

# FINANCIAL STATEMENTS

107	Directors' Report
115	Statements Of Comprehensive Income
117	Statements Of Financial Position
120	Consolidated Statement Of Changes In Equity
122	Company Statement Of Changes In Equity
124	Statements Of Cash Flows
127	Summary Of Significant Accounting Policies
163	Notes To The Financial Statements
250	Statement By Directors
250	Statutory Declaration
251	Independent Auditors' Report

# 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 2018.

## PRINCIPAL ACTIVITIES

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

The principal activities of the Group consist of the provision of gas turbines packages and related services, oilfield equipment and services, servicing of rotating equipment, integrated corrosion and inspection services, predominantly for the oil and gas industry.

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 attributable to		
- Equity holders of the Company	27,169,147	13,045,381
- Non-controlling interest	2,660,320	0
Profit for the financial year	29,829,467	13,045,381

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2017 were as follows:

	RM
In respect of the financial year ended 31 December 2017, as shown in the Directors' report of that year, a second interim single tier dividend of 3.25 sen per share on 400,492,500 ordinary shares, paid on 28 March 2018	13,016,008
In respect of the financial year ended 31 December 2018, first interim single tier dividend of 1.25 sen per share on 401,125,700 ordinary shares, paid on 25 September 2018	5,014,073
	18,030,081

The Directors, had on 25 February 2019 declared a second interim single tier dividend of 2.25 sen per ordinary share in respect of the financial year ended 31 December 2018 totalling RM9,025,328, payable on 22 March 2019.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2018.

# DIRECTORS' REPORT

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

## SHARE CAPITAL AND DEBENTURES

During the financial year, the total number of issued ordinary shares of the Company was increased from 400,195,300 to 401,125,700 by way of:

- (i) issuance of 297,200 new ordinary shares at RM1.567 per share to eligible employees under the Third Tranche of First Grant under the Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan;
- (ii) issuance of 450,100 new ordinary shares at RM1.100 per share to eligible employees under the Second Tranche of Second Grant under the Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan; and
- (iii) issuance of 183,100 new ordinary shares at RM1.022 per share to eligible employees under the Second Tranche of Special Grant under the Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan.

The newly issued ordinary shares rank *pari passu* in all respects with the existing shares of the Company.

Other than as disclosed above, the Company has not issued any new shares or debentures during the financial year.

## LONG-TERM INCENTIVE PLAN ("LTIP")

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 27 May 2014 and is administered by the Plan Committee appointed by the Board of Directors, in accordance with the By-Laws. The LTIP shall be in force for a period of 10 years commencing from 10 October 2014. The salient features, terms and details of the LTIP are disclosed in Note 30 to the financial statements.

On 2 March 2015, the Company made the first grant of 2,396,500 ordinary shares under the LTIP scheme to selected eligible employees of the Group. The first grant comprises the Restricted Share Incentive Plan ("RS Award") of 1,254,300 shares and Performance Share Incentive Plan ("PS Award") of 1,142,200 shares ("1<sup>st</sup> Grant").

On 22 March 2016, the Company made the second grant of LTIP up to maximum of 4,641,900 ordinary shares to selected eligible employees of the Group which comprises the RS Award of 1,598,700 shares and PS Award of 3,043,200 shares based on outstanding performance target ("2<sup>nd</sup> Grant").

On 22 March 2017, the Company made a special grant of LTIP comprises solely of the RS Award of 398,400 ordinary shares to selected eligible employees of the Group ("Special Grant") of which 195,300 ordinary shares were vested to eligible employees of the Group under the First Tranche of the Special Grant of the LTIP.

**LONG-TERM INCENTIVE PLAN (“LTIP”) (CONTINUED)**

The number of shares granted under the LTIP scheme during the financial year and the number of shares outstanding at the end of the financial year are as follows:

<b>Date of Grant</b>	<b>Type of Grant</b>	<b>At 1.1.2018</b>	<b>Granted</b>	<b>Vested</b>	<b>Lapsed/ Forfeited</b>	<b>At 31.12.2018</b>
2 March 2015 (1 <sup>st</sup> Grant)	RS Award	327,198	0	(297,200)	(29,998) <sup>^</sup>	0
	PS Award	947,300	0	0	(947,300) <sup>^</sup>	0
22 March 2016 (2 <sup>nd</sup> Grant)	RS Award	971,066	0	(450,100)	(66,600) <sup>@</sup>	454,366
	PS Award	1,399,300	0	0	(146,300) <sup>#</sup>	1,253,000
22 March 2017 (Special Grant)	RS Award	194,800	0	(183,100)	(11,700) <sup>@</sup>	0

Notes: <sup>^</sup> Shares lapsed due to non-vesting as the performance targets in respect of financial year ended 31 December 2017 were not met or forfeited due to the resignation of employees.

<sup>#</sup> Shares forfeited due to the resignation of employees.

<sup>@</sup> Shares forfeited due to resignation of employees and non-meeting of individual performance expectations.

**DIRECTORS OF THE COMPANY**

The Directors of the Company who have held office during the financial year to the date of this report are as follows:

Dato' Izham bin Mahmud  
 Datuk Vivekananthan a/l M.V. Nathan  
 Datuk Ishak bin Imam Abas  
 Nan Yusri bin Nan Rahimy  
 Datuk Ir (Dr) Abdul Rahim bin Hashim  
 Datuk Noor Azian binti Shaari  
 Datuk Chin Kwai Yoong (resigned on 19 February 2019)

In accordance with Article 78 of the Company's Constitution, Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS OF SUBSIDIARIES

The Directors who have held office in the subsidiaries of the Company (excluding Directors who are also Directors of the Company) during the financial year and up to the date of this report are as follows:

Directors of Subsidiaries	Subsidiary
Jayanthi a/p Gunaratnam (resigned on 12 March 2018)	Deleum Primera Sdn. Bhd.
Mazrin bin Ramli	Deleum Primera Sdn. Bhd.
Khairulazmi bin Mohamad Karudin	Deleum Primera Sdn. Bhd.
Jayanthi a/p Gunaratnam (appointed as alternate Director to Dato' Izham bin Mahmud on 12 March 2018)	Deleum Primera Sdn. Bhd.
Yusri bin Mohamad	Deleum Rotary Services Sdn. Bhd.
Seow Keng Seng	Turboservices Sdn. Bhd.
Richard Garry Mundy	Turboservices Sdn. Bhd.
Nuruzzatulain binti Sahamah	Turboservices Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Nuruzzatulain binti Sahamah)	Turboservices Sdn. Bhd.
Heng Phok Wee	Delflow Solutions Sdn. Bhd.
Heng Phok Wee	Wisteria Sdn. Bhd. (In members' voluntary liquidation)
Eric Kurt Strecker	Penaga Dresser Sdn. Bhd.
Yusri bin Mohamad	Penaga Dresser Sdn. Bhd.
Akira Fukasawa	Penaga Dresser Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Dato' Izham bin Mahmud)	Penaga Dresser Sdn. Bhd.
Alicia Chin Mei Yoke (alternate Director to Eric Kurt Strecker) (alternate Director to Akira Fukasawa)	Penaga Dresser Sdn. Bhd.

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company was 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, or debentures of, the Company or any other body corporate other than those arising from the LTIP as disclosed in Directors' Interests in Shares.

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 7) 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 IN SHARES**

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:

	<b>Number of ordinary shares in the Company</b>			
	<b>At 1.1.2018</b>	<b>Vested/ Acquired</b>	<b>Sold</b>	<b>At 31.12.2018</b>
<u>Direct interest</u>				
Dato' Izham bin Mahmud	11,200,000	0	0	11,200,000
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	0	0	42,799,300
Datuk Ishak bin Imam Abas	1,962,998	0	250,000	1,712,998
Datuk Chin Kwai Yoong <sup>@</sup>	750,000	0	0	750,000
Nan Yusri bin Nan Rahimy	447,032	171,100	58,900	559,232
<u>Indirect interest</u>				
Dato' Izham bin Mahmud	138,264,398	22,100	0	138,286,498
Datuk Vivekananthan a/l M.V. Nathan	81,718,800	22,100	0	81,740,900
Datuk Chin Kwai Yoong <sup>@</sup>	50,000	0	0	50,000
Nan Yusri bin Nan Rahimy	76,332	0	15,000	61,332
<b>Number of ordinary shares in a subsidiary, VSM Technology Sdn. Bhd.</b>				
	<b>At 1.1.2018</b>	<b>Acquired</b>	<b>Sold</b>	<b>At 31.12.2018</b>
<u>Direct interest</u>				
Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400

<sup>@</sup> Resigned on 19 February 2019.

By virtue of their interest in shares in the Company pursuant to Section 8 of the Companies Act 2016, Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS IN SHARES (CONTINUED)

The following Director is deemed to have interest in the shares of the Company to the extent of the shares granted to him pursuant to the LTIP of the Company:

	Date of Grant	Type of Grant	Number of ordinary shares granted under LTIP				
			At 1.1.2018	Granted	Vested	Lapsed	At 31.12.2018
Nan Yusri	2 March 2015	RS Award	48,600	0	(48,600)	0	0
bin Nan Rahimy	(1 <sup>st</sup> Grant)	PS Award	226,200	0	0	(226,200)	0
	22 March 2016	RS Award	145,466	0	(72,700)	0	72,766
	(2 <sup>nd</sup> Grant)	PS Award	680,600*	0	0	0	680,600*
	22 March 2017	RS Award	49,800	0	(49,800)	0	0
	(Special Grant)						

\* The number of shares granted on 22 March 2016 under the PS Award was up to maximum based on outstanding performance targets.

The shares granted to Nan Yusri bin Nan Rahimy were made in accordance with the resolution passed by shareholders of the Company at Annual General Meeting held on 27 May 2014.

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, grants and options over shares in the Company or shares, grants and options over shares and debentures of its related corporations during the financial year.

### INDEMNITY AND INSURANCE COSTS

The Group has in force a Directors and Officers insurance policy essentially covering the acts of Directors and Officers. The current policy has a limit of liability of RM30,000,000. Annual premiums paid amounted to RM28,010.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position 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 at 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 would 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.



## DIRECTORS' REPORT (CONTINUED)

### **STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

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.

### **SUBSIDIARIES**

Details of subsidiaries are set out in Note 34 to the financial statements.

### **AUDITORS**

The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2018 are disclosed in Note 6 to the financial statements.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2019.

**DATO' IZHAM BIN MAHMUD**  
DIRECTOR

**NAN YUSRI BIN NAN RAHIMY**  
DIRECTOR

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Revenue	5	<b>623,685,468</b>	534,058,203	<b>33,996,800</b>	34,559,500
Cost of sales		<b>(499,234,830)</b>	(394,189,675)	<b>(15,633,200)</b>	(15,053,800)
Gross profit		<b>124,450,638</b>	139,868,528	<b>18,363,600</b>	19,505,700
Other operating income		<b>3,553,165</b>	2,946,647	<b>1,480,741</b>	1,532,589
Selling and distribution costs		<b>(35,644,457)</b>	(34,101,253)	<b>0</b>	0
Administrative expenses		<b>(46,585,807)</b>	(44,490,096)	<b>(2,200,260)</b>	(2,684,869)
Other operating losses		<b>(3,786,338)</b>	(6,665,380)	<b>(877,756)</b>	(49,937)
Operating profit		<b>41,987,201</b>	57,558,446	<b>16,766,325</b>	18,303,483
Finance cost	8	<b>(2,852,275)</b>	(4,005,340)	<b>(934,201)</b>	(1,232,424)
Share of results of a joint venture (net of tax)	16	<b>1,138,902</b>	856,718	<b>0</b>	0
Share of results of associates (net of tax)	17	<b>2,274,580</b>	(384,958)	<b>0</b>	0
Profit before tax	6	<b>42,548,408</b>	54,024,866	<b>15,832,124</b>	17,071,059
Tax expense	9	<b>(12,718,941)</b>	(14,764,335)	<b>(2,786,743)</b>	(432,796)
Profit for the year		<b>29,829,467</b>	39,260,531	<b>13,045,381</b>	16,638,263
Other comprehensive income/(loss): Item that may be subsequently reclassified to profit or loss					
Currency translation differences of foreign operations		<b>83,617</b>	(445,329)	<b>0</b>	0
Total comprehensive income for the financial year		<b>29,913,084</b>	38,815,202	<b>13,045,381</b>	16,638,263

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Profit attributable to:					
Equity holders of the Company		<b>27,169,147</b>	32,277,167	<b>13,045,381</b>	16,638,263
Non-controlling interest		<b>2,660,320</b>	6,983,364	<b>0</b>	0
		<b>29,829,467</b>	39,260,531	<b>13,045,381</b>	16,638,263
Total comprehensive income attributable to:					
Equity holders of the Company		<b>27,187,469</b>	32,207,838	<b>13,045,381</b>	16,638,263
Non-controlling interest		<b>2,725,615</b>	6,607,364	<b>0</b>	0
		<b>29,913,084</b>	38,815,202	<b>13,045,381</b>	16,638,263
Earnings per share (sen)					
- Basic	10	<b>6.78</b>	8.07		
- Diluted	10	<b>6.75</b>	8.01		

The above statements of comprehensive income are to be read in conjunction with the significant accounting policies and notes 1 to 40 to the Financial Statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM	Group 2017 Restated RM	2018 RM	Company 2017 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	<b>151,323,557</b>	163,525,366	<b>4,796,945</b>	3,238,766
Investment properties	13	<b>794,423</b>	817,999	<b>0</b>	0
Intangible assets	14	<b>953,567</b>	1,644,162	<b>154,642</b>	237,007
Subsidiaries	15	<b>0</b>	0	<b>136,822,166</b>	136,612,423
Joint venture	16	<b>29,701,991</b>	28,563,089	<b>29,375,937</b>	29,375,937
Associates	17	<b>35,564,981</b>	38,595,019	<b>0</b>	0
Deferred tax assets	28	<b>3,061,817</b>	2,009,874	<b>798,232</b>	1,680,838
Other receivables	20	<b>11,081,732</b>	4,921,400	<b>0</b>	0
		<b>232,482,068</b>	240,076,909	<b>171,947,922</b>	171,144,971
<b>CURRENT ASSETS</b>					
Amounts due from subsidiaries	18	<b>0</b>	0	<b>80,187,580</b>	75,484,653
Tax recoverable		<b>1,698,045</b>	1,739,790	<b>24,543</b>	27,857
Inventories	19	<b>22,498,519</b>	18,340,764	<b>0</b>	0
Trade and other receivables	20	<b>103,151,062</b>	123,663,995	<b>255,787</b>	403,483
Contract assets	21	<b>163,854,698</b>	82,035,083	<b>0</b>	0
Amounts due from associates	22	<b>1,600,016</b>	5,639	<b>16</b>	40
Amounts due from a joint venture	23	<b>160,470</b>	138,264	<b>160,309</b>	138,264
Derivative financial instruments	24	<b>7,364</b>	0	<b>0</b>	0
Cash and bank balances	25	<b>134,906,863</b>	141,387,717	<b>6,386,695</b>	6,634,501
		<b>427,877,037</b>	367,311,252	<b>87,014,930</b>	82,688,798

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	2018 RM	Group 2017 Restated RM	2018 RM	Company 2017 RM
<b>LESS: CURRENT LIABILITIES</b>					
Amounts due to subsidiaries	18	0	0	<b>18,596,478</b>	15,005,795
Amounts due to associates	22	<b>7,242,375</b>	7,050,562	0	0
Borrowings	26	<b>55,396,346</b>	45,298,235	<b>24,800,000</b>	17,800,000
Taxation		<b>1,877,488</b>	2,783,396	0	0
Contract liabilities	21	<b>6,476,785</b>	1,972,986	0	0
Derivative financial instruments	24	0	23,775	0	0
Trade and other payables	27	<b>203,133,916</b>	145,917,160	<b>2,536,891</b>	3,437,820
		<b>274,126,910</b>	203,046,114	<b>45,933,369</b>	36,243,615
<b>NET CURRENT ASSETS</b>		<b>153,750,127</b>	164,265,138	<b>41,081,561</b>	46,445,183
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	28	<b>22,785,561</b>	22,724,247	0	0
Borrowings	26	<b>7,784,614</b>	30,750,172	0	0
		<b>30,570,175</b>	53,474,419	0	0
		<b>355,662,020</b>	350,867,628	<b>213,029,483</b>	217,590,154

	Note	2018 RM	Group 2017 Restated RM	2018 RM	Company 2017 RM
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Ordinary shares	29	<b>201,353,602</b>	200,205,651	<b>201,353,602</b>	200,205,651
Share based payment	30	<b>1,081,476</b>	2,451,689	<b>1,081,476</b>	2,451,689
Retained earnings		<b>181,829,885</b>	172,044,528	<b>10,594,405</b>	14,932,814
Merger deficit	31	<b>(50,000,000)</b>	(50,000,000)	<b>0</b>	0
Foreign currency translation		<b>(2,704,952)</b>	(2,723,274)	<b>0</b>	0
Shareholders' equity		<b>331,560,011</b>	321,978,594	<b>213,029,483</b>	217,590,154
<b>NON-CONTROLLING INTEREST</b>		<b>24,102,009</b>	28,889,034	<b>0</b>	0
<b>TOTAL EQUITY</b>		<b>355,662,020</b>	350,867,628	<b>213,029,483</b>	217,590,154

The above statements of financial position are to be read in conjunction with the significant accounting policies and notes 1 to 40 to the Financial Statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to equity holders of the Company								Total equity RM
		Issued and fully paid ordinary shares		Non-distributable				Total RM	Non-controlling interest RM	
		Number of shares	Share capital RM	Share based payment RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM			
<b>At 1 January 2018</b>		<b>400,195,300</b>	<b>200,205,651</b>	<b>2,451,689</b>	<b>(2,723,274)</b>	<b>(50,000,000)</b>	<b>172,044,528</b>	<b>321,978,594</b>	<b>28,889,034</b>	<b>350,867,628</b>
Profit for the financial year		0	0	0	0	0	27,169,147	27,169,147	2,660,320	29,829,467
Other comprehensive income for the financial year		0	0	0	18,322	0	0	18,322	65,295	83,617
Total comprehensive income for the financial year		0	0	0	18,322	0	27,169,147	27,187,469	2,725,615	29,913,084
LTIP:										
- Share based payment	30	0	0	424,029	0	0	0	424,029	0	424,029
- Ordinary shares issued pursuant to the LTIP	29	930,400	1,147,951	(1,147,951)	0	0	0	0	0	0
- Transfer of lapsed share grants		0	0	(646,291)	0	0	646,291	0	0	0
Dividends	11	0	0	0	0	0	(18,030,081)	(18,030,081)	(7,512,640)	(25,542,721)
<b>At 31 December 2018</b>		<b>401,125,700</b>	<b>201,353,602</b>	<b>1,081,476</b>	<b>(2,704,952)</b>	<b>(50,000,000)</b>	<b>181,829,885</b>	<b>331,560,011</b>	<b>24,102,009</b>	<b>355,662,020</b>

The above consolidated statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 40 to the Financial Statements.

Group	Note	Attributable to equity holders of the Company								Total equity RM
		Issued and fully paid ordinary shares		Non- distributable			Distributable		Non- controlling interest RM	
		Number of shares	Share capital RM	Share based payment RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM		
At 1 January 2017		400,000,000	200,000,000	654,488	(2,653,945)	(50,000,000)	152,769,314	300,769,857	27,671,670	328,441,527
Profit for the financial year		0	0	0	0	0	32,277,167	32,277,167	6,983,364	39,260,531
Other comprehensive loss for the financial year		0	0	0	(69,329)	0	0	(69,329)	(376,000)	(445,329)
Total comprehensive (loss)/income for the financial year		0	0	0	(69,329)	0	32,277,167	32,207,838	6,607,364	38,815,202
LTIP:										
- Share based payment	30	0	0	2,002,852	0	0	0	2,002,852	0	2,002,852
- Ordinary shares issued pursuant to the LTIP	29	195,300	205,651	(205,651)	0	0	0	0	0	0
Dividends	11	0	0	0	0	0	(13,001,953)	(13,001,953)	(5,390,000)	(18,391,953)
At 31 December 2017		400,195,300	200,205,651	2,451,689	(2,723,274)	(50,000,000)	172,044,528	321,978,594	28,889,034	350,867,628

The above consolidated statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 40 to the Financial Statements.



# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Issued and fully paid ordinary shares		Non- distributable	Distributable	Total RM
		Number of shares	Share capital RM	Share based payment RM	Retained earnings RM	
<b>At 1 January 2018</b>		<b>400,195,300</b>	<b>200,205,651</b>	<b>2,451,689</b>	<b>14,932,814</b>	<b>217,590,154</b>
Total comprehensive income for the financial year		0	0	0	13,045,381	13,045,381
LTIP:						
- Share based payment	30	0	0	424,029	0	424,029
- Ordinary shares issued pursuant to the LTIP	29	930,400	1,147,951	(1,147,951)	0	0
- Transfer of lapsed share grants		0	0	(646,291)	646,291	0
Dividends	11	0	0	0	(18,030,081)	(18,030,081)
<b>At 31 December 2018</b>		<b>401,125,700</b>	<b>201,353,602</b>	<b>1,081,476</b>	<b>10,594,405</b>	<b>213,029,483</b>

The above statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 40 to the Financial Statements.

Company	Note	Issued and fully paid ordinary shares		Non- distributable	Distributable	Total RM
		Number of shares	Share capital RM	Share based payment RM	Retained earnings RM	
At 1 January 2017		400,000,000	200,000,000	654,488	11,296,504	211,950,992
Total comprehensive income for the financial year		0	0	0	16,638,263	16,638,263
Share based payment	30	0	0	2,002,852	0	2,002,852
Ordinary shares issued pursuant to the LTIP	29	195,300	205,651	(205,651)	0	0
Dividends	11	0	0	0	(13,001,953)	(13,001,953)
At 31 December 2017		400,195,300	200,205,651	2,451,689	14,932,814	217,590,154

The above statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 40 to the Financial Statements.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	Group 2017 Restated RM	2018 RM	Company 2017 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit for the year		<b>29,829,467</b>	39,260,531	<b>13,045,381</b>	16,638,263
<u>Adjustments for:</u>					
Trade receivables:					
- impairment		<b>9,926</b>	274,079	<b>0</b>	0
- write back of impairment		<b>(136,212)</b>	(100,454)	<b>0</b>	0
Contract assets:					
- impairment		<b>23,038</b>	90,556	<b>0</b>	0
- write back of impairment		<b>(9,160)</b>	0	<b>0</b>	0
Other receivables:					
- impairment		<b>0</b>	48,030	<b>0</b>	0
Inventories					
- allowance		<b>209,470</b>	317,545	<b>0</b>	0
- write back		<b>(27,154)</b>	(119,907)	<b>0</b>	0
Amortisation of intangible assets		<b>716,725</b>	727,119	<b>82,365</b>	55,365
Depreciation					
- property, plant and equipment		<b>30,646,573</b>	30,723,481	<b>324,801</b>	305,629
- investment properties		<b>23,576</b>	23,575	<b>0</b>	0
Liquidated damages:					
- provision		<b>60,289</b>	0	<b>0</b>	0
- write back		<b>(58,223)</b>	(182,486)	<b>0</b>	0
(Gain)/Loss on disposal of property, plant and equipment		<b>(333,887)</b>	(76,683)	<b>(231,997)</b>	3,920
Write-off					
- property, plant and equipment		<b>150,880</b>	77,563	<b>1</b>	0
- inventories		<b>64,194</b>	88,371	<b>0</b>	0
- other receivables		<b>0</b>	2,120	<b>0</b>	0
Interest income		<b>(2,898,177)</b>	(2,385,117)	<b>(191,803)</b>	(173,443)
Amortisation of financial guarantee liabilities		<b>0</b>	(8,712)	<b>0</b>	(8,712)
Dividend income		<b>0</b>	0	<b>(16,800,000)</b>	(18,000,000)
Inter-company interest income		<b>0</b>	0	<b>(1,025,497)</b>	(1,335,469)
Finance cost		<b>2,852,275</b>	4,005,340	<b>934,201</b>	1,232,424
Share based payment expense		<b>424,029</b>	2,002,852	<b>214,286</b>	755,532
Share of results of associates		<b>(2,274,580)</b>	384,958	<b>0</b>	0
Share of results of a joint venture		<b>(1,138,902)</b>	(856,718)	<b>0</b>	0
Tax expense		<b>12,718,941</b>	14,764,335	<b>2,786,743</b>	432,796
Unrealised foreign exchange loss		<b>140,782</b>	396,087	<b>0</b>	0
Fair value loss on forward foreign exchange contracts		<b>649,536</b>	23,775	<b>0</b>	0
Operating profit/(loss) before working capital changes		<b>71,643,406</b>	89,480,240	<b>(861,519)</b>	(93,695)

	Note	2018 RM	Group 2017 Restated RM	2018 RM	Company 2017 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>					
<u>Changes in working capital</u>					
Amounts due from subsidiaries		0	0	(1,492,820)	(4,956,530)
Inventories		(4,404,265)	3,451,593	0	0
Trade and other receivables		19,860,726	8,854,183	149,427	(59,296)
Contract assets		(82,105,356)	15,229,867	0	0
Amounts due from a joint venture		0	(32,772)	(19,562)	(36,682)
Amounts due to subsidiaries		0	0	3,590,683	2,779,828
Trade and other payables		57,465,664	(37,293,188)	(923,601)	845,901
Contract liabilities		4,503,799	(5,388,731)	0	0
Cash generated from/(used in) operation		66,963,974	74,301,192	442,608	(1,520,474)
Tax paid		(14,573,733)	(10,124,720)	(1,900,823)	(40,001)
Interest paid		(2,857,416)	(4,021,449)	(911,529)	(1,261,211)
Net cash generated from/(used in) operating activities		49,532,825	60,155,023	(2,369,744)	(2,821,686)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		2,921,702	2,346,175	1,302,060	1,224,307
Purchase of property, plant and equipment	12	(24,676,589)	(2,641,335)	(1,882,984)	(122,097)
Proceeds from disposal of property, plant and equipment		334,500	163,373	232,000	2,303
Purchase of intangible assets	14	(26,130)	0	0	0
Deposits made for an investment		0	(4,921,400)	0	0
Amounts due from/(to) an associate		5,623	7,514	24	(148)
Amounts due from a joint venture		(22,206)	0	(2,483)	2,544
Amounts due to a joint venture		0	(77,589)	0	0
Dividends received from a subsidiary		0	0	21,800,000	15,000,000
Dividends received from associates		3,840,000	0	0	0
Repayment of advances (to)/from subsidiaries		0	0	(8,296,598)	9,546,066
Net cash (used in)/generated from investing activities		(17,623,100)	(5,123,262)	13,152,019	25,652,975

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	2018 RM	Group 2017 Restated RM	2018 RM	Company 2017 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Term loan:					
- drawn down		4,903,000	0	0	0
- repayments		(24,600,000)	(24,599,123)	0	0
Revolving credit:					
- drawn down		15,000,000	0	15,000,000	0
- repayments		(8,000,000)	(11,100,000)	(8,000,000)	(11,100,000)
Loans against imports					
- drawn down		6,794,972	4,939,631	0	0
- repayments		(7,045,419)	(2,748,398)	0	0
Finance lease liabilities					
- repayments		0	(11,042)	0	0
Dividends paid to:					
- shareholders		(18,030,081)	(13,001,953)	(18,030,081)	(13,001,953)
- non-controlling interest		(7,512,640)	(5,536,537)	0	0
Decrease in restricted cash		109,281	83,071	0	0
Net cash used in financing activities		(38,380,887)	(51,974,351)	(11,030,081)	(24,101,953)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>(6,471,162)</b>	3,057,410	<b>(247,806)</b>	(1,270,664)
<b>FOREIGN CURRENCY TRANSLATION</b>		<b>99,589</b>	(2,020,587)	<b>0</b>	0
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>130,647,897</b>	129,611,074	<b>6,634,501</b>	7,905,165
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	25	<b>124,276,324</b>	130,647,897	<b>6,386,695</b>	6,634,501

The above statements of cash flows are to be read in conjunction with the significant accounting policies and notes 1 to 40 to the Financial Statements.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in the significant accounting policies below.

The preparation of financial statements in conformity with MFRS 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 the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

- (a) Standards, amendments to published standards and IC Interpretation that are effective and applicable to the Group and the Company.

The new standards, amendments to published standards and IC Interpretation that are effective for the Group's and the Company's financial year beginning on or after 1 January 2018 are as follows:

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 140 Transfer of Investment Property
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to MFRS 2014 - 2016 cycle (Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investment in Associates and Joint Ventures)

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies of (i) financial assets (Note K) and financial liabilities (Note L) and (ii) revenue (Note T) as compared to those adopted in previous financial statements. The detailed impact of change in accounting policies are set out in Note 39 to the financial statements.

Other than that, the adoption of other amendments listed above did not have any material impact to the Group and the Company on the current periods or any prior period and is not likely to affect future periods.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## A BASIS OF PREPARATION (CONTINUED)

- (b) Standards, amendments to published standards and IC Interpretation that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new standards, amendments to published standards and IC Interpretation in the following periods:

- (i) Financial year beginning on or after 1 January 2019
- MFRS 16 Leases
  - Amendments to MFRS 9 Prepayment Features with Negative Compensation
  - Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
  - IC Interpretation 23 Uncertainty over Income Tax Treatments
  - Annual Improvements to MFRS Standards 2015 – 2017 cycle (Amendments to MFRS 3 Business Combinations, Amendments to MFRS 11 Joint Arrangements, Amendments to MFRS 112 Income Taxes, Amendments to MFRS 123 Borrowing Costs)
  - Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement
- (ii) Financial year beginning on or after 1 January 2020
- Amendment to MFRS 3 Business Combinations – Definition of a Business
  - Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- (iii) The effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

## A BASIS OF PREPARATION (CONTINUED)

- (b) Standards, amendments to published standards and IC Interpretations that are applicable to the Group and the Company but not yet effective (continued)

The initial application of the above mentioned new accounting standards, amendments to published standards and IC Interpretations are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

### MFRS 16 Leases

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

The Group has assessed the estimated financial impact on its financial statements upon the initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Group intends to elect and apply the modified retrospective approach with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16. Based on an estimated adjustments as at 1 January 2019, an increase in the right-to-use assets with a corresponding increase in the financial lease liability of approximately RM3.5 million with minimal impact to retained earnings and reserves of the Group is expected.

The Group’s activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.



# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## B CONSOLIDATION

### (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Subsidiaries are consolidated using the acquisition method of accounting except for certain business combinations which were accounted for using the predecessor basis of accounting as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 “Accounting for Acquisitions and Mergers”, the generally accepted accounting principles prevailing at that time
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in MASB 21 “Business Combinations”
- internal group reorganisations, as defined in MASB 21, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 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
- combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006

The Group has adopted the transitional provisions as provided by MASB 21, FRS 3 and FRS 3 (revised) to apply these Standards prospectively. Transitional provisions of MASB 21, FRS 3 and FRS 3 (revised) that were previously applied and disclosed in the prior year (FRS) financial statements are not relevant in the first set of MFRS financial statements. These provisions were applied to Deleum Services Sdn. Bhd. (“DSSB”). DSSB, a wholly-owned subsidiary company, is consolidated using the merger method of accounting as the internal group reorganisation took place on/after 1 April 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 non-controlling interests' share of net assets of the Group is not altered by the transfer.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

## B CONSOLIDATION (CONTINUED)

### (a) Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss. Refer to accounting policy Note C(a) on goodwill.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## **B CONSOLIDATION (CONTINUED)**

### (a) Subsidiaries (continued)

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 credit difference is classified as a non-distributable reserve. 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 merger deficit.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. Any change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

### (c) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

## B CONSOLIDATION (CONTINUED)

### (d) Joint Ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to "share of profit/(loss) of a joint venture" in the statement of comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## B CONSOLIDATION (CONTINUED)

### (e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Carrying amount of the investment is reduced by dividends receivable from associates when the Group's right to receive payment is established. Dividends receivable is presented within amount due from associate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the statement of comprehensive income.

**B CONSOLIDATION (CONTINUED)**

## (f) Transactions with non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the statement of comprehensive income as an allocation of the profit or loss on the total comprehensive income for the year between non-controlling interests and owners of the Company.

**C INTANGIBLE ASSETS**

## (a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### **C INTANGIBLE ASSETS (CONTINUED)**

(b) Contracts

Customer contracts acquired as part of the business combination have finite useful life which ranges between one to two years and are capitalised at fair value at acquisition date and amortised using the straight line basis over their contractual periods or estimated useful lives, whichever is shorter. Customer contracts are carried at cost less accumulated amortisation and is tested for impairment whenever indication of impairment exists.

(c) Distributorship agreement

Distributorship agreement acquired as part of the business combination is capitalised at fair value at the acquisition date and amortised using the straight line basis over the duration of the agreement. Distributorship agreement is carried at cost less accumulated amortisation and is tested for impairment whenever indication of impairment exists.

(d) Software costs

Software costs are recognised when the Group and the Company can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use, its intention to complete and its ability to use, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software costs recognised as assets are amortised using the straight line basis over their estimated useful lives, which does not exceed five years.

Computer software costs for assets in progress are not amortised until they are ready for their intended use.

## D INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

In the Company's separate financial statements, investments in subsidiaries, joint venture and associates are carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see accounting policy Note J on impairment of non-financial assets). Impairment losses are charged to profit or loss.

On disposal of investments in subsidiaries, joint venture and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

## E PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note S on borrowings).

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 de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (refer to accounting policy Note H on leases) is amortised in equal instalments over the period of the respective leases that range from 60 to 99 years. Other property, plant and equipment are depreciated on the straight line basis to allocate 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 1/3%
Renovations	10% - 20%
Plant, machinery and other equipment	6 2/3% - 33 1/3%
Motor vehicles	16 2/3% - 20%



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### **E PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Residual values and useful lives of assets are reviewed and adjusted where appropriate at the end of each reporting period.

At the end of the reporting period, the Group and the Company assess 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 J on impairment of non-financial assets).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other income or other operating losses in profit or loss.

### **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 property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight line basis to allocate the cost to their residual values over their estimated useful lives at the rate of 2% per annum.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is de-recognised.

Investment property is de-recognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

Useful lives of investment properties are reviewed and are adjusted where appropriate at the end of the reporting period.

At the end of the reporting period, 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 J on impairment of non-financial assets).

## G INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. Cost of purchased inventories for resale purpose is determined after deducting discounts and rebates. For other inventories, the cost comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs.

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

Where a subsidiary adopts accounting policies that are different from the Group, their reported results shall be restated to comply with the Group accounting policies unless the discrepancy is immaterial.

## H LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

### Accounting by lessee

#### Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## H LEASES (CONTINUED)

### Accounting by lessee (continued)

#### 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 from the lessor) are charged to profit or loss on the straight line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

## I CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments (less than 3 months maturity) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## J IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill 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. An 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 asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). 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 profit or loss. Any subsequent increase in recoverable amount is recognised in profit or loss. Impairment losses on goodwill are not reversed.

## K FINANCIAL ASSETS

### (a) Classification

The Group and the Company classifies its financial assets at the time it is initially recognised and is subsequently measured at either amortised costs or fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial asset at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing the financial assets. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group and the Company reclassifies debt investments when and only when its business model for managing those assets change.

#### Accounting policies applied until 31 December 2017

The Group and the Company classifies all its financial assets as loans and receivables other than financial assets acquired principally for the purpose of selling in the short term, i.e. are held for trading in which these financial assets shall be classified at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired and are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. Management determines the classification at initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise "amounts due from subsidiaries", "trade and other receivables (excluding prepayments)", "amounts due from associates", "amounts due from a joint venture", and "cash and bank balances" in the statements of financial position (Notes 18, 20, 22, 23 and 25).

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### K FINANCIAL ASSETS (CONTINUED)

#### (b) Recognition and initial measurement

At initial recognition, with the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient is measured at the transaction price as determined under MFRS 15 (see accounting policy Note T and Note P).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Accounting policies applied until 31 December 2017

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss.

#### (c) Subsequent measurement – debts instruments

Subsequent measurement of debt instruments depends on the Group's and Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

##### (i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of the Group's and Company's financial assets are recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. The Group's and the Company's financial assets that are measured at amortised cost comprised of "amounts due from subsidiaries", "trade and other receivables (excluding prepayments)", "amounts due from associates", "amounts due from a joint venture", and "cash and bank balances" in the statements of financial position (Notes 18, 20, 22, 23 and 25).

**K FINANCIAL ASSETS (CONTINUED)**

## (c) Subsequent measurement – debts instruments (continued)

(ii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other operating gains/(losses). The impairment expenses shall be presented as separate line item in the statement of profit or loss.

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

Accounting policies applied until 31 December 2017

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## (d) Subsequent measurement – equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## K FINANCIAL ASSETS (CONTINUED)

### (e) Impairment of financial assets

The Group assesses on a forward looking basis on the expected credit loss (“ECL”) associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### (i) General 3-stage approach for other receivables, amounts due from associates and amounts due from a joint venture

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

#### (ii) Simplified approach for trade receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets.

#### Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward looking information that includes historical default rate, internal and external credit rating (as applicable), actual or expected changes in economic and regulatory environment that are expected to cause a significant change to the debtor’s ability to meet its obligations.

## K FINANCIAL ASSETS (CONTINUED)

### (e) Impairment of financial assets (continued)

#### Significant increase in credit risk (continued)

A significant increase in credit risk is presumed if a debtor become inactive, indication of consistent delay in making contractual payments that are long past due with history of default or the debtor is expected to/or is experiencing significant financial difficulties and cash flow problems.

#### Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default when counterparty become inactive and/or consistently slow in making contractual payments that are long past due with history of default or the debtor is insolvent or has significant financial difficulties. For certain categories of financial assets such as trade receivables and contract assets balances are assessed on an individual basis.

Prior to the adoption of the new MFRS 9, a financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### Accounting policies applied until 31 December 2017

##### Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### K FINANCIAL ASSETS (CONTINUED)

#### (e) Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If "loans and receivables" has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

#### (f) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group and the Company are not de-recognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

## L FINANCIAL LIABILITIES

### (a) Classification

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Management determines the classification of financial liabilities at initial recognition.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company classify all its financial liabilities as other financial liabilities. The Group's and the Company's other financial liabilities comprised of "amounts due to subsidiaries", "amounts due to associates", "borrowings" and "trade and other payables (excluding statutory obligations)" in the statements of financial position (Notes 18, 22, 26 and 27).

### (b) Recognition and measurement

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

All fair value changes on financial liabilities which are irrecoverably designated as FVTPL is to be recognised in the statement of profit or loss other than the amount of change in the fair value of the financial liability that is attributable to the change in the Group and the Company's own equity credit risks which is to be presented in the OCI.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### Accounting policies applied until 31 December 2017

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All fair value changes on financial liabilities which are irrecoverably designated as FVTPL is to be recognised in the statement of profit or loss.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## **L FINANCIAL LIABILITIES (CONTINUED)**

### (c) De-recognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of comprehensive income.

## **M OFFSETTING FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

## **N DERIVATIVE FINANCIAL INSTRUMENTS**

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, comprising of forward foreign exchange contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured at their fair values at the end of each reporting period. The method on recognising the subsequent changes in the fair value depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss upon when the fair value changes on the derivatives arise.

## **O SHARE CAPITAL**

### (a) Classification

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

### (b) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown as a deduction in equity. Other share issue costs are charged to profit or loss.

## **O SHARE CAPITAL (CONTINUED)**

### (c) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the end of reporting period. A dividend proposed or declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period. Upon the dividend becoming payable, it will be accounted as a liability. Distributions to holders of an equity instrument is recognised directly in equity.

## **P TRADE AND OTHER RECEIVABLES**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised at initially at fair value plus transaction costs.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest rate method. See accounting policy Note K(e) on impairment of financial assets.

## **Q TRADE AND OTHER PAYABLES**

Trade and other payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method.

## **R CONTRACT BALANCES**

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditional on something other than the passage of time. Contract asset is the excess of cumulative revenue earned over the billings to-date. Contract asset also includes advance payment to supplier or advance billing from suppliers where the performance obligation is yet to be satisfied.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### **R CONTRACT BALANCES (CONTINUED)**

Impairment on contract asset is assessed based on the policy in Note K(e).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer in advance or is the excess of the billings to-date over the cumulative revenue earned.

### **S BORROWINGS AND BORROWING COSTS**

#### (a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired.

#### (b) Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **T REVENUE RECOGNITION**

Revenue from contracts with customers is recognised by reference to each distinct promise of goods and services (a performance obligation) in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. When the standalone selling prices are not directly observable, they are estimated based on expected cost-plus margin. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

## T REVENUE RECOGNITION (CONTINUED)

Performance obligations by segment are as follows:

(a) Power and Machinery (“P&M”)

P&M segment revenue focuses on the sale and provision of after sales support services for gas turbines generators and compressors packages, supply, installation, repair and maintenance of safety valves and flow regulators, and maintenance, repair and overhaul services for motor, generators and transformers.

(i) Sale of gas turbine packages and after sales support services

After sales support services

The Group provides various after sales support services in respect of gas turbines generators and compressors that the Group sells. After sales support services includes but not limited to gas turbines exchange services, compressors maintenance and technical services, and sale of gas turbines parts and components with installation services and other ancillary services. Provision of maintenance services is either performed based on a scheduled interval periods or on an ad hoc basis at the request of customers.

Revenue from gas turbines exchange services which involve the delivery of the gas turbine are recognised when the customer accepts the delivery of the gas turbines.

Revenue from maintenance and technical services are recognised over the period in which the services are rendered.

Maintenance and technical services may be bundled with sale of parts and components. Sale of parts and components are assessed as separate performance obligations and revenue allocated to the parts and components is recognised when the parts and components are delivered and accepted by customers.

Sale of parts and components with installation services are assessed as a single performance obligation as the series of activities involved are significantly integrated. Revenue are recognised over the period based on the fulfilment of the performance obligations of the contract milestones.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## T REVENUE RECOGNITION (CONTINUED)

### (a) Power and Machinery ("P&M") (continued)

#### (i) Sale of gas turbine packages and after sales support services (continued)

##### Sale of gas turbine generators and compressors packages

Revenue from the sale of gas turbine generators and compressors including sale of parts and components ("gas turbine packages") is recognised when the Group sells and the control of the gas turbine packages has been transferred, being when these gas turbine packages are delivered and accepted by the customers.

Revenue from the provision of freight and handling services is assessed as a single performance obligation with the sale of gas turbine parts and components as the controls of goods are transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

#### (ii) Sales of valves and flow regulators and after sales support services

##### After sales support services

The Group provides after sales support services including repair and maintenance in relation to valves and flow regulators that the Group sells.

Revenue from repair and maintenance services are recognised when the customer accepts the services rendered.

Repair and maintenance services may be bundled with sale of valves and flow regulators. Sale of valves and flow regulators is assessed as separate performance obligations and revenue allocated to the sale of valves and flow regulators is recognised when the valves and flow regulators are delivered and accepted by the customers.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

## T REVENUE RECOGNITION (CONTINUED)

### (a) Power and Machinery ("P&M") (continued)

#### (ii) Sales of valves and flow regulators and after sales support services (continued)

##### Sale of valves and flow regulators

Revenue from sale of valves and flow regulators on stand-alone is recognised when the Group sells the valves and flow regulators to customers and control of the valves and flow regulators has transferred, being when the valves and flow regulators are delivered and accepted by the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of valve and flow regulators as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

#### (iii) Sale, repair and maintenance of motors, generators and transformers

##### Sale of motors, generators and transformers

Revenue from sale of motors, generators and transformers including parts and components is recognised when the Group sells the motors, generators and transformers to customers and control of the motors, generators and transformers has transferred, being when the motors, generators and transformers are delivered and accepted by the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of motors, generators and transformers as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

##### Repair and maintenance services

The Group provides repair and maintenance services in relation to motors, generators and transformers that the Group sells. Revenue from repair and maintenance services are recognised when the customer accepts the services rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.



# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## T REVENUE RECOGNITION (CONTINUED)

### (b) Oilfield Services ("OS")

Oilfield Services segment specialises mainly in upstream operations, topside and downhole support services which consist of the provision of slickline equipment and services, well intervention and cased hole logging services, asset integrated solution services and drilling and production services, provision of specialty chemicals and well stimulation services.

- (i) Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and drilling and production services

The Group provides slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and drilling and production services. Revenue from slickline equipment and services, well intervention, asset integrated solution services and cased hole logging services are recognised over the period in which the services are rendered.

Revenue from sale of drilling products is recognised when the Group sells the drilling products to customers and control of the drilling products has transferred, being when the drilling products are delivered and accepted by the customer.

- (ii) Provision of specialty chemicals and well stimulation services

#### Well stimulation services

The Group provides well stimulation services at request from customers. Revenue from well stimulation services are recognised when the services are rendered and accepted by customers.

Well stimulation services may be bundled with sale of specialty chemicals. Sale of specialty chemicals is assessed as separate performance obligations and revenue allocated to the sale of specialty chemicals is recognised when the chemicals are delivered and accepted by customers.

#### Sale of chemicals

Revenue from chemicals is recognised when the Group sells the chemicals to customers and control of the chemicals has transferred, being when the chemicals are delivered to the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of chemicals as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

## T REVENUE RECOGNITION (CONTINUED)

### (c) Integrated Corrosion Solution ("ICS")

ICS segment involved in the provision of integrated corrosion and inspection, blasting technology, maintenance, construction and modification ("MCM") maintenance services.

#### (i) Provision of integrated corrosion and inspection, blasting technology and maintenance services

The Group provides integrated corrosion and inspection, blasting technology and maintenance services in relation to corrosion for tanks, structures and piping. Revenue from integrated corrosion inspection, blasting technology and maintenance services is recognised over the service period as customer receives and consumes the benefit of the Group's performance as the Group performs.

Revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total budgeted costs. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

Revenue recognised from provision of integrated corrosion and inspection, blasting technology and maintenance services involves management's estimation on the total budgeted costs. Estimates of total budgeted costs are revised if circumstances change. Any resulting increases or decreases in the estimates of total budgeted costs would result in a change in the measure of progress and a corresponding change in the amount of revenue recognised. The change in estimates are reflected in profit or loss in the period in which the circumstances that give rise to the revision occurs. Refer Note 3 for critical accounting estimates and judgments.

Provision of integrated corrosion and inspection, blasting technology and maintenance services may be bundled with sale of sponge jet media and consumables. Sale of sponge jet media and consumables are assessed as separate performance obligations and revenue allocated to the sale of sponge jet media and consumables respectively are recognised when the sponge jet media and consumables are delivered and accepted by customers.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## T REVENUE RECOGNITION (CONTINUED)

### (c) Integrated Corrosion Solution (“ICS”) (continued)

#### (ii) Provision of maintenance, construction and modification (“MCM”) maintenance services

Provision of maintenance, construction and modification (“MCM”) maintenance services covers provision of site surveys, supply of materials and consumables, fabrication and offshore maintenance services, and provision of marine spread.

#### Provision of site surveys

Revenue from site surveys is recognised when the reports on site survey are completed and accepted by customers.

#### Supply of materials and consumables

The Groups sells materials and consumables to customers upon request. Revenue from supply of materials and consumables are recognised when the customer accepts the delivery of the goods.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of materials and consumables as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

#### Fabrication and offshore maintenance works

The Group provides fabrication or offshore maintenance works at the request of the customer. Revenue from fabrication or offshore maintenance works are recognised over the services period as the customer receives and consumes the benefit of the Group’s performance as the Group performs and/or the Group is enhancing the assets that the customer controls.

Revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total budgeted costs. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

Revenue recognised from the provision of fabrication or offshore maintenance services involves management’s estimation on the total budgeted costs. Estimates of total budgeted costs are revised if circumstances change. Any resulting increases or decreases in the estimates of total budgeted costs would result in a change in the measure of progress and a corresponding change in the amount of revenue recognised. The change in estimates are reflected in profit or loss in the period in which the circumstances that give rise to the revision occurs. Refer Note 3 for critical accounting estimates and judgments.

## T REVENUE RECOGNITION (CONTINUED)

### (c) Integrated Corrosion Solution ("ICS") (continued)

#### (ii) Provision of maintenance, construction and modification ("MCM") maintenance services (continued)

##### Fabrication and offshore maintenance works (continued)

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

##### Marine spread

The Group provides vessels and associated services to customers at the request of the customer. Provision of vessels and associated services is single performance obligation. Revenue from marine spread is recognised over the period based on time lapsed method, determined based on the actual time lapsed relative to the total services period.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

Other revenue earned by the Group includes principal and commission based income services. Revenue from third party based transactions is recognised upon when the Group's right to receive the payment is established.

#### Other Operating Income

Other operating income earned by the Group is recognised on the following basis:

- (i) Interest income - using the effective interest method.
- (ii) Rental income - on a straight-line basis over the lease term.
- (iii) Dividend income - when the Group's right to receive payment is established.
- (iv) Management fee - when the Company is recognised upon performance of services.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## T REVENUE RECOGNITION (CONTINUED)

### Accounting policies applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenues are measured at the fair value of the consideration received or receivable by the Group. In arrangements whereby the criteria set out below are not met, the marketing fee earned on the sale is recognised as revenue:

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

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

Revenue associated with performance milestones are recognised based on achievement of the deliverables as defined in the respective agreements as accrued revenue. Upfront payments for which there are subsequent deliverables are initially reported as deferred revenue and are recognised as revenue only when the deliverables are completed and accepted by the customers. Cost incurred for work performed for which performance milestones have yet to be achieved is initially recorded as deferred cost and recognised as cost of sales only when the deliverables are completed and accepted by customers.

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Dividend income earned by the Company is classified as revenue.

Management fee earned by the Company is recognised upon performance of services.

Other operating income earned by the Group is recognised on the following basis:

- (i) Interest income - using the effective interest method.
- (ii) Rental income - on a straight-line basis over the lease term.
- (iii) Dividend income - when the Group's right to receive payment is established.

## U EMPLOYEE BENEFITS

### (a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

The Group and the Company recognise a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### (b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into the Kumpulan Wang Simpanan Pekerja fund.

The Group's and the Company's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

### (c) Share based payment transactions

The Group operates an equity settled share-based compensation plan under which the Group receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the share awards is recognised as employee benefit expense with a corresponding increase to the share based payment reserve within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, including market performance conditions but excluding the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions and service conditions are included in assumptions about the number of grants that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of grants that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share based payment reserve in equity.

In its separate financial statements of the Company, the grant of share awards by the Company to the employees of subsidiaries in the Group is treated as a capital contribution to the subsidiary. The fair value of shares granted to employees of the subsidiary in exchange for the services of the employees to the subsidiaries are recognised as investment in subsidiaries, with a corresponding credit to equity of the Company.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### V CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint venture and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided 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 liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax liabilities are recognised on temporary differences arising on investments in subsidiaries, associates and a joint venture except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of joint venture and associates are included in the Group's share of results of joint venture and associates.

## W FOREIGN CURRENCIES

### (a) 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 and the Company's functional and presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses arising from the settlement on foreign currency transactions and retranslation of balances on monetary assets and liabilities that are denominated in foreign currencies are presented in profit or loss on a net basis within "other operating gains/(losses)".

### (c) Group companies

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income 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 other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially sold or disposed of that will result in a loss of control, exchange differences that were recorded in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. If the partial disposal did not result in a loss of control over the foreign operation, the proportionate shares of exchange differences that were recorded in other comprehensive income and accumulated in the separate component of equity shall be reclassified to non-controlling interest.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### **W FOREIGN CURRENCIES (CONTINUED)**

(c) Group companies (continued)

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. Exchange differences arising are recognised in other comprehensive income.

### **X SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment has been identified as the Group Managing Director who makes strategic decisions.

### **Y CONTINGENT LIABILITIES**

The Group and the Company do not recognise contingent liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 1 GENERAL INFORMATION

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

The principal activities of the Group consist of the provision of gas turbines packages and related services, oilfield equipment and services, servicing of rotating equipment, integrated corrosion and inspection services, predominantly for the oil and gas industry.

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

The address of the registered office and principal place of business of the Company is:

No. 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 from its operations including market risk, credit risk and liquidity risk. 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. Such guidelines are reviewed periodically to ensure that the Group's policy guidelines are complied with.

Pursuant to the new Foreign Exchange Administration Rules ("FEA") which came into effect on 1 April 2017, the degree and level of the Group's exposure to foreign currency exchange risks had changed as the Group could no longer apply to the extent possible, by collecting and paying in the same currency as all settlement of goods and services between local resident entities shall be made only in Ringgit Malaysia. To mitigate this risk, the Group had reviewed its financial risk management policies and framework of which a new foreign exchange management policy was established during the year that permits derivatives to be undertaken principally on forward foreign exchange contracts by the Group to manage its foreign currency exchange risks. Fair value changes on derivatives undertaken shall be charged to profit or loss as and when it arises.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Market risk

Market risk refers to the risk that changes in market prices such as foreign exchange rates, interest rates and prices will affect the Group's financial position and cash flows.

#### (i) Foreign currency exchange risk

The Group is exposed to currency risk as a result of foreign currency transactions entered into currencies other than their functional currency. The Group uses financial instruments such as forward foreign exchange contracts to minimise the exposure of transaction risk in addition to the natural hedges by matching foreign currency receivables against foreign currency payables.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currencies are as follows:

	Assets RM	2018 Liabilities RM	Assets RM	Group 2017 Liabilities RM
US Dollar	<b>134,276,357</b>	<b>107,644,221</b>	109,505,658	97,055,138
Others	<b>2,062,668</b>	<b>935,472</b>	124,615	258,892
	<b>136,339,025</b>	<b>108,579,693</b>	109,630,273	97,314,030

### Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the US Dollar against Ringgit Malaysia. 10% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusted, based on the translation value at the period end, for a 10% change in foreign currency rates.

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Market risk (continued)

#### (i) Foreign currency exchange risk (continued)

##### Foreign currency sensitivity (continued)

If the relevant foreign currency weakens/strengthens by 10% against the functional currency, the profit or loss will (decrease)/increase by:

	2018 RM	Group 2017 RM
<u>Weaken by 10% impact to profit or loss</u>		
US Dollar	<b>(2,024,042)</b>	(946,240)
<u>Strengthen by 10% impact to profit or loss</u>		
US Dollar	<b>2,024,042</b>	946,240

#### (ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed through the use of fixed and floating rate borrowings and deposits with short term tenure.

##### Interest rate sensitivity

This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit or loss would increase by RM479,567 (2017: RM577,968). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit before tax would decrease by a similar amount.

#### (iii) Price risk

The Group is not materially affected by price fluctuation and does not have exposure to price risk.

The Group does not have exposure to share price risk as it does not hold investment in quoted equity instruments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

#### (i) Receivables and contract assets (excluding deferred costs)

The Group's exposure to credit risk is monitored on an ongoing basis. The risk is managed through the application of the Group's credit management procedures which include the application of credit approvals whereby credit evaluations are performed on all customers requiring credit over a certain amount and period, adherence to credit limits, regular monitoring and follow up procedures.

The Group's customers are mainly from the oil and gas industry. The Group considers the material loss in the event of non-performance by a customer to be low.

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets are assessed individually.

The expected loss rates are determined based on historical information about counterparty default rates. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

### Trade receivables

	2018	Group 2017 Restated
	RM	RM
Neither past due nor impaired: Counterparties without external credit rating		
- New customers during the year	<b>463,571</b>	194,190
- Existing customers with no defaults in the past	<b>52,704,497</b>	82,088,652
<b>Total unimpaired trade receivables</b>	<b>53,168,068</b>	82,282,842

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

#### (i) Receivables and contract assets (excluding deferred costs) (continued)

##### Trade receivables (continued)

	2018	Group 2017
	RM	Restated RM
Past due but not impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>795,842</b>	351,072
- Existing customers with no defaults in the past	<b>39,019,664</b>	27,347,120
<b>Total past due but not impaired trade receivables</b>	<b>39,815,506</b>	27,698,192
Not past due but impaired:		
Counterparties without external credit rating		
- Existing customers	<b>1,400</b>	0
Past due and impaired:		
Counterparties without external credit rating		
- Existing customers	<b>1,732,264</b>	2,049,988
<b>Total impaired trade receivables</b>	<b>1,733,664</b>	2,049,988
<u>Contract assets (excluding deferred costs)</u>		
Neither past due nor impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>962,492</b>	1,816,417
- Existing customers	<b>159,834,177</b>	78,866,861
<b>Total unimpaired contract assets</b>	<b>160,796,669</b>	80,683,278

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

#### (i) Receivables and contract assets (excluding deferred costs) (continued)

##### Contract assets (excluding deferred costs) (continued)

	2018	Group 2017 Restated
	RM	RM
Not past due but impaired:		
Counterparties without external credit rating		
- New customers during the year	0	800
- Existing customers	585,346	622,334
<b>Total not past due but impaired contract assets</b>	<b>585,346</b>	<b>623,134</b>

#### (ii) Amounts due from subsidiaries, associates and a joint venture

The Company provides unsecured loans and advances to subsidiaries and a joint venture. The amounts due from associates is in relation to dividend receivable. The Company monitors the results of the subsidiaries, associates and joint venture regularly. As at 31 December 2018, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries, associates and a joint venture are stated at the realisable values. As at 31 December 2018, there was no indication that the loans and advances extended to the subsidiaries and amounts due from associates and a joint venture are not recoverable.

#### (iii) Cash and bank balances

For cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions.

While cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

Bank balances are with approved financial institutions with credit ratings of AA and above.

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

#### (iii) Cash and bank balances (continued)

As at the end of the reporting period, the maximum exposure to credit risk arising from cash and bank balances is represented by the carrying amounts in the statements of financial position.

Management does not expect any counterparties to fail to meet their obligations. The credit qualities of the financial institutions in respect of bank balances are as follows:

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
AAA	<b>134,818,285</b>	141,266,434	<b>6,353,321</b>	6,562,227
AA	<b>43,948</b>	84,202	<b>31,267</b>	70,274

The credit quality of the above bank balances are assessed by reference to RAM Ratings Services Berhad.

### Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group or the Company has sufficient cash and bank balances and maintains standby credit lines to ensure availability of funding to meet operational requirements. The Group's and the Company's borrowings and standby credit lines are provided by financial institutions with sound credit ratings.

### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

				2018
	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
<u>Group</u>				
<u>Financial liabilities</u>				
Trade and other payables (excluding statutory obligations)	<b>201,334,513</b>	<b>0</b>	<b>0</b>	<b>201,334,513</b>
Borrowings	<b>56,419,447</b>	<b>7,795,670</b>	<b>43,928</b>	<b>64,259,045</b>
Total undiscounted financial liabilities	<b>257,753,960</b>	<b>7,795,670</b>	<b>43,928</b>	<b>265,593,558</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

				2018
	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
<u>Company</u>				
<u>Financial liabilities</u>				
Amounts due to subsidiaries	18,596,478	0	0	18,596,478
Borrowings	24,913,726	0	0	24,913,726
Other payables and accruals (excluding statutory obligations)	2,372,399	0	0	2,372,399
<b>Total undiscounted financial liabilities</b>	<b>45,882,603</b>	<b>0</b>	<b>0</b>	<b>45,882,603</b>

				2017
	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
<u>Group</u>				
<u>Financial liabilities</u>				
Trade and other payables (excluding statutory obligations)	139,878,375	0	0	139,878,375
Derivative financial instruments	23,775	0	0	23,775
Borrowings	47,156,355	25,372,809	6,190,581	78,719,745
<b>Total undiscounted financial liabilities</b>	<b>187,058,505</b>	<b>25,372,809</b>	<b>6,190,581</b>	<b>218,621,895</b>

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (coninued)

Analysis of financial instruments by remaining contractual maturities (continued)

				2017
	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
<u>Company</u>				
<u>Financial liabilities</u>				
Amounts due to subsidiaries	15,005,795	0	0	15,005,795
Borrowings	17,875,139	0	0	17,875,139
Other payables and accruals (excluding statutory obligations)	3,266,489	0	0	3,266,489
Total undiscounted financial liabilities	36,147,423	0	0	36,147,423

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

### (a) Critical accounting estimates and judgments

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates 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.

#### (i) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (a) Critical accounting estimates and judgments (continued)

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates 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 (continued).

#### (ii) Revenue recognition

Revenue is recognised as and when the control of the asset is transferred to our customers and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the measurement of the Group's progress towards complete satisfaction of that performance obligation.

Significant judgment is required in determining the progress towards complete satisfaction of that performance obligation based on the actual costs incurred to-date over the total budgeted costs. The total budgeted costs are based on management's best estimates, relying on historical experiences and collaboration with specialists and expertise.

#### (iii) Impairment assessment of investment in an associate

The Group assesses impairment of the equity investment are incurred if, and only if, there is objective evidence of an impairment as a result of one or more events that occurred after the initial recognition of the equity investment (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows on the issuer of the equity investment.

In assessing whether there is a "loss event" (or events) that has an impact on the estimated future cash flows on the issuer of the equity investment, the Group will consider the significant changes with an adverse effect, if any, that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

Recoverable amount is measured at the higher of the fair value less costs of disposal for the equity investment and its value in use. The value in use is the net present value of future projected cash flow expected to be generated by the investment discounted at an appropriate discount rate.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

#### (a) Critical accounting estimates and judgments (continued)

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates 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 (continued).

#### (iii) Impairment assessment of investment in an associate (continued)

During the financial year, the Group reviewed its material associate with a carrying amount of RM28.2 million as at 31 December 2018 for potential impairment amidst lesser than robust drilling activities within the oil and gas industry in Malaysia in which the associate operates and this has resulted in the low utilisation rates in its operating assets and resulted in the associate to report a loss of RM29,000 in 2017. However, the associate has managed to turnaround its business and reported a profit after tax of RM7.1 million in the current financial year on the back of better operating condition with sign of improvement on the utilisation rates of its operating assets. Accordingly, no impairment was made as its recoverable amount ascertained was in excess of the Group's carrying amount in the material associate.

The recoverable amount was determined based on the value-in-use calculation that is derived from a five (5) years cash flow projection expected to be generated by the associate and the associate's residual terminal value at its terminal life after adjusting for the annual budgeted costs of asset replacement that will be shared by the Group based on its equity interest in the associate. The cash flow projections include approved budgeted and forecasted financials based on the following assumptions:

Revenue rental growth rate within the next five-years	5.0%
Services related revenue growth rate within the next five-years	5.0%
Terminal growth rate	3.0%
Inflation rate	3.0%
Cost of equity	12.48%
Earnings before interest, taxes, depreciation and amortisation margin	48% - 53%

The key estimation uncertainty over the assumptions used in the value-in-use calculations is the achievability of the projected revenue by the associate or the return on cost of equity estimated. The sensitivity of the assumptions to the recoverable amount, with all other variables remain constant, is that impairment loss will occur when the projected services related revenue on a year-on-year growth rate is reduced to lower than 3.89% or if the cost of equity used is 13.06% or higher.

#### (iv) Impairment of financial assets

The impairment loss for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, expected change in economy and regulatory environment that results in change in credit risks, expected change in internal or external credit rating, if any, changes in operating results as well as forward looking estimates at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Critical judgment 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. There is no critical judgment which may materially affect the reported results and financial position of the Group.

### 4 SEGMENTAL REPORTING

The Group Managing Director is the Group's Chief Operating Decision Maker ("CODM"). Management has determined the operating segments based on the information reviewed by the Group Managing Director for the purposes of allocating resources and assessing performance. The Group is now primarily engaged in the following segments, by nature of business activities:

- Power and Machinery ("P&M") – Mainly consists of:
  - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
  - Supply and commission of combined heat and power plants;
  - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
  - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.
- Oilfield Services ("OS") – Mainly consists of:
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of well intervention and cased hole logging services;
  - Provision of specialty chemicals and well stimulation services;
  - Provision of drilling and completions services; and
  - Provision of subsurface engineering services.
- Integrated Corrosion Solution ("ICS") – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification ("MCM") maintenance activities, services for tanks, vessels, structures and piping.
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2018.

The P&M and OS segments comprise of a series of cohesive and linked business activities within each of this segment within the Group. These business activities are aggregated to form an operating segment due to the similar nature and economic characteristics of the products and services.

#### 4 SEGMENTAL REPORTING (CONTINUED)

Segment operating profit or loss is derived from the segment revenue less cost of sales and operating expenses directly attributed to the respective segments and including other income.

Unallocated income comprised mainly interest income earned by the Group. These income are not allocated to the business segments, as these types of activities are driven by the Group treasury function, which manages the cash position of the Group.

Unallocated corporate expenses represent the Group's corporate expenses including depreciation of property, plant and equipment of corporate assets and other common corporate overhead costs that are not charged to business segments.

Tax expenses and results of joint venture and associates are not allocated to the business segments as they are measured at the entity level.

Unallocated corporate assets represent the Group's corporate assets including property, plant and equipment, investment properties, intangible assets, investment in joint venture and associates, deferred tax assets and tax recoverable that are not allocated by business segments.

Unallocated corporate liabilities represent the Group's corporate liabilities including deferred tax liabilities, taxation and dividend payable that are not allocated by business segments.

(a) Business Segments

	<b>Power and machinery RM</b>	<b>Oilfield services RM</b>	<b>Integrated corrosion solution RM</b>	<b>Group RM</b>
Financial year ended 31 December 2018				
SEGMENT REVENUE				
External revenue	<b>360,179,284</b>	<b>124,810,950</b>	<b>138,212,684</b>	<b>623,202,918</b>
Other non-reportable segment				<b>482,550</b>
				<b>623,685,468</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018 (continued)				
SEGMENT RESULTS				
Segment operating profit	<b>36,040,928</b>	<b>14,422,651</b>	<b>(6,500,686)</b>	<b>43,962,893</b>
Other non-reportable segment				<b>54,095</b>
				<b>44,016,988</b>
Profit from operations				<b>44,016,988</b>
Unallocated income				<b>455,945</b>
Unallocated corporate expenses				<b>(5,338,007)</b>
Share of results of a joint venture				<b>1,138,902</b>
Share of results of associates				<b>2,274,580</b>
Profit before tax				<b>42,548,408</b>
Tax expense				<b>(12,718,941)</b>
Profit for the year				<b>29,829,467</b>
Other information:				
Depreciation and amortisation	<b>1,531,731</b>	<b>27,112,980</b>	<b>1,929,845</b>	<b>30,574,556</b>
Other material items				
Impairment for				
- trade receivables	<b>9,926</b>	<b>0</b>	<b>0</b>	<b>9,926</b>
- contract assets	<b>203</b>	<b>22,835</b>	<b>0</b>	<b>23,038</b>

#### 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018 (continued)				
Other material items (continued)				
Write back of impairment for				
- trade receivables	(2,602)	(63,610)	(70,000)	(136,212)
- contract assets	(9,160)	0	0	(9,160)
Write-off of property, plant and equipment	60,331	21,647	68,901	150,879
Write-off of inventories	28,186	36,008	0	64,194
Allowance for slow moving inventories	209,470	0	0	209,470
Provision for liquidated damages	60,289	0	0	60,289
Reversal of allowance for slow moving inventories	(27,154)	0	0	(27,154)
Reversal of provision of liquidated damages	(58,223)	0	0	(58,223)
Unrealised losses/(gains) on foreign exchange	87,714	38,474	(55,173)	71,015
Fair value loss on forward foreign exchange contracts	625,686	23,850	0	649,536
Finance cost	0	2,487,153	365,122	2,852,275
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(92,740,865)	(60,147,243)	(130,910,774)	(283,798,882)
- Customer B	(82,135,643)	(12,780)	0	(82,148,423)
Addition of plant and equipment	1,670,128	6,614,818	8,286,257	16,571,203
Segment assets	264,705,477	215,323,205	83,923,536	563,952,218
Unallocated corporate assets				96,406,887
Total assets				660,359,105
Segment liabilities				141,799,731
Unallocated corporate liabilities				34,450,347
Total liabilities				304,697,085



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2017				
SEGMENT REVENUE				
External revenue	364,409,777	119,402,748	49,746,028	533,558,553
Other non-reportable segment				499,650
				<u>534,058,203</u>
SEGMENT RESULTS				
Segment operating profit	39,108,529	14,523,273	4,071,905	57,703,707
Other non-reportable segment				55,550
				<u>57,759,257</u>
Profit from operations				57,759,257
Unallocated income				197,165
Unallocated corporate expenses				(4,403,316)
Share of results of a joint venture				856,718
Share of results of associates				(384,958)
Profit before tax				54,024,866
Tax expense				(14,764,335)
Profit for the year				<u>39,260,531</u>
Other information:				
Depreciation and amortisation	1,300,559	27,616,292	1,280,616	30,197,467
Other material items				
Impairment for				
- trade receivables	11,624	63,610	198,845	274,079
- other receivables	0	0	48,030	48,030
- contract assets	90,556	0	0	90,556

#### 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2017 (continued)				
Other information (continued):				
Other material items (continued)				
Write back of impairment for				
- trade receivables	0	(38,685)	(61,769)	(100,454)
Write-off of property, plant and equipment	5,188	29,287	43,088	77,563
Write-off of inventories	0	84,764	3,607	88,371
Allowance for slow moving inventories	317,545	0	0	317,545
Reversal of allowance for slow moving inventories	(119,907)	0	0	(119,907)
Reversal of provision of liquidated damages	(182,486)	0	0	(182,486)
Fair value loss on forward foreign exchange contracts	0	23,775	0	23,775
Unrealised losses/(gains) on foreign exchange	458,210	(102,629)	40,506	396,087
Finance cost	289	3,870,100	134,951	4,005,340
Revenue contributed by major customers				
which individually contributed to more than 10%				
of the Group's total revenue:				
- Customer A	(111,173,962)	(50,706,727)	(43,277,734)	(205,158,423)
- Customer B	(68,596,390)	(42,334)	0	(68,638,724)
Addition of plant and equipment	454,906	775,269	1,267,477	2,497,652
Segment assets	241,525,892	234,289,309	37,089,286	512,904,487
Unallocated corporate assets				94,483,674
Total assets				607,388,161
Segment liabilities	111,272,792	93,641,072	15,587,937	220,501,801
Unallocated corporate liabilities				36,018,732
Total liabilities				256,520,533

(b) Geographical information

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 5 REVENUE

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Revenue from contract with customers	<b>623,202,918</b>	533,558,553	<b>0</b>	0
Revenue from other sources:				
- Dividend income	<b>11,250</b>	11,250	<b>16,800,000</b>	18,000,000
- Management fee	<b>471,300</b>	488,400	<b>17,196,800</b>	16,559,500
	<b>623,685,468</b>	534,058,203	<b>33,996,800</b>	34,559,500

Revenue from contracts with customers:

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018				
<u>Type of goods and services</u>				
Sale of gas turbine packages and after sales support and services	<b>298,583,370</b>	<b>0</b>	<b>0</b>	<b>298,583,370</b>
Commission based income services	<b>4,382,111</b>	<b>0</b>	<b>0</b>	<b>4,382,111</b>
Principal based income services	<b>0</b>	<b>697,528</b>	<b>0</b>	<b>697,528</b>
Sale of valves and flow regulators and after sales support and services	<b>50,845,225</b>	<b>0</b>	<b>0</b>	<b>50,845,225</b>
Sale, repair and maintenance of motors, generators and transformers	<b>6,368,578</b>	<b>0</b>	<b>0</b>	<b>6,368,578</b>
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and drilling and production services	<b>0</b>	<b>120,373,070</b>	<b>0</b>	<b>120,373,070</b>
Provision of specialty chemicals and well stimulation services	<b>0</b>	<b>3,740,352</b>	<b>0</b>	<b>3,740,352</b>
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	<b>0</b>	<b>0</b>	<b>20,177,257</b>	<b>20,177,257</b>
Provision of maintenance, construction and modification maintenance services	<b>0</b>	<b>0</b>	<b>118,035,427</b>	<b>118,035,427</b>
	<b>360,179,284</b>	<b>124,810,950</b>	<b>138,212,684</b>	<b>623,202,918</b>

## 5 REVENUE (CONTINUED)

Revenue from contracts with customers: (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018				
Timing of revenue recognition:				
- At a point in time	<b>270,691,987</b>	<b>2,330,854</b>	<b>6,068,584</b>	<b>279,091,425</b>
- Over time	<b>89,487,297</b>	<b>122,480,096</b>	<b>132,144,100</b>	<b>344,111,493</b>
	<b>360,179,284</b>	<b>124,810,950</b>	<b>138,212,684</b>	<b>623,202,918</b>
Financial year ended 31 December 2017				
<u>Type of goods and services</u>				
Sale of gas turbine packages and after sales support and services	296,528,926	0	0	296,528,926
Commission based income services	1,980,637	0	0	1,980,637
Principal based income services	0	973,790	0	973,790
Sale of valves and flow regulators and after sales support and services	59,009,091	0	0	59,009,091
Sale, repair and maintenance of motors, generators and transformers	6,891,123	0	0	6,891,123
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and drilling and production services	0	107,676,154	0	107,676,154
Provision of specialty chemicals and well stimulation services	0	10,752,804	0	10,752,804
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	0	0	49,699,308	49,699,308
Provision of maintenance, construction and modification maintenance services	0	0	46,720	46,720
	364,409,777	119,402,748	49,746,028	533,558,553

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 5 REVENUE (CONTINUED)

Revenue from contracts with customers: (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2017				
Timing of revenue recognition:				
- At a point in time	264,952,576	8,062,787	1,561,573	274,576,936
- Over time	99,457,201	111,339,961	48,184,455	258,981,617
	364,409,777	119,402,748	49,746,028	533,558,553

## 6 PROFIT BEFORE TAX

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
The following items have been charged/(credited) in arriving at profit before tax:				
Inventories consumed and recognised as cost of sales	<b>77,760,481</b>	107,121,694	<b>0</b>	0
Cost of services purchased	<b>253,716,705</b>	200,134,785	<b>0</b>	0
Purchase of products, parts and consumable	<b>21,204,114</b>	10,392,156	<b>0</b>	0
Inter-company interest income	<b>0</b>	0	<b>(1,025,497)</b>	(1,335,469)
Impairment for :				
- Trade receivables				
- impairment	<b>9,926</b>	274,079	<b>0</b>	0
- write back of impairment	<b>(136,212)</b>	(100,454)	<b>0</b>	0
- Other receivables				
- impairment	<b>0</b>	48,030	<b>0</b>	0
- Contract assets				
- impairment	<b>23,038</b>	90,556	<b>0</b>	0
- write back of impairment	<b>(9,160)</b>	0	<b>0</b>	0
Amortisation of financial guarantee liabilities	<b>0</b>	(8,712)	<b>0</b>	(8,712)
Amortisation of intangible assets	<b>716,725</b>	727,119	<b>82,365</b>	55,365

**6 PROFIT BEFORE TAX (CONTINUED)**

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
The following items have been charged/(credited) in arriving at profit before tax (continued):				
Depreciation:				
- property, plant and equipment	<b>30,646,573</b>	30,723,481	<b>324,801</b>	305,629
- investment properties	<b>23,576</b>	23,575	<b>0</b>	0
Fees to PricewaterhouseCoopers PLT Malaysia:				
- statutory audit services				
- current year	<b>428,000</b>	402,027	<b>125,000</b>	123,234
- audit related services	<b>159,000</b>	143,535	<b>159,000</b>	143,535
- non-audit related services	<b>161,300</b>	57,450	<b>116,050</b>	8,000
Statutory audit fees to other auditors				
- current year	<b>22,142</b>	46,248	<b>0</b>	0
(Gain)/Loss on disposal of property, plant and equipment	<b>(333,887)</b>	(76,683)	<b>(231,997)</b>	3,920
Loss/(gain) on foreign exchange:				
- realised	<b>335,695</b>	4,654,374	<b>38</b>	(15,433)
- unrealised	<b>140,782</b>	396,087	<b>0</b>	0
Fair value loss on forward foreign exchange contracts	<b>649,536</b>	23,775	<b>0</b>	0
Inventories				
- allowance	<b>209,470</b>	317,545	<b>0</b>	0
- write back	<b>(27,154)</b>	(119,907)	<b>0</b>	0
Write off:				
- property, plant and equipment	<b>150,880</b>	77,563	<b>1</b>	0
- other receivables	<b>0</b>	2,120	<b>0</b>	0
- inventories	<b>64,194</b>	88,371	<b>0</b>	0
Liquidated damages				
- provision	<b>60,289</b>	0	<b>0</b>	0
- write back	<b>(58,223)</b>	(182,486)	<b>0</b>	0
Interest income	<b>(2,898,177)</b>	(2,385,117)	<b>(191,803)</b>	(173,443)
Rental income	<b>(194,016)</b>	(144,120)	<b>0</b>	0
Rental expense:				
- business premises	<b>3,577,507</b>	3,368,378	<b>0</b>	0
- equipment	<b>52,856,666</b>	12,967,231	<b>0</b>	0
Staff cost (including Executive Directors' remuneration as disclosed in Note 7)				
- Wages, salaries and others	<b>103,498,495</b>	72,844,989	<b>11,239,303</b>	10,701,921
- Share based payment expense	<b>424,029</b>	2,002,852	<b>214,286</b>	755,532
- Defined contribution plan	<b>10,610,398</b>	7,612,499	<b>1,234,000</b>	1,194,097

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 7 DIRECTORS' REMUNERATION

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

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Executive Directors:				
- salaries and bonuses	<b>1,293,000</b>	1,250,000	<b>1,293,000</b>	1,250,000
- defined contribution plan	<b>193,950</b>	187,500	<b>193,950</b>	187,500
- other emoluments	<b>186,005</b>	46,305	<b>186,005</b>	46,305
- estimated monetary value of benefits-in-kind	<b>28,786</b>	50,642	<b>28,786</b>	50,642
Non-Executive Directors:				
- fees	<b>942,000</b>	942,000	<b>942,000</b>	942,000
- other emoluments	<b>101,000</b>	92,000	<b>101,000</b>	92,000
- estimated monetary value of benefits-in-kind	<b>68,236</b>	99,156	<b>68,236</b>	99,156
	<b>2,812,977</b>	2,667,603	<b>2,812,977</b>	2,667,603

## 8 FINANCE COST

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Interest on revolving credit facility	<b>934,200</b>	1,232,424	<b>934,201</b>	1,232,424
Interest on loans against imports	<b>73,315</b>	42,499	<b>0</b>	0
Interest on term loan	<b>1,844,760</b>	2,730,128	<b>0</b>	0
Interest on finance lease	<b>0</b>	289	<b>0</b>	0
	<b>2,852,275</b>	4,005,340	<b>934,201</b>	1,232,424

During the current financial year, finance cost incurred of RM934,201 (2017: RM1,232,424) at the Company level had been re-charged to its subsidiaries for the utilisation of the revolving credit facility.

## 9 TAX EXPENSE

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Current tax:				
- Malaysian tax	<b>12,007,486</b>	11,612,697	<b>36,894</b>	39,581
Under provision in prior years:				
- Malaysian tax *	<b>1,702,084</b>	133,595	<b>1,867,243</b>	0
Deferred tax (Note 28):				
- Origination and reversal of temporary differences	<b>(697,830)</b>	3,974,603	<b>882,606</b>	393,215
- Recognition of previously unrecognised temporary differences	<b>(292,799)</b>	(956,560)	<b>0</b>	0
	<b>12,718,941</b>	14,764,335	<b>2,786,743</b>	432,796

\* Included in under provision in prior years relate to additional taxes for the years of assessment 2010 to 2015 arising from the differences on the interpretation on the deductibility of certain expenses incurred by the Company with the tax authority. In addition, a tax penalty amounting to RM838,000 was raised by the tax authority under Section 113(2) of the Income Tax Act 1967. This amount was included in the other operating losses in the statements of comprehensive income of the Group and of the Company.

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

	2018 %	Group 2017 %	2018 %	Company 2017 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	<b>24</b>	24	<b>24</b>	24
Tax effects of:				
- expenses not deductible for tax purposes	<b>4</b>	5	<b>3</b>	3
- income not subject to tax	<b>(1)</b>	(1)	<b>(25)</b>	(25)
- share of results of associates and joint venture	<b>(2)</b>	0	<b>0</b>	0
- recognition of previously unrecognised temporary differences	<b>(1)</b>	(2)	<b>0</b>	0
- under provision in prior periods	<b>6</b>	1	<b>16</b>	1
Effective tax rate	<b>30</b>	27	<b>18</b>	3



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 10 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.

	2018 RM	Group 2017 RM
Profit for the financial year attributable to equity holders of the Company	<b>27,169,147</b>	32,277,167
Number of ordinary shares at the beginning of the year	<b>400,195,300</b>	400,000,000
Adjusted weighted average number of ordinary shares	<b>400,874,404</b>	400,195,300
Basic earnings per share (sen)	<b>6.78</b>	8.07

### Diluted earnings per share

Diluted 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 after adjustments for the effects of all dilutive potential ordinary shares.

	2018 RM	Group 2017 RM
Profit for the financial year attributable to equity holders of the Company	<b>27,169,147</b>	32,277,167
Adjusted weighted average number of ordinary shares as per basic earnings per share	<b>400,874,404</b>	400,195,300
Effect of potential vesting of LTIP	<b>1,488,583</b>	2,776,918
Adjusted weighted average number of ordinary shares	<b>402,362,987</b>	402,972,218
Diluted earnings per share (sen)	<b>6.75</b>	8.01

## 11 DIVIDENDS

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

	Gross dividend per share sen	2018 Amount of dividend RM	Gross dividend per share sen	2017 Amount of dividend RM
<u>In respect of the financial year ended 31 December 2016</u>				
Second interim single tier dividend, on 400,000,000 ordinary shares, paid on 28 March 2017	0	0	2.25	9,000,000
<u>In respect of the financial year ended 31 December 2017</u>				
First interim single tier dividend, on 400,195,300 ordinary shares, paid on 26 September 2017	0	0	1.00	4,001,953
Second interim single tier dividend, on 400,492,500 ordinary shares, paid on 28 March 2018	3.25	13,016,008	0	0
<u>In respect of the financial year ended 31 December 2018</u>				
First interim single tier dividend, on 401,125,700 ordinary shares, paid on 25 September 2018	1.25	5,014,073	0	0
		<b>18,030,081</b>		13,001,953

The Directors had on 25 February 2019 declared a second interim single tier dividend of 2.25 sen per share in respect of the financial year ended 31 December 2018, totalling RM9,025,328, payable on 22 March 2019.

Total dividend for the financial year ended 31 December 2018 is 3.50 sen (2017: 4.25 sen) based on ordinary shares of 401,125,700 (2017: 400,195,300).

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 12 PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Plant, machinery and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
<u>Year ended 31 December 2018</u>							
<u>Net book value</u>							
At 1 January 2018	3,203,640	3,334,224	6,278,394	150,472,126	236,982	0	163,525,366
Additions	0	0	3,731,235	12,484,983	1,911,618	468,421	18,596,257
Written off	0	0	(101,810)	(49,070)	0	0	(150,880)
Disposals	0	0	0	(609)	(4)	0	(613)
Depreciation charge	(87,758)	(175,441)	(2,890,952)	(27,159,371)	(333,051)	0	(30,646,573)
At 31 December 2018	3,115,882	3,158,783	7,016,867	135,748,059	1,815,545	468,421	151,323,557
<u>At 31 December 2018</u>							
Cost	4,387,284	5,885,747	33,385,438	304,024,784	3,418,656	468,421	351,570,330
Accumulated depreciation	(1,271,402)	(2,726,964)	(26,368,571)	(163,928,150)	(1,603,111)	0	(195,898,198)
Accumulated impairment	0	0	0	(4,348,575)	0	0	(4,348,575)
Net book value	3,115,882	3,158,783	7,016,867	135,748,059	1,815,545	468,421	151,323,557
<u>At 31 December 2017</u>							
Cost	4,387,284	5,885,747	30,818,841	292,048,877	4,141,191	0	337,281,940
Accumulated depreciation	(1,183,644)	(2,551,523)	(24,540,447)	(137,219,664)	(3,904,209)	0	(169,399,487)
Accumulated impairment	0	0	0	(4,357,087)	0	0	(4,357,087)
Net book value	3,203,640	3,334,224	6,278,394	150,472,126	236,982	0	163,525,366

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Plant, machinery and other equipment RM	Motor vehicles RM	Total RM
<u>Year ended 31 December 2017</u>						
<u>Net book value</u>						
At 1 January 2017	3,291,398	3,506,959	9,168,486	175,591,314	444,392	192,002,549
Additions	0	0	592,049	2,049,286	0	2,641,335
Written off	0	0	(4,592)	(72,971)	0	(77,563)
Disposals	0	0	(277,724)	(39,750)	0	(317,474)
Depreciation charge	(87,758)	(172,735)	(3,199,825)	(27,055,753)	(207,410)	(30,723,481)
At 31 December 2017	3,203,640	3,334,224	6,278,394	150,472,126	236,982	163,525,366
<u>At 31 December 2017</u>						
Cost	4,387,284	5,885,747	30,818,841	292,048,877	4,141,191	337,281,940
Accumulated depreciation	(1,183,644)	(2,551,523)	(24,540,447)	(137,219,664)	(3,904,209)	(169,399,487)
Accumulated impairment	0	0	0	(4,357,087)	0	(4,357,087)
Net book value	3,203,640	3,334,224	6,278,394	150,472,126	236,982	163,525,366
<u>At 31 December 2016</u>						
Cost	4,387,284	5,885,747	30,919,492	290,402,534	4,141,191	335,736,248
Accumulated depreciation	(1,095,886)	(2,378,788)	(21,751,006)	(110,454,133)	(3,696,799)	(139,376,612)
Accumulated impairment	0	0	0	(4,357,087)	0	(4,357,087)
Net book value	3,291,398	3,506,959	9,168,486	175,591,314	444,392	192,002,549

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Motor vehicles RM	Total RM
<u>Year ended 31 December 2018</u>					
<u>Net book value</u>					
At 1 January 2018	2,008,662	1,047,600	182,501	3	3,238,766
Additions	0	0	429,417	1,453,567	1,882,984
Written off	0	0	(1)	0	(1)
Disposal	0	0	0	(3)	(3)
Depreciation charge	(48,892)	(26,190)	(119,970)	(129,749)	(324,801)
At 31 December 2018	<b>1,959,770</b>	<b>1,021,410</b>	<b>491,947</b>	<b>1,323,818</b>	<b>4,796,945</b>
<u>At 31 December 2018</u>					
Cost	2,444,000	1,309,500	4,904,436	1,453,567	10,111,503
Accumulated depreciation	(484,230)	(288,090)	(4,412,489)	(129,749)	(5,314,558)
Net book value	<b>1,959,770</b>	<b>1,021,410</b>	<b>491,947</b>	<b>1,323,818</b>	<b>4,796,945</b>
<u>At 31 December 2017</u>					
Cost	2,444,000	1,309,500	4,501,239	2,227,587	10,482,326
Accumulated depreciation	(435,338)	(261,900)	(4,318,738)	(2,227,584)	(7,243,560)
Net book value	2,008,662	1,047,600	182,501	3	3,238,766

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Motor vehicles RM	Total RM
<u>Year ended 31 December 2017</u>					
<u>Net book value</u>					
At 1 January 2017	2,057,554	1,073,790	297,174	3	3,428,521
Additions	0	0	122,097	0	122,097
Disposal	0	0	(6,223)	0	(6,223)
Depreciation charge	(48,892)	(26,190)	(230,547)	0	(305,629)
At 31 December 2017	2,008,662	1,047,600	182,501	3	3,238,766
<u>At 31 December 2017</u>					
Cost	2,444,000	1,309,500	4,501,239	2,227,587	10,482,326
Accumulated depreciation	(435,338)	(261,900)	(4,318,738)	(2,227,584)	(7,243,560)
Net book value	2,008,662	1,047,600	182,501	3	3,238,766
<u>At 31 December 2016</u>					
Cost	2,444,000	1,309,500	4,390,933	2,227,587	10,372,020
Accumulated depreciation	(386,446)	(235,710)	(4,093,759)	(2,227,584)	(6,943,499)
Net book value	2,057,554	1,073,790	297,174	3	3,428,521

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2018 RM	Group 2017 RM
Net book value of property, plant and equipment of the Group pledged as security:		
- long term leasehold land	<b>1,156,113</b>	1,194,979
- long term leasehold buildings	<b>1,058,901</b>	1,177,171
- office equipment, furniture and fittings and renovations	<b>2,851,200</b>	2,015,013
- plant, machinery and other equipment	<b>130,029,473</b>	145,938,172
- motor vehicles	<b>326,882</b>	114,899
	<b>135,422,569</b>	150,440,234

The property, plant and equipment above have been pledged as security for borrowings as disclosed in Note 26 and the unutilised banking facilities as at financial year end.

The Group had paid for the acquisition of property, plant and equipment amounting to RM24,756,589 (2017: RM2,641,335) of which RM6,160,332 (2017: RM nil) paid were deposits (Note 20).

The Group had recognised an aggregate cost of RM18,596,257 (2017: RM2,641,335) on the acquisition of property, plant and equipment of which RM80,000 (2017: RM nil) was acquired by means of hire purchase arrangement (Note 26).

The net book value of motor vehicles acquired under hire purchase arrangement amounted to RM93,612 (2017: RM nil) as at financial year end.

**13 INVESTMENT PROPERTIES**

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
<u>Net book value</u>		
At 1 January	<b>817,999</b>	841,574
Depreciation charge	<b>(23,576)</b>	(23,575)
At 31 December	<b>794,423</b>	817,999
Cost	<b>1,178,764</b>	1,178,764
Accumulated depreciation	<b>(352,878)</b>	(329,302)
Accumulated impairment loss	<b>(31,463)</b>	(31,463)
	<b>794,423</b>	817,999
Fair value of investment properties	<b>1,234,000</b>	1,048,900

The following are recognised in profit or loss in respect of investment properties:

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
Rental income	<b>85,152</b>	85,152

There were no direct operating expenses incurred in respect of investment properties as they were borne by the lessee.

The investment properties have been pledged as security for the unutilised banking facilities as at financial year end.

The fair value of the investment properties was estimated by Directors using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for difference in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 13 INVESTMENT PROPERTIES (CONTINUED)

The Group measures the fair value using the level 3 fair value hierarchy. This level represents unobservable inputs to valuation techniques used to measure fair value.

Description	Valuation technique	Unobservable input	Unobservable input	Relationships of unobservable inputs to fair value
Office lot - Mutiara Bangsar	Sales comparison approach	Price per square foot	RM400	The higher the price per square foot, the higher fair value

## 14 INTANGIBLE ASSETS

Group	Goodwill RM	Contracts RM	Software costs RM	Software costs for assets in progress RM	Total RM
<u>2018</u>					
At 1 January	108,997	0	1,391,206	143,959	1,644,162
Addition	0	0	26,130	0	26,130
Transfer	0	0	143,959	(143,959)	0
Amortisation	0	0	(716,725)	0	(716,725)
At 31 December	108,997	0	844,570	0	953,567
Cost	108,997	3,953,810	3,671,099	0	7,733,906
Accumulated amortisation	0	(3,953,810)	(2,826,529)	0	(6,780,339)
At 31 December	108,997	0	844,570	0	953,567

**14 INTANGIBLE ASSETS (CONTINUED)**

<b>Group</b>	<b>Goodwill RM</b>	<b>Contracts RM</b>	<b>Software costs RM</b>	<b>Software costs for assets in progress RM</b>	<b>Total RM</b>
<u>2017</u>					
At 1 January	108,997	0	2,118,325	143,959	2,371,281
Amortisation	0	0	(727,119)	0	(727,119)
At 31 December	108,997	0	1,391,206	143,959	1,644,162
Cost	108,997	3,953,810	3,501,010	143,959	7,707,776
Accumulated amortisation	0	(3,953,810)	(2,109,804)	0	(6,063,614)
At 31 December	108,997	0	1,391,206	143,959	1,644,162
<b>Company</b>			<b>Software costs RM</b>	<b>Software costs for assets in progress RM</b>	<b>Total RM</b>
<u>2018</u>					
At 1 January			<b>93,048</b>	<b>143,959</b>	<b>237,007</b>
Transfer			<b>143,959</b>	<b>(143,959)</b>	<b>0</b>
Amortisation			<b>(82,365)</b>	<b>0</b>	<b>(82,365)</b>
At 31 December			<b>154,642</b>	<b>0</b>	<b>154,642</b>
Cost			<b>414,067</b>	<b>0</b>	<b>414,067</b>
Accumulated amortisation			<b>(259,425)</b>	<b>0</b>	<b>(259,425)</b>
			<b>154,642</b>	<b>0</b>	<b>154,642</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 14 INTANGIBLE ASSETS (CONTINUED)

Company	Software costs RM	Software costs for assets in progress RM	Total RM
<u>2017</u>			
At 1 January	148,413	143,959	292,372
Amortisation	(55,365)	0	(55,365)
At 31 December	93,048	143,959	237,007
Cost	270,108	143,959	414,067
Accumulated amortisation	(177,060)	0	(177,060)
	93,048	143,959	237,007

## 15 SUBSIDIARIES

	2018 RM	Company 2017 RM
Unquoted shares at cost	<b>146,222,166</b>	146,012,423
Less: Impairment loss	<b>(9,400,000)</b>	(9,400,000)
	<b>136,822,166</b>	136,612,423

During the financial year, the Company increased its investment in its subsidiaries by RM209,743 (2017: RM1,247,320) through grant of shares to selected eligible employees of subsidiaries in the Group under the LTIP.

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

**15 SUBSIDIARIES (CONTINUED)**

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	<b>Penaga Dresser Sdn. Bhd.</b>	<b>Delcom Utilities (Cambodia) Limited</b>	<b>Turboservices Sdn. Bhd.</b>	<b>Deleum Primera Sdn. Bhd.</b>	<b>Other individually immaterial subsidiary</b>	<b>Total</b>
In RM						
<u>Year ended 31 December 2018</u>						
NCI percentage of ownership						
interest and voting interest	<b>49%</b>	<b>40%</b>	<b>26%</b>	<b>40%</b>		
Carrying amount of NCI	<b>12,751,203</b>	<b>5,406,842</b>	<b>3,807,484</b>	<b>2,095,882</b>	<b>40,598</b>	<b>24,102,009</b>
<hr/>						
<u>Year ended 31 December 2017</u>						
NCI percentage of ownership						
interest and voting interest	49%	40%	26%	40%		
Carrying amount of NCI	13,728,475	5,399,349	5,411,657	4,387,566	(38,013)	28,889,034
<hr/>						

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 15 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material NCI

Summarised statements of comprehensive income

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	<b>50,845,225</b>	59,009,091	<b>0</b>	0	<b>297,873,386</b>	294,594,977	<b>138,212,683</b>	49,746,028
Profit/(Loss) before tax	<b>11,848,841</b>	14,261,205	<b>(142,749)</b>	(366,457)	<b>2,612,504</b>	5,792,021	<b>(6,920,551)</b>	3,617,088
Tax expense	<b>(2,843,273)</b>	(3,542,353)	<b>0</b>	0	<b>(618,402)</b>	(2,312,162)	<b>1,191,344</b>	(1,108,344)
Profit/(Loss) for the year	<b>9,005,568</b>	10,718,852	<b>(142,749)</b>	(366,457)	<b>1,994,102</b>	3,479,859	<b>(5,729,207)</b>	2,508,744
Other comprehensive income/(loss) Currency translation differences	<b>0</b>	0	<b>161,481</b>	(961,788)	<b>0</b>	0	<b>0</b>	0
Total comprehensive income/(loss) for the financial year	<b>9,005,568</b>	10,718,852	<b>18,732</b>	(1,328,245)	<b>1,994,102</b>	3,479,859	<b>(5,729,207)</b>	2,508,744
Total profit or loss allocated to NCI	<b>4,412,728</b>	5,252,237	<b>(57,100)</b>	(146,582)	<b>518,467</b>	904,763	<b>(2,291,685)</b>	1,003,497
Total comprehensive income/(loss) allocated to NCI	<b>4,412,728</b>	5,252,237	<b>7,493</b>	(531,298)	<b>518,467</b>	904,763	<b>(2,291,685)</b>	1,003,497
Dividends to NCI	<b>5,390,000</b>	5,390,000	<b>0</b>	0	<b>2,122,640</b>	0	<b>0</b>	0

**15 SUBSIDIARIES (CONTINUED)**

Summarised statements of financial position

	<u>Penaga Dresser Sdn. Bhd.</u>		<u>Delcom Utilities (Cambodia) Limited</u>		<u>Turboservices Sdn. Bhd.</u>		<u>Deleum Primera Sdn. Bhd.</u>	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM	Restated RM	RM	RM	RM	RM	RM	RM
Current								
Assets	<b>31,659,005</b>	35,053,935	<b>3,963,645</b>	3,957,236	<b>172,930,065</b>	142,679,575	<b>72,711,129</b>	31,363,415
Liabilities	<b>(7,537,519)</b>	(8,848,143)	<b>(7,276,529)</b>	(7,070,762)	<b>(160,494,909)</b>	(122,847,685)	<b>(78,565,507)</b>	(25,559,477)
Total current net assets/(liabilities)	<b>24,121,486</b>	26,205,792	<b>(3,312,884)</b>	(3,113,526)	<b>12,435,156</b>	19,831,890	<b>(5,854,378)</b>	5,803,938
Non-current								
Assets	<b>2,382,586</b>	2,163,863	<b>16,829,989</b>	16,611,899	<b>2,209,013</b>	1,475,702	<b>13,036,341</b>	5,740,396
Liabilities	<b>(61,442)</b>	0	<b>0</b>	0	<b>0</b>	(493,525)	<b>(1,573,000)</b>	(275,403)
Total non-current net assets	<b>2,321,144</b>	2,163,863	<b>16,829,989</b>	16,611,899	<b>2,209,013</b>	982,177	<b>11,463,341</b>	5,464,993
Net assets	<b>26,442,630</b>	28,369,655	<b>13,517,105</b>	13,498,373	<b>14,644,169</b>	20,814,067	<b>5,608,963</b>	11,268,931

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of cash flows

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities								
Cash generated from/ (used in) operations	<b>14,737,023</b>	9,855,067	<b>9,548</b>	(46,701)	<b>(2,896,265)</b>	(6,733,715)	<b>(13,126,784)</b>	(4,636,505)
Tax paid	<b>(3,795,040)</b>	(2,986,289)	<b>0</b>	0	<b>(1,040,075)</b>	(151,071)	<b>(893,467)</b>	(1,520,411)
Interest (paid)/received	<b>0</b>	(289)	<b>0</b>	0	<b>808,643</b>	767,253	<b>(231,345)</b>	(219,409)
Net cash generated from/(used in) operating activities	<b>10,941,983</b>	6,868,489	<b>9,548</b>	(46,701)	<b>(3,127,697)</b>	(6,117,533)	<b>(14,251,596)</b>	(6,376,325)
Net cash used in investing activities	<b>(387,657)</b>	(134,675)	<b>(3,854,048)</b>	(139,191)	<b>(242,327)</b>	(85,051)	<b>(8,308,556)</b>	(1,266,003)
Net cash (used in)/ generated from financing activities	<b>(11,001,217)</b>	(11,011,042)	<b>0</b>	0	<b>3,620,887</b>	(2,697,963)	<b>22,878,889</b>	1,399,330

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of cash flows (continued)

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM	RM	RM	RM	RM	RM	RM	RM
Net (decrease)/increase in cash and cash equivalents	<b>(446,891)</b>	(4,277,228)	<b>(3,844,500)</b>	(185,892)	<b>250,863</b>	(8,900,547)	<b>318,737</b>	(6,242,998)
Foreign currency translation	<b>(5,593)</b>	(37,601)	<b>(34,540)</b>	(411,208)	<b>28,056</b>	42,723	<b>0</b>	0
Cash and cash equivalents at beginning of the financial year	<b>8,720,312</b>	13,035,141	<b>3,879,040</b>	4,476,140	<b>29,564,960</b>	38,422,784	<b>4,283,971</b>	10,526,969
Cash and cash equivalents at end of the financial year	<b>8,267,828</b>	8,720,312	<b>0</b>	3,879,040	<b>29,843,879</b>	29,564,960	<b>4,602,708</b>	4,283,971



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 16 JOINT VENTURE

	2018 RM	Company 2017 RM
Unquoted shares at cost	<b>29,375,937</b>	29,375,937
	2018 RM	Group 2017 RM
Group's share of net assets of joint venture	<b>29,701,991</b>	28,563,089

Turboservices Overhaul Sdn. Bhd. ("TOSB") was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities included the provision of gas turbine overhaul and maintenance services. In March 2015, the Group entered into a Subscription Agreement with STICO, which resulted in the Group having an equity interest of 80.55%. However, both parties approval on relevant activities is required as stated in the Subscription Agreement. Based on MFRS and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted for under the equity method of accounting.

The capital of TOSB consists of ordinary shares and redeemable convertible preference shares. It is a private company and there is no readily available quoted market price available for its shares.

### Summarised statement of comprehensive income

	<b>TOSB</b>	
	<b>For the financial year ended</b>	
	2018 RM	2017 RM
Revenue	<b>6,763,568</b>	6,763,568
Depreciation	<b>(2,857,243)</b>	(2,925,583)
Interest expense	<b>0</b>	(8,592)
Interest income	<b>385,432</b>	252,763

**16 JOINT VENTURE (CONTINUED)**

Summarised statement of comprehensive income (continued)

	<b>TOSB</b>	
	<b>For the financial year ended</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Profit before tax	<b>1,853,459</b>	1,421,111
Tax expense	<b>(439,552)</b>	(357,526)
Profit for the year/Total comprehensive income for the financial year	<b>1,413,907</b>	1,063,585
Interest in joint venture (80.55%) Share of results	<b>1,138,902</b>	856,718

Summarised statement of financial position

	<b>TOSB</b>	
	<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<u>Current</u>		
Cash and bank balances	<b>15,732,909</b>	12,959,621
Other current assets (excluding cash and bank balances)	<b>4,723,127</b>	3,053,628
Total current assets	<b>20,456,036</b>	16,013,249
Financial liabilities (excluding trade payables)	<b>(265,223)</b>	(544,469)
Other current liabilities (including trade payables)	<b>(210,793)</b>	(166,521)
Total current liabilities	<b>(476,016)</b>	(710,990)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 16 JOINT VENTURE (CONTINUED)

Summarised statement of financial position (continued)

	<b>TOSB</b>	
	<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<u>Non-current</u> Assets	<b>18,112,571</b>	20,998,193
Liabilities	<b>(1,218,611)</b>	(840,379)
Net assets	<b>36,873,980</b>	35,460,073

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint venture.

	<b>TOSB</b>	
	<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Opening net assets 1 January	<b>28,563,089</b>	27,706,371
Share of profit for the year	<b>1,138,902</b>	856,718
Closing net assets	<b>29,701,991</b>	28,563,089
Interest in joint venture (80.55%)	<b>29,701,991</b>	28,563,089
Carrying value	<b>29,701,991</b>	28,563,089

**17 ASSOCIATES**

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
Group's share of net assets of associates	<b>35,564,981</b>	38,595,019

In the opinion of the Directors, Malaysian Mud and Chemicals Sdn. Bhd. ("MMC") and Cambodia Utilities Pte Ltd ("CUPL") are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship, place of business and country of incorporation are set out in Note 34 to the financial statements. The associates have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

Both associates are private companies and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associates.

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired in May 2015. Upon its expiration, the Company will continue to equity account for the results of CUPL until it ceases to be an associate. The Company's interest in CUPL at that date will be represented by current assets which are expected to be liquidated in which the surplus after net of any amount due to CUPL will be returned to the Company in the form of cash. The share of loss from this associate and its contribution attributable to the shareholders of the Company in the financial year ended 31 December 2018 amounted to RM212 (2017: RM375,622) and RM127 (2017: RM225,373) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 17 ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income

	<b>MMC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>For the financial year ended</b>		<b>For the financial year ended</b>		<b>For the financial year ended</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue	<b>30,655,967</b>	31,925,418	<b>0</b>	0	<b>30,655,967</b>	31,925,418
Depreciation	<b>(7,724,888)</b>	(8,880,272)	<b>0</b>	0	<b>(7,724,888)</b>	(8,880,272)
Interest income	<b>0</b>	0	<b>2,756</b>	13,399	<b>2,756</b>	13,399
Profit/(Loss) before tax	<b>8,342,293</b>	(312,874)	<b>(1,060)</b>	(1,878,113)	<b>8,341,233</b>	(2,190,987)
Tax expense	<b>(1,233,569)</b>	283,700	<b>0</b>	0	<b>(1,233,569)</b>	283,700
Profit/(Loss) for the year	<b>7,108,724</b>	(29,174)	<b>(1,060)</b>	(1,878,113)	<b>7,107,664</b>	(1,907,287)
Other comprehensive income/(loss)						
Currency translation differences	<b>0</b>	0	<b>676,911</b>	(3,823,202)	<b>679,911</b>	(3,823,202)
Total comprehensive income/(loss) for the financial year	<b>7,108,724</b>	(29,174)	<b>675,851</b>	(5,701,315)	<b>7,787,575</b>	(5,730,489)
Interest in associates (32%; 20%)						
Share of results	<b>2,274,792</b>	(9,336)	<b>(212)</b>	(375,622)	<b>2,274,580</b>	(384,958)
Dividends received from associate	<b>3,840,000</b>	0	<b>0</b>	0	<b>3,840,000</b>	0

**17 ASSOCIATES (CONTINUED)**

Summarised statements of financial position

	<b>MMC</b>		<b>CUPL</b>		<b>Total</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Current</u>						
Cash and bank balances	<b>4,339,724</b>	3,195,994	<b>756,146</b>	457,181	<b>5,095,870</b>	3,653,175
Other current assets (excluding cash and bank balances)	<b>31,102,114</b>	36,044,006	<b>36,213,502</b>	35,831,018	<b>67,315,616</b>	71,875,024
<b>Total current assets</b>	<b>35,441,838</b>	39,240,000	<b>36,969,648</b>	36,288,199	<b>72,411,486</b>	75,528,199
<u>Financial liabilities</u>						
(excluding trade payables)	<b>(3,229,786)</b>	(1,388,923)	<b>0</b>	0	<b>(3,229,786)</b>	(1,388,923)
Other current liabilities (including trade payables)	<b>(67,415)</b>	(2,686,241)	<b>(349,710)</b>	(344,112)	<b>(417,125)</b>	(3,030,353)
<b>Total current liabilities</b>	<b>(3,297,201)</b>	(4,075,164)	<b>(349,710)</b>	(344,112)	<b>(3,646,911)</b>	(4,419,276)
<u>Non-current</u>						
Assets	<b>67,558,667</b>	74,481,562	<b>0</b>	0	<b>67,558,667</b>	74,481,562
Liabilities	<b>(11,450,200)</b>	(11,502,018)	<b>0</b>	0	<b>(11,450,200)</b>	(11,502,018)
<b>Net assets</b>	<b>88,253,104</b>	98,144,380	<b>36,619,938</b>	35,944,087	<b>124,873,042</b>	134,088,467

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 17 ASSOCIATES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

	MMC		CUPL		Total	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Opening net assets						
1 January	<b>98,144,380</b>	98,173,554	<b>35,944,087</b>	41,645,402	<b>134,088,467</b>	139,818,956
Profit/(Loss) for the year	<b>7,108,724</b>	(29,174)	<b>(1,060)</b>	(1,878,113)	<b>7,107,664</b>	(1,907,287)
Other comprehensive						
income/(loss)	<b>0</b>	0	<b>676,911</b>	(3,823,202)	<b>676,911</b>	(3,823,202)
Dividends	<b>(17,000,000)</b>	0	<b>0</b>	0	<b>(17,000,000)</b>	0
Closing net assets	<b>88,253,104</b>	98,144,380	<b>36,619,938</b>	35,944,087	<b>124,873,042</b>	134,088,467
Interest in associates (32%; 20%)	<b>28,240,993</b>	31,406,202	<b>7,323,988</b>	7,188,817	<b>35,564,981</b>	38,595,019
Carrying value	<b>28,240,993</b>	31,406,202	<b>7,323,988</b>	7,188,817	<b>35,564,981</b>	38,595,019

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	2018 RM	Company 2017 RM
Amounts due from subsidiaries	<b>80,187,580</b>	75,484,653
Amounts due to subsidiaries	<b>(18,596,478)</b>	(15,005,795)

Included in amounts due from subsidiaries are amounts due from a subsidiary amounting to RM2,200,000 (2017: RM2,200,000) in relation to finance the purchase of equipment. These amounts are unsecured, charged interest at 4.15% per annum (2017: 4.15% per annum) and are repayable on demand.

Except as mentioned above, the amounts due from/(to) subsidiaries are unsecured, interest free and are repayable/payable on demand.

Amounts due from/(to) subsidiaries are denominated in Ringgit Malaysia.

**19 INVENTORIES**

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
At cost:		
Finished goods	<b>23,272,428</b>	19,029,398
Less: Allowance for slow moving inventories	<b>(773,909)</b>	(688,634)
	<b>22,498,519</b>	18,340,764

Included in costs of sales are inventories consumed and recognised as cost of sales during the year of RM77,760,481 (2017: RM107,121,694).

Movement in allowance for slow moving inventories is as follows:

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
At 1 January	<b>688,634</b>	678,026
Allowance made during the year	<b>209,470</b>	317,545
Written off during the year	<b>(97,041)</b>	(187,030)
Reversal of allowance made	<b>(27,154)</b>	(119,907)
At 31 December	<b>773,909</b>	688,634



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 20 TRADE AND OTHER RECEIVABLES

	2018	Group 2017 Restated	2018	Company 2017
	RM	RM	RM	RM
<u>Non-current:</u>				
Other long-term receivables	4,921,400	4,921,400	0	0
Deposits (Note 12)	6,160,332	0	0	0
	<b>11,081,732</b>	4,921,400	<b>0</b>	0
<u>Current:</u>				
Trade receivables	94,717,238	112,031,022	0	0
Less: Impairment of receivables	(1,733,664)	(2,049,988)	0	0
Trade receivables, net	92,983,574	109,981,034	0	0
Other receivables	2,422,260	8,278,421	57,171	48,320
Less: Impairment of receivables	(48,030)	(48,030)	0	0
	2,374,230	8,230,391	57,171	48,320
Deposits	2,701,855	1,572,866	23,150	23,100
Prepayments	5,091,403	3,879,704	175,466	332,063
	<b>10,167,488</b>	13,682,961	<b>255,787</b>	403,483
	<b>103,151,062</b>	123,663,995	<b>255,787</b>	403,483

### Other long-term receivables

The other long-term receivables are non-current upfront deposits paid by the Group totalling RM4,921,400 (2017: RM4,921,400) for an investment which involves a joint collaborative effort with an independent third party and is held for long-term for strategic purposes.

### Deposits

Included in deposits are advance payments made amounting to RM6,160,332 (2017: RM nil) for the purchases of plant and equipment that are pending fulfilment on the asset recognition prerequisites and is classified as non-current assets.

**20 TRADE AND OTHER RECEIVABLES (CONTINUED)**Trade receivables

The currency profile of trade receivables is as follows:

	2018	Group 2017 Restated
	RM	RM
- Ringgit Malaysia	<b>29,992,055</b>	46,953,857
- US Dollar	<b>61,054,027</b>	63,027,177
- Indonesian Rupiah	<b>1,937,492</b>	0
	<b>92,983,574</b>	109,981,034

Credit terms of trade receivables range from 30 to 90 days (2017: 30 to 90 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

68% of the Group's trade receivables as at 31 December 2018 (2017: 69%) relates to 6 (2017: 6) main customers while the remaining balance is spread over a large number of customers. The major customers are primarily players in the oil and gas industry.

The ageing analysis of the Group's trade receivables is as follows:

	2018	Group 2017 Restated
	RM	RM
Neither past due nor impaired	<b>53,168,068</b>	82,282,842
1 to 30 days past due not impaired	<b>20,929,368</b>	14,477,434
31 to 60 days past due not impaired	<b>4,303,118</b>	9,007,291
61 to 90 days past due not impaired	<b>7,452,157</b>	2,511,234
91 to 120 days past due not impaired	<b>6,533,959</b>	482,102
More than 121 days past due not impaired	<b>596,904</b>	1,220,131
Neither past due but impaired	<b>1,400</b>	0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Trade receivables (continued)

The ageing analysis of the Group's trade receivables is as follows: (continued)

	2018	Group 2017
	RM	Restated RM
Past due and impaired:		
61 to 90 days past due and impaired	<b>0</b>	63,610
More than 121 days past due and impaired	<b>1,732,264</b>	1,986,378
	<b>94,717,238</b>	112,031,022
Less: Impairment of receivables	<b>(1,733,664)</b>	(2,049,988)
	<b>92,983,574</b>	109,981,034

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are debtors with good payment history. A number of these debtors are from the oil and gas industry. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM39,815,506 (2017: RM27,698,192) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

**20 TRADE AND OTHER RECEIVABLES (CONTINUED)**Trade receivables (continued)Receivables that are not past due but impaired

Trade receivables that are not past due but impaired are specific debtors that are identified in which collection are in doubt.

Movement in impairment of trade receivables is as follows:

	2018	Group 2017 Restated
	RM	RM
At 1 January	<b>2,049,988</b>	2,100,792
Impairment made during the year	<b>9,926</b>	274,079
Written off during the year	<b>(190,038)</b>	(220,431)
Reversal of impairment losses	<b>(136,212)</b>	(100,454)
Exchange differences	<b>0</b>	(3,998)
At 31 December	<b>1,733,664</b>	2,049,988

All impaired trade receivables are individually or collectively determined on the basis of shared credit risk characteristics. These impaired receivables are from customers whose credit risks have significantly increased since initial recognition. These receivables are not secured by collateral or credit enhancements.

At 31 December 2018, the lifetime expected credit loss allowance for trade receivables is as follows:

	Carrying amounts	Group Impairment
	RM	RM
Not past due	<b>6,990</b>	<b>1,400</b>
Past due:		
More than 121 days past due	<b>13,623</b>	<b>2,195</b>
	<b>20,613</b>	<b>3,595</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Other receivables

Other receivables are non-trade in nature, unsecured, interest free, payable on demand and in relation to payments made on behalf and the now repealed Goods and Services Tax ("GST") amount recoverable from the Royal Malaysian Customs Department.

Movement in impairment of other receivables is as follows:

	2018 RM	Group 2017 RM
At 1 January	48,030	0
Impairment made during the year	0	48,030
At 31 December	48,030	48,030

In the previous financial year, the impairment made on other receivables relate to an earnest deposit paid for a space rental. This amount was impaired in view that the space rental arrangement was cancelled and that the recoverability of the amount is uncertain.

## 21 CONTRACT BALANCES

### CONTRACT ASSETS

	2018 RM	Group 2017 RM
Accrued revenue	160,852,032	80,128,637
Less: Impairment of accrued revenue	(585,346)	(623,134)
Accrued revenue, net (note (a))	160,266,686	79,505,503
Retention sum (note (a))	529,983	1,177,775
Deferred costs (note (b))	160,796,669	80,683,278
	3,058,029	1,351,805
	163,854,698	82,035,083

**21 CONTRACT BALANCES (CONTINUED)**CONTRACT LIABILITIES

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
Deferred revenue (note (b))	<b>(6,476,785)</b>	(1,972,986)
Net contract assets	<b>157,377,913</b>	80,062,097

Contract assets of which performance obligations has been satisfieda. Accrued Revenue and Retention Sum

Accrued revenue represents timing difference in revenue earned from customers against the corresponding billings made to the respective customers. This includes accrued revenue arising from construction and project based contracts where this represents the excess of cumulative revenue earned over the total billings made to-date on the contract. These billings will be issued when the billing milestone is met. Retention sum receivables are monies withheld by contract customers and will be released upon the completion of the contract jobs and/or expiry of the defect liability period of the contract.

The currency profile of contract assets consisting of accrued revenue and retention sum are as follows:

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
- Ringgit Malaysia	<b>95,279,817</b>	54,264,887
- US Dollar	<b>65,504,860</b>	26,418,391
- Indonesian Rupiah	<b>11,992</b>	0
	<b>160,796,669</b>	80,683,278

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 21 CONTRACT BALANCES (CONTINUED)

### Contract assets of which performance obligations has been satisfied (continued)

#### a. Accrued Revenue and Retention Sum (continued)

Movement in impairment of accrued revenue and retention sum are as follows:

	2018 RM	Group 2017 RM
At 1 January	623,134	532,578
Impairment made during the year	23,038	90,556
Written off during the year	(51,666)	0
Reversal of impairment losses	(9,160)	0
At 31 December	<b>585,346</b>	623,134

### Contract assets of which performance obligations has not been satisfied

#### b. Deferred Costs and Deferred Revenue

Deferred costs represent costs incurred for work performed for which performance milestone have yet to be achieved or performance obligation are yet to be completed and accepted by customers. These deferred costs shall be recognised as cost of sales only when the performance obligation is satisfied.

Deferred revenue represent advance payments received from customers and other deferred income where the Group has billed or has collected the payment for which the performance obligations is yet to be satisfied and is initially recorded as deferred revenue. This deferred revenue shall be recognised as revenue earned only when the performance obligations is satisfied.

The Group applies the practical expedient in MFRS 15 on not disclosing the expected revenues and costs to be recognised in the future for the above mentioned deferred costs and revenue respectively as these performance obligations are part of contracts that have an original expected duration of one year or less.

**22 AMOUNTS DUE FROM/(TO) ASSOCIATES**

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Amounts due from associates	<b>1,600,016</b>	5,639	<b>16</b>	40
Amounts due to associates	<b>(7,242,375)</b>	(7,050,562)	<b>0</b>	0

Included in the amounts due from associates is dividend receivable of RM1,600,000 (2017: RM nil).

Except as mentioned above, the amounts due from/(to) associates are non-trade in nature, unsecured, interest free, repayable/payable on demand and in relation to payments made on behalf for operating expenses.

The amounts due from/(to) associates are denominated in Ringgit Malaysia.

**23 AMOUNTS DUE FROM A JOINT VENTURE**

	2018 RM	Group 2017 Restated RM	2018 RM	Company 2017 RM
Amounts due from a joint venture	<b>160,470</b>	138,264	<b>160,309</b>	138,264

The amounts due from/(to) a joint venture are unsecured, interest free, repayable/payable on demand and are denominated in Ringgit Malaysia.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 24 DERIVATIVE FINANCIAL INSTRUMENTS

Movement in derivative assets/(liabilities) are as follows:

	2018 RM	Group 2017 RM
As at 1 January	<b>(23,775)</b>	0
Changes in fair value (Note 6)	<b>(649,536)</b>	(23,775)
Settlement during the year	<b>680,675</b>	0
As at 31 December	<b>7,364</b>	(23,775)

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The settlement dates on forward foreign exchange contracts range between 1 to 180 days. As at the reporting date, the notional principal amounts of the outstanding forward foreign exchange contracts are RM2,602,300 (2017: RM609,300).

The Group determines the fair value of the derivative financial instruments relating to the forward foreign exchange contracts using a valuation technique which utilises input from recognised and reliable financial information sources. Assumptions are based on market conditions existed at each reporting date. The fair value of forward foreign exchange contract is determined by using the forward exchange rates as at each reporting date.

As at 31 December 2018, the fair value changes arising from the forward foreign exchange contracts entered into by the Group and remained outstanding are fair value gains of RM7,364 (2017: fair value loss of RM23,775).

**25 CASH AND BANK BALANCES**

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Cash and cash equivalents	<b>124,276,324</b>	130,647,897	<b>6,386,695</b>	6,634,501
Add:				
Cash held in a designated account	<b>5,130,539</b>	5,239,820	<b>0</b>	0
Deposits pledged as security	<b>5,500,000</b>	5,500,000	<b>0</b>	0
<b>Total cash and bank balances</b>	<b>134,906,863</b>	141,387,717	<b>6,386,695</b>	6,634,501
Represented by:				
Deposits with licensed banks	<b>93,068,352</b>	100,884,814	<b>6,260,000</b>	6,500,000
Cash and bank balances	<b>41,838,511</b>	40,502,903	<b>126,695</b>	134,501
<b>Total cash and bank balances</b>	<b>134,906,863</b>	141,387,717	<b>6,386,695</b>	6,634,501

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

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
- Ringgit Malaysia	<b>127,076,209</b>	121,203,012	<b>6,386,695</b>	6,634,501
- US Dollar	<b>7,717,470</b>	20,060,090	<b>0</b>	0
- Euro Dollar	<b>4,342</b>	15,534	<b>0</b>	0
- Singapore Dollar	<b>90,401</b>	90,608	<b>0</b>	0
- Hong Kong Dollar	<b>18,441</b>	18,473	<b>0</b>	0
<b>Total</b>	<b>134,906,863</b>	141,387,717	<b>6,386,695</b>	6,634,501

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 25 CASH AND BANK BALANCES (CONTINUED)

The range of interest rate (per annum) and maturity periods of the deposits are as follows:

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Interest rate (%)	<b>0.13 - 3.18</b>	0.10 - 2.97	<b>2.75 - 3.14</b>	2.65 - 2.90
Maturities (days)	<b>1 - 30</b>	1 - 40	<b>1 - 16</b>	1 - 31

Cash held in a designated account is required by the terms of the term loan undertaken by a subsidiary company (Note 26).

## 26 BORROWINGS

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Revolving credits	<b>24,800,000</b>	17,800,000	<b>24,800,000</b>	17,800,000
Finance lease liabilities (Note 12)	<b>80,000</b>	0	<b>0</b>	0
Term loans	<b>35,653,000</b>	55,350,000	<b>0</b>	0
Loans against imports	<b>2,647,960</b>	2,898,407	<b>0</b>	0
	<b>63,180,960</b>	76,048,407	<b>24,800,000</b>	17,800,000
Less: amount repayable within 12 months				
Revolving credits	<b>(24,800,000)</b>	(17,800,000)	<b>(24,800,000)</b>	(17,800,000)
Finance lease liabilities	<b>(18,558)</b>	0	<b>0</b>	0
Term loans	<b>(27,929,828)</b>	(24,599,828)	<b>0</b>	0
Loans against imports	<b>(2,647,960)</b>	(2,898,407)	<b>0</b>	0
	<b>(55,396,346)</b>	(45,298,235)	<b>(24,800,000)</b>	(17,800,000)
Amount repayable after 12 months	<b>7,784,614</b>	30,750,172	<b>0</b>	0

## 26 BORROWINGS (CONTINUED)

### (a) Term loans (secured)

The above term loans were structured as follows:

	2018 RM	Group 2017 RM
Term loans	<b>35,653,000</b>	55,350,000

On 9 November 2018, a subsidiary of the Group drew down a new term loan to part finance the purchase of plant and equipment. The total draw down as at 31 December 2018 was RM4,903,000. The term loan is secured over the plant and equipment which financed under the term loan.

The term loan carries an interest of 0.9% above the bank's KLIBOR. The loan is repayable by way of 60 monthly principal instalment of RM370,000. The first instalment is to be commenced on 6<sup>th</sup> month from the date of the first draw down. The first instalment payment will be due by April 2019. The tenure of the loan is 5 years.

On 29 October 2013, a subsidiary of the Group drew down a term loan to part finance the purchase of slickline equipment and tools. The total draw down was RM122,999,142. The term loan is secured by an "all monies" first legal charge over machinery of slickline equipment and tools of the subsidiary as disclosed in Note 12 and corporate guarantee of RM123,000,000 furnished by another subsidiary of the Group.

The term loan carries an interest of 4.22% per annum (0.90% above the KLIBOR) (2017: 3.97%). The loan is repayable by way of 60 monthly principal instalments of RM2,049,986. The first instalment commences on the 18<sup>th</sup> month from the date of the first draw down or the 6<sup>th</sup> month from the date of the full draw down, whichever is earlier. The first instalment payment was made in April 2015. The tenure of the loan is 5 years.

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2018 is RM5,130,539 (2017: RM5,239,820) (Note 25).

The fair value of these term loans approximates its carrying amount due to it being a floating rate instruments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 26 BORROWINGS (CONTINUED)

### (a) Term loans (secured) (continued)

The periods in which the term loans of the Group attain maturity are as follows:

	2018 RM	Group 2017 RM
Not later than 1 year	<b>27,929,828</b>	24,599,828
Later than 1 year but not later than 2 years	<b>7,723,172</b>	24,599,828
Later than 2 years but not later than 5 years	<b>0</b>	6,150,344
	<b>35,653,000</b>	55,350,000

### (b) Revolving credit (unsecured)

The revolving credit facility was drawn down to part finance the purchase of additional slickline equipment and tools and for working capital requirements. The amount was rolled-over on a monthly basis at an average rate of 5.21% (1.00% per annum above the bank's cost of fund) (2017: 4.96%). The interest is fixed at the date of each draw down and subsequently revised at the commencement of each roll-over period. No securities have been pledged under this facility.

The fair value of the revolving credit approximates its carrying amount due to it being a floating rate instruments.

### (c) Loans against imports (unsecured)

The loans against imports facility was drawn down to finance the import of inventories, parts and machineries. The facility carries an interest rate of 4.64% (1.15% per annum above the bank's cost of fund) (2017: 4.51%). No securities have been pledged under this facility.

The fair value of the loans against imports approximates its carrying amount due to it being a floating rate instruments.

**26 BORROWINGS (CONTINUED)**(d) Finance lease liabilities

	<b>Group 2018 RM</b>
<u>Future minimum hire purchase payments:</u>	
Not later than 1 year	<b>21,972</b>
Later than 1 year and not later than 2 years	<b>21,972</b>
Later than 2 years and not later than 5 years	<b>43,928</b>
	<b>87,872</b>
Less: Future finance charges	<b>(7,872)</b>
Present value of hire purchase liabilities	<b>80,000</b>
<u>Analysis of present value of hire purchase payables:</u>	
Not later than 1 year	<b>18,558</b>
Later than 1 year and not later than 2 years	<b>19,522</b>
Later than 2 years and not later than 5 years	<b>41,920</b>
	<b>80,000</b>
Analysed as:	
Due within 12 months	<b>18,558</b>
Due after 12 months	<b>61,442</b>
	<b>80,000</b>

The hire purchase payables bore interest of 2.46% (2017: nil%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 27 TRADE AND OTHER PAYABLES

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Trade payables	<b>183,646,429</b>	120,809,907	<b>0</b>	0
Other payables	<b>7,758,816</b>	14,620,552	<b>474,410</b>	1,196,961
Staff related accruals	<b>5,557,484</b>	6,899,958	<b>1,214,780</b>	1,652,676
Other accruals	<b>6,171,187</b>	3,586,743	<b>847,701</b>	588,183
	<b>11,728,671</b>	10,486,701	<b>2,062,481</b>	2,240,859
	<b>19,487,487</b>	25,107,253	<b>2,536,891</b>	3,437,820
	<b>203,133,916</b>	145,917,160	<b>2,536,891</b>	3,437,820

The other payables include the now repealed GST amount payable to the Royal Malaysian Customs Department.

The currency profile of trade payables is as follows:

	2018 RM	Group 2017 RM
- Ringgit Malaysia	<b>75,066,736</b>	23,495,877
- US Dollar	<b>107,644,221</b>	97,055,138
- Singapore Dollar	<b>772,524</b>	100,634
- Euro Dollar	<b>140,152</b>	158,258
- Indonesian Rupiah	<b>22,796</b>	0
	<b>183,646,429</b>	120,809,907

Credit terms of payment granted by the suppliers of the Group are 30 to 60 days (2017: 30 to 60 days).

## 28 DEFERRED TAX

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 tax relates to the same tax authority.

Deferred tax assets are recognised for tax losses carried forward to the extent the realisation of the benefit through future taxable profit are probable.

The following amounts, determined after appropriate offsetting, are shown on the statements of financial position:

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Deferred tax assets	<b>3,061,817</b>	2,009,874	<b>798,232</b>	1,680,838
Deferred tax liabilities	<b>(22,785,561)</b>	(22,724,247)	<b>0</b>	0
At 1 January	<b>(20,714,373)</b>	(17,696,330)	<b>1,680,838</b>	2,074,053
(Charged)/credited to profit or loss (Note 9)				
- property, plant and equipment	<b>(165,983)</b>	(1,234,229)	<b>(43,656)</b>	(244,226)
- unutilised tax losses	<b>153,153</b>	(1,578,073)	<b>(720,200)</b>	(171,493)
- deferred cost	<b>(462,710)</b>	1,342,964	<b>0</b>	0
- deferred revenue	<b>1,438,206</b>	(1,889,796)	<b>0</b>	0
- accruals	<b>(324,768)</b>	(29,152)	<b>(118,750)</b>	22,504
- others	<b>352,731</b>	370,243	<b>0</b>	0
	<b>990,629</b>	(3,018,043)	<b>(882,606)</b>	(393,215)
	<b>(19,723,744)</b>	(20,714,373)	<b>798,232</b>	1,680,838



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 28 DEFERRED TAX (CONTINUED)

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<u>Recognised deferred tax assets</u>				
<u>Deferred tax assets (before offsetting)</u>				
Property, plant and equipment	<b>772,395</b>	317	<b>0</b>	39,927
Unutilised tax losses	<b>1,383,294</b>	1,230,141	<b>450,740</b>	1,170,940
Deferred revenue	<b>1,589,876</b>	151,670	<b>0</b>	0
Accruals	<b>1,094,593</b>	1,419,361	<b>351,221</b>	469,971
Others	<b>157,668</b>	441,408	<b>0</b>	0
	<b>4,997,826</b>	3,242,897	<b>801,961</b>	1,680,838
Less: Offsetting	<b>(1,936,009)</b>	(1,233,023)	<b>(3,729)</b>	0
Deferred tax assets (after offsetting)	<b>3,061,817</b>	2,009,874	<b>798,232</b>	1,680,838
<u>Recognised deferred tax liabilities</u>				
<u>Deferred tax liabilities (before offsetting)</u>				
Property, plant and equipment	<b>(23,879,080)</b>	(22,941,019)	<b>(3,729)</b>	0
Deferred cost	<b>(743,220)</b>	(280,510)	<b>0</b>	0
Others	<b>(99,270)</b>	(735,741)	<b>0</b>	0
	<b>(24,721,570)</b>	(23,957,270)	<b>(3,729)</b>	0
Less: Offsetting	<b>1,936,009</b>	1,233,023	<b>3,729</b>	0
Deferred tax liabilities (after offsetting)	<b>(22,785,561)</b>	(22,724,247)	<b>0</b>	0

**28 DEFERRED TAX (CONTINUED)**Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2018 RM	Group 2017 RM
Property, plant and equipment	<b>2,488,278</b>	3,628,549
Unutilised tax losses	<b>13,019,346</b>	12,039,563
Deferred revenue	<b>0</b>	94,060
Deferred cost	<b>(208,896)</b>	(160,571)
Accruals	<b>227,277</b>	447,802
Others	<b>164,839</b>	183,628
<b>Total unrecognised deferred tax assets</b>	<b>15,690,844</b>	16,233,031

The unabsorbed capital allowances, unutilised tax losses and other deductible temporary difference do not expire under the current tax legislation as at reporting date. Effective from 2019 onwards, any unutilised tax losses shall only be allowed to be carried forward for a maximum period of seven (7) consecutive years commencing from the year such unutilised tax losses were incurred or from 2019 onwards for any unutilised tax losses that were incurred prior to 2019. Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profits will be available against which the Group can utilise the benefits therefrom or upon when such tax benefits had expired under the prevailing tax laws on that reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 29 SHARE CAPITAL

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<u>Issued and fully paid ordinary shares:</u>		
At 1 January		
- 400,195,300 ordinary shares with no par value (2017: 400,000,000 ordinary shares with no par value)	<b>200,205,651</b>	200,000,000
Issued pursuant to the Long-Term Incentive Plan (Note 30)		
- 930,400 ordinary shares with no par value (2017: 195,300 ordinary shares with no par value)	<b>1,147,951</b>	205,651
At 31 December		
- 401,125,700 ordinary shares with no par value (2017: 400,195,300 ordinary shares with no par value)	<b>201,353,602</b>	200,205,651

During the financial year, the total number of issued ordinary shares of the Company was increased from 400,195,300 to 401,125,700 by way of:

- (i) issuance of 297,200 new ordinary shares at RM1.567 per share to eligible employees under the Third Tranche of the First Grant under Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan;
- (ii) issuance of 450,100 new ordinary shares at RM1.100 per share to eligible employees under the Second Tranche of Second Grant under Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan; and
- (iii) issuance of 183,100 new ordinary shares at RM1.022 per share to eligible employees under the Second Tranche of Special Grant under Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan.

The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

### 30 SHARE BASED PAYMENT

The Long-Term Incentive Plan (“LTIP”) allows the Company to grant shares under the scheme to Directors of the Company acting in an executive capacity and key employees of the Group and the Company of up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares, if any). The LTIP is governed by the By-Laws which was approved by shareholders on 27 May 2014 and is administered by the Plan Committee which is appointed by the Board of Directors, in accordance with the By-Laws. The LTIP shall be in force for a period of 10 years commencing from 10 October 2014.

The LTIP comprises the Restricted Share Incentive Plan (“RS Award”) and Performance Share Incentive Plan (“PS Award”). The salient features of the LTIP, inter alia, are as follows:

- (a) Any Executive Director of the Company or key employees of the Group shall be eligible to be considered for the awards if that person meets the eligibility criteria, amongst others, holding a senior management or key position within the Group whose service or employment has been confirmed in writing.
- (b) The maximum number of LTIP shares which may be made available under the LTIP shall not be more than in aggregate 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any) at any point in time when the award is made during the duration of the LTIP.
- (c) The total number of LTIP shares that may be awarded to any one of the selected eligible employees and/or to be vested in any one of the selected eligible employees under the LTIP at any time shall be at the discretion of the Plan Committee after taking into account such criteria as may be determined by the Plan Committee in its discretion in accordance with the By-Laws of the LTIP.
- (d) The LTIP shares to be allotted and issued pursuant to the LTIP shall upon allotment and issuance, rank pari passu in all respects with the then existing ordinary shares in the Company in issue and shall be entitled to any rights, dividends, allotments and/or distributions attached thereto and/or which may be declared, made or paid to the Company's shareholders, provided that the relevant allotment date of such LTIP shares is before the entitlement date of such rights, dividends, allotments and/or distributions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 30 SHARE BASED PAYMENT (CONTINUED)

The movement during the financial year in the number of shares in which employees of the Group and the Company is entitled to are as follows:

Date of Grants	Type of Grant	At 1.1.2018	Granted	Vested	Lapsed/ Forfeited	At 31.12.2018
2 March 2015 (1 <sup>st</sup> Grant)	RS Award	327,198	0	(297,200)	(29,998) <sup>^</sup>	0
	PS Award	947,300	0	0	(947,300) <sup>^</sup>	0
22 March 2016 (2 <sup>nd</sup> Grant)	RS Award	971,066	0	(450,100)	(66,600) <sup>@</sup>	454,366
	PS Award	1,399,300	0	0	(146,300) <sup>#</sup>	1,253,000
22 March 2017 (Special Grant)	RS Award	194,800	0	(183,100)	(11,700) <sup>@</sup>	0

The vesting periods for the Grants are as follows:

### 1<sup>st</sup> Grant

RS Award - One-third annually from the date of 1<sup>st</sup> Grant over 3 years, with the first vesting commencing on 2 March 2016 or such other date to be determined by the Plan Committee.

PS Award - Over 3 years from the date of 1<sup>st</sup> Grant, with vesting on 2 March 2018 or such other date to be determined by the Plan Committee.

### 2<sup>nd</sup> Grant

RS Award - One-third annually from the date of 2<sup>nd</sup> Grant over 3 years, with the first vesting commencing on 22 March 2017 or such other date to be determined by the Plan Committee.

PS Award - Over 3 years from the date of 2<sup>nd</sup> Grant, with vesting on 22 March 2019 or such other date to be determined by the Plan Committee.

### Special Grant

RS Award - Half annually from the date of Special Grant over 2 years, with the first vesting on 15 June 2017 and the second vesting on 15 June 2018 or such other date to be determined by the Plan Committee.

Notes: <sup>^</sup> Shares lapsed due to non-vesting as the performance targets in respect of financial year ended 31 December 2017 were not met or forfeited due to the resignation of employees.

<sup>#</sup> Shares forfeited due to the resignation of employees.

<sup>@</sup> Shares forfeited due to resignation of employees and non-meeting of individual performance expectations.

**30 SHARE BASED PAYMENT (CONTINUED)**

The fair value of the shares under the LTIP scheme to which MFRS 2 applies was determined using the Monte Carlo simulation model. The significant inputs into the model were as follows:

	<b>1<sup>st</sup> Grant</b>	<b>2<sup>nd</sup> Grant</b>	<b>Special Grant</b>
Date of grant	2 March 2015	22 March 2016	22 March 2017
Aggregated fair values/Fair value at grant date – RS Award	RM1.567	RM1.100	RM1.053 and RM1.022
Aggregated fair values/Fair value at grant date – PS Award	RM1.462	RM1.076	*
Vesting period	3 years	3 years	2 years
Weighted average share price at grant date	RM1.72	RM1.21	RM1.06
Expected dividend yield	4.70%	5.00%	2.83%
Risk free interest rates	3.51%	3.27%	3.37%-3.40%
Expected volatility	41.83%	44.95%	25.73%-35.24%

\* Not applicable

The expected life of the shares is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the shares granted were incorporated into the measurement of fair value.

**31 MERGER DEFICIT**

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
Arising from the Company's business combination with Deleum Services Sdn. Bhd.	<b>50,000,000</b>	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 Deleum Services Sdn. Bhd. acquired of RM10,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 32 FINANCIAL INSTRUMENTS

Financial instruments by category

Year ended 31 December 2018

Group	Financial assets at amortised cost RM	Other financial liabilities at amortised cost RM	Fair value through profit or loss RM	Total RM
<u>Assets</u>				
Trade and other receivables (excluding prepayments and GST receivables)	97,412,473	0	0	97,412,473
Amounts due from associates	1,600,016	0	0	1,600,016
Amounts due from a joint venture	160,470	0	0	160,470
Derivative financial instruments	0	0	7,364	7,364
Cash and bank balances	134,906,863	0	0	134,906,863
	<b>234,079,822</b>	<b>0</b>	<b>7,364</b>	<b>234,087,186</b>
<u>Liabilities</u>				
Trade and other payables (excluding statutory obligations)	0	201,334,513	0	201,334,513
Amounts due to associates	0	7,242,375	0	7,242,375
Borrowings	0	63,180,960	0	63,180,960
	<b>0</b>	<b>271,757,848</b>	<b>0</b>	<b>271,757,848</b>

**32 FINANCIAL INSTRUMENTS (CONTINUED)**

Financial instruments by category (continued)

Year ended 31 December 2018 (continued)

<b>Company</b>	<b>Financial assets at amortised cost RM</b>	<b>Other financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	<b>41,559</b>	<b>0</b>	<b>41,559</b>
Amounts due from subsidiaries	<b>80,187,580</b>	<b>0</b>	<b>80,187,580</b>
Amounts due from a joint venture	<b>160,309</b>	<b>0</b>	<b>160,309</b>
Amounts due from an associate	<b>16</b>	<b>0</b>	<b>16</b>
Cash and bank balances	<b>6,386,695</b>	<b>0</b>	<b>6,386,695</b>
	<b>86,776,159</b>	<b>0</b>	<b>86,776,159</b>
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations)	<b>0</b>	<b>2,372,399</b>	<b>2,372,399</b>
Amounts due to subsidiaries	<b>0</b>	<b>18,596,478</b>	<b>18,596,478</b>
Borrowings	<b>0</b>	<b>24,800,000</b>	<b>24,800,000</b>
	<b>0</b>	<b>45,768,877</b>	<b>45,768,877</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 32 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2017

Group	Financial assets at amortised cost RM	Other financial liabilities at amortised cost RM	Fair value through profit or loss RM	Total RM
<u>Assets</u>				
Trade and other receivables (excluding prepayments and GST receivables)	119,756,155	0	0	119,756,155
Amounts due from associates	5,639	0	0	5,639
Amounts due from a joint venture	138,264	0	0	138,264
Cash and bank balances	141,387,717	0	0	141,387,717
	261,287,775	0	0	261,287,775
<u>Liabilities</u>				
Trade and other payables (excluding statutory obligations)	0	137,607,672	0	137,607,672
Amounts due to associates	0	7,050,562	0	7,050,562
Borrowings	0	76,048,407	0	76,048,407
Derivative financial instruments	0	0	23,775	23,775
	0	220,706,641	23,775	220,730,416

**32 FINANCIAL INSTRUMENTS (CONTINUED)**

Financial instruments by category (continued)

Year ended 31 December 2017 (continued)

<b>Company</b>	<b>Financial assets at amortised cost RM</b>	<b>Other financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	71,420	0	71,420
Amounts due from subsidiaries	75,484,653	0	75,484,653
Amounts due from a joint venture	138,264	0	138,264
Amounts due from an associate	40	0	40
Cash and bank balances	6,634,501	0	6,634,501
	<b>82,328,878</b>	<b>0</b>	<b>82,328,878</b>
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations)	0	3,266,489	3,266,489
Amounts due to subsidiaries	0	15,005,795	15,005,795
Borrowings	0	17,800,000	17,800,000
	<b>0</b>	<b>36,072,284</b>	<b>36,072,284</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 33 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(a) The following transactions are with subsidiaries of the Company

	2018 RM	Company 2017 RM
- Management fees	<b>16,725,500</b>	16,071,100
- Dividend income	<b>16,800,000</b>	18,000,000
- Inter-company interest income	<b>1,025,497</b>	1,335,469
- Re-charge of expenses	<b>3,002,872</b>	2,751,690

(b) The following transactions are with a joint venture of the Company

	Group and Company	
	2018 RM	2017 RM
- Management fees	<b>471,300</b>	488,400
- Re-charge of expenses	<b>89,735</b>	69,556

**33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

- (c) The following transactions are with a corporate shareholder and affiliated companies of a subsidiary of the Group, Turboservices Sdn. Bhd.

	2018 RM	Group 2017 RM
Purchases from Solar Turbines International Company ("STICO")	<b>193,308,462</b>	211,930,753
Purchases from an affiliated company of STICO	<b>36,685,189</b>	8,747,582
Technical fees to STICO	<b>1,073,546</b>	3,377,691
Re-charge of expenses from an affiliated company of STICO	<b>1,649,264</b>	591,774
	<b>232,716,461</b>	224,647,800
Manpower services to STICO	<b>6,651,359</b>	4,042,447
Rental income from an affiliated company of STICO	<b>54,432</b>	113,400
	<b>6,705,791</b>	4,155,847

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

	2018 RM	Group 2017 RM
Amount due from STICO and its affiliated company	<b>2,186,065</b>	5,773,692
Amount due to STICO and its affiliated company	<b>116,123,121</b>	85,988,991

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (d) The following transactions are with a corporate shareholder and affiliated companies of the corporate shareholder of a subsidiary of the Group, Penaga Dresser Sdn. Bhd.

	2018 RM	Group 2017 RM
Sales to related parties of Dresser Italia S.R.L	<b>1,252,923</b>	21,979
Purchases from Dresser Italia S.R.L	<b>91,301</b>	0
Purchases from related parties of Dresser Italia S.R.L	<b>19,642,856</b>	29,437,643
	<b>19,734,157</b>	29,437,643

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

	2018 RM	Group 2017 RM
Amount due from related parties of Dresser Italia S.R.L	<b>230,362</b>	0
Amount due to related parties of Dresser Italia S.R.L	<b>2,902,186</b>	3,104,199

- (e) TOSB is a joint venture between the Company and Solar Turbines International Company ("STICO") and the related party transactions during the year are as follows:

	2018 RM	Group 2017 RM
Sales to STICO	<b>5,936,000</b>	5,936,000
Rental income from affiliated company of STICO	<b>827,568</b>	827,568
	<b>6,763,568</b>	6,763,568

**33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

- (e) TOSB is a joint venture between the Company and Solar Turbines International Company ("STICO") and the related party transactions during the year are as follows: (continued)

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

	<b>2018</b> RM	<b>Group</b> <b>2017</b> RM
Amount due from STICO	<b>1,471,212</b>	538,434

- (f) The following transaction is with a person connected to Datuk Vivekananthan a/l M.V. Nathan, the Deputy Chairman and a major shareholder of the Company.

	<b>Group and Company</b> <b>2018</b> RM	<b>2017</b> RM
Purchase of a motor vehicle	<b>0</b>	7,000

- (g) The remuneration of key management personnel during the financial year are as follows:

	<b>2018</b> RM	<b>Group</b> <b>2017</b> RM	<b>2018</b> RM	<b>Company</b> <b>2017</b> RM
Directors' fees	<b>942,000</b>	942,000	<b>942,000</b>	942,000
Salaries and bonuses	<b>9,170,565</b>	8,493,274	<b>3,673,738</b>	2,993,589
Defined contribution plans	<b>1,219,692</b>	1,133,103	<b>500,153</b>	411,378
Other remuneration	<b>1,177,378</b>	995,092	<b>355,077</b>	224,619
Share based payment	<b>452,368</b>	1,254,193	<b>206,884</b>	530,142
Estimated monetary value of benefits-in-kind	<b>293,199</b>	421,954	<b>154,958</b>	234,732
	<b>13,255,202</b>	13,239,616	<b>5,832,810</b>	5,336,460

The above is inclusive of Directors' remuneration as disclosed in Note 7 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 34 CORPORATIONS IN THE GROUP

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

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2018 %	2017 %	
<b>SUBSIDIARIES:</b>				
Deleum Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry.
Deleum Services Holdings Limited *	Hong Kong	<b>100</b>	100	Investment holding.
Delflow Solutions Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.
Subsidiaries of <u>Deleum Services Sdn. Bhd.</u>				
Deleum Oilfield Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Provision of slickline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield related products and services for the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	<b>74</b>	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry.
VSM Technology Sdn. Bhd.	Malaysia	<b>90</b>	90	Dormant.

## 34 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2018 %	2017 %	
<b>SUBSIDIARIES (CONTINUED):</b>				
Subsidiaries of <u>Deleum Services Sdn. Bhd. (continued)</u>				
Deleum Chemicals Sdn. Bhd.	Malaysia	<b>100</b>	100	Development and provision of solid deposit removal solutions for enhancement of crude oil production and the supply of oilfield chemicals and services to the oil and gas industry.
Wisteria Sdn. Bhd. <sup>&amp;</sup>	Malaysia	<b>100</b>	100	Dormant.
Delcom Holdings Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.
Deleum Rotary Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Servicing, repair and maintenance of motors, generators, transformers, pumps and valves.
Sledgehammer Malaysia Sdn. Bhd. <sup>§</sup>	Malaysia	<b>100</b>	100	Dormant.
Deleum Primera Sdn. Bhd.	Malaysia	<b>60</b>	60	Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities, services for tanks, vessels, structures and piping.
Penaga Dresser Sdn. Bhd.	Malaysia	<b>51</b>	51	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 34 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2018 %	2017 %	

### SUBSIDIARIES (CONTINUED):

Subsidiaries of

Deleum Services Holdings Limited

Delcom Utilities (Cambodia) Limited *	British Virgin Islands	<b>60</b>	60	Investment holding.
Delcom Power (Cambodia) Limited **	British Virgin Islands	<b>60</b>	60	Dormant.

### JOINT VENTURE:

Joint venture of

Deleum Berhad

Turboservices Overhaul Sdn. Bhd.	Malaysia	<b>80.55</b>	80.55	Overhaul of gas turbine and maintenance services to oil and gas companies.
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## 34 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2018 %	2017 %	
<b>ASSOCIATES:</b>				
Associate of <u>Deleum Services Sdn. Bhd.</u>				
Malaysian Mud and Chemicals Sdn. Bhd.	Malaysia	<b>32</b>	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil and gas companies.
Associate of <u>Delcom Utilities (Cambodia) Limited</u>				
Cambodia Utilities Pte Ltd <sup>^</sup>	Cambodia	<b>12<sup>@</sup></b>	12 <sup>@</sup>	Maintain and operate a power plant in Cambodia in line with the power generation business.

\* Corporations not audited by PricewaterhouseCoopers PLT, Malaysia or member firm of PricewaterhouseCoopers International Limited.

@ Deemed as associate as significant influence is exercised by the Group by virtue of the 20% voting rights held by the Group and Board representation.

& Subsidiary had been placed under members' voluntary liquidation pursuant to Section 439(1)(b) of the Companies Act 2016.

\$ Subsidiary has applied to the Registrar of Companies to strike off its name from the Register pursuant to Section 550 of the Companies Act 2016.

# Subsidiary will be struck off from Register effective from six (6) months after the expiry of its license on 30 November 2018.

<sup>^</sup> No legal requirement to appoint auditors.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 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 is as follows:

	2018 RM	Group 2017 RM
Within one year	<b>1,907,894</b>	648,209
Between two to five years	<b>1,316,588</b>	605,552

## 36 CAPITAL COMMITMENTS

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Authorised and contracted for at the end of the reporting period but not yet incurred				
- Plant and machinery	<b>12,213,066</b>	2,479,588	<b>0</b>	0
- Others	<b>6,839,175</b>	6,221,609	<b>0</b>	7,000
Authorised but not contracted for at the end of the reporting period				
- Plant and machinery	<b>41,201,391</b>	30,220,810	<b>0</b>	0
- Others	<b>11,386,954</b>	13,707,267	<b>544,429</b>	1,968,520
	<b>71,640,586</b>	52,629,274	<b>544,429</b>	1,975,520
Share of capital commitment of a joint venture	<b>898,732</b>	58,880	<b>0</b>	0
	<b>72,539,318</b>	52,688,154	<b>544,429</b>	1,975,520

### 37 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM38,116,203 (2017: RM32,898,112) to third parties in respect of operational requirements, utilities and maintenance contracts.

The Company provides financial guarantees amounting to RM1,029,225 (2017: RM2,668,803) to bank in favour of its subsidiaries to third parties for their operational requirements, utilities and maintenance contracts.

Included in the previous financial year, the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a joint venture. The banking facilities has been fully settled by the joint venture in the previous financial year and the joint venture is currently in the midst of discharging the guarantee.

### 38 CAPITAL MANAGEMENT

The Group's and the Company's objective when managing capital is to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group and the Company may adjust the amount of dividends, return capital to shareholders or issue new shares and debts.

The capital structure for the Group and the Company consists of borrowings, cash and bank balances and total equity as follows:

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Cash and cash equivalents	<b>124,276,324</b>	130,647,897	<b>6,386,695</b>	6,634,501
Less: Total borrowings	<b>(63,180,960)</b>	(76,048,407)	<b>(24,800,000)</b>	(17,800,000)
	<b>61,095,364</b>	54,599,490	<b>(18,413,305)</b>	(11,165,499)
Total equity	<b>355,662,020</b>	350,867,628	<b>213,029,483</b>	217,590,154

The borrowings of the Group and the Company are subject to the bank's covenants, which include liquidity and solvency ratios, for which the Group and the Company have complied with.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 39 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

### (a) Adoption of MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 "Financial Instruments: Recognition and Measurement". The adoption of MFRS 9 on 1 January 2018 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. The new accounting policies are set out in Note K and L.

MFRS 9 retains but simplifies the measurement categories on financial instruments with the basis of classification for financial assets depending upon the entity's business model and the cash flow characteristics of the financial assets, a substantially-reformed model for hedge accounting that improved the alignment of the accounting treatment with risk management activities and introduces a new requirement on impairment.

As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus adjustments arising from the adoption of MFRS 9 were recognised in the opening statement of financial position as at 1 January 2018.

#### Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of MFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate MFRS 9 categories.

There are no changes to the classification of financial instruments from the assessment.

#### Impairment of financial assets

MFRS 9 introduces an Expected Credit Loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets are assessed on individual basis, which is initially measured based on the Group's historical observed default rate, adjusted with forward looking information based on prevailing economic conditions on where the Group operates as at the reporting date. The identified impairment loss was immaterial.

Cash and bank balances, other receivables, amounts due from associates and amounts due from a joint venture are assessed on individual basis for ECL measurement. The identified impairment losses were immaterial.

### 39 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

This note explains the impact of the adoption of MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers on the Group's financial statements (continued).

(b) Adoption of MFRS 15 "Revenue from Contracts with Customers"

The Group has adopted MFRS 15 in the current financial year. MFRS 15 introduces a single comprehensive revenue recognition model which establishes the principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers focusing on the identification and satisfaction of the performance obligation.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services moving from the transfer of risk and rewards principals.

MFRS 15 has resulted in the changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note T.

In accordance with the transitional provisions in MFRS 15, the Group has elected to adopt the modified retrospective approach. The adjustments made to the comparative figures are set out in Note 39(c).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 39 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

This note explains the impact of the adoption of MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers on the Group's financial statements (continued).

### (c) Impact on the financial statements

The following tables show the adjustments recognised in financial statements of the Group for each individual financial statement line item as a result of the adoption of MFRS 15.

Line items that were not affected by the changes have been excluded. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	As previously reported RM	Effects of changes in accounting policies RM	Group As restated RM
<u>2017</u>			
Statements of financial position			
<u>Current assets</u>			
Trade and other receivables	206,593,631	(82,929,636)	123,663,995
Deferred costs	1,351,805	(1,351,805)	0
Amounts due from a joint venture	162,609	(24,345)	138,264
Contract assets	0	82,035,083	82,035,083
<u>Current liabilities</u>			
Deferred revenue	1,972,986	(1,972,986)	0
Contract liabilities	0	1,972,986	1,972,986
Trade and other payables	148,187,863	(2,270,703)	145,917,160

### 39 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

This note explains the impact of the adoption of MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers on the Group's financial statements (continued).

(c) Impact on the financial statements (continued)

The following tables show the adjustments recognised in financial statements of the Group for each individual financial statement line item as a result of the adoption of MFRS 15 (continued).

Line items that were not affected by the changes have been excluded. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided (continued).

	As previously reported RM	Effects of changes in accounting policies RM	Group As restated RM
<u>2017</u>			
Statements of Cash Flows			
Cash Flows from Operating Activities			
<u>Changes in working capital</u>			
Trade and other receivables	19,811,614	(10,957,431)	8,854,183
Deferred costs	3,253,029	(3,253,029)	0
Contract assets	0	15,229,867	15,229,867
Amounts due from a joint venture	(57,117)	24,345	(32,772)
Deferred revenue	(5,388,731)	5,388,731	0
Trade and other payables	(36,249,436)	(1,043,752)	(37,293,188)
Contract liabilities	0	(5,388,731)	(5,388,731)

### 40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2019.



# STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Izham bin Mahmud and Nan Yusri bin Nan Rahimy, being two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 115 to 249 are drawn up in accordance with the provisions of Companies Act 2016 and the Malaysian Financial Reporting Standards, and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2019.

**DATO' IZHAM BIN MAHMUD**  
DIRECTOR

**NAN YUSRI BIN NAN RAHIMY**  
DIRECTOR

# STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Jayanthi a/p Gunaratnam, the officer primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 115 to 249 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.

**JAYANTHI A/P GUNARATNAM**

Subscribed and solemnly declared by the abovenamed Jayanthi a/p Gunaratnam.

At : Kuala Lumpur

On : 25 February 2019

Before me:

COMMISSIONER FOR OATHS

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Deleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 115 to 249.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD

(Incorporated in Malaysia)

(Company No. 715640-T) (CONTINUED)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Our audit approach (continued)

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition</b></p> <p><i>Refer to Note T - Significant accounting policies: Revenue Recognition, Note 5 - Revenue</i></p> <p>During the year, the Group reported revenue of RM624 million primarily derived from the sale of gas turbine packages and after sales support services of RM299 million, provision of slickline equipment and services, well intervention, asset integrated services, cased hole logging services and drilling and production services of RM120 million and provision of maintenance, construction and modification maintenance ("MCM") services of RM118 million.</p>	

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition (continued)</b></p>	
<p>The timing and quantity of revenue recognised for each type of revenue is dependent on the nature and the different contractual terms as set out in the agreements with the respective customers.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We read and understood the key terms and conditions of significant revenue agreements entered into during the financial year;</li> </ul>
<p>We focused on this area as significant effort was spent auditing the accuracy of the revenue recognised by the Group. In addition, we focused on revenue recognised on fabrication and offshore maintenance works of the MCM contract as significant judgment is made by the Group to measure the progress of revenue recognised over time in accordance with MFRS 15, Revenue from Contracts with Customers ("MFRS 15").</p>	<ul style="list-style-type: none"> <li>• We tested on sampling basis the revenue transactions during the year to the acceptance documents from customers;</li> <li>• For revenue where services were rendered over a period of time, we assessed the accuracy of revenue recognised by performing the following on a sampling basis: <ul style="list-style-type: none"> <li>- Tested the contract value to the work orders or contracts with customers;</li> <li>- Tested the actual costs incurred to-date to the supporting documentation such as supplier invoices and payroll records;</li> <li>- Tested the total budgeted costs of the project to the approved budgets by the Chief Executive Officer of the relevant subsidiary; and</li> <li>- Recomputed the progress of the project based on actual costs incurred to-date over total budgeted costs of the project.</li> </ul> </li> </ul>
<p>The Group measures progress and recognises revenue for the fabrication and offshore maintenance works based on actual costs incurred to-date over the total budgeted costs of the project. Determining the total budgeted costs involve significant estimation. Any significant changes to the total budgeted costs will impact the amount of revenue recognised during the year.</p>	
	<p>Based on the procedures performed, no material exceptions were noted.</p>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD

(Incorporated in Malaysia)

(Company No. 715640-T) (CONTINUED)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment assessment on the carrying value of investment in a material associate</b></p> <p><i>Refer to Note 3 - Critical accounting estimates and judgments.</i></p> <p>As at 31 December 2018, the carrying value of the material associate recorded in the Group amounted to RM28.2 million. The associate reported a profit after tax of RM7.1 million during the year.</p> <p>The volatile in activities and profits of the associate in the recent years triggered the need for impairment assessment. Management has performed the assessment and determined the recoverable amount of the associate based on its VIU.</p> <p>Based on the impairment assessment performed by management, the Directors concluded that no impairment on the associate is required.</p> <p>We focused on this matter as the carrying amount of the associate is material to the Group and the estimation of recoverable amount is inherently uncertain and requires significant judgment on the future cash flows and the discount rate applied to the calculation of the VIU.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Evaluated management's cash flow projections and the process by which they were developed to ensure key inputs are in line with the cash flow projections approved by the associate's Board of Directors;</li> <li>• Compared the key assumptions used in the VIU which comprised of revenue growth rate, terminal growth rate and EBITDA margins to historical results and industry forecasts of comparable oil and gas companies in Malaysia;</li> <li>• Checked the discount rate used in the model with the assistance of our valuation experts by benchmarking to market data and industry research; and</li> <li>• Independently performed sensitivity analysis on those key assumptions used in the model.</li> </ul> <p>Based on the procedures performed, no material exceptions were noted.</p>

We have determined that there are no Key Audit Matters for the Company to communicate in our report.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and Financial Highlights, Group Corporate Structure, Message from Chairman, Management Discussion and Analysis, Sustainability Statement, Audit Committee Report, Corporate Governance Report, List of Properties, Analysis of Shareholdings and other sections of the 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD

(Incorporated in Malaysia)

(Company No. 715640-T) (CONTINUED)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 34 to the financial statements.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

**SOO KWAI FONG**  
03144/07/2019 J  
Chartered Accountant

Kuala Lumpur  
25 February 2019



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of DELEUM BERHAD (the Company) will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 14 May 2019 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 2018 together with the Reports of the Directors and Auditors thereon.

#### **Please refer to Explanatory Note A**

2. To re-elect the following Directors who retire by rotation pursuant to Article 78 of the Company's Constitution and, being eligible, have offered themselves for re-election:

- (a) Dato' Izham bin Mahmud
- (b) Datuk Vivekananthan a/l M.V. Nathan

**Ordinary Resolution 1**  
**Ordinary Resolution 2**

3. To re-elect Mr Lee Yoke Khai who retires pursuant to Article 76 of the Company's Constitution and being eligible, offers himself for re-election.

**Ordinary Resolution 3**

4. To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,380,000 from 15 May 2019 until the next Annual General Meeting of the Company.

**Ordinary Resolution 4**

#### **Please refer to Explanatory Note B**

5. To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company until the conclusion of the next Annual General Meeting 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, with or without modifications:

**6. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

**Ordinary Resolution 6**

**“THAT** subject always to the Companies Act 2016, the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and any other governmental/regulatory authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue not more than ten percent (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**Please refer to Explanatory Note C**

**7. PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(i)(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 15 APRIL 2019**

**Ordinary Resolution 7**

**“THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(i)(1) of the Circular to Shareholders dated 15 April 2019 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms’ length basis and not to the detriment of minority shareholders;

**AND THAT** the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in full force until:

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which this shareholders’ mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (the Act) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

**AND THAT** the Board of Directors be and is hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate.”

**Please refer to Explanatory Note D**

8. **PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTIONS 2.5(i)(2) AND 2.5(ii)(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 15 APRIL 2019**

**Ordinary Resolution 8**

“**THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Sections 2.5(i)(2) and 2.5(ii)(1) of the Circular to Shareholders dated 15 April 2019 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms’ length basis and not to the detriment of minority shareholders;

**AND THAT** the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in full force until:

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which this shareholders’ mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (the Act) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

**AND THAT** the Board of Directors be and is hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate.”

**Please refer to Explanatory Note D**

9. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

“**THAT** approval be and is hereby given to Datuk Ishak bin Imam Abas, who has served as an Independent Non-Executive Director for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**Please refer to Explanatory Note E**

**Ordinary Resolution 9**

10. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY**

“**THAT** approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution as set out in Appendix I be and is hereby adopted as the Constitution of the Company **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by any relevant authorities, and to do all such acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

**Please refer to Explanatory Note F**

**Special Resolution**

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

**BY ORDER OF THE BOARD**

**LEE SEW BEE** (MAICSA 0791319)  
**LIM HOOI MOOI** (MAICSA 0799764)  
 Company Secretaries  
 Kuala Lumpur

15 April 2019

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### **Notes on Proxy**

1. A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
7. The 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 AGM or any adjournment thereof.
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of AGM will be put to vote by poll.

### **Explanatory Notes to the Agenda**

#### **A. For Agenda Item 1**

#### **To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.**

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 (the Act) for discussion only under this Agenda item. They do not require shareholders' approval and hence, will not be put for voting.

**B. For Agenda Item 4****To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,380,000 from 15 May 2019 until the next Annual General Meeting of the Company**

The amount of up to RM1,380,000 under Ordinary Resolution 4 comprising Directors' fees and benefits to Non-Executive Directors of the Company is estimated for the period from 15 May 2019 until the next AGM of the Company to be held in 2020. Directors' benefits comprise fixed meeting allowances payable to Independent Non-Executive Directors for attendance of Board and Board Committee meetings and the provision of company car, driver and club subscriptions for Non-Executive Chairman and Non-Executive Deputy Chairman of the Company.

The estimated amount of Directors' fees and benefits is based on the estimated number of scheduled meetings and the number of Directors involved in these meetings. The number of Board and Board Committee meetings are determined based on the strategy and plans of the Group.

The fees and benefits to Non-Executive Directors are in accordance with the Directors' Remuneration Framework for Non-Executive Directors in line with their duties and responsibilities and time commitment required to discharge their duties.

**C. For Agenda Item 6****Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The Company had at the Thirteenth AGM held on 16 May 2018, obtained its shareholders' approval for the renewal of the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. The Company, however did not issue any new shares pursuant to this mandate obtained as at the date of this Notice.

The proposed Ordinary Resolution 6 is a renewal mandate for the issue of shares under Sections 75 and 76 of the Act. If passed, it will give the Directors of the Company from the date of this AGM, authority to allot and issue shares not exceeding 10% of the total number of issued shares of the Company.

A renewal of this general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions and/or for issuance of shares as settlement of purchase consideration.

**D. For Agenda Items 7 and 8****Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(i)(1), 2.5(ii)(1) and 2.5(i)(2) of the Circular to Shareholders dated 15 April 2019**

Please refer to the Circular to Shareholders dated 15 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018 for detailed information. The Ordinary Resolutions proposed under Agenda Items 7 and 8, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### **E. For Agenda Item 9**

#### **Retention of Independent Non-Executive Director**

The Joint Remuneration and Nomination Committee and the Board of Directors have assessed the independence of Datuk Ishak bin Imam Abas, including engaging an independent third party to conduct and provide an unbiased evaluation. Based on the assessment, the Board is satisfied that Datuk Ishak continues to be independent and the Board recommended that he continues to act as Independent Non-Executive Director of the Company based on the following justifications:

- (a) He is able to exercise independent and objective judgement and to act in the best interest of the Company, notwithstanding his tenure of service;
- (b) He has met the independence guidelines set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (c) He has contributed sufficient time and efforts and exercised due care in all undertakings of the Company and has acted and carried out his fiduciary duty in the interest of the Company during his tenure as Independent Director;
- (d) He is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company; and
- (e) Datuk Ishak bin Imam Abas, having held various senior positions in the oil and gas industry before retirement, has vast experience and a depth of knowledge of the industry. His in-depth knowledge of the industry, understanding of the Company's objectives, strategies and business operations and proven commitment, experience and competency will continue to benefit the Board in discharging its duties and provide advice and critical oversight to Management effectively.

Shareholders' approval for the proposed Ordinary Resolution 9 on the retention of Datuk Ishak bin Imam Abas as Independent Non-Executive Director will be sought via a single tier voting process.

The proposed Ordinary Resolution 9, if passed, will enable Datuk Ishak bin Imam Abas to hold office as Independent Non-Executive Director until the conclusion of the next AGM of the Company.

### **F. For Agenda Item 10**

#### **Proposed Adoption of the Constitution of the Company**

The "Appendix I" as stated in the proposed Special Resolution is set out in Part B of Circular to Shareholders dated 15 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018.

The Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016 which came into effect on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and/or other applicable laws or regulations or guidelines.

### **Members Entitled to Attend**

For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 8 May 2019 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote on his/her stead.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA  
SECURITIES BERHAD)

There is no person seeking election as Director of the Company at this Annual General Meeting (AGM).

Details of the general mandate to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note C of the Notice of AGM.



# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2018 (FY2018).

## 2. LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan (LTIP) implemented on 10 October 2014 is the only share scheme of the Company in existence during FY2018.

(a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during the financial year ended 31 December 2015 (FY2015), 31 December 2016 (FY2016), 31 December 2017 (FY2017) and FY2018 are set out below:

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2015</b>		
Granted		
- First Grant of Restricted Share Incentive Plan (RS)	1,254,300	145,800
- First Grant of Performance Share Incentive Plan (PS)	1,142,200	226,200
Vested		
- First Grant of RS	-	-
- First Grant of PS	-	-
Forfeited		
- First Grant of RS	150,300 <sup>#</sup>	-
- First Grant of PS	101,200 <sup>#</sup>	-
<b>Total Outstanding of First Grant as at 31 December 2015</b>		
- RS	<b>1,104,000</b>	<b>145,800</b>
- PS	<b>1,041,000</b>	<b>226,200</b>

## 2. LONG-TERM INCENTIVE PLAN (continued)

- (a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during FY2015, FY2016, FY2017 and FY2018 are set out below: (continued)

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2016</b>		
Granted		
- Second Grant of RS	1,598,700	218,200
- Second Grant of PS	1,521,600	680,600*
Vested		
- First Grant of RS	-	-
- First Grant of PS	-	-
- Second Grant of RS	-	-
- Second Grant of PS	-	-
Lapsed/Forfeited		
- First Grant of RS	397,800 <sup>^</sup>	48,600 <sup>^</sup>
- First Grant of PS	27,300 <sup>#</sup>	-
- Second Grant of RS	79,200 <sup>#</sup>	-
- Second Grant of PS	41,300 <sup>#</sup>	-
Outstanding as at 31 December 2016		
- First Grant of RS	706,200	97,200
- First Grant of PS	1,013,700	226,200
- Second Grant of RS	1,519,500	218,200
- Second Grant of PS	1,480,300	680,600
<b>Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2016</b>	<b>2,225,700</b>	<b>315,400</b>
- RS	<b>2,494,000</b>	<b>906,800</b>
- PS		

## ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

### 2. LONG-TERM INCENTIVE PLAN (continued)

(a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during FY2015, FY2016, FY2017 and FY2018 are set out below: (continued)

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2017</b>		
Granted		
- Special Grant of RS	398,400	99,500
Vested		
- First Grant of RS	-	-
- First Grant of PS	-	-
- Second Grant of RS	-	-
- Second Grant of PS	-	-
- Special Grant of RS	195,300	49,700
Lapsed/Forfeited		
- First Grant of RS	379,002 <sup>^</sup>	48,600 <sup>+</sup>
- First Grant of PS	66,400 <sup>#</sup>	-
- Second Grant of RS	548,434 <sup>^</sup>	72,734 <sup>+</sup>
- Second Grant of PS	81,000 <sup>#</sup>	-
- Special Grant of RS	8,300 <sup>@</sup>	-
Outstanding as at 31 December 2017		
- First Grant of RS	327,198	48,600
- First Grant of PS	947,300	226,200
- Second Grant of RS	971,066	145,466
- Second Grant of PS	1,399,300	680,600
- Special Grant of RS	194,800	49,800
<b>Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2017</b>	<b>1,493,064</b>	<b>243,866</b>
- RS	<b>2,346,600</b>	<b>906,800</b>
- PS		

## 2. LONG-TERM INCENTIVE PLAN (continued)

(a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during FY2015, FY2016, FY2017 and FY2018 are set out below: (continued)

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2018</b>		
Granted		
Vested	297,200	48,600
- First Grant of RS	-	-
- First Grant of PS	450,100	72,700
- Second Grant of RS	-	-
- Second Grant of PS	183,100	49,800
- Special Grant of RS		
Lapsed/Forfeited		
- First Grant of RS	29,998 <sup>^</sup>	-
- First Grant of PS	947,300 <sup>^</sup>	226,200 <sup>+</sup>
- Second Grant of RS	66,600 <sup>@</sup>	-
- Second Grant of PS	146,300 <sup>#</sup>	-
- Special Grant of RS	11,700 <sup>@</sup>	-
Outstanding as at 31 December 2018		
- First Grant of RS	-	-
- First Grant of PS	-	-
- Second Grant of RS	454,366	72,766
- Second Grant of PS	1,253,000	680,600
- Special Grant of RS	-	-
<b>Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2018</b>	<b>454,366</b>	<b>72,766</b>
<b>- RS</b>	<b>1,253,300</b>	<b>680,600</b>
<b>- PS</b>		

Notes:

# Shares forfeited due to the resignation of employees.

<sup>^</sup> Shares lapsed due to non-vesting as the performance targets in respect of FY2015, FY2016 and FY2017 were not met or forfeited due to the resignation of employees.

<sup>+</sup> The number of shares granted to the Group Managing Director under the Second Grant of PS was up to maximum based on outstanding performance targets.

<sup>+</sup> Shares lapsed due to non-vesting as the performance targets in respect of FY2015, FY2016 and FY2017 were not met.

<sup>@</sup> Shares forfeited due to resignation of employees and non-meeting of individual performance expectations.

## ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

### 2. LONG-TERM INCENTIVE PLAN (continued)

(b) Percentages of shares granted to Executive Director and selected eligible senior management and key employees under the LTIP during the financial year and since its commencement up to FY2018 are set out below:

	Percentage (%)	
	During the financial year	Since commencement up to FY2018
<b>Executive Director and Senior Management and key employees</b>		
(i) Aggregate maximum allocation	100	100
(ii) Actual shares granted	0.99	14.78

(c) The Non-Executive Directors are not eligible to participate in the LTIP.

### 3. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and/or its subsidiaries involving the interests of Directors and/or chief executive and/or major shareholders, either still subsisting at the end of FY2018 or entered into since the end of the previous financial year.

# LIST OF PROPERTIES

No	Company	Address	Brief Description	Existing Use	Land Area/ Built up Area	Tenure/ Date of Expiry of Lease	Age of Building	Net Book Value @31/12/18	Revaluation, if any	Date of Acquisition
1	Deleum Berhad (Corporate Head Office)	No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	6 storey corner shop office	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 03/12/2085	20 years	2,981,179		02/05/2006
2	Deleum Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey corner shop office	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 03/12/2085	30 years	423,658		19/09/1988
3	Deleum Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey shop office	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 03/12/2085	30 years	451,356		28/09/1988
4	Deleum Services Sdn. Bhd.	Unit No. 8-11-3, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar, 59100 Kuala Lumpur, Malaysia	Office Lot	Office	141.00 sq metres/ 141.00 sq metres	Freehold	16 years	387,172		03/02/1997
5	Deleum Services Sdn. Bhd.	Unit No. 8-11-4, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar, 59100 Kuala Lumpur, Malaysia	Office Lot	Office	147.00 sq metres/ 147.00 sq metres	Freehold	16 years	407,251		03/02/1997
6	Deleum Services Sdn. Bhd.	Lot 1315, Block 9, Miri Concession Land District, Miri Waterfront Commercial Centre, Jalan Bendahara, 98008 Miri, Sarawak, Malaysia	4 storey corner shop office	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/09/2066	14 years	840,000		20/08/2004
7	Deleum Services Sdn. Bhd. (Operations)	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	On Lease / 30/09/2024	18 years	500,000		-
8	Deleum Services Sdn. Bhd. (Operations)	Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman, Malaysia	Warehouse	Warehouse	4,134.00 sq metres/ 1,456.00 sq metres	On Lease/ 31/03/2019	10 years	31		-
9	Penaga Dresser Sdn. Bhd. (Operations)	No. A1-A2, Kawasan MIEL, Jakar Phase III, 24000 Kemaman, Terengganu Darul Iman, Malaysia	2 units of semi-detached factory	Assembly Plant	A1-1723 sq metres A2-1229 sq metres	Leasehold/ 19/04/2053	26 years	1,078,472	04/11/2009	12/04/2004

# ANALYSIS OF SHAREHOLDINGS

AS AT 13 MARCH 2019

Total number of issued shares : 401,125,700 ordinary shares  
 Voting rights : One (1) vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	Total Shareholdings	% of Shareholdings
less than 100 shares	282	6.77	7,803	0.00
100 to 1,000 shares	534	12.81	333,936	0.08
1,001 to 10,000 shares	2,256	54.14	11,728,437	2.93
10,001 to 100,000 shares	901	21.62	29,489,761	7.35
100,001 to less than 5% of issued shares	190	4.56	162,769,445	40.58
5% and above of issued shares	4	0.10	196,796,318	49.06
<b>Total</b>	<b>4,167</b>	<b>100.00</b>	<b>401,125,700</b>	<b>100.00</b>

## 30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS

(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.	81,740,900	20.38
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	48,165,418	12.01
3.	Datuk Vivekananthan a/l M.V. Nathan	42,530,000	10.60
4.	IM Holdings Sdn. Bhd.	24,360,000	6.07
5.	Datin Che Bashah @ Zaiton binti Mustaffa	19,024,000	4.74
6.	Dato' Izham bin Mahmud	11,200,000	2.79
7.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (Margin)	8,566,998	2.14
8.	Datin Che Bashah @ Zaiton binti Mustaffa	7,741,600	1.93
9.	Chandran Aloysius Rajadurai	5,300,000	1.32
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AM INV)	4,336,900	1.08
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	4,331,800	1.08

**30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS (continued)**

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

<b>No.</b>	<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>Percentage (%)</b>
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Cheu Leong	3,929,000	0.98
13.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing)	3,884,600	0.97
14.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	3,333,000	0.83
15.	Dilip Manharlal Gathani	3,060,800	0.76
16.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	2,901,066	0.72
17.	Neoh Choo Ee & Company, Sdn. Berhad.	2,749,332	0.69
18.	Hj. Abd Razak bin Abu Hurairah	2,681,946	0.67
19.	Lee Sew Bee	2,578,000	0.64
20.	Saudah binti Hashim	2,500,000	0.62
21.	Universal Trustee (Malaysia) Berhad KAF Dana Alif	2,237,500	0.56
22.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0239)	2,050,000	0.51
23.	Universal Trustee (Malaysia) Berhad KAF Dana Adib	1,818,900	0.45
24.	Universal Trustee (Malaysia) Berhad KAF Tactical Fund	1,773,700	0.44
25.	Amanahraya Trustees Berhad Amtotal Return	1,766,600	0.44
26.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB)	1,700,000	0.42
27.	Datuk Ishak bin Imam Abas	1,696,332	0.42
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Swee Leong (PBCL-0G0165)	1,660,000	0.41
29.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0054)	1,650,000	0.41
30.	Celine D' Cruz a/p Francis D' Cruz	1,630,000	0.41



# ANALYSIS OF SHAREHOLDINGS (CONTINUED)

AS AT 13 MARCH 2019

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Lantas Mutiara Sdn. Bhd.	81,740,900	20.38	0	0
Hartapac Sdn. Bhd.	48,165,418	12.01	0	0
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.67	81,740,900 <sup>(1)</sup>	20.38
Datin Che Bashah @ Zaiton binti Mustaffa	32,185,598	8.02	0	0
IM Holdings Sdn. Bhd.	24,360,000	6.07	0	0
Dato' Izham bin Mahmud	11,200,000	2.79	138,286,498 <sup>(2)</sup>	34.47
Datin Sian Rahimah Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.01
Faye Miriam Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.01
Hugh Idris Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.01
Farid Riza Izham	0	0	24,360,000 <sup>(4)</sup>	6.07
Faidz Raziff Izham	0	0	24,360,000 <sup>(4)</sup>	6.07
Hana Sakina Izham	0	0	24,360,000 <sup>(4)</sup>	6.07

Notes:

- <sup>(1)</sup> Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 (the Act).  
<sup>(2)</sup> Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.  
<sup>(3)</sup> Deemed interested by virtue of his/her shareholdings in Hartapac Sdn. Bhd. pursuant to Section 8 of the Act.  
<sup>(4)</sup> Deemed interested by virtue of his/her shareholdings in IM Holdings Sdn. Bhd. pursuant to Section 8 of the Act.

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Izham bin Mahmud	11,200,000	2.79	138,286,498 <sup>(1)</sup>	34.47
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.67	81,740,900 <sup>(2)</sup>	20.38
Datuk Ishak bin Imam Abas	1,712,998	0.43	0	0
Nan Yusri bin Nan Rahimy <sup>(4)</sup>	559,232	0.14	61,332 <sup>(3)</sup>	0.02

Notes:

- <sup>(1)</sup> Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.  
<sup>(2)</sup> Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act.  
<sup>(3)</sup> Deemed interested by virtue of shares held by his spouse.  
<sup>(4)</sup> Nan Yusri bin Nan Rahimy is also deemed to have interest in the shares of Deleum Berhad to the extent of the shares granted to him pursuant to the Long-Term Incentive Plan (LTIP) of Deleum Berhad as follows:  
(a) 72,766 shares granted under the second grant of the LTIP under Restricted Share Incentive Plan (RS Award)  
(b) Up to maximum of 680,600 shares granted under the second grant of the LTIP under Performance Share Incentive Plan, based on outstanding performance targets

The shares granted under Note (4)(a) and (b) will be vested only upon fulfilment of vesting conditions which include achievement of service period and performance targets.

# CORPORATE DIRECTORY

## HEAD OFFICE

Deleum Berhad and its subsidiaries:

**Deleum Services Sdn. Bhd.**  
**Deleum Oilfield Services Sdn. Bhd.**  
**Deleum Chemicals Sdn. Bhd.**  
**Turboservices Sdn. Bhd.**

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

## BRANCH OFFICE

### **Miri**

Lot 1315, Miri Waterfront  
Commercial Centre  
98008 Miri  
Sarawak, Malaysia  
Tel : +6085-413 528/417 020  
Fax : +6085-418 037  
Email : info@deleum.com

### **Kota Kinabalu**

Unit No. J-55-3A, 4th Floor  
Block J, KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : info@deleum.com

## SUBSIDIARIES

### **Deleum Rotary Services Sdn. Bhd.**

No. 3, Jalan P4/8, Seksyen 4  
Bandar Teknologi Kajang  
43500 Kajang  
Selangor Darul Ehsan, Malaysia  
Tel : +603-8723 7070  
Fax : +603-8723 3070  
Email : info@deleum.com

### **Turboservices Sdn. Bhd.**

Unit No. B-23-1, Level 23, Tower B  
Menara UOA Bangsar  
No. 5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur, Malaysia  
Tel : +603-2280 2200  
Fax : +603-2280 2249/2250

### **Deleum Primera Sdn. Bhd.**

E-09-01, Menara Suezcap 2,  
KL Gateway, No. 2, Jalan Kerinchi,  
Gerbang Kerinchi Lestari,  
59200 Kuala Lumpur, Malaysia  
Tel : +603-7773 7777  
Fax : +603-7773 7778  
Email : info@deleum.com

### **Penaga Dresser Sdn. Bhd.**

Business Suite, 19A-9-1  
Level 9, UOA Centre,  
No. 19, Jalan Pinang, 50450  
Kuala Lumpur, Malaysia  
Tel : +603-2163 2322  
Fax : +603-2161 8312  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Kota Kinabalu Sales Office)  
Unit No. J-55-3A, 4th Floor  
Block J, KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : sales@penagadresser.com

## OPERATIONS AND SUPPLY BASES

### **Kemaman**

Kemaman Supply Base  
Warehouse 28, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-863 1407/1408  
Fax : +609-863 1379  
Email : info@deleum.com

### **Labuan**

Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-413 935/583 205  
Fax : +6087-425 694  
Email : info@deleum.com

## SERVICE CENTRE/FACILITY

### **Miri**

(Miri Service Facility)  
Sublot 3017  
Permyjaya Technology Park  
Bandar Baru Permyjaya,  
98000 Miri,  
Sarawak, Malaysia  
Tel / Fax : +6085-418 364  
Email : info@deleum.com

### **Deleum Rotary Services Sdn. Bhd.**

(Bintulu Service Facility)  
Lot 3955, Block 32  
Jalan Sungai Nyigu  
97000 Bintulu, Sarawak, Malaysia  
Tel : +6086-339 964  
Fax : +6086-339 984  
Email : info@deleum.com

### **Integrated Workshop Facility**

Lot 4019, Kawasan Industri Teluk  
Kalong, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-863 4588  
Fax : +609-863 2588  
Email : info@deleum.com

### **Teluk Kalong Base**

Lot PT 8777, Telok Kalong Industrial  
Area, 24000 Kemaman, Terengganu,  
Malaysia  
Tel : +609-863 4588  
Fax : +609-863 2588  
Email : info@deleum.com

### **Penaga Dresser Sdn. Bhd.**

(Terengganu Engineering Centre)  
Lot A1-A2, Kawasan Miel  
Jakar Phase III, 24000 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-868 6799  
Fax : +609-868 3453  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Sabah Sarawak Engineering  
Centre)  
Lot 3326 & 3327, Piasau Industrial  
Shophouse, Off Jalan Piasau Utara  
98000 Miri, Sarawak, Malaysia  
Tel : +6085-419 126  
Fax : +6085-412 127  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Labuan Engineering Service  
Centre)  
Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Email : sales@penagadresser.com

## OTHER FACILITIES

### **Research & Development Facility**

No. 4-3, Jalan Bangsar Utama 9  
Bangsar Utama, 59000  
Kuala Lumpur, Malaysia  
Tel : +603-2295 7788  
Fax : +603-2295 7777  
Email : info@deleum.com

## JOINT VENTURE

### **Turboservices Overhaul Sdn. Bhd.**

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

## ASSOCIATES

### **Malaysian Mud And Chemicals Sdn. Bhd.**

Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-415 922  
Fax : +6087-415 921  
Email : mc2@tm.net.my

### **Cambodia Utilities Pte. Ltd.**

Power Plant #2, Road #2  
Sangkat Chak Angre Leu  
Khan Meanchey, Phnom Penh  
Kingdom of Cambodia  
Tel : +855-23 425 592  
Fax : +855-23 425 050  
Email : administrationcupl@cupl.com.kh

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# PROXY FORM



**DELEUM**  
Deleum Berhad  
(Company No. 715640-T)  
(Incorporated in Malaysia)

CDS Account No.	No. of Shares Held

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/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at **Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 14 May 2019 at 10:00 a.m.** and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1.	To re-elect Dato' Izham bin Mahmud as Director.		
2.	To re-elect Datuk Vivekananthan a/l M.V. Nathan as Director.		
3.	To re-elect Mr Lee Yoke Khai as Director.		
4.	To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,380,000.		
5.	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To authorise the issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
7.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(i)(1) of the Circular to Shareholders dated 15 April 2019.		
8.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(i)(2) and 2.5(ii)(1) of the Circular to Shareholders dated 15 April 2019.		
9.	To approve the retention of Datuk Ishak bin Imam Abas as an Independent Non-Executive Director of the Company.		
	<b>Special Resolution</b>		
10.	To approve the Proposed Adoption of New Constitution of the Company.		

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 \_\_\_\_\_ 2019.

Signature/Common Seal of Member(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:		
	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Notes:

- A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
- The 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 AGM or any adjournment thereof.
- Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Fourteenth AGM will be put to vote by poll.
- For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 8 May 2019 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote on his/her stead.

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AFFIX  
STAMP

The Company Secretary

**DELEUM BERHAD**  
(Company No. 715640-T)  
(Incorporated in Malaysia)

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

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**Deleum Berhad** (715640-T)

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