The Articles also provide that all Directors, including the Group Managing Director, shall retire from office once at least in every three (3) years but shall be eligible for re-election.

5. DIRECTORS' REMUNERATION

The remuneration of the Directors is decided in line with the objective of attracting and retaining directors of the calibre, expertise and experience needed to lead the Group successfully. Remuneration for the Executive Directors are aligned to individual and corporate performance. Non-Executive directors are paid fees for the responsibility they shoulder and meeting allowances for Board and Committee Meetings they attend.

The Joint Remuneration and Nomination Committee recommends to the Board the remuneration of the Executive Directors, which then approves the remuneration for these Directors. The Board as a whole determines the remuneration of the Non-Executive Directors. Each individual Director abstains from the Board decision on his own remuneration. The fees of the Directors are subject to the approval of the shareholders at the Annual General Meeting.

Details of Directors' remuneration for the year ended 31 December 2007 are as follows:-

Aggregate Remuneration

Remuneration	Executive (RM)	Non-Executive (RM)
Fees	-	126,291
Directors' salary, bonus and other emoluments	2,581,110	37,500
Estimated monetary value of benefits-in-kind	168,476	-

Analysis of Remuneration

Designation	Range of Remuneration	Number of Directors
Independent Directors	RM50,000 – RM100,000	3
Executive Directors	RM500,001 – RM550,000	1
	RM600,001 – RM650,000	1
	RM650,001- RM700,000	1
	RM900,000 – RM950,000	1

6. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Group values dialogue with shareholders and investors as a means of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters that affect shareholders' interest.

The Board is committed to providing timely and accurate disclosure of all material information about the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Malaysia and media releases. The timely release of financial results on a quarterly basis provides shareholders with an overview of Deleum Group's performance and operations.

Shareholders and investors can obtain pertinent information on Deleum Group's various activities by accessing its website at www.deleum.com. Press releases and the latest announcements of quarterly results are also available on this website.

The Annual General Meeting (AGM) is the principal forum for dialogue and interaction with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders are encouraged to participate in the question and answer sessions at AGM. The Company will convene its third AGM on 3 June 2008 during which shareholders will have the opportunity to direct their questions on the Group's performance and prospects to the Board.

The Company holds briefings and discussions with analysts and fund managers and interviews with the media representatives as appropriate. This medium of communication is an integral part of the Company's relations with the investing public. Presentations based on permissible disclosures are made to explain the Deleum Group's performance and major development plans. However, price sensitive information about the Group is not discussed in these exchanges until after the prescribed announcements to the Bursa Malaysia have been made.

7. ACCOUNTABILITY AND AUDIT

7.1 Financial Reporting

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial position, performance and prospects through the quarterly and annual financial statements released to the shareholders. It also ensures that the financial statements of the Group gives a true and fair view of the state of affairs of the Group.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting and also to ensure that the financial statements are drawn up following appropriate accounting policies and methods and in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia for entities other than private entities. The accounting policies and methods once adopted, are consistently applied and supported by reasonable and prudent judgments and estimates.

7.2 Internal Control

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group, covering matters relating to operations, compliance and risk management to safeguard shareholders' investment and the Group's assets.

The Statement of Internal Control set out on pages 37 and 38 of this Annual Report provides an overview of the state of internal controls of the Group.

7.3 Relationship with the Auditors

The Company's external auditors continues to report to the Company on their findings which are reported in the Company's financial reports with respect to each year of audit on the statutory financial statements. The Audit Committee and the Board have established formal and transparent arrangements to maintain appropriate relationships with the Company's external auditors from whom professional advice on financial reporting is sought.

During the financial year ended 31 December 2007, the Audit Committee met once with the external auditors without the presence of the executive Board members and employees of the Company.

7.4 Statement of Directors' Responsibility

The Board is satisfied that in preparing the financial Statements of the Group for the year ended 31 December 2007, the directors have:-

- Adopted the appropriate accounting policies and applied them consistently;
- Ensured compliance with the MASB approved accounting standards approved in Malaysia for entities other than private entities, and any material departures have been disclosed and explained in the financial statements;
- Made estimates and judgments which are reasonable and prudent; and
- Ensured the financial statements have been prepared on a going concern basis.

7.5 Compliance Statement

The Board is of the opinion that it has, in all material aspects, complied with the principles and best practices outlined in the Malaysian Code on Corporate Governance for the financial year ended 31 December 2007.

Statement of Internal Control

The Statement of Internal Control is made in accordance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia, which requires Malaysian public listed companies to make a statement about their internal control, as a Group, in their annual report and this is in line with the Malaysian Code on Corporate Governance that requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

BOARD RESPONSIBILITY

The Board of Directors ("the Board") recognises the importance of sound internal controls and risk management practices to good corporate governance.

The Board of Deleum Berhad ("Deleum") is responsible for maintaining a sound system of internal control for Deleum Group ("the Group") and for reviewing its adequacy and integrity so as to safeguard the shareholder's investment and the assets of the Group.

The Board and management have implemented a control system designed to identify and manage risks faced by the Group in pursuit of its business objectives. As there are limitations that are inherent in any systems of internal control, such systems are designed to manage rather than eliminate the risk that may impede the achievement of the Group's business objectives. This internal control system, by its nature, can only provide reasonable and not absolute assurance against material misstatements of loss.

The Group has established an on-going process for identifying, evaluating, monitoring and managing significant risks faced by the Group during the year. The management is responsible for the identification and evaluation of significant risks applicable to their respective areas of business and to formulate suitable internal controls. This process is regularly reviewed by the Board and accords with the guidelines for Directors on internal control, the Statement of Internal Control : Guidance for Directors of Public Listed Companies.

The Group's system of internal controls does not apply to associate companies where the Group does not have full management control over them.

RISK MANAGEMENT

The Board reviews the risk areas affecting the business together with the plans proposed by management to mitigate these risks periodically. The Board is considering the implementation of an enterprise risk management framework to formalise the process of identification, evaluating, monitoring and reporting of significant risks impacting the Group's achievement of its objectives.

INTERNAL CONTROL SYSTEM

The key processes of the Group's internal control system include the following:

- i. Clearly defined lines of accountability and delegated authority;
- ii. Regular and comprehensive information provided to management, covering operating and financial performance, key business indicators, resource utilisation, cash flow performance and project achievement;
- iii. A budgeting process where budgets for the coming year are approved by the Board;
- iv. Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- v. Regular visits to operating units by the members of the Board and senior management;
- vi. There are policy guidelines and authority limits imposed on executive directors and management within the Group in respect of the day to day banking and financing operations, investments, acquisition and disposal of assets.
- vii. An independent internal audit function that provides assurance to the Audit Committee through the execution of internal audit checks based on an approved risk-based internal audit plan, findings of which together with management's responses are presented to the Audit Committee.
- viii. External consultants were appointed to perform internal audits for the Group. The internal auditors independently reviewed the control processes implemented by the management and reported its findings and recommendations to the Audit Committee.

The Audit Committee obtains assurance on the adequacy and integrity of the Group's internal controls system through reviews of reports it receives from the internal auditors which perform internal audits in accordance with the approved internal audit plan and the results of these audits are tabled at the Audit Committee meetings.

The duties and responsibilities of the Audit Committee are detailed in the Terms of Reference of the Audit Committee. The Audit Committee, by consideration of both internal and external audit reports, is able to gauge the effectiveness and adequacy of the internal control systems, for presentation of its findings to the Board.

CONCLUSION

The Board is pleased to report that there were no significant internal control deficiencies or weaknesses that resulted in material losses or contingencies to the Group for the financial year under review.

Audit Committee Report

I. CONSTITUTION

The Audit Committee of Deleum Berhad was established by the Board on 21 March 2007. The terms of reference of the Audit Committee are set out in pages 41 and 42 of the Annual Report.

II. COMPOSITION

The present Audit Committee comprises three (3) members of the Board who are all Independent Non- Executive Directors.

The composition of the Audit Committee complies with the requirements of Paragraph 15.10 of Listing Requirements of Bursa Malaysia as revised by Bursa Malaysia on 28 January 2008.

III. MEMBERSHIP

Members of the Board who serve on the Audit Committee are as follows:-

No	Audit Committee Members	Designation
1	Datuk Ishak bin Imam Abas, Chairman	Independent Non-Executive
2	Dato' Kamaruddin bin Ahmad	Independent Non-Executive
3	Chin Kwai Yoong	Independent Non-Executive

IV. MEETINGS

For the financial year ended 2007, the Audit Committee held four meetings. The attendance of each Audit Committee member is as follows:-

No.	Audit Committee Members	Designation	No. of Audit Committee Meetings Attended
1	Datuk Ishak bin Imam Abas	Independent Non-Executive	4/4
2	Dato' Kamaruddin bin Ahmad	Independent Non-Executive	4/4
3	Chin Kwai Yoong	Independent Non-Executive	4/4
4	Dato' Izham bin Mahmud (Resigned as Audit Committee Member w.e.f. 25/10/07)	Executive Chairman	3/3
5	Datuk Vivekananthan a/l M.V.Nathan (Resigned as Audit Committee Member w.e.f. 25/10/07)	Deputy Executive Chairman	3/3

V. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

1. Financial Results

Reviewed the quarterly financial results and annual audited financial statements of the Group including the announcements pertaining thereto, before recommending to the Board for their approval and the release of the Group's results to Bursa Malaysia focussing on the following areas where relevant:-

- Listing Requirements of Bursa Malaysia;
- Provisions of the Companies Act, 1965, and other legal and regulatory requirements; and
- Malaysian Accounting Standard Board's approved accounting standards in Malaysia for entities other than private entities.

2. External Audit

- (a) Reviewed the external auditor's scope of work and audit plan for the year.
- (b) Reviewed the results and issues arising from their review of the quarterly results where applicable.
- (c) Reviewed the results of their audit of the year end financial statements and the resolution of issues highlighted in their report to the Audit Committee.
- (d) Reviewed the independence of the external auditors during the year.
- (e) Reviewed and recommended external auditors remuneration to the Board.
- (f) Reviewed with the external auditors the impact of new or proposed changes in accounting standards and regulatory requirements and the extent of compliance.

3. Internal Audit

- (a) Reviewed and approved the internal audit plan for the year prepared by the Internal Auditors to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas.
- (b) Reviewed the performance, adequacy, resources and competency of the Internal Auditors.
- (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve system of internal control and procedures.

4. Related Party Transactions

Discussed and reviewed on Related Party Transactions.

VI. INTERNAL AUDIT FUNCTION

The Internal Audit Function of the Group is outsourced to BDO Governance Advisory Sdn. Bhd.

The activities carried out were as follows:-

- (a) Reviewed the adequacy and effectiveness of the system of controls to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.
- (b) Reviewed and appraised the soundness, adequacy and application of controls in the area of adherence, efficiency and effectiveness.
- (c) Identified opportunities to improve the operations and processes of the Group and recommended improvements to existing system of internal controls.

VII. TERMS OF REFERENCE

1.0 Objectives of the Committee

- 1.1 The Committee shall assist the Board:
- 1.1.1 In complying with specified accounting standards and the necessary disclosure as required by Bursa Malaysia, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
 - 1.1.2 In presenting a balanced and understandable assessment of the Company's positions and prospects;
 - 1.1.3 In establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors; and
 - 1.1.4 In maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

2.0 Composition of the Committee

- 2.1 The Committee is to be appointed by the Board from among their numbers, which shall comprise the following:
- 2.1.1 A minimum of three (3) Members;
 - 2.1.2 All the Members must be non executive directors with a majority of the Members being Independent Directors;
 - 2.1.3 At least one (1) Member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA") or a person who fulfils the requirements as stated in para 15.10(c) (ii) of the Bursa Malaysia Listing Requirements;
 - 2.1.4 The Members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director;
 - 2.1.5 All Members of the Committee shall hold office only for so long as they serve as Directors of the Company;
 - 2.1.6 In the event of any vacancy resulting in non-compliance of the minimum of three (3) Members, the Board shall upon the recommendation of the Directors' Nomination Committee, appoint such number of Directors within three (3) months of the event to fill up such vacancies;
 - 2.1.7 Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company; and
 - 2.1.8 The Secretary of the Committee shall be the Company Secretary.

3.0 Duties and Responsibilities of the Committee

- 3.1 The following are the main duties and responsibilities of the Committee collectively, which are not exhaustive and can be augmented if necessary with the Board's approval:
- 3.1.1 Nominates and recommends the external auditor for appointment, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditor;
 - 3.1.2 Reviews with the external auditor the nature and scope of the audit before the audit commences and reports the same to the Board;
 - 3.1.3 Ensures co-ordination when more than one audit firm is involved in the audit;
 - 3.1.4 Reviews with the external auditor his audit report and reports the same to the Board;
 - 3.1.5 Reviews with external auditor his evaluation of the system of internal controls and reports the same to the Board;
 - 3.1.6 Reviews the assistance given by the employees of the Deleum Berhad Group to the external auditor and reports the same to the Board;
 - 3.1.7 To do the following with regard to internal audit function:
 - (a) Reviews and reports the same to the Board on the adequacy of the scope, authority, functions, resources and competency of the internal audit function;
 - (b) Reviews and reports the same to the Board on the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken;
 - (c) Where necessary, ensures that appropriate action is taken on the recommendations of the internal audit function;

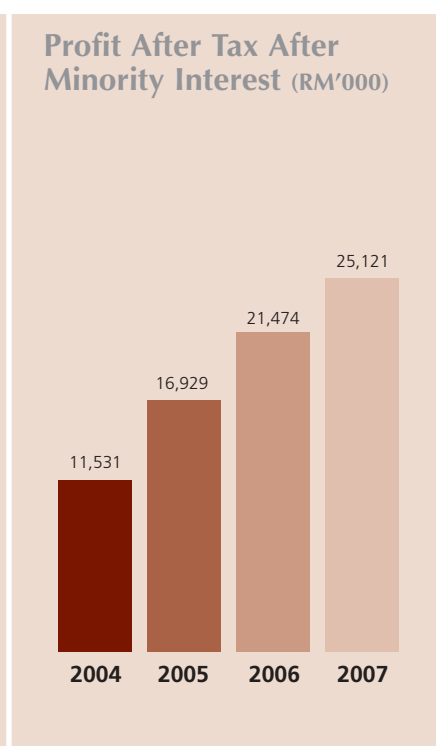
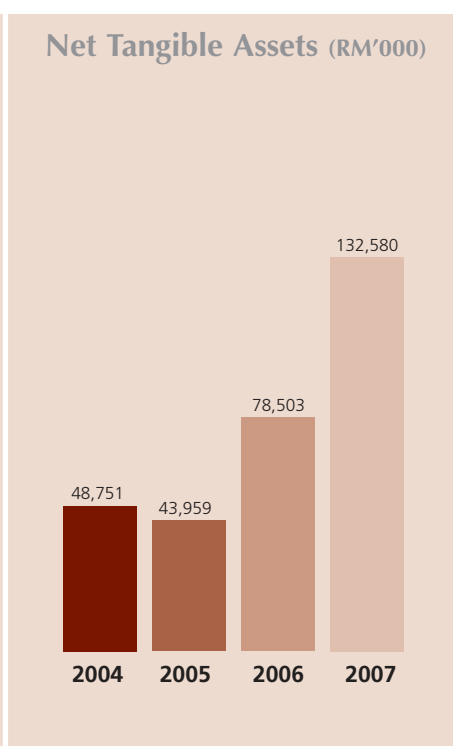
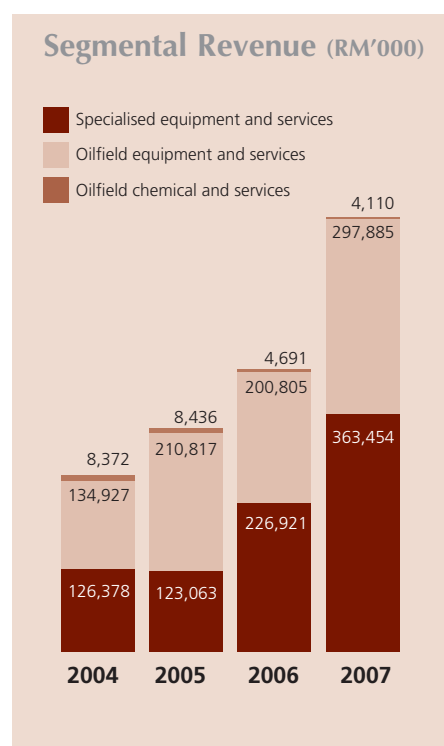
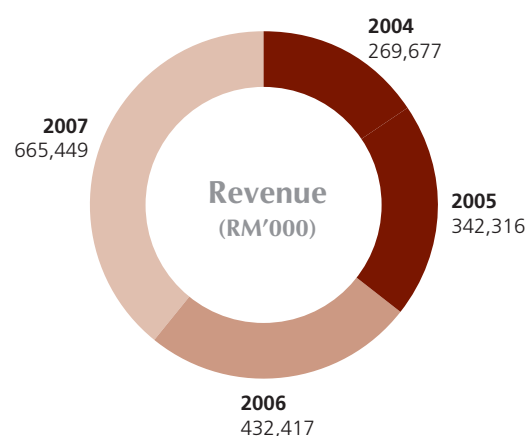
- (d) Reviews any appraisal or assessment of the performance of members of the internal audit function;
 - (e) Approves any appointment or termination of senior staff members of the internal audit function;
 - (f) Considers the resignations of internal audit staff members and provides the resigning staff member an opportunity to submit his reasons for resigning; and
 - (g) Ensures the independence of the internal audit function and that the internal audit function reports directly to the Committee.
- 3.1.8 Prior to the approval of the Board, reviews the quarterly and year -end financial statements and reports the same to the Board, focusing particularly on:
- (a) Any changes in accounting policies and practices;
 - (b) Significant adjustments arising from the audit;
 - (c) The going concern assumptions; and
 - (d) Compliance with accounting standards and other statutory requirements.
- 3.1.9 Reviews any related party transactions and conflict of interest situation that may arise within the Deleum Berhad Group including any transaction, procedure or course of conduct that raises questions of management integrity and reports the same to the Board;
- 3.1.10 Reviews any letter of resignation from the external auditor and reports the same to the Board;
- 3.1.11 Reviews whether there is reason, supported by grounds, to believe that the external auditor is not suitable for reappointment and reports the same to the Board;
- 3.1.12 Discusses problems and reservations, if any, arising from the interim and final audits and any matter which the external auditor wishes to discuss in the absence of management, where necessary;
- 3.1.13 Discusses and reviews the external auditor's management letter and management's response;
- 3.1.14 Discusses and reviews the major findings of internal audit investigations and management's response;
- 3.1.15 Reviews with the external auditor the statement made by the Board with regard to the state of internal control of the Deleum Berhad Group, and reports the results thereof to the Board;
- 3.1.16 Performs any other work that it is required or empowered to do by statutory legislation or guidelines as prepared by the relevant Government authorities;
- 3.1.17 Reports to the Board of Directors if there is any breach of the Listing Requirements and recommends corrective measures;
- 3.1.18 Promptly reports to Bursa Malaysia where a matter reported by the Committee to the Board has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Listing Requirements; and
- 3.1.19 Considers other issues as defined by the Board.

Financial Highlights

For The Financial Years Ended 31 December 2004 - 2007

The summary of the financial results for the years ended 31 December 2004 to 31 December 2006 as set out below have been prepared, solely for illustrative purposes, to show the proforma results of the Deleum Group had the Deleum Group been in existence from the beginning of the earliest period presented:

Financial Year	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	269,677	342,316	432,417	665,449
Gross Profit	27,072	34,763	41,455	50,390
Profit from operations	11,921	18,830	21,981	27,516
Share of associates' results	8,015	7,821	10,011	8,283
Profit Before Tax	19,936	26,651	31,992	35,799
Profit After Tax	14,322	20,274	24,831	27,532
Minority Interest	(2,791)	(3,345)	(3,357)	(2,411)
Profit After Tax After Minority Interest	11,531	16,929	21,474	25,121



Directors' Report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries consist of provision of specialised equipment and services, provision of oilfield equipment and services and provision of oilfield chemicals and services to the oil and gas, and general industries.

There was no significant change in the nature of the activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	27,531,718	10,075,017

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2006 were as follows:

	RM
In respect of the financial year ended 31 December 2006, as shown in the Directors' report of that year, interim gross dividend of 14 sen per share on 60,000,000 ordinary shares, comprising of:	
- Interim gross dividend of 6.28 sen per share, tax exempt, paid on 26 March 2007	3,766,000
- Interim gross dividend of 7.72 sen per share, less income tax of 27%, paid on 26 March 2007 and 30 January 2008	3,382,820
In respect of the financial year ended 31 December 2007, first interim gross dividend of 5 sen per share on 80,000,000 ordinary shares, less income tax of 27%, paid on 28 September 2007	2,920,000
	<u>10,068,820</u>

Subsequent to 31 December 2007, the Directors have declared in respect of the financial year ended 31 December 2007, a second interim gross dividend of 10 sen per share on 80,000,000 ordinary shares, less income tax of 26%, amounting to RM5,920,000, which was paid on 2 April 2008.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2007.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

Directors' Report (Continued)

ISSUE OF SHARES

On 6 April 2007, 6,000,000 new ordinary shares of RM1.00 each were issued by the Company for cash pursuant to the rights issue at an issue price of RM1.00 per share.

On 29 May 2007, 14,000,000 new ordinary shares of RM1.00 each were issued by the Company for cash pursuant to the public issue at an issue price of RM2.55 per share.

The new ordinary shares have been issued to provide funds for investment in equipment, facilities, expansion of business and markets as well as working capital. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company except that the shares issued did not rank for interim dividends declared in respect of the financial year ended 31 December 2006.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Izham bin Mahmud	
Datuk Vivekananthan a/l M. V. Nathan	
Chandran Aloysius Rajadurai	
Hj. Abd Razak bin Abu Hurairah	
Datuk Ishak bin Imam Abas	(appointed on 21 March 2007)
Dato' Kamaruddin bin Ahmad	(appointed on 21 March 2007)
Chin Kwai Yoong	(appointed on 21 March 2007)

In accordance with Article 78 of the Company's Articles of Association, Datuk Vivekananthan a/l M. V. Nathan and Hj. Abd Razak bin Abu Hurairah retire by rotation in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate, except for the transactions undertaken in conjunction with the listing of the Company on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), as follows:

Rights issue

Pursuant to the rights issue, new ordinary shares issued to certain Directors are as follows:

	Number of shares
Dato' Izham bin Mahmud	225,000
Datuk Vivekananthan a/l M. V. Nathan	885,000
Chandran Aloysius Rajadurai	420,000
Hj. Abd Razak bin Abu Hurairah	150,000

Offer for sale

The offer for sale of 6,450,000 ordinary shares of the Company by certain existing shareholders prior to the listing and quotation of the Company on the Main Board of Bursa Malaysia comprise an offer for sale of 450,000 ordinary shares to certain Directors, as follows:

	Number of shares
Datuk Ishak bin Imam Abas	150,000
Dato' Kamaruddin bin Ahmad	150,000
Chin Kwai Yoong	150,000

Directors' Report (Continued)

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related corporations were as follows:

	Number of ordinary shares of RM1 each in the Company			
	At 1.1.2007/ date of appointment	Bought	Sold	At 31.12.2007
Direct interest				
Dato' Izham bin Mahmud	2,250,000	225,000	(241,880)	2,233,120
Datuk Vivekananthan a/l M. V. Nathan	8,850,000	1,219,200	(1,611,370)	8,457,830
Chandran Aloysius Rajadurai	4,200,000	745,000	(451,500)	4,493,500
Hj. Abd Razak bin Abu Hurairah	1,500,000	150,000	(221,250)	1,428,750
Datuk Ishak bin Imam Abas	-	180,000	-	180,000
Dato' Kamaruddin bin Ahmad	-	150,000	(116,000)	34,000
Chin Kwai Yoong	-	150,000	-	150,000
Indirect interest				
Dato' Izham bin Mahmud	28,200,000	3,355,412	(3,950,620)	27,604,792
Datuk Vivekananthan a/l M. V. Nathan	16,500,000	2,179,412	(2,342,870)	16,336,542
Hj. Abd Razak bin Abu Hurairah	16,500,000	2,179,412	(2,342,870)	16,336,542

	Number of ordinary shares of RM1 each in a subsidiary, VSM Technology Sdn. Bhd.			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Direct interest				
Datuk Vivekananthan a/l M. V. Nathan	40,400	-	-	40,400

By virtue of their interest in shares in the Company pursuant to Section 6A of the Companies Act, 1965, Dato' Izham bin Mahmud, Datuk Vivekananthan a/l M. V. Nathan and Hj. Abd Razak bin Abu Hurairah are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

Directors' Report (Continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company was listed on the Main Board of Bursa Malaysia on 1 June 2007.
- (b) The Company has on 24 September 2007 through its subsidiary company, Delcom Holdings Sdn. Bhd., entered into a conditional share sale agreement to acquire 1,275,000 ordinary shares of RM1.00 each, representing 51% equity interest in Penaga Dresser Sdn. Bhd., a company involved in the supply, repair, maintenance and installation of valves and flow regulators, for a total consideration of RM7,250,000. The proposed acquisition has yet to be completed pending the fulfilment of conditions precedent.

Directors' Report (Continued)

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 April 2008.

DATO' IZHAM BIN MAHMUD
DIRECTOR

CHANDRAN ALOYSIUS RAJADURAI
DIRECTOR

Income Statements

For The Financial Year Ended 31 December 2007

	Note	Group		Company	
		2007 RM	2006 (Restated) RM	2007 RM	2006 RM
Revenue	6	665,449,218	452,047,001	20,000,000	3,766,400
Cost of sales		(615,059,338)	(412,339,883)	-	-
Gross profit		50,389,880	39,707,118	20,000,000	3,766,400
Other operating income		2,740,101	1,913,659	655,917	132,593
Selling and distribution costs		(3,509,467)	(2,867,608)	(611,501)	-
Administrative expenses		(19,053,629)	(17,208,356)	(5,011,823)	(2,365,076)
Other operating expenses		(2,617,336)	(3,917,261)	(701,738)	-
Finance cost	9	(434,298)	(109,247)	-	-
Share of results of associates	18	8,283,397	10,011,446	-	-
Profit before tax	7	35,798,648	27,529,751	14,330,855	1,533,917
Tax expense	10	(8,266,930)	(6,730,368)	(4,255,838)	-
Profit for the financial year		27,531,718	20,799,383	10,075,017	1,533,917
Attributable to:					
Equity holders of the Company		25,120,823	18,090,348	10,075,017	1,533,917
Minority interest		2,410,895	2,709,035	-	-
		27,531,718	20,799,383	10,075,017	1,533,917
Earnings per share (sen)					
- Basic	11	34.52	30.15		

Balance Sheets

As At 31 December 2007

	Note	Group		Company	
		2007 RM	2006 (Restated) RM	2007 RM	2006 (Restated) RM
NON-CURRENT ASSETS					
Property, plant and equipment	13	39,439,211	20,087,845	5,264,548	2,337,595
Investment properties	14	1,053,000	1,108,038	-	-
Prepaid lease payments	15	4,011,933	4,050,799	2,428,296	2,444,000
Subsidiaries	17	-	-	73,932,617	73,932,617
Associates	18	31,561,519	31,655,066	-	-
Other investments	19	2,475	3,105	-	-
		76,068,138	56,904,853	81,625,461	78,714,212
CURRENT ASSETS					
Inventories	20	4,122,518	2,094,025	-	-
Amounts due from subsidiaries	21	-	-	7,353,949	-
Amounts due from associates	22	111,859	18,007	303	-
Trade receivables	23	91,118,987	74,048,228	-	-
Other receivables, deposits and prepayments	23	4,149,954	5,045,934	146,751	524,220
Tax recoverable		1,525,462	1,120,159	1,146,957	-
Deposits with licensed banks	24	50,250,283	33,947,270	27,500,000	2,250,000
Cash and bank balances	24	11,028,077	7,102,319	24,475	261,006
		162,307,140	123,375,942	36,172,435	3,035,226
LESS: CURRENT LIABILITIES					
Amount due to subsidiaries	21	-	-	14,082,740	19,615,469
Amounts due to associates	22	2,096	-	-	-
Trade payables	25	72,657,278	73,211,776	-	-
Other payables and accruals	25	8,865,928	7,162,203	2,128,702	600,052
Taxation		1,817,573	748,002	-	-
Borrowings	26	1,096,885	1,059,216	-	-
Dividends payable		46,340	-	46,340	-
		84,486,100	82,181,197	16,257,782	20,215,521
NET CURRENT ASSETS/(LIABILITIES)		77,821,040	41,194,745	19,914,653	(17,180,295)

Balance Sheets (Continued)

As At 31 December 2007

	Note	Group		Company	
		2007 RM	2006 (Restated) RM	2007 RM	2006 (Restated) RM
LESS: NON-CURRENT LIABILITIES					
Deferred tax liabilities	27	987,863	878,424	-	-
Term loans (secured)	28	6,007,298	3,031,524	-	-
		6,995,161	3,909,948	-	-
		146,894,017	94,189,650	101,540,114	61,533,917
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	29	80,000,000	60,000,000	80,000,000	60,000,000
Share premium	30	20,000,000	-	20,000,000	-
Retained earnings	31	85,002,253	69,950,250	1,540,114	1,533,917
Merger deficit	32	(50,000,000)	(50,000,000)	-	-
Currency translation differences		(2,422,390)	(1,447,649)	-	-
Shareholders' equity		132,579,863	78,502,601	101,540,114	61,533,917
MINORITY INTEREST		14,314,154	15,687,049	-	-
TOTAL EQUITY		146,894,017	94,189,650	101,540,114	61,533,917

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 December 2007

	Attributable to equity holders of the Company									
	Note	Issued and fully paid ordinary shares of RM1 each		Share premium RM	Currency translation differences RM	Merger deficit RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
		Number of shares	Nominal value RM							
Group										
At 1 January 2007		60,000,000	60,000,000	-	(1,447,649)	(50,000,000)	69,950,250	78,502,601	15,687,049	94,189,650
Issuance of shares										
- rights issue	29	6,000,000	6,000,000	-	-	-	-	6,000,000	-	6,000,000
- public issue	29	14,000,000	14,000,000	21,700,000	-	-	-	35,700,000	-	35,700,000
Share issue expenses		-	-	(1,700,000)	-	-	-	(1,700,000)	-	(1,700,000)
Profit for the financial year		-	-	-	-	-	25,120,823	25,120,823	2,410,895	27,531,718
Dividends paid	12	-	-	-	-	-	(10,068,820)	(10,068,820)	(2,950,971)	(13,019,791)
Currency translation Differences		-	-	-	(974,741)	-	-	(974,741)	(832,819)	(1,807,560)
At 31 December 2007		80,000,000	80,000,000	20,000,000	(2,422,390)	(50,000,000)	85,002,253	132,579,863	14,314,154	146,894,017

	Attributable to equity holders of the Company									
	Note	Issued and fully paid ordinary shares of RM1 each		Share premium RM	Currency translation differences RM	Merger deficit RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
		Number of shares	Nominal value RM							
Group										
At 1 January 2006		60,000,000	60,000,000		(526,675)	(50,000,000)	51,859,902	61,333,227	17,463,085	78,796,312
Profit for the financial year		-	-	-	-	-	18,090,348	18,090,348	2,709,035	20,799,383
Dividend paid		-	-	-	-	-	-	-	(2,825,156)	(2,825,156)
Disposal of subsidiary	4	-	-	-	-	-	-	-	(712,478)	(712,478)
Currency translation differences		-	-	-	(920,974)	-	-	(920,974)	(947,437)	(1,868,411)
At 31 December 2006		60,000,000	60,000,000		(1,447,649)	(50,000,000)	69,950,250	78,502,601	15,687,049	94,189,650

Company Statement Of Changes In Equity

For The Financial Year Ended 31 December 2007

	Note	Issued and fully paid ordinary shares of RM1 each		Share premium RM	Distributable	Total RM
		Number of shares	Nominal value RM		Retained earnings RM	
Company						
At 1 January 2007		60,000,000	60,000,000	-	1,533,917	61,533,917
Issuance of shares						
- Rights Issue	29	6,000,000	6,000,000	-	-	6,000,000
- Public Issue	29	14,000,000	14,000,000	21,700,000	-	35,700,000
Share issue expenses		-	-	(1,700,000)	-	(1,700,000)
Profit for the financial year		-	-	-	10,075,217	10,075,217
Dividends paid	12	-	-	-	(10,068,820)	(10,068,820)
At 31 December 2007		80,000,000	80,000,000	20,000,000	1,540,114	101,540,114
At 1 January 2006		60,000,000	60,000,000	-	-	60,000,000
Profit for the financial year		-	-	-	1,533,917	1,533,917
At 31 December 2006		60,000,000	60,000,000	-	1,533,917	61,533,917

Cash Flow Statements

For The Financial Year Ended 31 December 2007

	Note	Group		Company	
		2007 RM	2006 (Restated) RM	2007 RM	2006 (Restated) RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		27,531,718	20,799,383	10,075,017	1,533,917
Adjustments for:					
Allowance for doubtful debts:					
- allowance made		-	1,055,756	-	-
- write back of allowance		(806,130)	-	-	-
Amortisation:					
- prepaid lease payments		38,866	38,601	15,704	-
- dry docking expenditure		-	1,157,177	-	-
Depreciation:					
- property, plant and equipment		4,242,957	3,401,156	223,352	257,609
- investment properties		23,575	23,575	-	-
Bad debts written off:					
- trade receivables		-	210,663	-	-
- other receivables		1,069,324	-	-	-
(Gain)/loss on disposal:					
- property, plant and equipment		(8,962)	(214,266)	-	(122,773)
- subsidiary		-	1,626,331	-	-
Impairment losses:					
- investment properties		31,463	-	-	-
- other investment		630	64,030	-	-
Write-off:					
- property, plant and equipment		-	2,833	-	-
- deposit		2,400	-	-	-
Interest income		(1,874,724)	(1,013,054)	(655,917)	(9,820)
Dividend income		-	-	(20,000,000)	(3,766,400)
Finance cost		434,298	109,247	-	-
Share of results of associates	18	(8,283,397)	(10,011,446)	-	-
Tax expense		8,266,930	6,730,368	4,255,838	-
Unrealised foreign exchange gain		(190,663)	(355,755)	-	-
		30,478,285	23,624,599	(6,086,006)	(2,107,467)
Changes in working capital:					
Inventories		(2,028,493)	(1,592,677)	-	-
Receivables, deposits and prepayments		(16,239,086)	39,197,390	(6,876,480)	(524,220)
Payables		1,058,397	(42,611,170)	(4,004,079)	600,052
		13,269,103	18,618,142	(16,966,505)	(2,031,635)
Interest received		1,864,100	1,013,054	655,917	9,820
Tax paid		(7,493,223)	(7,173,102)	(2,795)	-
Interest paid		(434,298)	(109,247)	-	-
Net cash generated from / (used in) operating activities		7,205,682	12,348,847	(16,313,079)	(2,021,815)

Cash Flow Statements (Continued)

For The Financial Year Ended 31 December 2007

	Note	Group		Company	
		2007 RM	2006 (Restated) RM	2007 RM	2006 (Restated) RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Amount due from associates		(91,756)	2,999,893	(303)	-
Investment in subsidiaries		-	-	-	(100,100)
Disposal of subsidiary	4	-	(2,073,463)	-	-
Purchase of property, plant and equipment		(23,981,361)	(12,207,257)	(3,150,305)	(2,595,204)
Purchase of leasehold land		-	(2,444,000)	-	(2,444,000)
Proceeds from disposal of property, plant and equipment		396,000	413,335	-	155,100
Dividends received from subsidiary		-	-	14,500,000	3,766,400
Dividends received from associates		6,861,195	4,917,240	-	-
Net cash (used in)/generated from investing activities		(16,815,922)	(8,394,252)	11,349,392	(1,217,804)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares		41,700,000	-	41,700,000	-
Share issue expenses		(1,700,000)	-	(1,700,000)	-
Advances from subsidiaries		-	-	-	5,750,623
Bank borrowings:					
- proceeds		10,271,979	2,717,772	-	-
- repayments		(7,259,512)	(548,439)	-	-
Dividends paid to:					
- shareholders		(10,022,480)	(7,200,000)	(10,022,480)	-
- minority interest		(2,860,136)	(2,825,156)	-	-
Net cash generated from/ (used in) financing activities		30,129,851	(7,855,823)	29,977,520	5,750,623
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		20,519,611	(3,901,228)	25,013,469	2,511,004
FOREIGN EXCHANGE RESERVES		(291,816)	(296,393)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		41,047,906	45,245,527	2,511,006	2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	24	61,275,701	41,047,906	27,524,475	2,511,006

Summary Of Significant Accounting Policies

For The Financial Year Ended 31 December 2007

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

A BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with the provisions of Companies Act, 1965 and Financial Reporting Standards, the MASB approved accounting standards in Malaysia for entities other than private entities. The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the MASB approved accounting standards for entities other than private entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

(1) Standards, amendments to published standards and interpretations that are effective and relevant

The new accounting standards effective and relevant for the Group's and the Company's financial year ended 31 December 2007 are as follows:

- FRS 117 Leases
- FRS 124 Related Party Disclosures

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group and the Company require retrospective application.

The adoption of the new accounting standards, amendments to published standards and IC interpretations to existing standards effective to the Group and the Company did not have a material impact on the financial statements of the Group and the Company except on the following:

- FRS 117 Leases

The adoption of the revised FRS 117 has resulted in leasehold land of the Group and the Company, previously classified under property, plant and equipment being reclassified to prepaid lease payments. The prepaid lease payments are amortised on a straight line basis over the remaining lease period. The comparative figures have been reclassified as disclosed in Note 37 to the financial statements.

- FRS 124 Related Party Disclosures

The adoption of the revised FRS 124 has affected the identification of related parties and some other related party disclosure. FRS 124 also requires disclosure of employment benefits for key management personnel. Additional related party disclosures are disclosed in Note 33 to the financial statements.

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

(2) Standards and amendments to published standards that are not yet effective and have not been early adopted

The new standards and amendments to published standards that are mandatory for the Group's and the Company's financial years beginning on or after 1 January 2008 or later, but which the Group and the Company have not early adopted, are as follows:

- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. The Group and the Company will apply this amendment from financial periods beginning on 1 January 2008. The adoption of this amendment will not have a material impact on the financial statements of the Group and the Company.
- FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group and the Company will apply this standard from financial periods beginning on 1 January 2008. The adoption of this revised standard will not have a material impact on the financial statements of the Group and the Company.
- Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes compared to the original standards:
 - FRS 107 Cash Flow Statements
 - FRS 118 Revenue
 - FRS 137 Provisions, Contingent liabilities and Contingent Assets

The Group and the Company will apply these standards from financial periods beginning on 1 January 2008.

- FRS 139 Financial Instruments : Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company will apply this standard when effective.

(3) Standards and interpretations that are not yet effective and not relevant for the Group's and the Company's operations

- FRS 111 Construction Contracts (effective for accounting periods beginning on or after 1 July 2007). FRS 111 is not relevant to the operations of the Group and the Company as the Group and the Company do not carry out construction activities.
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 July 2007). FRS 120 is not relevant to the Group and the Company as the Group and the Company do not receive any government grants or assistance.
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and the Company as the Group and the Company do not have obligations to dismantle, remove and restore items of property, plant and equipment.
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and the Company as the Group and the Company do not carry out activities of co-operatives or other similar entities.
- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and the Company as the Group and the Company do not contribute to any decommissioning, restoration or environmental rehabilitation funds.

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and the Company as the Group and the Company do not carry out production activities on waste electrical and electronic equipment.
- IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economics (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and the Company as the functional currency of the Group and the Company is not the currency of a hyperinflationary economy.
- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and the Company as the Group and the Company do not undertake any share-based payment transactions.

B ECONOMIC ENTITIES IN THE GROUP

(1) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Delcom Services Sdn. Bhd., a subsidiary company, is consolidated using the merger method of accounting as the internal group reorganisation as defined by FRS 122²⁰⁰⁴ "Business Combinations" took place on/after 1 January 2002 and with agreement dates before 1 January 2006, and where the ultimate shareholders remain the same, and the rights of each such shareholder relative to the others, are unchanged and the minorities' share of net assets of the Group is not altered by the transfer. The other subsidiaries are consolidated using the purchase method of accounting.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill on consolidation. See the accounting policy Note C on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences, that relate to the subsidiary is recognised in the consolidated income statement.

(2) Associates

Associates are enterprises in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution, gains and losses in associates are recognised in the income statement.

C GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units of groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note 5 on impairment of assets.

Goodwill on acquisitions of associates is included in investments in associates. Such goodwill is tested for impairment as part of the overall balance.

D INVESTMENTS

Investments in subsidiaries and associates are shown at cost. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See the accounting policy Note 5 on impairment of assets.

Investments in other long term investments are stated at cost and an allowance for diminution in value is made where, in the opinion of Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

E PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight line basis to write off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

Freehold building	2%
Long term leasehold buildings	2% - 5%
Office equipment, furniture and fittings	10 - 33 $\frac{1}{3}$ %
Renovations	20%
Plant, machinery and other equipment	20 - 33 $\frac{1}{3}$ %
Motor vehicles	20%

Residual values and useful lives of the assets are reviewed, and are adjusted if appropriate at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note S on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

F INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight line basis to write off the costs to their residual values over their estimated useful lives at the rate of 2% per annum.

Useful lives of investment properties are reviewed, and are adjusted if appropriate at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment property is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note S on impairment of assets.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in income statement in the financial year of the retirement or disposal.

G INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowings costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

H REVENUE RECOGNITION

Sale of specialised equipment and parts are recognised upon delivery of equipment and customer acceptance, net of sales taxes and discounts, and after eliminating sales within the Group. Revenue arising from provision of technical and engineering support services is recognised upon performance of services and customer acceptance.

Revenues are measured at the fair value of the consideration received or receivable by the Group. In arrangements whereby the criteria set out in Note 3(ii)(b) to the financial statements are not met, the marketing fee earned on the sale is recognised as revenue.

Other operating income earned by the Group are recognised on the following bases:

- (i) Interest income - as it accrues unless collectability is in doubt.
- (ii) Dividend income - when the Group's right to receive payment is established.

Dividend income earned by the Company is recognised as revenue on a similar basis as above.

I TRADE RECEIVABLES

Trade receivables are carried at invoice amount less an estimate made for doubtful debts. Bad debts are written off when identified. Included in trade receivables are unbilled revenue for services rendered. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

J OPERATING LEASES

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessor) are charged to the income statement on the straight line basis over the lease period.

When an operating lease is terminated before the expiry of lease period, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Upfront payments on leasehold land are classified as prepaid lease payments and amortised on a straight line basis over the remaining lease period.

K CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

L FOREIGN CURRENCIES

The financial statements are presented in Ringgit Malaysia.

- (1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

- (2) Group companies

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially sold or disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(3) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

M INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Company operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in associates except where it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

N EMPLOYEE BENEFITS

(1) Short term employee benefits

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

(2) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

O DRY DOCKING EXPENDITURE

Dry docking expenditure represents costs incurred on capital for inspection, overhaul and mobilisation of rented rigs and drilling equipment. These costs are capitalised and amortised on a straight-line basis over the period of the rig leased, which is between 2 to 5 years.

P FINANCIAL INSTRUMENTS

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(b) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(c) Fair value estimation for disclosure purposes

The face values, less any estimated credit adjustments, for financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial assets with a maturity of more than one year such as publicly traded securities is based on quoted market prices at the balance sheet date. The fair values of financial liabilities with a maturity of more than one year is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Q SHARE CAPITAL

(1) Classification

Ordinary shares are classified as equity. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(2) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

Summary Of Significant Accounting Policies (Continued)

For The Financial Year Ended 31 December 2007

(3) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becomes payable, it will be accounted as a liability.

R BORROWINGS

(1) Classification

Borrowings are initially recognised on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

(2) Capitalisation of borrowing costs

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

S IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an assets' net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement. Impairment losses on goodwill are not reversed.

T SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

U PAYABLES

Payables, including accruals represent liabilities for equipment purchased and services rendered to the Group prior to the end of the financial period and which remain unpaid.

Notes To The Financial Statements

31 December 2007

1 GENERAL INFORMATION

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries consist of provision of specialised equipment and services, provision of oilfield equipment and services and provision of oilfield chemicals and services to the oil and gas, and general industries.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

During the financial year, the address of the registered office and principal place of business of the Company was:

42, Jalan Bangsar Utama 1
Bangsar Utama
59000 Kuala Lumpur

Subsequent to the financial year, the registered office and principal place of business of the Company has been moved to:

2, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur

2 FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risks. The Group's overall financial risk management objectives are to ensure that the Group creates value for its shareholders and to ensure that adequate financial resources are available for the development of the Group's businesses. The Group operates within clearly defined guidelines that are approved by the Board and seeks to minimise potential adverse effects on its financial performance. The Group's policy in respect of the major areas of treasury activity is set out as follows:

Foreign currency exchange risk

The Group is exposed to currency risk as a result of foreign currency transactions entered into currencies other than their measurement currency. The Group's policy is to minimise the exposure of transaction risk by matching foreign currency receivable against foreign currency payable.

The Group enters into forward exchange contracts to hedge significant exposure where deemed appropriate.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debts and maintaining deposits at current market rates.

Market risk

For key contracts, the Group establishes price levels that the Group considers acceptable and also enters into supply agreements where necessary, to achieve these levels.

Credit risk

Credit risk arises when sales are made on deferred credit terms. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. The Group's customers are mainly major players in the oil and gas industry and have high credit worthiness. The Group considers the risk of material loss in the event of non-performance by a customer to be unlikely.

The majority of its deposits are placed with major financial institutions in Malaysia. The Group seeks to invest cash assets safely and profitably.

The Directors are of the view that such credit risk is minimal in view of the Group's historical experience in collection and the stability of the economic position of Malaysia.

Notes To The Financial Statements (Continued)

31 December 2007

Liquidity and cash flow risks

The Group has sufficient cash and bank balances and maintains standby credit lines to ensure availability of funding to meet operational requirements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

(ii) Critical judgement in applying the Group's accounting policies

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The following accounting policy require subjective judgment.

(a) Functional currency

The consolidated financial statements are prepared in the functional currency of the Group of Ringgit Malaysia, which is the currency of the primary economic environment in which the Group operates. Factors considered by management when determining the functional currency for subsidiaries include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Group has determined that Ringgit Malaysia is the functional currency for all its subsidiaries.

(b) Revenue recognition

The Group measures its revenues based on the gross inflow of economic benefits received or receivable. In determining whether revenues are recognised on a gross basis, management considers whether:

- the Group has latitude, within economic constraints, to set transaction terms with customers including selling price and payment terms;
- part of the services provided to customers are rendered by the Group; and
- the Group assumes risks associated with ownership, such as price risks, credit risks and contractual risks.

If any of the above criteria is not met, only the marketing fee earned on the sale is recognised as revenue.

Notes To The Financial Statements (Continued)

31 December 2007

4 DISPOSAL OF SUBSIDIARY

Impact of disposal of a subsidiary in the previous financial year

The Group disposed its total shareholding in Foradel Sdn. Bhd. in August 2006 for a cash consideration of RM300,000. The effect of the disposal on the financial statements of the Group is as follows:

	At date of disposal RM
Dry docking expenditure (Note 16)	836,120
Receivables	12,133,854
Cash at bank	2,373,463
Payables	(12,379,708)
Deferred tax liabilities (Note 27)	(374,920)
Minority interest	(712,478)
	<hr/>
Net assets disposed	1,926,331
Proceeds from disposal	(300,000)
	<hr/>
Loss on disposal	<u>1,626,331</u>

The cash flow on disposal is determined as follows:

Cash proceeds received from disposal	300,000
Cash and cash equivalents of subsidiary disposed off	(2,373,463)
Cash flow on disposal	<u>(2,073,463)</u>

5 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.
- 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 Other 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. and Foradel Sdn. Bhd. (for the previous financial year only) based on agreed terms and conditions between the relevant parties.

Notes To The Financial Statements (Continued)

31 December 2007

(a) Primary reporting format-business segments

	Specialised equipment and services RM	Oilfield equipment and services RM	Oilfield chemicals and other services RM	Others RM	Eliminations RM	Group RM
For the financial year ended 31 December 2007						
<u>Revenue</u>						
External revenue	363,454,170	297,885,304	4,109,744	-	-	665,449,218
Intersegment revenue	-	6,295,441	-	-	(6,295,441)	-
Total revenue	<u>363,454,170</u>	<u>304,180,745</u>	<u>4,109,744</u>	<u>-</u>	<u>(6,295,441)</u>	<u>665,449,218</u>
<u>Results</u>						
Segment results	<u>18,989,554</u>	<u>20,706,282</u>	<u>(1,442,010)</u>	<u>2,161,392</u>	<u>-</u>	<u>40,415,218</u>
Unallocated corporate expenses						(12,465,669)
Finance cost						(434,298)
Share of results of associates						8,283,397
Tax expense						<u>(8,266,930)</u>
Profit for the financial year						<u>27,531,718</u>

Notes To The Financial Statements (Continued)

31 December 2007

	Specialised equipment and services RM	Oilfield equipment and services RM	Oilfield chemicals and other services RM	Others RM	Group RM
As at 31 December 2007					
Segment assets	41,885,664	116,808,986	3,399,630	31,561,519	193,655,799
Unallocated corporate assets					44,719,479
Total assets					238,375,278
Segment liabilities	28,280,919	56,290,412	863,068	-	85,434,399
Unallocated corporate liabilities					6,046,862
Total liabilities					91,481,261
For the financial year ended 2007					
<u>Other Information:</u>					
Capital expenditure	-	20,405,028	338,173	-	20,743,201
Unallocated corporate capital expenditure	-	-	-	-	3,238,160
Depreciation and amortisation	-	3,104,524	115,098	-	3,219,622
Unallocated depreciation and amortisation on corporate assets	-	-	-	-	1,085,776

Notes To The Financial Statements (Continued)

31 December 2007

	Specialised equipment and services RM	Oilfield equipment and services RM	Oilfield chemicals and other services RM	Others RM	Eliminations RM	Group RM
For the financial year ended 31 December 2006						
<u>Revenue</u>						
External revenue	226,920,241	220,436,092	4,690,668	-	-	452,047,001
Intersegment revenue	-	8,159,803	-	-	(8,159,803)	-
Total revenue	226,920,241	228,595,895	4,690,668	-	(8,159,803)	452,047,001
<u>Results</u>						
Segment results	7,540,170	17,585,082	883,778	1,913,694	-	27,922,724
Unallocated corporate expenses						(8,668,841)
Loss on disposal of subsidiary						(1,626,331)
Finance cost						(109,247)
Share of results of associates						10,011,446
Tax expense						(6,730,368)
Profit for the financial year						20,799,383

Notes To The Financial Statements (Continued)

31 December 2007

	Specialised equipment and services RM	Oilfield equipment and services RM	Oilfield chemicals and other services RM	Others RM	Group RM
As at 31 December 2006					
Segment assets	34,655,828	91,433,912	4,098,160	32,215,064	162,402,964
Unallocated corporate assets					17,877,831
Total assets					180,280,795
Segment liabilities	27,610,028	55,188,814	288,863	-	83,087,705
Unallocated corporate liabilities					3,003,440
Total liabilities					86,091,145
For the financial year ended 2006					
<u>Other Information:</u>					
Capital expenditure	-	8,527,731	-	-	8,527,731
Unallocated corporate capital expenditure	-	-	-	-	6,123,526
Depreciation and amortisation	-	2,860,770	42,395	-	2,903,165
Unallocated depreciation and amortisation on corporate assets	-	-	-	-	1,717,344

(b) Secondary reporting format – geographical segments

The group's transactions are principally conducted in one geographical segment, Malaysia, as such no segmental information by geographical segment has been disclosed.

Notes To The Financial Statements (Continued)

31 December 2007

6 REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Sale of specialised equipment	553,003,359	329,754,062	-	-
Technical and engineering support services	88,098,361	118,555,094	-	-
Marketing fee	24,347,498	3,737,845	-	-
Dividend income	-	-	20,000,000	3,766,400
	665,449,218	452,047,001	20,000,000	3,766,400

Notes To The Financial Statements (Continued)

31 December 2007

7 PROFIT BEFORE TAX

	Group		Company	
	2007	2006 (Restated)	2007	2006
	RM	RM	RM	RM
The following items have been charged/ (credited) in arriving at profit before tax:				
Purchase of products, parts and consumables	574,749,259	342,400,365	-	-
Cost of services purchased	25,541,775	33,221,992	-	-
Allowance for doubtful debts:				
- allowance made	-	1,055,756	-	-
- write back of allowance	(806,130)	-	-	-
Amortisation				
- dry docking expenditure	-	1,157,177	-	-
- prepaid lease payments	38,866	38,601	15,704	-
Bad debts recovered	(55,449)	(65,214)	-	-
Bad debts written off:				
- other receivables	1,069,324	-	-	-
- trade receivables	-	210,663	-	-
Depreciation:				
- property, plant and equipment	4,242,957	3,401,156	223,352	257,609
- investment properties	23,575	23,575	-	-
Fees to PricewaterhouseCoopers Malaysia:				
- statutory audit services	150,000	150,000	65,000	65,000
- audit related services	94,000	-	94,000	-
Statutory audit fees to other auditors	43,644	33,823	-	-
Gain on disposal of property, plant and equipment	(8,962)	(214,266)	-	(122,773)
Listing expenses	720,164	-	720,164	-
Loss/(Gain) on foreign exchange:				
- realised	1,043,008	279,926	-	-
- unrealised	(190,663)	(355,755)	-	-
Impairment losses:				
- investment properties	31,463	-	-	-
- other investment	630	64,030	-	-
Write-off:				
- property, plant and equipment	-	2,833	-	-
- deposit	2,400	-	-	-
Interest income	(1,874,724)	(1,013,054)	(655,917)	(9,820)
Rental income	(121,200)	(180,748)	-	-
Rental expense:				
- business premises	386,110	351,445	-	-
- lease of equipment and motor vehicles	697,158	183,684	-	-
Staff cost (excluding defined contribution plan)	13,811,560	13,537,297	2,107,861	1,610,213
Defined contribution plan	1,707,326	1,476,590	487,511	202,421
Loss on disposal of subsidiary				
- included in other operating expenses	-	1,626,331	-	-
Loss on disposal of associates				
- included in share of results of associates	-	4,554	-	-

In addition to the amounts disclosed above, the Company incurred RM380,000 for services rendered by PricewaterhouseCoopers Malaysia as Reporting Accountants in connection with the transactions undertaken in conjunction with the listing of the Company on the Main Board of Bursa Malaysia Securities Berhad, which has been recognised as share issue expenses.

Notes To The Financial Statements (Continued)

31 December 2007

8 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Executive Directors

Dato' Izham bin Mahmud
Datuk Vivekananthan a/l M.V. Nathan
Chandran Aloysius Rajadurai
Hj. Abd Razak bin Abu Hurairah

Non-executive Directors

Datuk Ishak bin Imam Abas (appointed on 21 March 2007)
Dato' Kamaruddin bin Ahmad (appointed on 21 March 2007)
Chin Kwai Yoong (appointed on 21 March 2007)

The aggregate amount of emoluments received by Directors of the Company during the financial year were as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<u>Executive Directors</u>				
- salaries and bonuses	2,229,000	1,799,760	1,809,000	913,000
- defined contribution plans	352,110	227,456	301,710	126,105
- estimated monetary value of benefits-in-kind	168,476	155,597	131,855	38,885
<u>Non-executive Directors</u>				
- fees	126,291	-	126,291	-
- other emoluments	37,500	-	37,500	-
	2,913,377	2,182,813	2,406,356	1,077,990

Emoluments received by Executive Directors in the form of salaries and bonuses and defined contribution plan have been included in staff cost and defined contribution plan as disclosed in Note 7 to the financial statements.

9 FINANCE COST

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit sharing margin on Islamic term loan	427,406	106,625	-	-
Interest expense on bank overdraft	6,892	2,622	-	-
	434,298	109,247	-	-

Notes To The Financial Statements (Continued)

31 December 2007

10 TAX EXPENSE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current tax:				
- Malaysian tax	8,339,488	6,866,302	4,253,043	-
(Over)/Under provision in prior years:				
- Malaysian tax	(181,997)	(27,906)	2,795	-
Deferred tax (Note 27):				
- Origination and reversal of temporary differences	109,439	(108,028)	-	-
	8,266,930	6,730,368	4,255,838	-

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	27	28	27	28
Tax effects of:				
- expenses not deductible for tax purposes	4	9	3	43
- share of result of associates	(7)	(11)	-	-
- income not subject to tax	-	(2)	-	(71)
- over provision in prior years	(1)	-	-	-
Effective tax rate	23	24	30	-

Notes To The Financial Statements (Continued)

31 December 2007

11 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007 RM	2006 RM
Profit for the financial year attributable to equity holders of the Company	25,120,823	18,090,348
Weighted average number of ordinary shares in issue	72,761,644	60,000,000
Basic earnings per share (sen)	34.52	30.15

12 DIVIDENDS

The dividends paid or declared by the Company during the financial year are as set out below.

	2007		2006	
	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM
In respect of the financial year ended 31 December 2006				
Tax exempt interim dividend on 60,000,000 ordinary shares, paid on 26 March 2007	6.28	3,766,000	-	-
Interim dividend, less income tax of 27%, on 60,000,000 ordinary shares, paid on 26 March 2007 and 30 January 2008	7.72	3,382,820	-	-
		7,148,820		
In respect of the financial year ended 31 December 2007				
First interim dividend, less income tax of 27%, on 80,000,000 ordinary shares, paid on 28 September 2007	5.0	2,920,000		
		10,068,820		

On 25 February 2008 the Directors have declared a second interim gross dividend of 10 sen per share on 80,000,000 ordinary shares, less income tax of 26% in respect of the financial year ended 31 December 2007, amounting to RM 5,920,000, which was paid on 2 April 2008.

Notes To The Financial Statements (Continued)

31 December 2007

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Freehold building RM	Long term leasehold buildings RM	Office equipment, furniture & fittings & renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
Group						
<u>Year ended 31 December 2007</u>						
Net book value						
At 1 January 2007 (Restated)	1,040,000	2,329,320	3,986,994	1,051,107	11,680,424	20,087,845
Additions	-	5,276,333	-	3,265,341	15,439,687	23,981,361
Disposals	-	-	-	-	(387,038)	(387,038)
Reclassification	-	297,729	-	-	(297,729)	-
Depreciation charge	-	-	(123,735)	(807,910)	(3,311,312)	(4,242,957)
At 31 December 2007	1,040,000	7,903,382	3,863,259	3,508,538	23,124,032	39,439,211
<u>At 31 December 2007</u>						
Cost	1,040,000	7,903,382	4,639,018	11,232,943	49,696,257	74,511,600
Accumulated Depreciation	-	-	(775,759)	(7,724,405)	(26,572,225)	(35,072,389)
Net book value	1,040,000	7,903,382	3,863,259	3,508,538	23,124,032	39,439,211
<u>At 1 January 2007 (Restated)</u>						
Cost	1,040,000	2,329,320	4,639,018	7,967,602	35,156,853	51,132,793
Accumulated Depreciation	-	-	(652,024)	(6,916,495)	(23,476,429)	(31,044,948)
Net book value	1,040,000	2,329,320	3,986,994	1,051,107	11,680,424	20,087,845

Notes To The Financial Statements (Continued)

31 December 2007

	Freehold land RM	Freehold building RM	Long term leasehold buildings RM	Office equipment, furniture & fittings & renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
Group (Continued)						
<u>Year ended 31 December 2006</u>						
Net book value						
At 1 January 2006 (Restated)	-	-	2,801,494	1,567,007	7,115,145	11,483,646
Additions	1,040,000	2,329,320	1,309,500	343,876	7,184,561	12,207,257
Disposals	-	-	-	-	(199,069)	(199,069)
Written off	-	-	-	-	(2,833)	(2,833)
Depreciation charge	-	-	(124,000)	(859,776)	(2,417,380)	(3,401,156)
At 31 December 2006	1,040,000	2,329,320	3,986,994	1,051,107	11,680,424	20,087,845
<u>At 31 December 2006 (Restated)</u>						
Cost	1,040,000	2,329,320	4,639,018	7,967,602	35,156,853	51,132,793
Accumulated depreciation	-	-	(652,024)	(6,916,495)	(23,476,429)	(31,044,948)
Net book value	1,040,000	2,329,320	3,986,994	1,051,107	11,680,424	20,087,845
<u>At 1 January 2006 (Restated)</u>						
Cost	-	-	3,329,518	7,633,162	28,174,194	39,136,874
Accumulated depreciation	-	-	(528,024)	(6,066,155)	(21,059,049)	(27,653,228)
Net book value	-	-	2,801,494	1,567,007	7,115,145	11,483,646

Notes To The Financial Statements (Continued)

31 December 2007

	Long term leasehold buildings	Office equipment, furniture & fittings & renovations	Plant, machinery, other equipment and motor vehicles	Total
	RM	RM	RM	RM
Company				
<u>Year ended 31 December 2007</u>				
Net book value				
At 1 January 2007 (Restated)	1,309,500	2,340	1,025,755	2,337,595
Additions	-	2,429,449	720,856	3,150,305
Depreciation charge	-	(21,542)	(201,810)	(223,352)
At 31 December 2007	1,309,500	2,410,247	1,544,801	5,264,548
<u>At 31 December 2007</u>				
Cost	1,309,500	2,432,959	2,003,050	5,745,509
Accumulated depreciation	-	(22,712)	(458,249)	(480,961)
Net book value	1,309,500	2,410,247	1,544,801	5,264,548
<u>At 31 December 2006 (Restated)</u>				
Cost	1,309,500	3,510	1,282,194	2,595,204
Accumulated depreciation	-	(1,170)	(256,439)	(257,609)
Net book value	1,309,500	2,340	1,025,755	2,337,595
<u>Year ended 31 December 2006</u>				
Net book value				
At 1 January 2006	-	-	-	-
Additions (Restated)	1,309,500	3,510	1,282,194	2,595,204
Transfer from a subsidiary	-	-	32,327	32,327
Disposal	-	-	(32,327)	(32,327)
Depreciation charge	-	(1,170)	(256,439)	(257,609)
At 31 December 2006	1,309,500	2,340	1,025,755	2,337,595
<u>At 31 December 2006 (Restated)</u>				
Cost	1,309,500	3,510	1,282,194	2,595,204
Accumulated depreciation	-	(1,170)	(256,439)	(257,609)
Net book value	1,309,500	2,340	1,025,755	2,337,595
<u>At 1 January 2006</u>				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-

Notes To The Financial Statements (Continued)

31 December 2007

	Term loan		Banking facilities	
	2007 RM	2006 RM	2007 RM	2006 RM
Net book value of property, plant and equipment of the Group pledged as security:				
- freehold land	1,040,000	-	-	-
- freehold building	7,903,382	-	-	-
- long term leasehold buildings	-	-	2,596,144	2,698,819
- office equipment, furniture & fittings and renovations	-	101,765	722,296	852,287
- plant, machinery, other equipment and motor vehicles	3,815,434	5,231,689	555,842	1,401,282
	12,758,816	5,333,454	3,874,282	4,952,388

14 INVESTMENT PROPERTIES

	Group	
	2007 RM	2006 RM
<u>Net book value</u>		
At 1 January	1,108,038	1,131,613
Depreciation charge	(23,575)	(23,575)
Impairment loss	(31,463)	-
At 31 December	1,053,000	1,108,038
Cost	1,178,764	1,178,764
Accumulated depreciation	(94,301)	(70,726)
Accumulated impairment loss	(31,463)	-
	1,053,000	1,108,038
Fair value of investment properties	1,053,000	1,200,000

The investment properties have been pledged as security for banking facilities as disclosed in Note 28.

The fair value of investment properties was estimated based on current prices on an open market.

Notes To The Financial Statements (Continued)

31 December 2007

15 PREPAID LEASE PAYMENTS

	Group		Company	
	2007 RM	2006 (Restated) RM	2007 RM	2006 (Restated) RM
<u>Net book value</u>				
At 1 January	4,050,799	1,645,400	2,444,000	-
Addition	-	2,444,000	-	2,444,000
Amortisation	(38,866)	(38,601)	(15,704)	-
At 31 December	4,011,933	4,050,799	2,428,296	2,444,000
<u>At 31 December</u>				
Cost	4,387,285	4,387,285	2,444,000	2,444,000
Accumulated amortisation	(375,352)	(336,486)	(15,704)	-
	4,011,933	4,050,799	2,428,296	2,444,000

The prepaid lease payments of RM1,583,637 (2006: RM1,606,799) have been pledged as security for banking facilities as disclosed in Note 28.

16 DRY DOCKING EXPENDITURE

	Group	
	2007 RM	2006 RM
<u>Net book value</u>		
At 1 January	-	1,993,297
Disposal of subsidiary (Note 4)	-	(836,120)
Incurred during the financial year	-	-
Amortisation charge during the financial year	-	(1,157,177)
At 31 December	-	-
<u>At 31 December</u>		
Cost	-	14,328,915
Accumulated amortisation	-	(13,492,795)
Disposal of subsidiary (Note 4)	-	(836,120)
	-	-

Notes To The Financial Statements (Continued)

31 December 2007

17 SUBSIDIARIES

	Company	
	2007 RM	2006 RM
Unquoted shares at cost	73,932,617	73,932,617

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in Note 34 to the financial statements.

18 ASSOCIATES

	Group	
	2007 RM	2006 RM
Group's share of net assets of associates	31,561,519	31,655,066

The Group's effective equity interest in the associates, their respective principal activities and country of incorporation are set out in Note 34 to the financial statements.

In relation to the Group's interests in associates, the assets, liabilities, income and expenses are shown below.

	Group	
	2007 RM	2006 RM
Current assets	20,816,087	31,270,027
Non-current assets	25,115,115	20,722,016
Current liabilities	(13,209,920)	(19,521,536)
Non-current liabilities	(1,159,763)	(815,441)
	31,561,519	31,655,066
Revenue	40,203,614	40,268,751
Expenses	(30,351,281)	(28,065,474)
	9,852,333	12,203,277
Taxation	(1,568,936)	(2,187,277)
Share of post tax results from associates	8,283,397	10,016,000
Less: Loss on disposal of associates	-	(4,554)
	8,283,397	10,011,446

The associates have no significant contingent liability to which the Group is exposed, nor has the Group any significant contingent liability in relation to its interest in the associates.

Notes To The Financial Statements (Continued)

31 December 2007

19 OTHER INVESTMENTS

	Group	
	2007 RM	2006 RM
<u>Non-current</u>		
At cost:		
Quoted shares in Malaysia	24,750	24,750
Less: Impairment loss	(22,275)	(21,645)
	2,475	3,105
At cost:		
Unquoted shares in Malaysia	160,000	160,000
Less: Impairment loss	(160,000)	(160,000)
	-	-
	2,475	3,105
Market value:		
Quoted shares in Malaysia	2,475	3,105

20 INVENTORIES

	Group	
	2007 RM	2006 RM
At cost:		
Finished goods	4,122,518	2,094,025

21 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2007 RM	2006 RM
Amounts due from subsidiaries	7,353,949	-
Amounts due to subsidiaries	14,082,740	19,615,469

The amounts due from/(to) subsidiaries are unsecured, interest free, have no fixed terms of repayment and are denominated in Ringgit Malaysia.

22 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Amounts due from associates	111,859	18,007	303	-
Amounts due to associates	2,096	-	-	-

The amounts due from/(to) associates are unsecured, interest free, have no fixed terms of repayment and are denominated in Ringgit Malaysia.

Notes To The Financial Statements (Continued)

31 December 2007

23 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	91,722,487	75,457,858	-	-
Less: Allowance for doubtful debts	(603,500)	(1,409,630)	-	-
	91,118,987	74,048,228	-	-
Other receivables	6,023,259	6,619,468	21,837	590
Less: Allowance for doubtful debts	(2,353,126)	(2,353,126)	-	-
	3,670,133	4,266,342	21,837	590
Deposits	314,217	273,962	31,820	18,000
Prepayments	165,604	505,630	93,094	505,630
	4,149,954	5,045,934	146,751	524,220
	92,268,941	79,094,162	146,751	524,220

The currency exposure profile of trade receivables is as follows:

	Group	
	2007 RM	2006 RM
- Ringgit Malaysia	9,432,187	12,001,901
- US Dollar	77,828,814	61,451,376
- Pound Sterling	3,457,727	328,538
- Singapore Dollar	-	40,250
- Euro	400,259	226,163
	91,118,987	74,048,228

Credit terms of trade receivables range from 30 to 45 days (2006: 30 to 45 days).

55% of the Group's trade receivables as at 31 December 2007 relates to 2 main customers while the remaining balance is spread over a large number of customers. All are major players in the oil and gas industry with high credit worthiness. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The trade receivables of a subsidiary have been pledged as security for borrowings as disclosed in Note 28.

The fair values of trade and other receivables approximate the carrying values.

Notes To The Financial Statements (Continued)

31 December 2007

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Deposits with licensed banks	50,250,283	33,947,270	27,500,000	2,250,000
Cash and bank balances	11,028,077	7,102,319	24,475	261,006
Deposits, bank and cash balances	61,278,360	41,049,589	27,524,475	2,511,006
Bank overdraft (Note 26)	(2,659)	(1,683)	-	-
	61,275,701	41,047,906	27,524,475	2,511,006

The currency exposure profile of deposits, cash and bank balances is as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
- Ringgit Malaysia	55,150,595	38,803,343	27,524,475	2,511,006
- US Dollar	6,056,736	2,175,975	-	-
- Others	68,370	68,588	-	-
	61,275,701	41,047,906	27,524,475	2,511,006

The weighted average interest rates of deposits and bank overdraft that were effective as at the end of the financial year were as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Deposits with licensed banks	2.94	2.50	3.24	2.50
Bank overdraft	7.25	7.75	-	-

Deposits of the Group and the Company have an average maturity period of 13 days (2006: 21 days) and 24 days (2006: 30 days) respectively. Bank balances are deposits held at call with banks and earn no interest.

The fair values of deposits, bank and cash balances approximate the carrying values.

Notes To The Financial Statements (Continued)

31 December 2007

25 TRADE AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	72,657,278	73,211,776	-	-
Other payables	5,070,701	5,594,870	1,442,084	600,052
Accruals	3,795,227	1,567,333	686,618	-
	8,865,928	7,162,203	2,128,702	600,052
	81,523,206	80,373,979	2,128,702	600,052

The currency exposure profile of trade payables is as follows:

	Group	
	2007 RM	2006 RM
- Ringgit Malaysia	3,937,139	4,896,735
- US Dollar	65,359,156	67,088,404
- Pound Sterling	3,353,528	1,002,047
- Others	7,455	224,590
	72,657,278	73,211,776

Credit terms of payment granted by the suppliers of the Group are 30 to 45 days (2006: 30 to 45 days).

The fair values of trade and other payables and accruals approximate the carrying values.

26 BORROWINGS

	Group	
	2007 RM	2006 RM
Bank overdraft (Note 24)		
- unsecured	2,659	1,683
Term loans (Note 28)		
- secured	1,094,226	1,057,533
	1,096,885	1,059,216

Notes To The Financial Statements (Continued)

31 December 2007

27 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the balance sheet:

	Group	
	2007	2006
	RM	RM
Deferred tax liabilities	(987,863)	(878,424)
At 1 January	(878,424)	(1,361,372)
(Charged)/Credited to income statement		
- property, plant and equipment	(71,553)	98,736
- unrealised foreign exchange gain	36,755	(65,349)
- allowance for doubtful debts	(74,641)	74,641
Disposal of subsidiary (Note 4)	-	374,920
At 31 December	(987,863)	(878,424)
<u>Deferred tax assets (before offsetting)</u>		
Allowance for doubtful debts	-	74,641
Less: Offsetting	-	(74,641)
Deferred tax assets (after offsetting)	-	-
<u>Deferred tax liabilities (before offsetting)</u>		
Property, plant and equipment	(924,799)	(853,246)
Unrealised foreign exchange gain	(63,064)	(99,819)
	(987,863)	(953,065)
Less: Offsetting	-	74,641
Deferred tax liabilities (after offsetting)	(987,863)	(878,424)

Notes To The Financial Statements (Continued)

31 December 2007

28 TERM LOANS (SECURED)

	Group	
	2007 RM	2006 RM
Islamic term financing long term non-interest bearing facilities	7,101,524	4,089,057
Less: Amount repayable within 12 months (Note 26)	(1,094,226)	(1,057,533)
	6,007,298	3,031,524
Due within 1 year	1,094,226	1,057,533
Due between 2 to 5 years	3,377,203	3,031,524
Due after 5 years	2,630,095	-
	7,101,524	4,089,057

The term loans are repayable in the following manner:

- 60 equal monthly instalments of RM54,589 each commencing 24 April 2004 ;
- 120 equal monthly instalments of RM26,415 each commencing 11 May 2007;
- 120 equal monthly instalments of RM32,510 each commencing 13 October 2007; and
- 84 equal monthly instalments of RM20,823 each commencing 27 January 2008.

The term loans bear profit sharing margins of 6.35% to 7.00% (2006: 6.22% to 6.35%) per annum as at the financial year end and are secured by a first party fixed charge on the property and a debenture over all the fixed and floating assets of the respective subsidiaries as disclosed in Notes 13, 14, 15 and 23, and corporate guarantee for RM13,318,497 (2006: RM4,498,348) furnished by a subsidiary.

The fair value amount of the term loan as at the balance sheet date is as follows:

	Group	
	2007 RM	2006 RM
Fair value of term loans	7,385,353	3,872,986

Notes To The Financial Statements (Continued)

31 December 2007

29 SHARE CAPITAL

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Authorised ordinary shares of RM1 each:				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid ordinary shares of RM1 each:				
At 1 January	60,000,000	60,000,000	60,000,000	60,000,000
Issued during the financial year				
- Rights Issue	6,000,000	-	6,000,000	-
- Public Issue	14,000,000	-	14,000,000	-
At 31 December	80,000,000	60,000,000	80,000,000	60,000,000

30 SHARE PREMIUM

	Group	
	2007 RM	2006 RM
Arising from the public issue of new ordinary shares	20,000,000	-

Share premium arises from the issuance of 14,000,000 new ordinary shares of RM1.00 each at a premium of RM1.55 per share, net of share issue expenses of RM1,700,000.

31 RETAINED EARNINGS

There is sufficient exempt income tax credit to frank all the retained earnings of the Company as at 31 December 2007 and 31 December 2006 if paid out as dividends.

Notes To The Financial Statements (Continued)

31 December 2007

32 MERGER DEFICIT

	Group	
	2007 RM	2006 RM
Arising from the Company's business combination with Delcom Services Sdn. Bhd.	50,000,000	50,000,000

Merger deficit represents the excess of the nominal value of the shares of the Company being allotted of RM60,000,000 over the nominal value of the share capital of Delcom Services Sdn. Bhd. acquired of RM10,000,000.

33 SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operations decisions, or if one other party controls both.

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

	Group	
	2007 RM	2006 RM
Purchases:		
- Solar Turbines International Company	82,169,049	71,001,851

Significant outstanding balance arising from the above transactions during the financial year are as follows:

	Group	
	2007 RM	2006 RM
Amount due to Solar Turbines International Company	17,031,567	10,953,124

Notes To The Financial Statements (Continued)

31 December 2007

(b) The remuneration of key management personnel (excluding Directors) during the financial year are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Salaries and bonuses	1,509,618	1,272,250	369,190	218,500
Defined contribution plans	211,548	178,260	48,840	30,684
Other remuneration	251,435	212,250	37,200	37,200
Estimated monetary value of benefits-in-kind	13,363	24,422	4,136	600
	1,985,964	1,687,182	459,366	286,984

Key management personnel comprise of members of the senior management who are directly responsible for the financial and operating policies and decisions of the Group and the Company.

Directors' remuneration and emoluments are disclosed in Note 8.

34 CORPORATIONS IN THE GROUP

The Group's effective equity interest in the subsidiaries and associates, their respective principal activities and country of incorporation are as follows:

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2007 %	2006 %	
A SUBSIDIARIES:				
Delcom Services Sdn. Bhd.	Malaysia	100	100	Provision of specialised equipment and technical and engineering support services to the oil and gas, and general industries.
* Delcom Services Holdings Limited	Hong Kong	100	100	Investment holding.
* Turboservices Overhaul Sdn. Bhd.	Malaysia	100	100	Provision of gas turbine overhaul and maintenance services.
* Delflow Solutions Sdn. Bhd.	Malaysia	100	100	Dormant.

Notes To The Financial Statements (Continued)

31 December 2007

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2007 %	2006 %	
Subsidiaries of <u>Delcom Services Sdn. Bhd.</u>				
* Delcom Oilfield Services Sdn. Bhd.	Malaysia	100	100	Provision of wireline and wellhead equipment and services, offshore drillings rigs and related services and other oilfield equipment and technical services to the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	74	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas, and general industries.
* VSM Technology Sdn. Bhd.	Malaysia	90	90	Dormant.
* Delcom Chemicals Sdn. Bhd.	Malaysia	60	60	Development and provision of solid deposit removal solutions for enhancement of crude oil production, and provision of oilfield chemicals and services.
* Wisteria Sdn. Bhd.	Malaysia	100	100	Dormant.
* Delcom Holdings Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiaries of <u>Delcom Services Holdings Limited</u>				
* Delcom Utilities (Cambodia) Limited	British Virgin Islands	60	60	Investment holding.
* Delcom Power (Cambodia) Limited	British Virgin Islands	60	60	Dormant.
B ASSOCIATES:				
Associates of <u>Delcom Services Sdn. Bhd.</u>				
* Malaysian Mud and Chemicals Sdn. Bhd.	Malaysia	32	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil exploration companies.
Associate of <u>Delcom Utilities (Cambodia) Limited</u>				
^ Cambodia Utilities Pte Ltd	Cambodia	12	12	Maintain and operate a power plant in Cambodia.

^ Audited by member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

* Corporations not audited by PricewaterhouseCoopers Malaysia or member firm of PricewaterhouseCoopers International Limited

Notes To The Financial Statements (Continued)

31 December 2007

35 OPERATING LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	Group	
	2007 RM	2006 RM
Within one year	321,306	359,706
Between one to five years	1,285,224	1,266,024
More than five years	962,034	1,086,474

36 CAPITAL COMMITMENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Capital expenditure for property, plant and equipment				
Authorised and contracted for at the balance sheet date but not yet incurred	2,082,214	11,508,062	537,481	27,000

Notes To The Financial Statements (Continued)

31 December 2007

37 CHANGES IN ACCOUNTING POLICIES AND RECLASSIFICATION OF COMPARATIVES

Set out below are changes in accounting policies that resulted in restatements and reclassification of prior year comparatives but did not affect the recognition and measurement of the Group's and Company's net assets:

- The adoption of FRS 117 has resulted in an extension of the accounting policy on leases. Upfront payments on leasehold land are classified as prepaid lease payments and amortisation on a straight line basis over the remaining lease period. Previously, upfront payments on leasehold land are included in property, plant and equipment.

The effect of these changes in accounting policies on the Group's financial statements are as follows:

	As previously reported RM	Reclassification RM	As restated RM
Group			
<u>At 1 January 2006</u>			
Property, plant and equipment	13,129,046	(1,645,400)	11,483,646
Prepaid lease payments	-	1,645,400	1,645,400
<u>Financial year ended 31 December 2006</u>			
Depreciation of property, plant and equipment	3,439,757	(38,601)	3,401,156
Amortisation of prepaid lease payments	-	38,601	38,601
<u>At 31 December 2006/1 January 2007</u>			
Property, plant and equipment	24,138,644	(4,050,799)	20,087,845
Prepaid lease payments	-	4,050,799	4,050,799
<u>Financial year ended 31 December 2007</u>			
Depreciation of property, plant and equipment	4,281,823	(38,866)	4,242,957
Amortisation of prepaid lease payments	-	38,866	38,866
<u>As at 31 December 2007</u>			
Property, plant and equipment	43,451,144	(4,011,933)	39,439,211
Prepaid lease payments	-	4,011,933	4,011,933
Company			
<u>At 31 December 2006/1 January 2007</u>			
Property, plant and equipment	4,781,595	(2,444,000)	2,337,595
Prepaid lease payments	-	2,444,000	2,444,000
<u>Financial year ended 31 December 2007</u>			
Depreciation of property, plant and equipment	239,056	(15,704)	223,352
Amortisation of prepaid lease payments	-	15,704	15,704
<u>As at 31 December 2007</u>			
Property, plant and equipment	7,692,844	(2,428,296)	5,264,548
Prepaid lease payments	-	2,428,296	2,428,296

Notes To The Financial Statements (Continued)

31 December 2007

Certain comparative figures have been reclassified to conform with current year's presentation. The effects of the reclassification are as follows:

	As previously reported RM	Reclassification RM	As restated RM
Group			
<u>Financial year ended 31 December 2006</u>			
Cost of sales	(412,674,715)	334,832	(412,339,883)
Gross profit	39,372,286	334,832	39,707,118
Administrative expenses	(16,873,524)	(334,832)	(17,208,356)

38 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM3,523,403 (2006: RM3,537,255) to third parties in respect of operating requirements, utilities and maintenance contracts.

39 EVENTS AFTER BALANCE SHEET DATE

On 25 January 2008, the Foreign Investment Committee has approved the Company's proposal to acquire 12,275,000 ordinary shares of RM1.00 each, representing 51% equity interest in Penaga Dresser Sdn. Bhd. ("proposed acquisition").

The proposed acquisition has yet to be completed pending the fulfilment of the conditions precedent.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 April 2008.

Statement By Directors

Pursuant To Section 169(15) Of The Companies Act, 1965

We, Dato' Izhah bin Mahmud and Chandran Aloysius Rajadurai, two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 49 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of Companies Act, 1965 the MASB approved accounting standards in Malaysia for entities other than private entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 April 2008.

DATO' IZHAM BIN MAHMUD
DIRECTOR

CHANDRAN ALOYSIUS RAJADURAI
DIRECTOR

Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act, 1965

I, Chandran Aloysius Rajadurai, the Director primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 95 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHANDRAN ALOYSIUS RAJADURAI

Subscribed and solemnly declared by the abovenamed Chandran Aloysius Rajadurai.

At : Kuala Lumpur

On : 17 April 2008

Before me :

Woon Yoon Thiam
(No. W252)

COMMISSIONER FOR OATHS

Report Of The Auditors

To The Members Of Deleum Berhad (Company No. 715640-T)

We have audited the financial statements set out on pages 49 to 95. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia for entities other than private entities so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and the Company as at 31 December 2007 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 34 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of section 174 of the Act.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur
17 April 2008

PAULINE HO

(No. 2684/11/09 (J))

Partner of the firm

Additional Compliance Information

1. Status of Utilisation of Proceeds raised from Corporate Proposals

On 1 June 2007, the Company was listed on the Main Board of Bursa Malaysia. The status of utilisation of the listing proceeds from the Initial Public Offering exercise is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation @ 31.12.2007 RM'000	Transferred to Working Capital* RM'000	Intended Timeframe for Utilisation	Balance RM'000
i Working Capital :					
- Expansion of Business and Markets	12,000	-	-	Within 24 months	12,000
- Existing Operations	5,700	5,700	-	Within 12 months	-
ii Capital Expenditure :					
- Oilfield Equipment	15,000	6,746	-	Within 24 months	8,254
- Investment in Facilities	6,000	6,000	-	Within 12 months	-
iii Estimated Listing Expenses					
- Share Issue Expense	2,500	1,700	800	Immediate	-
- Listing Expenses	500	500	-		-
	41,700	20,646	800		20,254

* In accordance with the provision of the Prospectus.

2. Share Buybacks

During the financial year, there were no share buybacks by the Company.

3. Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2007.

4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2007.

5. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by relevant regulatory bodies during the financial year ended 31 December 2007.

Additional Compliance Information (Continued)

6. Non-Audit Fees

The amount of non-audit fees incurred by the Group for services rendered by external auditors for the financial year ended 31 December 2007 are as follows:

	RM
Professional services in connection with the listing of Deleum Berhad on the Main Board of Bursa Malaysia.	100,000
Professional services in connection with the review of quarterly announcements on the Main Board of Bursa Malaysia.	74,000
Total Amount	174,000

7. Variation in Results

The Group has issued a profit forecast in conjunction with the Company's listing on the Main Board of Bursa Malaysia in the Company's Prospectus dated 15 May 2007.

The difference between the actual results and forecast figures for the financial year ended 31 December 2007 is tabulated as follows:

	Actual RM'000	Forecast RM'000	Variance RM'000	%
Profit for the financial year attributable to equity holders of the Company	25,121	23,031	2,090	9.1

The higher net profit is mainly due to higher contribution from the specialised equipment and services and the oilfield equipment and services segments.

8. Profit Guarantee

The Company did not receive any profit guarantee during the financial year ended 31 December 2007.

9. Material Contracts Involving Directors and Major Shareholders

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors and major shareholders during the financial year ended 31 December 2007.

10. Revaluation Policy

The Company does not adopt a policy of regular revaluation of its properties.

List Of Material Properties

Owned Or Leased By Deleum Berhad/Its Subsidiaries

No	Group Company Owning the Property	Postal Address	Brief Description	Existing Use	Land Area/ Built up Area	Tenure/Date of Expiry of Lease	Age of Building	Net Book Value @31/12/07	Revaluation on if any/	Date of acquisition
1	Corporate Head Office Deleum Berhad	No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur	6 storey corner shopoffice	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 3/12/2085	9 years	3,737,796	-	2/5/06
2	Delcom Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur	5 storey corner shopoffice	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 3/12/2085	19 years	640,389	-	19/9/88
3	Delcom Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur	5 storey shopoffice	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 3/12/2085	19 years	596,923	-	28/9/88
4	Delcom Services Sdn. Bhd.	Unit No. 8-11-3, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar 59100, Kuala Lumpur	Office Lot	Office	-/ 139.72 sq metres	-	-	513,365	-	3/2/97
5	Delcom Services Sdn. Bhd.	Unit No. 8-11-4, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar 59100, Kuala Lumpur	Office Lot	Office	-/ 146.87 sq metres	-	-	539,635	-	3/2/97
6	Miri Office Delcom Services Sdn. Bhd.	Lot 1315, Block 9, Miri Concession Land District, Miri Waterfront Commercial Centre, Jalan Bendahara, 98008 Miri, Sarawak	4 storey corner shopoffice	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/9/2066	3 years	1,107,250	-	20/8/04
7	Delcom Services Sdn. Bhd.	Asian Supply Base, Ranca Ranca Industrial Estate, P.O. Box 81730, 87027 Labuan Federal Territory Malaysia	Warehouse	Warehouse	5,700.00 sq metres/ 1,776.43 sq metres	Leasehold/ 30/9/2014	7 years	1,600,001	-	-
8	Operations Turboservices Overhaul Sdn. Bhd.	Lot 26197, Kawasan Perindustrian Tuanku Jaafar, 71450 Seremban, Negeri Sembilan Darul Khusus	Integrated Service Centre	Turboservices: Solar Turbines Integrated Service Centre	14,495.00 sq metres/ 2,735.90 sq metres	Freehold	11 years	8,943,382	-	30/12/05
9	Delcom Services Sdn. Bhd.	Unit E-P 17, Bayu Beach Resort, Port Dickson, 71050, Negeri Sembilan Darul Khusus	Apartment	Apartment	-/ 143.53 sq metres	Leasehold/ 12/6/2092	13 years	192,384	-	24/2/92

Analysis Of Shareholdings

as at 8 April 2008

Authorised Share Capital	: RM100,000,000.00
Issued and Paid-up Share Capital	: RM80,000,000.00
No. of Shareholders	: 2,019
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One Vote per ordinary share

Distribution Schedule of Shares as at 8 April 2008

No. of Holders	Holdings	Total Holdings	% of Holdings
1	Less than 100	50	*
1,037	100 to 1,000	969,850	1.21
759	1,001 to 10,000	3,032,500	3.79
176	10,001 to 100,000	6,035,300	7.54
41	100,001 to less than 5% of issued shares	25,823,280	32.28
5	5% and above of issued shares	44,139,020	55.17
2,019		80,000,000	100.00

Note: * Less than 0.01%

Analysis Of Shareholdings (Continued)

Top 30 Securities Account Holders as at 8 April 2008

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of shares	Percentage (%)
1.	Lantas Mutiara Sdn. Bhd.	16,336,542	20.42
2.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd. (TrustAcc/Client)	9,633,084	12.04
3.	Datuk Vivekananthan a/l M. V. Nathan	8,498,430	10.62
4.	IM Holdings Sdn. Bhd.	4,869,084	6.09
5.	Datin Che Bashah @ Zaiton binti Mustaffa	4,801,880	6.00
6.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	2,794,124	3.49
7.	Chandran Aloysius Rajadurai	2,332,000	2.92
8.	Dato' Izham bin Mahmud	2,233,120	2.79
9.	Chandran Aloysius Rajadurai	2,168,500	2.71
10.	Datin Che Bashah @ Zaiton binti Mustaffa	1,612,286	2.02
11.	Tan Sri Datuk Ibrahim bin Mohamed	1,537,000	1.92
12.	Hj. Abd Razak bin Abu Hurairah	1,428,750	1.79
13.	Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	1,063,500	1.33
14.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	1,000,000	1.25
15.	Tan Sri Abdul Rashid Hussain	1,000,000	1.25
16.	Dato' Yahya bin Ya'acob	575,000	0.72
17.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Manharlal Bhaichand Jain	568,000	0.71
18.	Lee Sew Bee	530,000	0.66
19.	Mohd Fauzi bin Ahmad	500,000	0.63
20.	DYMM Tuanku Syed Sirajuddin Ibni Al-Marhum Tuanku Syed Putra Jamalullail	500,000	0.63
21.	Jayasingam a/l T. Poopalasingam	500,000	0.63
22.	Saudah binti Hashim	500,000	0.63
23.	Tan Swee Leong	400,000	0.50
24.	Datin Ishah binti Ismail	370,000	0.46
25.	Celine D'Cruz a/p Francis D'Cruz	330,000	0.41
26.	Datuk Khatijah binti Ahmad	290,000	0.36
27.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Dato' Mohammad Abdus Salim bin S. Cassim	267,000	0.33
28.	Mohammad Zuki bin Abd Rahman	250,000	0.31
29.	Henry Ebernesan Chelvanayagam	237,000	0.30
30.	Dato' Mohamad Idris bin Mansor	255,000	0.28
	Total	67,380,300	84.23

Analysis Of Shareholdings (Continued)

Substantial Shareholders as at 8 April 2008

Name of Shareholders	Direct Interest		Deemed interest	
	No. of shares	%	No. of shares	%
Lantas Mutiara Sdn. Bhd.	16,336,542	20.42	-	-
Hartapac Sdn. Bhd.	9,633,084	12.04	-	-
Datuk Vivekananthan a/l M. V. Nathan	8,498,430	10.62	16,336,542 ⁽¹⁾	20.42
Datin Che Bashah @ Zaiton binti Mustaffa	6,414,166	8.02	-	-
IM Holdings Sdn. Bhd.	4,869,084	6.09	-	-
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	4,857,624	6.07	-	-
Chandran Aloysius Rajadurai	4,500,500	5.63	-	-
Dato' Izham bin Mahmud	2,233,120	2.79	27,619,792 ⁽²⁾	34.52
Hj. Abd Razak bin Abu Hurairah	1,428,750	1.79	16,336,542 ⁽¹⁾	20.42
Sian Rahimah Abdullah	-	-	9,633,084 ⁽³⁾	12.04
Faye Miriam Abdullah	-	-	9,633,084 ⁽³⁾	12.04
Hugh Idris Abdullah	-	-	9,633,084 ⁽³⁾	12.04

Notes:

- (1) Deemed interested by virtue of his shareholding in Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 ("the Act").
 (2) Deemed interested by virtue of his shareholding in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act and shares held by his spouse.
 (3) Deemed interested by virtue of his/her shareholding in Hartapac Sdn. Bhd. pursuant to Section 6A of the Act.

Directors' Shareholdings as at 8 April 2008

Name of Shareholders	Direct Interest		Deemed interest	
	No. of shares	%	No. of shares	%
Dato' Izham bin Mahmud	2,233,120	2.79	27,619,792 ⁽¹⁾	34.52
Datuk Vivekananthan a/l M.V. Nathan	8,498,430	10.62	16,336,542 ⁽²⁾	20.42
Chandran Aloysius Rajadurai	4,500,500	5.63	-	-
Hj. Abd Razak bin Abu Hurairah	1,428,750	1.79	16,336,542 ⁽²⁾	20.42
Datuk Ishak bin Imam Abas	180,000	0.23	-	-
Dato' Kamaruddin bin Ahmad	31,000	0.04	-	-
Chin Kwai Yoong	150,000	0.19	-	-

Notes:

- (1) Deemed interested by virtue of his shareholding in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act and shares held by his spouse.
 (2) Deemed interested by virtue of his shareholding in Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act.

Corporate Directory

Location of Businesses



Headquarters
 No. 2, Jalan Bangsar Utama 9
 Bangsar Utama
 59000 Kuala Lumpur
 Tel: +603-2295 7788
 Fax: +603-2295 7777
 Email: info@deleum.com
 info@delcom.com.my

Technical Support Centre
 Lot 46, Lower Ground Floor
 Kompleks Selayang, Batu 8½
 Jalan Ipoh, 68100 Batu Caves
 Selangor Darul Ehsan
 E-mail: info@deleum.com

Turboservices: Solar Turbines Integrated Service Centre
 Lot 26197, Kawasan Perindustrian
 Tuanku Jaafar, 71450 Seremban
 Negeri Sembilan Darul Khusus
 Tel: +606-6798 270/207
 Fax: +606-6798 267
 E-mail: info@deleum.com

Operations and Supply Base Kemaman
 Kemaman Supply Base
 Warehouse 28
 24007 Kemaman
 Terengganu Darul Iman
 Tel: +609-8631 407/1408
 Fax: +609-8631 379
 E-mail: info@deleum.com

Sales and Marketing Office Miri
 Lot 1315, Miri Waterfront
 Commercial Centre, 98008 Miri
 Tel: +6085-413 528/417 020
 Fax: +6085-418 037
 E-mail: info@deleum.com

Operations and Supply Base Labuan
 Asian Supply Base
 Rancha Rancha Industrial Estate
 87000 Labuan
 Tel: +6087-413 935/583 205
 Fax: +6087-425 694
 E-mail: info@deleum.com

Malaysian Mud and Chemicals Sdn. Bhd.
 Asian Supply Base
 Rancha Rancha Industrial Estate
 87000 Labuan
 Tel: +6087-415 922
 Fax: +6087-415 921
 Email: mc2@tm.net.my

Cambodia Utilities Pte. Ltd.
 Power Plant # 2, Route 2
 Chak Angre District
 Khan Meanchey, Phnom Penh
 Kingdom of Cambodia
 Tel : +855-23 425 592
 Fax: +855-23 425 050
 E-mail: administrationcupl@cupl.com.kh

Appendix 1

This is the Appendix 1 referred to in the Special Resolution 1 of the Notice of the Third Annual General Meeting of Deleum Berhad.

Proposed Amendments to the Company's Articles of Association

The Company's Articles of Association are proposed to be amended in the following manner:

Existing Article(s)	Proposed Article(s)
<p>Existing Article 2</p> <p>Approved Market Place: The stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption No. 2) Order 1998.</p> <p>depositor: A holder of a securities account.</p>	<p>Proposed Article 2</p> <p>CMSA: means the Capital Markets and Services Act 2007</p> <p>To delete in its entirety</p> <p>depositor: A holder of a securities account established by the Central Depository.</p>
<p>Existing Article 5</p> <p>Issue of preference shares. The rights attached to shares issued upon special conditions shall be set out in the Memorandum of Association or these Articles or in the resolution creating the same. In the event of preference shares being issued, the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time and preference shareholders will be deemed to have the same rights as ordinary shareholders as regards the receiving of notices, reports and balance sheets, audited accounts and the attending of general meetings of the Company and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or proposal to wind up the Company or during the winding up of the Company or sanctioning a sale of the whole of the Company's property, business and undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than 6 months in arrears.</p>	<p>Proposed Article 5</p> <p>Issue of preference shares. The rights attached to shares issued upon special conditions shall be set out in the Memorandum of Association or these Articles or in the resolution creating the same. In the event of preference shares being issued, the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time and preference shareholders will be deemed to have the same rights as ordinary shareholders as regards the receiving of notices, reports and balance sheets, audited accounts and the attending of general meetings of the Company and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or proposal to wind up the Company or during the winding up of the Company or sanctioning a sale of the whole of the Company's property, business and undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than 6 months in arrears.</p>
<p>Existing Article 32</p> <p>Transmission of securities from Foreign Register to Malaysian Register. Where:</p> <p>(a) the securities of the Company are listed on an Approved Market Place; and</p> <p>(b) the Company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act, 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,</p>	<p>Proposed Article 32</p> <p>Transmission of securities from Foreign Register to Malaysian Register. Where:</p> <p>(a) the securities of the Company are listed on another stock exchange an Approved Market Place; and</p> <p>(b) the Company is exempted from compliance with section 14 of the Central Depositories Act Securities Industry (Central Depositories) Act, 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,</p>

Appendix 1 (Continued)

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.

For the avoidance of doubt, if the Company fulfills the requirements of paragraphs (a) and (b) above, it shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the **other stock exchange Approved Market Place** (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the company in Malaysia **and vice versa** (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.

~~For the avoidance of doubt, if the Company fulfills the requirements of paragraphs (a) and (b) above, it shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.~~

Existing Article 47(2)

In a distribution of capital on a winding up of the Company, the preference shareholder shall be entitled to repayment of capital paid up in priority to any repayment of capital to any ordinary shareholder.

Proposed Article 47(2)

To delete in its entirety

Existing Article 52(4)

The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors as at a date not less than three (3) market days before the general meeting (hereinafter referred to as the "General Meeting Record of Depositors").

Proposed Article 52(4)

The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at **the latest a date which is reasonably practicable which shall in any event be** not less than three (3) market days before the general meeting (hereinafter referred to as the "General Meeting Record of Depositors").

Existing Article 53(2)

Subject to any rights or restrictions for the time being attaching to any class or classes of shares, at meetings of members or of classes of members, each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands, every person present who is a member or a representative of a member shall have one (1) vote and on a poll, every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every share held.

Proposed Article 53(2)

Subject to any rights or restrictions for the time being attaching to any class or classes of shares, at meetings of members or of classes of members, each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands, every person ~~present~~ **(being a holder of ordinary shares or preference shares who is personally present and entitled to vote)** or a representative of a member shall have one (1) vote and on a poll, every member present in person or by proxy or by attorney or other duly authorised representative shall have one **(1)** vote for every share held.

Existing Article 73

Number of directors. All the directors of the Company shall be natural persons. Until and unless otherwise determined by the Company at a general meeting, the number of directors shall be not less than two (2) and not more than nine (9).

Proposed Article 73

Number of directors. ~~All the directors of the Company shall be natural persons.~~ Until and unless otherwise determined by the Company at a general meeting, the number of directors shall be not less than two (2) and not more than ~~nine (9)~~ **eleven (11)**.

Appendix 1 (Continued)

Existing Article 80	Proposed Articles 80
<p>Directors' fees. The fees of the Directors shall from time to time be determined by the Company in general meeting. The fees shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase. The Directors shall also be paid such traveling, hotel and other expenses as may reasonably be incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meeting of Directors. If by arrangement with other Directors, any Director shall perform or render any special duties or service outside his ordinary duties as a Director, the Directors may pay him special remuneration, in addition to his fees, as may be arranged. The fees payable to non-executive directors shall be by way of a fixed sum and not by a commission on or percentage of profits or turnover and the fees payable to executive directors may not include a commission or percentage of turnover.</p>	<p>Directors' fees. The amount of fees of payable to the Directors shall from time to time be determined by the Company in general meeting which includes but is not limited to fees payable to the Directors for the current financial period and/or any other subsequent period. The fees shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase. The Directors shall also be paid such traveling, hotel and other expenses as may reasonably be incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meeting of Directors. Notwithstanding the foregoing, the time and manner as to payment of the fees and expenses due to directors shall be determined by and at the discretion of the Directors. If by arrangement with other Directors, any Director shall perform or render any special duties or service outside his ordinary duties as a Director, the Directors may pay him special remuneration, in addition to his fees, as may be arranged. The fees payable to non-executive directors shall be by way of a fixed sum and not by a commission on or percentage of profits or turnover and the fees payable to executive directors may not include a commission or percentage of turnover.</p>
Existing Article 81	Proposed Articles 81
<p>Office of director vacated in certain cases. The office of Director shall become vacant if the Director:</p> <ul style="list-style-type: none"> (a) ceases to be a director by virtue of the Act; (b) becomes bankrupt or makes any arrangement or composition with its creditors generally; (c) becomes prohibited from being a director by reason of any order made under the Act; (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; (e) resigns his office by notice in writing to the Company; or (f) is absent from more than fifty percent (50%) of the meetings of the Directors held during a financial year unless an exemption or waiver is obtained from the Stock Exchange. 	<p>Office of director vacated in certain cases. The office of Director shall become vacant if the Director:</p> <ul style="list-style-type: none"> (a) ceases to be a director by virtue of the Act; (b) becomes bankrupt or makes any arrangement or composition with its creditors generally; (c) becomes prohibited from being a director by reason of any order made under the Act; (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; (e) resigns his office by notice in writing to the Company; or (f) is absent from more than fifty percent (50%) of the meetings of the Directors held during a financial year unless an exemption or waiver is obtained from the Stock Exchange; or (g) is convicted by court of law, whether within Malaysia or elsewhere, in relation to the offences set out in Article 81A below.

Appendix 1 (Continued)

Not applicable – to insert a new Article	Proposed Article 81A
	<p><u>No appointment of director in certain cases.</u> No person shall be appointed or is allowed to act as a Director or be involved whether directly or indirectly in the management of the Company, including acting in an advisory capacity in relation to the Company, if he:-</p> <ul style="list-style-type: none"> a) has been convicted by a court of law, whether within Malaysia or elsewhere, of any offence in connection with the promotion, formation or management of a company; b) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence, involving fraud or dishonesty or where the conviction involved a finding that he acted fraudulently or dishonestly; or c) has been convicted by a court of law of an offence under the securities laws or the Act, <p>within a period of 5 years from the date of conviction or if sentenced to imprisonment, from the date of release from prison, as the case may be.</p> <p>For the purposes of this Article, “securities laws” means the CMSA, the Central Depositories Act and the Securities Commission Act 1993.</p>



DELEUM BERHAD

(Co. No. 715640-T)
(Incorporated in Malaysia)

Proxy Form

I/We _____
(Full name in block letters)

I.C./Passport/Company No. _____

of _____
(Address in full)

being a member of **DELEUM BERHAD** hereby appoint

(Full name in block letters)

I.C./Passport No. _____

of _____
(Address in full)

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at **Ballroom 3, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 3 June 2008 at 10.00 a.m.** and at any adjournment thereof in the manner as indicated below.

NO.	SUBJECT	FOR	AGAINST
ORDINARY BUSINESS			
1.	To receive the Audited Financial Statement for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect Datuk Vivekananthan a/l M. V. Nathan as Director.		
3.	To re-elect Hj. Abd Razak bin Abu Hurairah as Director.		
4.	To approve the payment of Directors' fees of RM126,291 in respect of the financial year ended 31 December 2007.		
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
6.	Proposed Amendments to the Company's Articles of Association.		
7.	Proposed Increase in the Authorised Share Capital.		
8.	Proposed Bonus Issue.		
9.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "x" in the spaces provided how you wish your vote to be cast. If no instruction as to voting is given, the Proxy will vote as he or she thinks fit, or abstain from voting, at his or her discretion.

Dated this _____ day of _____ 2008.

No. of Ordinary Shares Held	
CDS Account No.	

Signature/Common Seal of Shareholder(s)

Notes:

- A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Security Industries (Central Depositories) Act, 1991, he may appoint not more than two (2) proxies in respect of each securities account he holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation under its Common Seal or the hand of its duly authorised officer or attorney.
- An instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

2nd Fold Here

Affix
Stamp

The Company Secretary

Deleum Berhad

(Co. No. 715640-T)
(Incorporated in Malaysia)

No. 2, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Malaysia

1st Fold Here

DELEUM BERHAD

(Co. No. 715640-T)

No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia
Tel: (603) 2295 7788 Fax: (603) 2295 7777

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