



Upholding Balance  
for Sustainability



**OUR  
MISSION**

To Provide Sustainable Growth  
and Enhance Stakeholders' Value

**OUR  
VISION**

To be the Market Leader in our  
Operating Segments Domestically  
and to Expand Geographical  
Presence in Selected Areas

**OUR  
CORE VALUES**

- Integrity
- Sustainability
- Professionalism
- Excellence

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Corporate Directory

# Our People Our Success





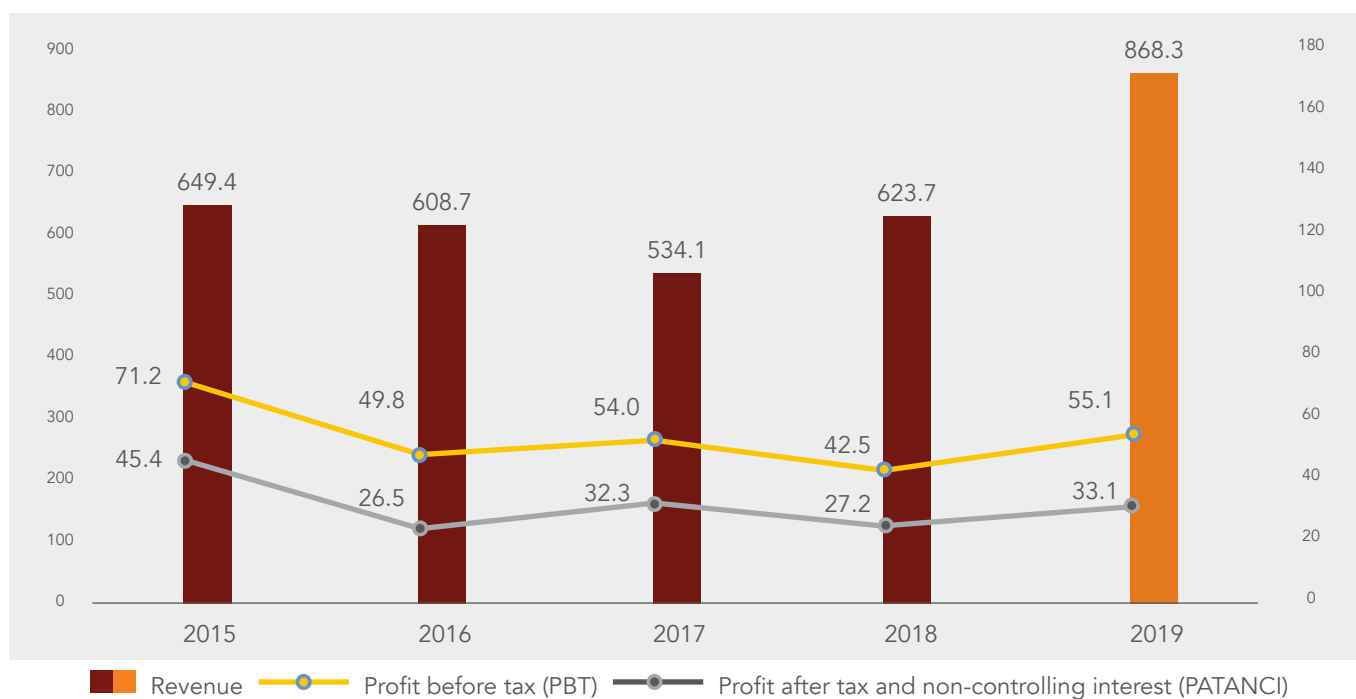
# Financial Highlights

For The Financial Years Ended 31 December 2015 - 2019

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	649,398	608,652	534,058	623,685	868,299
Gross profit	149,176	128,521	139,868	124,451	143,616
Earnings before interest, tax, depreciation and amortisation (EBITDA)	108,275	87,502	87,119	73,889	89,970
Share of associates' results	5,642	223	(385)	2,275	4,757
Share of joint venture's results	775	684	857	1,139	1,374
Profit before tax	71,152	49,767	54,025	42,548	55,073
Profit after tax	55,539	32,821	39,261	29,829	44,004
Non-controlling interest	(10,131)	(6,308)	(6,983)	(2,660)	(10,856)
Profit after tax and non-controlling interest (PATANCI)	45,408	26,513	32,277	27,169	33,147
Number of shares ('000)	400,000	400,000	401,195	401,126	401,554

## REVENUE (RM MILLION)

## PBT/PATANCI (RM MILLION)



## FINANCIAL RATIOS

	2015	2016	2017	2018	2019
Return of equity (%)	15.5	8.8	10.0	8.2	9.5
Return on total assets (%)	6.7	4.0	5.3	4.1	4.4
Gearing ratio (%)	46.9	36.4	23.6	19.1	25.4
Net asset per share (RM)	0.73	0.75	0.80	0.83	0.87
Dividend per share (Sen)	5.5	3.5	4.3	3.5	4.4
Dividend yield (%)	5.0	3.5	4.5	3.6	4.6



EBITDA

**RM90.0** MILLION**2018** : RM 73.9 MILLION

RETURN ON EQUITY

**9.5%****2018** : 8.2%

SHAREHOLDERS' EQUITY

**RM350.0** MILLION**2018** : RM 331.6 MILLION

PATANCI

**RM33.1** MILLION**2018** : RM 27.2 MILLION

TOTAL FIXED ASSETS

**RM183.6** MILLION**2018** : RM 152.1 MILLION

DIVIDEND PER SHARE

**4.4** SEN**2018** : 3.5 SEN

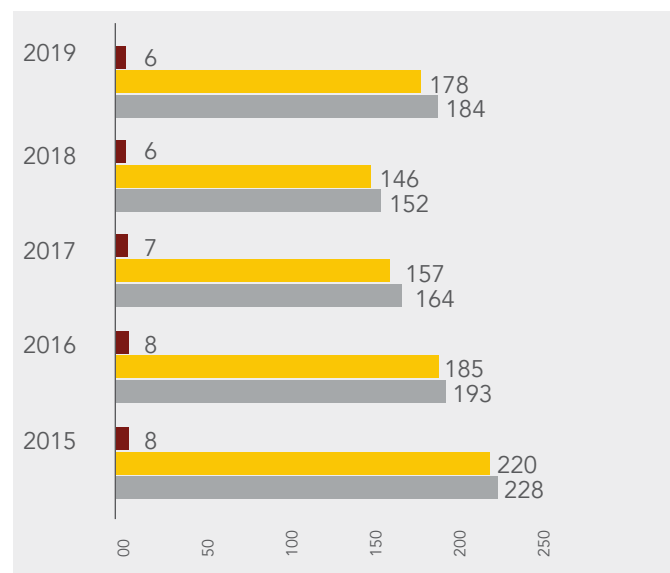
## Financial Highlights (Continued)

### For The Financial Years Ended 31 December 2015 - 2019

#### PROPERTY, PLANT AND EQUIPMENT

(RM MILLION)

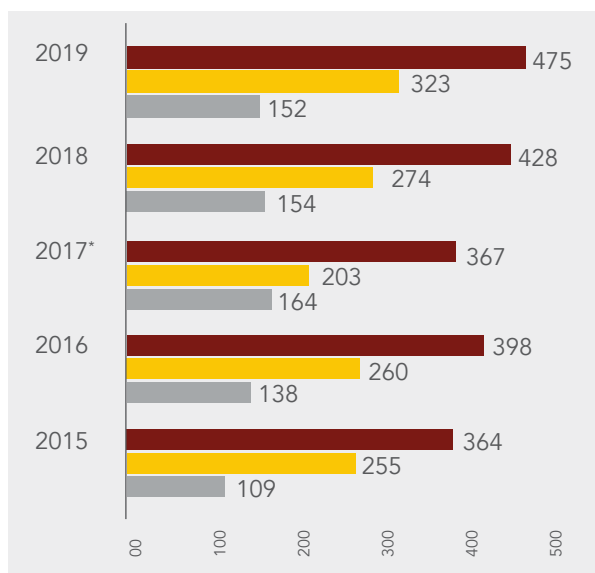
■ Properties    ■ Equipment    ■ Total fixed assets



#### NET CURRENT ASSETS

(RM MILLION)

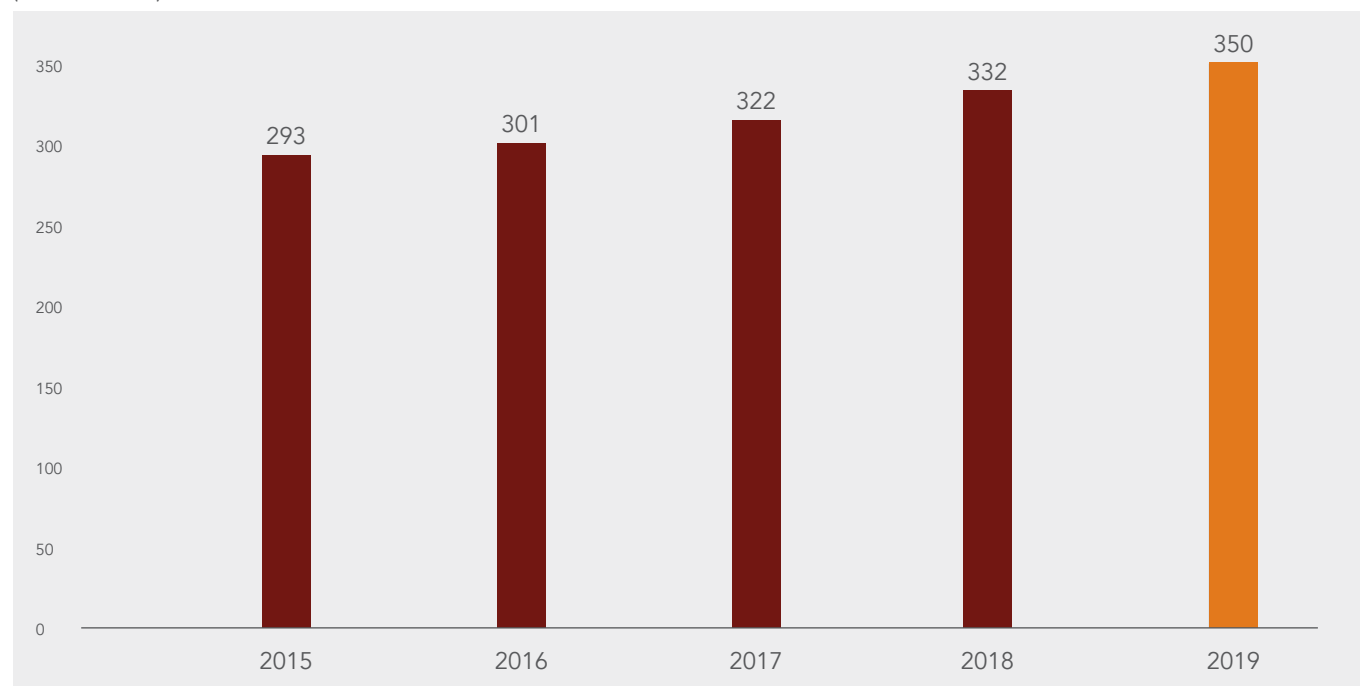
■ Current assets    ■ Current liabilities  
■ Net current assets



\* 2017 current assets and current liabilities have been restated prospectively to reflect the effects of changes in accounting policies and to conform with current year presentation. No restatement is done for financial years prior to 2017.

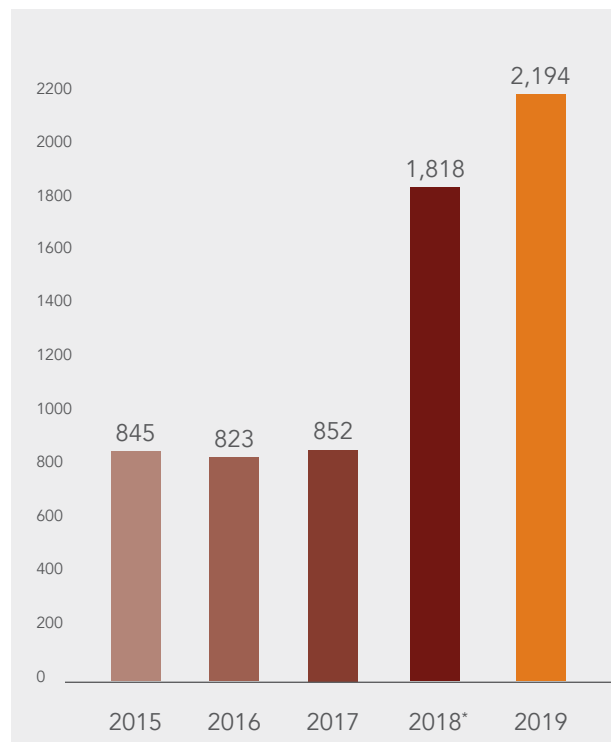
#### SHAREHOLDERS' EQUITY

(RM MILLION)



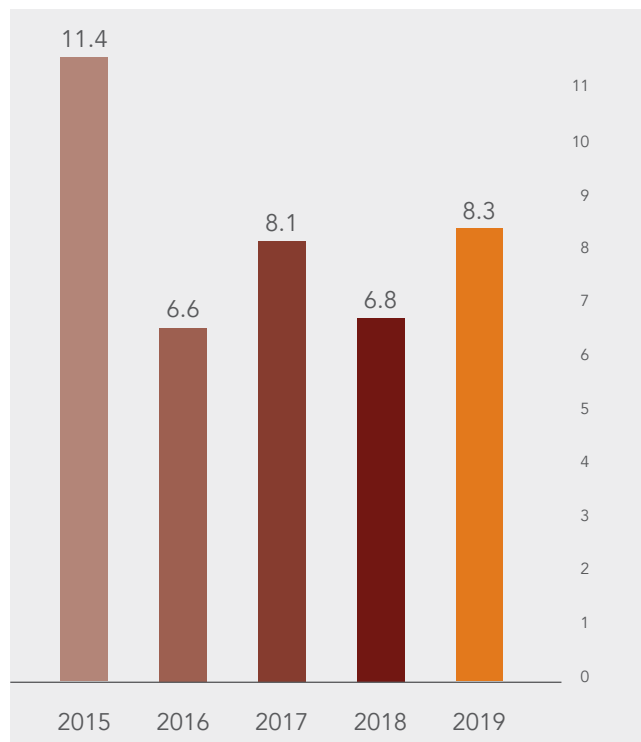


### EMPLOYEES



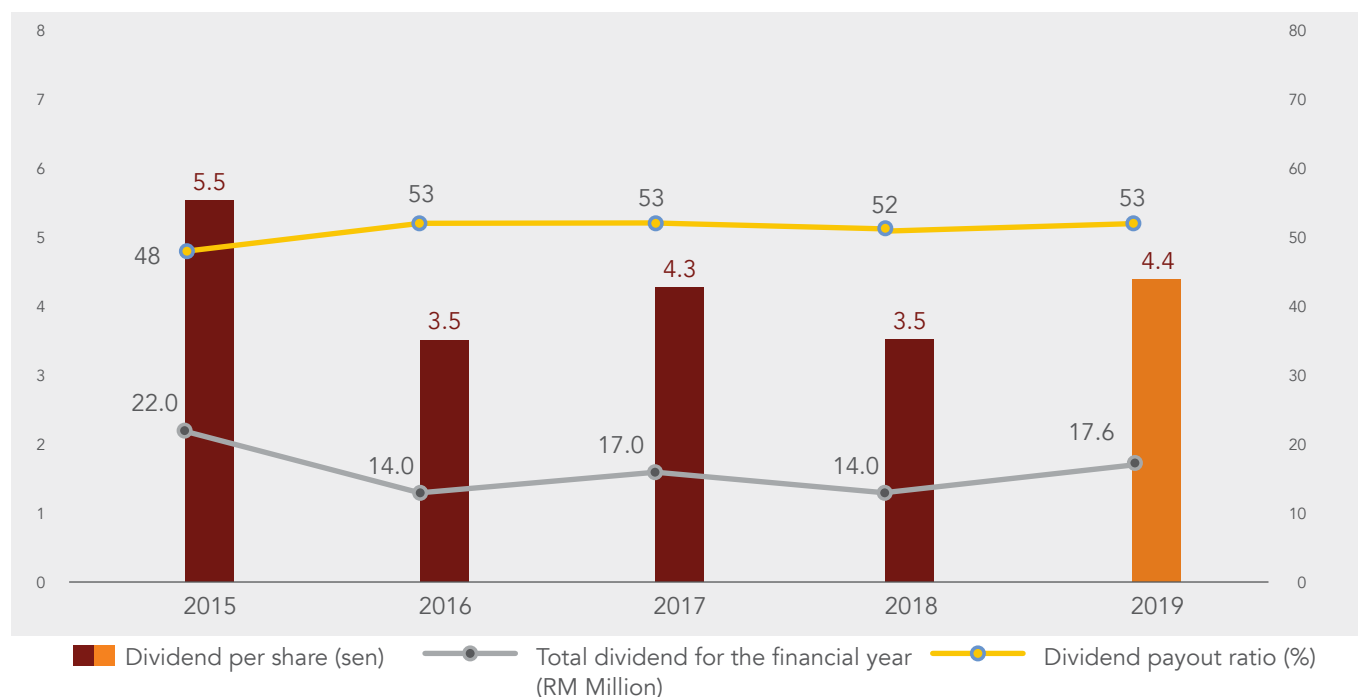
\* The surge in headcount was due to the hiring of casual workers for the Maintenance, Construction and Modification services contract. Further details can be found in the Sustainability Statement of this Annual Report.

### EARNINGS PER SHARE (SEN)



### DIVIDEND PER SHARE (SEN)

### DIVIDEND PAYOUT RATIO (%)



# Corporate Information

## Board of Directors

### **Dato' Izham bin Mahmud**

Non-Independent  
Non-Executive Chairman

### **Datuk Vivekananthan a/l M.V. Nathan**

Non-Independent  
Non-Executive Deputy Chairman

### **Nan Yusri bin Nan Rahimy**

Group Managing Director

### **Datuk Ishak bin Imam Abas**

Independent Non-Executive Director

### **Datuk Ir (Dr) Abdul Rahim bin Hashim**

Senior Independent Non-Executive Director

### **Datuk Noor Azian binti Shaari**

Independent Non-Executive Director

### **Lee Yoke Khai**

Independent Non-Executive Director

## Audit Committee

### **Datuk Ishak bin Imam Abas**

(Chairman)

### **Datuk Ir (Dr) Abdul Rahim bin Hashim**

**Lee Yoke Khai**

## Joint Remuneration and Nomination Committee

### **Datuk Ir (Dr) Abdul Rahim bin Hashim** (Chairman)

### **Dato' Izham bin Mahmud**

### **Datuk Vivekananthan a/l M.V. Nathan**

### **Datuk Ishak bin Imam Abas**

### **Datuk Noor Azian binti Shaari**

### **Lee Yoke Khai**

## Board Risk Committee

### **Lee Yoke Khai**

(Chairman)

### **Datuk Vivekananthan a/l M.V. Nathan**

### **Datuk Noor Azian binti Shaari**

## Company Secretaries

### **Lee Sew Bee**

(SSM PC No. 201908002727)

(MAICSA 0791319)

### **Lim Hooi Mooi**

(SSM PC No. 201908000134)

(MAICSA 0799764)

## Registered Office / Head Office

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

## Share Registrars

### **Boardroom Share Registrars Sdn Bhd**

11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor, Malaysia  
Tel : 603-7890 4700  
Fax : 603-7890 4670

## Stock Exchange Listing

### **Bursa Malaysia Securities Berhad**

Main Market  
Stock Code: 5132

## Auditors

### **PricewaterhouseCoopers PLT**

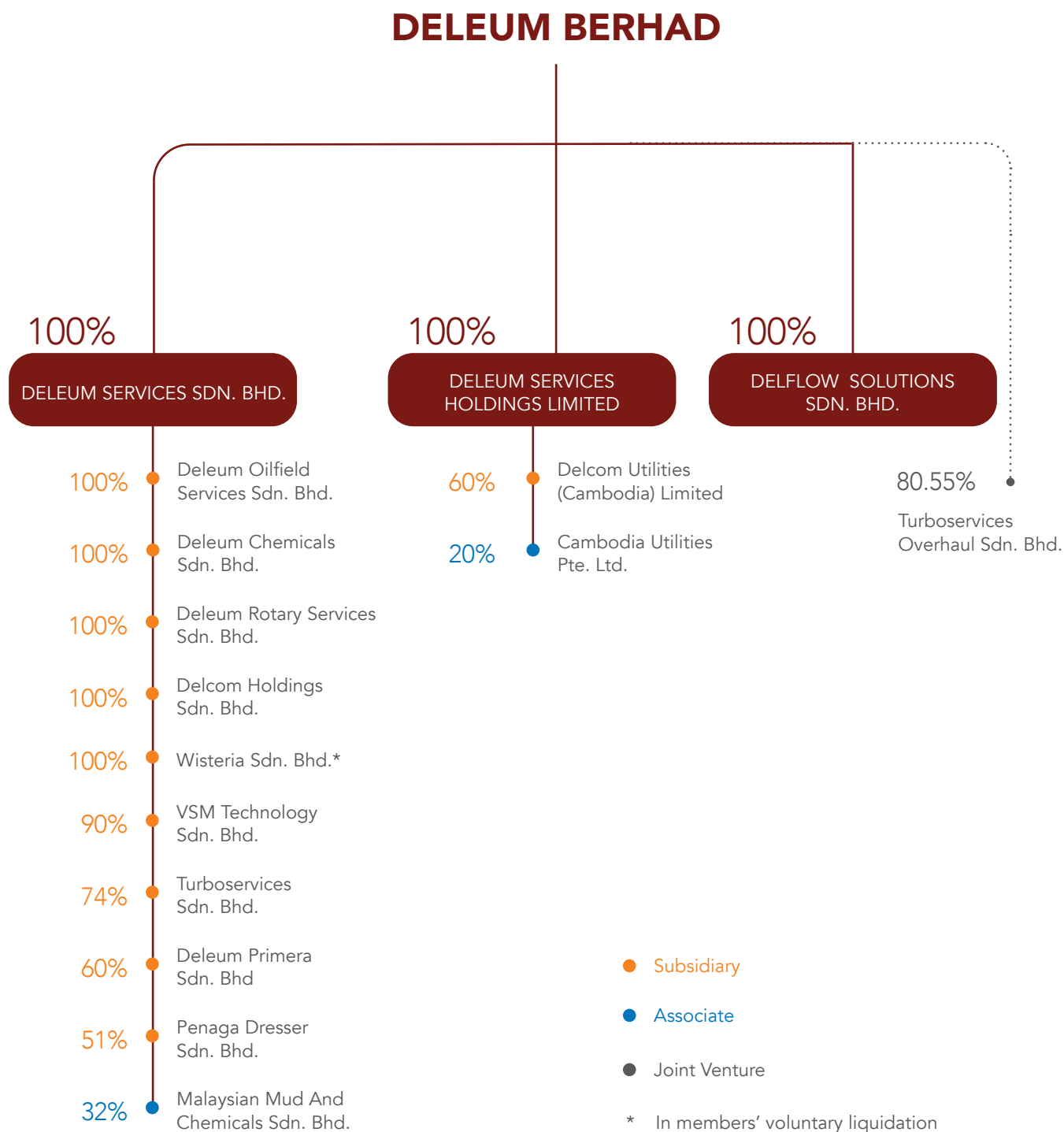
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
P.O. Box 10192  
50706 Kuala Lumpur, Malaysia  
Tel : 603-2173 1188  
Fax : 603-2173 1288

## Principal Bankers

HSBC Bank Malaysia Berhad  
Standard Chartered Bank Malaysia Berhad  
Malayan Banking Berhad  
Ambank (M) Berhad

# Group Corporate Structure

As At 31 March 2020






# Profiles of Directors



## Dato' Izham bin Mahmud

*Non-Independent Non-Executive Chairman*

-  Malaysian
-  Aged 79
-  Male

### Board Committee



Dato' Izham bin Mahmud was appointed to the Board on 21 December 2005.

He holds a Bachelor of Science Degree (Honours) in Economics from Queen's University Belfast, UK and a Master of Arts (Economics Development) from Vanderbilt University, USA. He is one of the co-founders of Deleum Services Sdn. Bhd. (Deleum Services) (formerly known as Delcom Services Sdn. Bhd.), a wholly-owned subsidiary of Deleum Berhad via his family holding company, IM Holdings Sdn. Bhd.




Dato' Izham joined the Federal Treasury in 1965 and attained the level of Principal Assistant Secretary and was subsequently seconded to the Malacca State Development Corporation as General Manager in 1972. In 1974, he embarked on his banking career and joined Aseambankers Malaysia Berhad as General Manager and was later promoted to Managing Director in 1979, a position he held until his retirement in 1996. During this period, he served as a Director of various subsidiaries of the Maybank Group and Cagamas Berhad.

He joined Deleum Services as its Chairman upon retirement and was subsequently appointed Executive Chairman in 2000. He was the Executive Chairman of Deleum Berhad until his retirement on 31 May 2010 and subsequently became the Non-Executive Chairman. He previously also served on the Boards of RHB Capital Berhad, RHB Bank Berhad, Renong Berhad, Opus Berhad, AMMB Holdings Berhad and AmlInvestment Bank Berhad.



## Datuk Vivekananthan a/l M.V. Nathan

*Non-Independent Non-Executive Deputy Chairman*

-  Malaysian
-  Aged 79
-  Male

### Board Committees



Datuk Vivekananthan a/l M.V. Nathan was appointed to the Board on 21 December 2005. He is one of the co-founders of Deleum Services.

He joined ESSO Malaysia in the Instrumentation and Electrical Engineering Services Department in 1962 and undertook assignments at ESSO refineries in Malaysia and Thailand. He then worked for Mobil Refinery, Singapore and subsequently was the Project Engineer with Avery Laurence (S) Pte. Ltd. on various first ever offshore projects in Brunei, Thailand and Indonesia. He had also attended training with Yokogawa Electric Works in Japan. He later joined Teledyne Inc. and was based in USA for training in management before being promoted as Marketing Director of its Far East Operations.

In 1982, together with his founding partners, Datuk Vivekananthan successfully spearheaded Deleum Services' venture into the oil and gas industry. He was appointed as the Managing Director and later re-designated as President of Deleum Services. He was the Deputy Executive Chairman of Deleum Berhad until his retirement on 31 May 2010 and subsequently became the Non-Executive Deputy Chairman.

He sits on the Board of International Conference and Exhibition Professionals (iCEP), the organiser of conferences and exhibitions hosted by PETRONAS. He is an Honorary Member of the Malaysian Gas Association since May 2016 after having served as its Council Member from 2004 and Treasurer from 2008 until May 2016. Datuk Vivekananthan is a Director of Malaysian Philharmonic Orchestra and a member of the Board of Trustees of Dewan Filharmonik PETRONAS since November 2014.



Audit Committee




Joint Remuneration and  
Nomination Committee

Board Risk Committee



## Nan Yusri bin Nan Rahimy

Group Managing Director

 Malaysian  
 Aged 48  
 Male

Nan Yusri bin Nan Rahimy was appointed to the Board on 1 March 2011.

He graduated from the Royal Melbourne Institute of Technology (now RMIT University), Australia with a Bachelor of Engineering Degree (Honours) in Mechanical Engineering in 1996. He is a member of the Society of Petroleum Engineers and the American Society of Mechanical Engineers and an alumni of the INSEAD Business School.




Nan Yusri has been involved in the Oil & Gas, and the Energy Industry for more than 20 years. He joined Deleum Services as a Marketing Executive supporting the turbomachinery business in April 1996 and was later re-designated to Application Engineer in November 1996. He subsequently held several senior positions within the Group including Senior Marketing Manager, Assistant Vice President - Business Development, Vice President (VP) - Exploration and Production, Chief Operating Officer – Oilfield Services and Chief Executive Officer (CEO) of Deleum Oilfield Services Sdn. Bhd. (DOSSB). In September 2010, he was promoted to CEO of Deleum Services, the holding company of DOSSB, before being appointed to his current position.

He was appointed a Council Member of the Malaysian Gas Association in May 2016. He sits on the Board of International Conference and Exhibition Professionals (iCEP) as Alternate Director to Datuk Vivekananthan a/l M.V. Nathan. He is also a member of the Student Development Advisory Council of Universiti Teknologi PETRONAS since December 2014.



## Datuk Ishak bin Imam Abas

Independent Non-Executive  
Director

 Malaysian  
 Aged 74  
 Male

Datuk Ishak bin Imam Abas was appointed to the Board on 21 March 2007. He is a Fellow of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants.

He was the Finance Director of Pfizer (M) Sdn. Bhd., Bursar of Universiti Kebangsaan Malaysia, Finance Director of Western Digital (M) Sdn. Bhd. and Accountant in Pemas International Holdings Berhad prior to joining PETRONAS in 1981.

During his tenure at PETRONAS, he held various senior positions including Deputy GM Commercial of PETRONAS Dagangan Berhad, Senior GM Finance of PETRONAS, Senior VP Finance of PETRONAS, CEO of KLCC (Holdings) Sdn. Bhd. and KLCC Property Holdings Berhad. He was also a member of the Board of Directors of PETRONAS and several of its subsidiaries. In April 2006, he retired from PETRONAS as Senior VP. He continued to be CEO of KLCC (Holdings) Sdn. Bhd. and KLCC Property Holdings Berhad until his retirement in April 2007.

Datuk Ishak resigned as a Non-Executive Director of KLCC Property Holdings Berhad, Kuala Lumpur City Park Berhad, KLCC REIT Management Sdn. Bhd. and the Non-Executive Chairman of Putrajaya Holdings Sdn. Bhd. on 1 January 2020. He is currently a Non-Executive Director of Integrated Petroleum Services Sdn. Bhd.

### Board Committees






## Profiles of Directors (Continued)



### Datuk Ir (Dr) Abdul Rahim bin Hashim

Senior Independent  
Non-Executive Director

-  Malaysian
-  Aged 66
-  Male

#### Board Committees



Datuk Ir (Dr) Abdul Rahim bin Hashim was appointed to the Board on 15 November 2013.

He holds a B.Sc. (Electronics & Electrical) Engineering from the University of Birmingham, UK and has also completed the Advanced Management Programme at Harvard Business School.

He started his career in PETRONAS as an Electrical Engineer soon after graduation in 1976. He held various senior positions including Managing Director and CEO of PETRONAS Penapisan (Melaka) Sdn. Bhd. and Malaysian Refining Company Sdn. Bhd., VP of Human Resource Management Division, VP for Gas Business of PETRONAS and VP of Research and Technology Division of PETRONAS until his retirement in December 2008. He also held directorships in several PETRONAS subsidiaries including PETRONAS Gas Berhad, PETRONAS Dagangan Berhad, PETRONAS Carigali Sdn. Bhd. and Malaysia LNG Sdn. Bhd., all of which he relinquished upon retirement.




Datuk Ir (Dr) Abdul Rahim is the Past President of the International Gas Union and has helmed the presidencies of Asia Pacific Natural Gas Vehicle Association and the Malaysian Gas Association. He was a commissioner at the Energy Commission of Malaysia and a board member of the Board of Engineers Malaysia and the Malaysia Convention & Exhibition Bureau (MyCEB). He was also a member of the National Science and Research Council of Malaysia and the Academy of Sciences Malaysia Council, and a member of the Board of Advisor of the Higher Education Leadership Academy under the Minister of Higher Education.

He is the Vice Chancellor of Universiti Malaya since 1 November 2017 after being the Vice Chancellor/CEO of Universiti Teknologi PETRONAS for five years. He is currently a board member of ICE Petroleum Engineering Sdn. Bhd., a Joint-Chairman (Government) and director on the Board of Directors of Malaysian Industry-Government Group for High Technology (MiGHT), Chairman of Malaysian Research University Network (MRUN) and a member of National Monitoring Board of Engineers Malaysia.



### Datuk Noor Azian binti Shaari

Independent Non-Executive  
Director

-  Malaysian
-  Aged 71
-  Female

#### Board Committees



Datuk Noor Azian binti Shaari was appointed to the Board on 1 January 2015. She is a Barrister-At-Law of Lincoln's Inn London having been called to the English Bar in May 1971.

Upon graduating, she joined the Malaysian Judicial and Legal Service and served for over 30 years until her retirement in July 2004. During her tenure with the said service, she held various positions, amongst them being Deputy Parliamentary Draftsman, Official Assignee Malaysia, Treasury Solicitor, Sessions Court Judge, Deputy Head of Civil Division, Chairman of the Special Commissioners for Income Tax and Chairman of Tribunal for Consumer Claims.

After her retirement from the Malaysian Judicial and Legal Service, she was appointed as a Judge of the High Court of Malaya and she presided over cases in the Commercial, Civil and Criminal Divisions. She retired from her position as High Court Judge of Malaya in July 2014.

Datuk Noor Azian is a Registered Arbitrator with the Asian International Arbitration Centre (AIAC). She currently sits on the Board of Affin Hwang Investment Bank Berhad where she is the Chairman of the Board Risk Management Committee and a member of Nomination and Remuneration Committee. She is also a Director of Mesiniaga Berhad.



Audit Committee




Joint Remuneration and  
Nomination Committee

Board Risk Committee



## Lee Yoke Khai

*Independent Non-Executive  
Director*

-  Malaysian
-  Aged 62
-  Male

### Board Committees



Lee Yoke Khai was appointed to the Board on 15 March 2019. He is a Fellow of the Institute of Chartered Accountants Australia and a member of the Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants. He holds a Bachelor of Economics (Accounting) from Monash University, Australia.

Mr Lee started his career with Price Waterhouse Melbourne, Australia as an Audit Assistant in 1978 and joined Price Waterhouse Malaysia (currently known as PricewaterhouseCoopers PLT) ("PwC") in 1981. He was an Audit Partner of PwC from 1991 until his retirement in 2018.

During his tenure with PwC, he was the partner responsible for the East Malaysian practice, and involved in the listing of various companies on Bursa Malaysia Securities Berhad. He was the Risk Management Partner in 2006 until 2012, responsible for the overall risk management strategy for the firm. In 2012, he was elected to the Oversight Board with oversight over the management of the firm and served until 2016.

Mr Lee was also the Leader of Technology group and Emerging Markets group during his career with PwC. In 1999, he was appointed Leader of the Global Risk Management unit for Malaysia and lead a number of significant assignments in risk management and internal audit for large corporations.

Mr Lee has extensive experience within the audit profession covering a wide range of industrial and commercial operations in Malaysia and Australia. He was Engagement Leader on large multinational corporations in various sectors including plantations, upstream and downstream oil and gas, information technology, construction and property development, manufacturing and services industries. In addition, he has experience in investigations, share valuations and due diligence.

### Notes:

1. Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2019 are set out in the Corporate Governance Overview Statement.
2. The above Directors have no family relationship with any Director and/or major shareholder of Deleum Berhad, have no conflict of interest with Deleum Berhad, have not been convicted of any offence within the past five (5) years, and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2019.

# Profiles of Key Senior Management



**Jayanthi a/p  
Gunaratnam**  
Group Chief Financial Officer

Malaysian  
 Aged 47  
 Female



**Lee Sew Bee**  
Senior General Manager - Group  
Corporate Services/Company Secretary

Malaysian  
 Aged 58  
 Female



**Heng Phok Wee**  
Chief Executive Officer  
Deleum Services Sdn. Bhd.

Malaysian  
 Aged 48  
 Male

## Date of Appointment

1 January 2015

## Academic / Professional Qualifications

- Bachelor of Accountancy (Honours), Universiti Utara Malaysia
- Member of Malaysian Institute of Accountants (MIA)

## Working Experience

Joined Deleum in 2001, and has held various positions, the last being General Manager of Finance, Administration and Procurement

## Date of Appointment

1 May 2013

## Academic / Professional Qualifications

- The Institute of Chartered Secretaries and Administrators, UK (ICSA) (now known as The Chartered Governance Institute)
- Associate Member of The Malaysian Chartered Secretaries and Administrators (MAICSA)

## Working Experience

Joined Deleum in 1989 as Company Secretary and the last position held was the Vice President of Corporate Services

## Date of Appointment

1 April 2018

## Academic / Professional Qualifications

- Bachelor of Chemical Engineering (Honours), Universiti Teknologi Malaysia
- Master of Business Administration (MBA), Universiti Malaya

## Working Experience




Joined Turboservices Sdn. Bhd. in 2008 as General Manager and the last position held was the Chief Operating Officer of Deleum Services Sdn. Bhd.





## Ahmad Uzahir bin Khalid




Chief Executive Officer  
Deleum Oilfield Services Sdn. Bhd.

-  Malaysian
-  Aged 54
-  Male



## Mazrin bin Ramli




Chief Executive Officer  
Deleum Primera Sdn. Bhd.

-  Malaysian
-  Aged 40
-  Male



## Azman bin Jemaat

Chief Executive Officer  
Penaga Dresser Sdn. Bhd.

-  Malaysian
-  Aged 52
-  Male

### Date of Appointment

1 April 2018

### Academic / Professional Qualifications

- Bachelor of Electrical Engineering  
University of Idaho, USA

### Working Experience

Joined Deleum Oilfield Services Sdn. Bhd. in 2010 as Chief Operating Officer

### Date of Appointment

1 April 2018

### Academic / Professional Qualifications

- Bachelor of Material (Honours)  
Universiti Kebangsaan Malaysia

### Working Experience

Joined Deleum Primera Sdn. Bhd. in 2011 as Chief Operating Officer

### Date of Appointment

1 March 2018

### Academic / Professional Qualifications

- Bachelor of Mechanical Engineering, University of Wollongong, Australia.

### Working Experience

Joined Penaga Dresser Sdn. Bhd. in 2013 as General Manager and the last position held was the Chief Operating Officer of Penaga Dresser Sdn. Bhd.

None of the Key Senior Management members above have:

- Any directorship in public companies and listed issuers in Malaysia.
- Any family relationship with any Director and/or major shareholder of Deleum Berhad.
- Any conflict of interest with Deleum Berhad.
- Any conviction for offences within the past five (5) years other than traffic offences.
- Any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2019.

# Message From The Chairman

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report and consolidated financial statements of Deleum Berhad (Deleum or the Group) for the financial year ended 31 December 2019 (FY2019).

## RESILIENT

The year under review marked another year in which the global oil and gas industry continued to experience difficult business conditions against a backdrop of oil price volatility. In 2019, oil prices fluctuated between a low of USD53 per barrel and a high of USD75 per barrel yielding an average of USD64 per barrel as compared to the average of USD71 per barrel in 2018. However, despite a slow start at the beginning of 2019, the last three quarters of the year brought a sense of consistency even as the price of oil settled between USD55 and USD66 per barrel.

I am pleased to say that against this backdrop, Deleum made the most of the year's market dynamics to turn in another resilient and commendable performance. The year, however, was not without its challenges. Although the activity levels within our operations began to stabilize in FY2019, particularly on the upstream front, we still had to contend with ongoing downward pressure on margins.

Throughout FY2019, we continued to optimise our cost efficiencies, working capital utilisation and preserve our free cash. We also carried on exploring downstream opportunities through our three business segments whilst selectively extending our international footprint. In all this, we looked to our Strategic Plan to guide us as we set our sights on streamlining, strengthening and growing our businesses. These efforts have helped us in our endeavour to reinforce Deleum's position of strength whilst gearing the Group up for future undertakings.

## FY2019 PERFORMANCE

In FY2019, Deleum registered profit after tax and non-controlling interest (PATANCI) of RM33.1 million against revenue of RM868.3 million. The Group's PATANCI rose 21.7% from RM27.2 million on the back of 39.2% rise in revenue from RM623.7 million in the preceding year. This was mainly attributed to stronger results from the Power and Machinery segment, a turnaround in the Integrated Corrosion Solution segment results and higher share of results from an associate company.

The Power and Machinery segment maintained its position as the biggest revenue generator for the Group, contributing 56.0% of the year's revenue. This was followed by the Integrated Corrosion Solution and Oilfield Services segments which contributed 27.3% and 16.6% of the Group's revenue respectively.

Over the course of the year, the Power and Machinery segment's control and safety valves business under Penaga Dresser Sdn. Bhd. (PDSB) turned in a stronger performance. PDSB, a joint venture between Deleum Services Sdn. Bhd. and Dresser Italia SRL was established in 1992. Whilst PDSB's East Malaysia business activities remained stable, its Peninsular Malaysia operations experienced an upsurge in activities as it catered to the specific needs of customers at PETRONAS' Refinery and Petrochemical Integrated Development (RAPID) project at Pengerang.

## 2019 PERFORMANCE

PATANCI

**RM33.1** MILLION

2018 : RM 27.2 MILLION

REVENUE

**RM868.3** MILLION

2018 : RM 623.7 MILLION

Another key contributor to the Power and Machinery segment is the Long-Term Service Agreement (LTSA) under Turboservices Sdn. Bhd., a joint-venture with Solar Turbines Incorporated (SOLAR) to provide aftermarket turbomachinery maintenance services for SOLAR gas turbines and gas compressor in Malaysia which has been a significant and recurring contributor to the Group's revenue and results.

The Oilfield Services segment contributed to the Group's profitability despite being impacted by mobilisation costs for its slickline contracts in fulfilling its required contractual obligations. Meanwhile, the Integrated Corrosion Solution segment registered a turnaround in its business performance and reported a marginal profit. The segment continues to implement effective measures to strengthen its financial performance.

The end of FY2019 saw the Group maintaining its healthy financial position as our total assets rose by 13.2% to RM747.5 million in comparison to RM660.4 million in the previous year, whilst shareholders' funds grew 5.5% to RM350.0 million from RM331.6 million in FY2018. Our cash and bank balances rose by 18.6% to RM160.0 million from RM134.9 million in the previous year due to net cash inflows generated from operations, borrowings raised, and dividend received from an associate company. The Group's borrowings increased by 40.8% to RM89.0 million from RM63.2 million previously as a result of borrowings raised to finance capital expenditure incurred by the Oilfield Services segment during FY2019.

A detailed analysis of the operational and financial performances of the Group as well as our three business segments can be found in the Management Discussion and Analysis section of this Annual Report.

### SHAREHOLDERS' RETURNS

On behalf of the Board of Directors, I would like to thank all our valued shareholders for your unwavering support and confidence in Deleum especially amidst the challenges hampering the oil and gas industry. Notwithstanding these challenges, we will strive to protect shareholders' interests and enhance sustainable value for each of Deleum's shareholders in line with our dividend policy.

In respect of FY2019, Deleum paid a first interim single tier dividend of 1.40 sen per ordinary share on 20 September 2019, followed by a second interim single tier dividend of 3.00 sen per ordinary share on 26 March 2020. This brings the total dividend in respect of FY2019 to 4.40 sen per ordinary share totalling RM17.6 million (FY2018: RM14.0 million) representing a dividend payout ratio of 53.4% of attributable earnings for the financial year.

Since our listing, Deleum has cumulatively paid out dividends amounting to RM223.1 million from the financial year ended 31 December 2007. The Group's market capitalisation has stood between RM200 million to RM500 million these past three years.

### ACCOLADES

The Group's commitment to delivering consistent value to its stakeholders was recognised when Deleum received the accolades, "Highest return on equity over three years" and "Highest returns to shareholders over three years" in the Energy sector category at the EDGE Malaysia-Centurion Club & Corporate Awards event in November 2019. This annual event honours the best-performing companies in Malaysia with a market capitalisation of between RM100 million and less than RM1 billion, with the objective of encouraging Malaysian companies to be more efficient, competitive and successful, whilst being socially responsible.

Our commitment to upholding operational safety was recognised when Deleum was named the Grand Winner of the 2018 Chairman's Safety Award by ExxonMobil Exploration & Production Malaysia Inc. (EMEPMI) on 13 February 2019.

### RESPONSIBLE BUSINESS PRACTICES

Acknowledging that good governance equates to good business, the Board is committed to upholding transparent and ethical business practices that strengthen Deleum's reputation as a responsible, reliable and sustainable corporate citizen. In tandem with this, we are cultivating ethical conduct and implementing appropriate internal controls across our operations



**Dato' Izham bin Mahmud**  
Chairman

## Message From The Chairman (Continued)

in accordance with our governance structure and policies. We are continuously taking measures to strengthen our risk framework as well as to implement on-going risk-related assessments and activities.

Recognising the need to create long-term value for our stakeholders and to secure the sustainability of the Group, we remain dedicated to balance our economic performance with responsible environmental and social considerations. The details of the Group's sustainability performance can be found in the Sustainability Statement of this Annual Report.

### LOOKING AHEAD

I am pleased to report that as of 28 February 2020, Deleum's healthy order book stands at approximately RM2.2 billion and a tender book of approximately RM115.7 million. We are actively pursuing and participating in tenders and projects in tandem with the activities planned for 2020.

However, as Deleum ventures forth, we anticipate that we will face highly challenging market and operating conditions given that the Coronavirus disease (COVID-19) pandemic continues to significantly disrupt supply chains the world over and herald in a global recession exacerbated by the drastic decline of oil prices since January 2020.

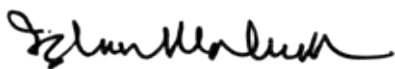
Despite the uncertainty, we will continue to strive towards sustainable value creation and setting our sights on upholding balance for sustainability from our business segments which is the main focus of our operations.

We will carry on strengthening integration efforts across our business segments by leveraging on our human capital, financial strengths and resources. At the same time, we will maintain our focus on managing costs and working capital, conserving free cash to retain our competitiveness whilst continuing to seek out new business opportunities which are synergistic to our current businesses.

### APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to our customers, suppliers, business partners and financiers in addition to our valued shareholders for their unwavering support and trust in Deleum.

I wish to convey my utmost appreciation to my fellow Board members for their wise counsel, invaluable insights and good stewardship, all of which have helped us navigate the challenges of our business. Last but not least, I also wish to extend the Board's sincere gratitude to our Group Managing Director, Senior Management and all Deleum's personnel for their tireless dedication in carrying out their responsibilities.



**DATO' IZHAM BIN MAHMUD**  
Chairman

### 2019 PERFORMANCE

Total Assets ▲ 13.2%  
**RM747.5** MILLION  
2018 : RM 660.4 MILLION



Shareholders' Funds ▲ 5.5%  
**RM350.0** MILLION  
2018 : RM 331.6 MILLION

Cash and Bank Balances ▲ 18.6%  
**RM160.0** MILLION  
2018 : RM 134.9 MILLION

### SHAREHOLDERS' RETURNS

Total Dividend ▲ 25.7%  
**RM17.6** MILLION  
2018 : RM 14.0 MILLION




# Management Discussion and Analysis

The year 2019 was an encouraging year as the oil prices began to stabilise after signs of initial weakness at the start of the year. Whilst the onset of 2019 saw the price of Brent crude getting off to a slow start at USD55 per barrel, it eventually edged its way up to a high of USD72 per barrel in April 2019. However, it then dropped back to USD56 per barrel in early July 2019 before settling at USD66 per barrel at the close of the year.

Against this backdrop, Deleum managed to deliver another resilient and profitable performance. Although there was a rise in activity levels within operations, downward pressure on margins continued to pose a challenge for the Group. To strengthen our operations, we focused our efforts on optimising cost efficiencies, managing our working capital and preserving our free cash. We also carried on exploring downstream prospects via our three business segments whilst seeking opportunities in the international market but in a more measured manner. Backed by our strong business fundamentals, established relationships with business partners and customers, core competencies, as well as organisational and operational structures, we delivered a profitable performance for the financial year ended 31 December 2019 (FY2019).

As Deleum continues to look to its business strategies and other measures which allow us to integrate, innovate and add diversity across our businesses, we are hopeful of delivering a satisfactory performance barring any unforeseen circumstances.

## Business and Strategies

### Business Overview

Deleum focuses its business activities within the upstream oil and gas sector, particularly the exploration and production fronts. With 38 years of operational experience, we have established ourselves as an integrated service provider of a diverse range of specialised products and support services to the oil and gas industry.

Deleum is committed to providing sustainable growth and enhancing its stakeholders' value. We continue to strengthen the capabilities across our three business segments namely Power and Machinery, Oilfield Services, and Integrated Corrosion Solution.

We continue to establish strategic and synergistic alliances, aimed at opening up new avenues of opportunity for us. Our efforts also extend to ramping up activities surrounding new markets and growth areas on

both the local and regional fronts. At the same time, we are exploring potential energy-related business opportunities beyond the oil and gas industry.

Our Power and Machinery segment has been providing project management and installation services for gas turbines retrofits and refurbishments in India, Myanmar, and the Philippines, amongst the other countries in the region. Our field service representatives have also been offering maintenance and troubleshooting services to gas turbine installations within the region.

Our self-operated businesses within the Oilfield Services and Integrated Corrosion Solution segments continue to strengthen their position within the domestic market, as well as set their sights on expanding their footprint into neighbouring countries such as Indonesia, Singapore, Brunei and the Middle East by leveraging on strategic partnerships and focused strategies.

Our downstream activities encompass integrated tank maintenance as well as pipeline and heat exchanger activities where we tap into niche technologies such as rust and paint removal technology and specialty cleaning chemicals.

### Strategic Overview

In light of the new market realities, we are maintaining an intricate balance in all that we do to ensure the sustainability of our business. We continue to be guided by our Strategic Plan that emphasises the Six Key Focus Areas (KFAs). Designed to streamline, strengthen and enhance our business sustainability, our internal and external KFAs are spelt out as follows:

## Management Discussion and Analysis (Continued)



Deleum's focus on cash management and cost management to ensure sustainable business growth has accorded us a profitable position over the years. The Group has made considerable savings across all functions following measures and initiatives taken to proactively reduce costs.

The Group continues to undertake a groupwide digitalisation exercise which aligns with the advent of the Fourth Industrial Revolution (IR4.0). We began digitalising our processes back in 2016, when we embraced Cloud Computing and Big Data. Our ongoing digitisation efforts for FY2019 included:

- The digitisation of some 60% of the Group's manual forms which has reduced processing time and enhanced effectiveness and efficiency of the processes;
- Improvements to our Human Resources Management Solution system aims at eliminating many of the time-consuming manual processes, thereby ensuring efficiency and higher productivity.

We continue to explore the different aspects of our digitalisation efforts to strengthen the overall infrastructure, operations and processes within the Group which will ultimately result in better efficiencies and monetised savings for for the Group.

## Financial Performance

### Overview

In FY2019, Deleum generated revenue of RM868.3 million and profit after tax and non-controlling interest (PATANCI) of RM33.1 million. PATANCI improved by 21.7% from RM27.2 million in the preceding year in line with 39.2% rise in revenue from RM623.7 million previously.

The year saw the Power and Machinery segment registering higher segment results of RM49.8 million (FY2018: RM36.0 million) and revenue of RM486.2 million (FY2018: RM360.2 million). The Oilfield Services segment recorded a lower profit of RM0.9 million (FY2018: RM14.4 million) despite higher revenue of RM144.2 million (FY2018: RM124.8 million). The segment results for the Integrated Corrosion Solution segment improved from a loss of RM6.5 million in FY2018 to a profit of RM1.8 million in FY2019 in line with higher revenue of RM237.3 million (FY2018: RM138.2 million).

The Power and Machinery segment remained the biggest revenue contributor in FY2019. The Group will continue to undertake concerted efforts to strengthen the revenue contributions from the Oilfield Services and Integrated Corrosion Solution segments. At the same time, we are exploring measures to improve profit margins as well as cost reduction across all three segments.

### Liquidity and Capital Resources

The Group's cash and bank balances improved to RM160.0 million as at 31 December 2019 from RM134.9 million in the preceding year. The increase of RM25.1 million was mainly attributed to net cash inflows generated from operations, net borrowings raised as well as dividend received from an associate.

### Gearing Ratio

The gearing ratio of the Group as at 31 December 2019 rose marginally to 0.25 times as compared to 0.19 times as at 31 December 2018. The slight increase in gearing ratio was attributed to an increase in borrowings mainly to finance the capital expenditure commitments incurred by the Oilfield Services segment during the financial year.

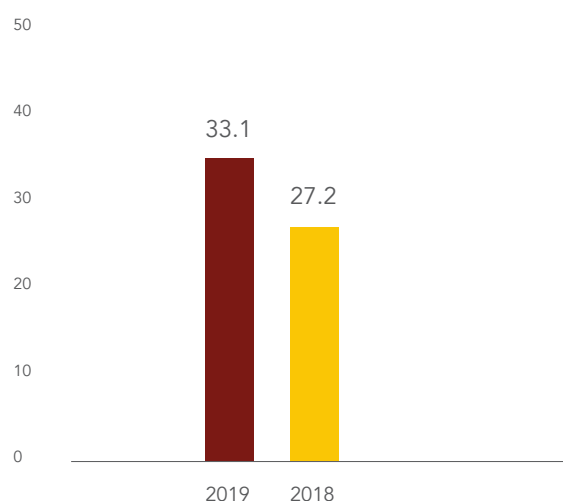
### Contingent Liabilities

The Group has provided guarantees amounting to RM36.2 million (FY2018: RM38.1 million) to third parties in respect of operating requirements, utilities and maintenance contracts.

## REVENUE (RM MILLION)

FY2019: 868.3 ▲ 39.2%  
FY2018: 623.7

PATANCI (RM MILLION) ▲ 21.7%



### Capital Management

The Group's capital management activities revolve around the ability to achieve a capital structure that offers high shareholder value whilst ensuring the sustainability of the Group. To this end, the issue of new shares of debts, quantum of dividends, as well as the return of capital to shareholders may be adjusted to maintain an optimal capital structure.

### Capital Commitments and Funding Sources

The Group's total capital commitments authorised for investment, property, plant and equipment amounted to RM69.0 million as at 31 December 2019 (FY2018: RM72.5 million), of which RM16.4 million (FY2018: 19.1 million) of capital commitment has been contracted for but not incurred.

The remaining capital commitment of RM52.6 million (FY2018: RM53.4 million) relates to capital expenditure that has been authorised but not contracted for of RM51.4 million (FY2018: RM52.6 million) and share of capital commitment of a joint venture of RM1.2 million (FY2018: RM0.8 million). The capital commitment that has been authorised and contracted for relates to that for general contract requirements, enhancement of workshop facilities, and for long-term investment. This is in addition to the purchase of other equipment to prepare the Group for its current operations and future expansions.

Details of the borrowings and maturity profile of such borrowings are disclosed accordingly in Note 27 to the Financial Statements for FY2019.

## Management Discussion and Analysis (Continued)

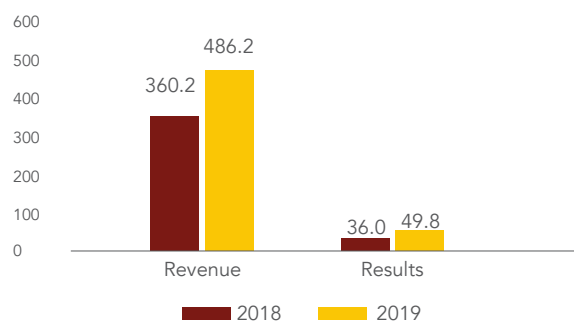
### Performance By Business Segments

#### Power and Machinery

##### Segment Offering

- Provision of gas turbine packages, aftersales support and services
- Provision of printed circuit heat exchanger and operational spares
- Provision of thermal engineering products and solutions
- Supply, installation, repair and maintenance of valves and flow regulators
- Maintenance services and Condition Base Monitoring (CBM) for motors, generators, transformers, multistage pumps and impellers

##### Performance Highlights (RM Million)

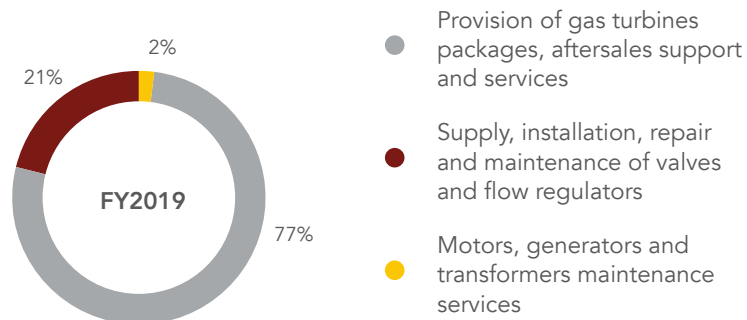


In FY2019, the segment results for the Power and Machinery increased by 38.2% or RM13.8 million to RM49.8 million from RM36.0 million previously as a result of favourable sales composition. However, the higher segment results were impacted by higher operating expenses. The segment's revenue increased due to higher revenue recorded on valves and flow regulator services, turbine parts, exchange engine, third party sales and sales in retrofit projects driven by higher hardware supplies.

In addition to collaborating with its existing principals, the year in review saw the Power and Machinery segment working to extend its product and service offerings through collaboration with new principals. This resulted in the segment securing the rights to market printed circuit heat exchanger and thermal engineering products in Malaysia. The segment continued to work closely with its customers delivering innovative solutions to optimise the efficiency of their equipment.

Despite the low market demand in FY2019 due to the deferment of field development and upstream

##### Operational Highlights - Segment Offerings



projects, new orders for gas turbine packages were secured. Meanwhile, the levels of scheduled maintenance activities, retrofit projects and other after-sales activities within the segment remained on par with the previous year.

Deleum Rotary Services Sdn. Bhd. (DRSSB) is an Original Equipment Manufacturer (OEM) Authorised Service Workshop for motors and generators. In FY2019, the company expanded its spread of offerings to include pumps and impeller services as well as other services for the non-oil and gas, power and water sectors. DRSSB also continued to provide inter-functional support especially in the area of maintenance, repair and overhaul (MRO) for motors and generators. It secured a Master Service Agreement (MSA) for the Maintenance and Service of High Voltage/Low Voltage Motors and Alternators for PETRONAS Group of Companies. Moving forward, DRSSB will focus its efforts on expanding its services and penetrating new markets.

The year also saw the segment's control and safety valves business under Penaga Dresser Sdn. Bhd. (PDSB), achieving a milestone in revenue and gross profit margin growth. The company's service facility located in Miri – the Sabah-Sarawak Engineering Centre – continued to turn in a stable income providing after-sales services in East Malaysia. Meanwhile, in Peninsular Malaysia, PDSB experienced a surge in business and is anticipated to grow over time in tandem with the level of business activities at PETRONAS Refinery and Petrochemical Integrated Development (RAPID).

##### Looking Ahead

Deleum's Power and Machinery segment is all set to reinforce its position as a service provider for its range of offerings. These include retrofit work and project management services as well as MRO services via strategic technical collaboration and the integration of existing products and offerings to fulfil customers' requirements.

Moving forward, the segment will continue to leverage on its current resources and good track record, collaborate with existing and potential business partners as well as enhance its capabilities and competencies by upskilling its personnel.

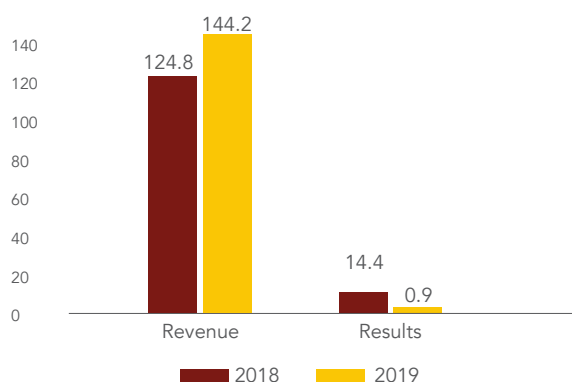


## Oilfield Services

### Segment Offering

- Slickline and Well Services (SWS)
- Asset Integrated Solutions (AIS)
- Specialty Chemical and Well Stimulation (SCWS)

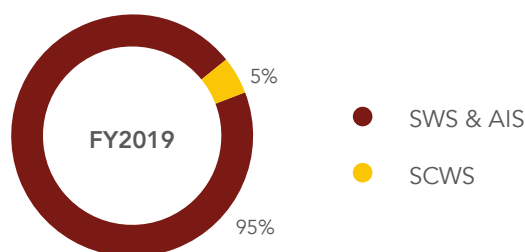
### Performance Highlights (RM Million)



The Oilfield Services segment recorded lower results of RM0.9 million in FY2019 from RM14.4 million previously. This was attributable to severe compressions in margins on its local slickline services with higher equipment rental costs.

The segment's revenue increased from RM124.8 million against the corresponding year to RM144.2 million mainly as a result of higher revenue generated from gas lift valve services, well intervention and enhancement services.

### Operational Highlights - Segment Offerings



The Oilfield Services segment operates predominantly via Deleum Oilfield Services Sdn. Bhd. (DOSSB) and Deleum Chemicals Sdn. Bhd. (DCSB). The segment comprises three main business units, namely the Slickline and Well Services (SWS), Asset Integrated Solutions (AIS), and Specialty Chemical and Well Stimulation (SCWS).

The SWS unit, which is the core business of the Oilfield Services segment, offers slickline equipment and services, integrated wellhead maintenance, and gas lift valve supply to Production Sharing Contractors (PSCs) in Peninsular and East Malaysia. It contributed 70% of the Oilfield Services segment's revenue in FY2019. Overall, the unit's slickline activity increased by 3% and 5% for East Malaysia and Peninsular Malaysia respectively in FY2019. This came about as a result of an initiative to increase oil production by the PSCs at the beginning of 2019 following the upswing in the price of crude oil between January and April 2019. However, the profitability of this unit drastically reduced due to downward pressure on margins from local slickline operations. This was further aggravated by the once-off high mobilisation cost incurred in FY2019 during the deployment of the contracts secured at the end of FY2018.

To date, DOSSB is the market leader with 46 slickline packages in operations, representing 45% of the total domestic market share. DOSSB was awarded a contract to provide gas lift valve and insert strings equipment, accessories and services under the SWS unit. The contract commenced in January 2019 and contributed a healthy margin towards the segment's results.

The AIS unit is an integrated services solutions provider that offers cased hole logging, well intervention, drilling and completion services, as well as sub-surface engineering solutions. The unit provides niche solutions in the asset lifecycle by complementing and integrating the products and services via slickline conveyance. Through the innovative and viable integration of resources and capabilities within the Oilfield Services segment, it continues to deliver comprehensive, high quality and customised cost-effective solutions to its customers. The unit is constantly developing its in-house expertise whilst strategically collaborating with other selected service providers to ensure it is able to provide leading edge solutions to its customers, as well as adding value to the segment's slickline services offering.

The SCWS unit, which is responsible for the provision of specialty chemical and well stimulation services, offers integrated chemical solutions for production enhancement, flow assurance, integrated pipeline cleaning, tank cleaning and well pumping services. The development of chemical solutions is carried out through the Group's in-house research and development facility. For the year in review, the SCWS unit secured two new contracts for the supply of specialty chemical and annulus top-up management. The unit continues to fine-tune its international marketing strategy and collaborate with local partners and agents to further boost revenue.

### Looking Ahead

Well intervention activities for FY2020 are expected to remain status quo barring any major price shifts taking place in the crude oil market based on the drilling rigs contracted for the drilling programmes in Malaysia. Slickline activities, which are regarded as essential requirement in well intervention and well maintenance works for producing wells, are typically the least affected type of activity during economic downturn compared to other forms of well-intervention conveyance such as e-line and coil tubing activities. Barring any unforeseen circumstances, it is expected that DOSSB will cater to a similar level of slickline package utilisation in FY2020 as it did in FY2019.

## Management Discussion and Analysis (Continued)

Moving forward, DOSSB will reinforce its position as the market leader for slickline services in Malaysia. To ensure sustainable business growth, DOSSB will focus on managing the contracts in hand in an efficient manner as well as enhancing the value of its services. These measures are critical for DOSSB to bolster its competitive edge as it prepares to tender for future contract renewals amidst the challenging oil and gas landscape.

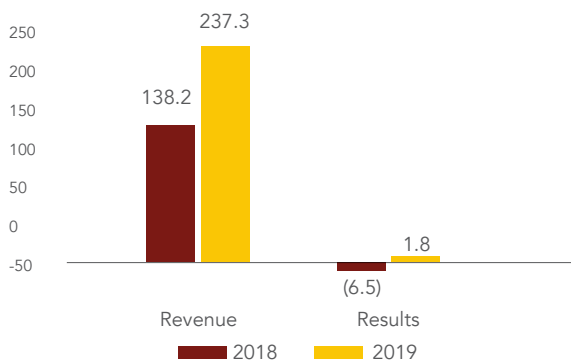
The segment will continue to focus on its international expansion efforts with target markets in Indonesia, Brunei and the Gulf Cooperation Council (GCC) countries namely Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, and Oman.

### Integrated Corrosion Solution

#### Segment Offering

- Provision of low dust, environmentally friendly blasting technology for surface preparation
- Coating removal by controlled induction heating
- Passive fire protection services
- Integrated maintenance, construction and modification services
- Oil spillage combat equipment and services

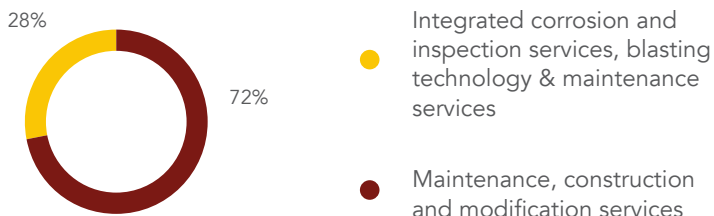
#### Performance Highlights (RM Million)



The Integrated Corrosion Solution segment turned its results around to report a profit of RM1.8 million for FY2019 as opposed to a loss of RM6.5 million in the preceding year. The improved results were due to margin improvements with better sales mix as well as the absence of high expediting costs incurred for the closure of Pan Malaysia Painting and Blasting (PMPBC) contract in the preceding year.

The segment recorded higher revenue of RM237.3 million in FY2019, a 71.7% or RM99.1 million increase in comparison to the preceding year. This was due to stronger activity levels and work order deliveries from both its Maintenance, Construction and Modification Services (MCM) contract and PMPBC contract.

#### Operational Highlights - Segment Offerings



Deleum's Integrated Corrosion Solution segment is helmed by Deleum Primera Sdn. Bhd. (DPSB). DPSB continues to expand its international footprint, retain its existing customer base by delivering satisfying customer experiences, and reinforces its competitive edge through the delivery of innovative solutions. The segment continues to fortify its foothold via cross-selling its technology-based products and ensure the delivery of timely and quality services.

The year saw DPSB's operational activities under the MCM contract increasing, which in turn contributed to higher revenue. The segment's offering includes a suite of cost-efficient and environmentally friendly solutions that promote the operational safety of its customers. The company is the sole-distributor for Sponge-Jet technology, an alternative green technology for surface preparation works in Malaysia, Indonesia, Singapore, Brunei, Turkmenistan and Iraq. Another one of DPSB's green offerings is its rust and paint removal (RPR) technology maintenance services. DPSB is the sole distributor for the cost-effective and environmentally friendly green technology in Malaysia, Indonesia, Singapore and Brunei.

In order to further expand its servicing capabilities, DPSB is collaborating with Solidsvac to utilise and distribute its vacuum pump. DPSB is also an agent of Slickbar products and oil spill combat services.

#### Looking Ahead

The Integrated Corrosion Solution segment's strategy for 2020 is to maximise the value from existing contracts by way of margin improvements and cost reduction without compromising on Health, Safety and Environment (HSE) measures. Moving forward, DPSB will continue to strengthen its brand identity as an environmentally and economically friendly sustainable solutions provider for the oil and gas industry.

## Joint Venture



Deleum has an 80.55%:19.45% joint venture with Solar Turbines International Company in the form of Turboservices Overhaul Sdn. Bhd. which provides repair and overhaul capabilities for a wide range of Solar Turbines' equipment in Malaysia.

## Associate Companies



For FY2019, the share of results of associates were contributed by Malaysian Mud and Chemicals Sdn. Bhd. (2MC), an associate company of the Group. Another associate, Cambodia Utilities Pte Ltd (CUPL) remains dormant and its results will continue to be equity accounted until it ceases to be an associate.


## Business Risks

As Deleum moves forward amidst a highly challenging operating environment, we acknowledge that we may be exposed to certain anticipated or known risks that may have a material effect on our operations, performance, financial condition and liquidity. As per Bursa Malaysia Securities Berhad's disclosure requirements, we outline the key anticipated or known risks that we may face as well as the plans or strategies to mitigate these risks.

Key Risk	Description	Mitigation measures
 <p><b>Strategic</b></p>	<p>Strategic risk relates to the risks posed by poor business decisions or the lack of decision making that determines whether the Group is able to continue operating for the long-term or expand to meet its business objectives. It relies on the strategic decisions made and the direction taken in relation to Board-approved strategic and business plans.</p> <p>The major strategic risks faced by the Group in 2019 included over-reliance on the upstream business, the risk of doing business overseas as well as geopolitical risk.</p>	<ul style="list-style-type: none"> <li>• In its effort to diversify, the Group is continuously pursuing business development initiatives, introducing new products and venturing into new markets.</li> <li>• Project Risk Assessments are conducted for potential business ventures overseas where potential threats such as emerging geopolitical threats, vulnerabilities and potential impact from issues related to the oil gas industry as well as the Group's areas of interest are assessed.</li> <li>• Whilst the Group has received various requests to provide supplies as well as invitations to bid and explore business partnerships, it continues to prudently evaluate and assess the viability. The Group designs and reviews its strategies to best fit and respond to the threats as well as opportunities unique to the countries it operates in.</li> </ul>
 <p><b>Operational</b></p>	<p>Operational risk is associated with the risk of loss as a consequence of inadequate or ineffective processes, people and systems impacting the Group's ability to meet its business objectives.</p> <p>This risk has further heightened following the continuous fluctuations in oil prices which in turn has affected the margins offered by the respective segments.</p>	<ul style="list-style-type: none"> <li>• The Group continues to widen its integration across the business units to offer its customers holistic solutions as well as new technological products and services in collaboration with partners.</li> <li>• Strict cost discipline is emphasised alongside measures to improve operational efficiency and productivity. Despite tough conditions, the Group remains profitable and operating cash generation remains positive.</li> </ul>

## Management Discussion and Analysis (Continued)

Key Risk	Description	Mitigation measures
 <p><b>Financial</b></p>	<p>Financial risk involves the risk of market volatility affecting exchange rates which may lead to losses in relation to foreign exchange (forex) transactions thereby affecting the profitability of the Group.</p> <p>One of the Group's key financial risks is currency volatility. A major portion of the Group's revenue and costs are conducted in foreign currencies, primarily the US Dollar (USD). There were fluctuations during the year as Malaysian Ringgit (MYR) weakened in the first three quarters but strengthened in the last quarter of 2019. Hence, the forex loss was mainly due to the strengthening of USD in the first three quarters of the year.</p>	<ul style="list-style-type: none"> <li>• The Group manages currency fluctuations and monitors foreign currency-denominated business transactions in line with the Board-authorised hedging policy and procedures.</li> <li>• There are ongoing efforts to improve the process and the effectiveness of hedging to mitigate the Group's exposure. In FY2019, this was reflected in the realised quarter-on-quarter forex losses (i.e. lower forex loss of RM0.2 million in Q3 as compared to a loss of RM1.0 million in Q2 despite the USD exchange rate strengthening against the MYR from 4.142 to 4.187 in Q3).</li> </ul>
 <p><b>Safety</b></p>	<p>The safety of people and assets is a top priority in the oil and gas industry as any adverse incident could result in significant financial loss and damage to the Group's reputation.</p> <p>The Group recorded 15.6 million lost time injury (LTI) free man-hours up until 20 November 2019. This was reset to zero on 21 November 2019 after an LTI incident in Laban.</p> <p>As of 31 December 2019, the Group had recorded 370,078 LTI free man-hours.</p>	<ul style="list-style-type: none"> <li>• The Group has in place comprehensive safety policies and processes that clearly spell out the safety measures which our employees and contractors must strictly comply with.</li> <li>• We undertake periodic audits of our health and safety procedures and practices, conducting drills, as well as implement health and safety awareness initiatives, meetings, reviews and programmes on an ongoing basis.</li> <li>• The Group Quality, Health, Safety and Environment (QHSE) has identified the weaknesses in the safe work system and the necessary measures to improve the system have been implemented.</li> <li>• HSE campaigns for continuous improvement are in place. These include the Adverse Weather Safety Campaign, the Effective Toolbox Talk Campaign and an expansion of the Behavioural Based Safety programme from the BeOb (Behavioural Observation) Programme set by EMEPMI for all workshops.</li> </ul>

Key Risk	Description	Mitigation measures
 <p><b>Major Contract</b></p>	<p>Major Contract risk for the Group stems mainly from the potential adverse effects should a major contract be breached. The major contract for the Group currently is the MCM contract under DPSB.</p> <p>Adverse effects from this contract may arise should DPSB underperform or be in breach of its contractual obligations. Other issues such as resource and supply chain failure, operational inefficiency, poor cost management as well as poor quality and safety may also pose a risk.</p>	<ul style="list-style-type: none"> <li>• A dedicated Project Management Team has been established to oversee operational matters and project deliverables to mitigate this risk.</li> <li>• Overall performance and contractual compliance are monitored closely by Management of both DPSB and the Group, as well as various supporting units.</li> <li>• The Group remains committed to ensuring that the MCM project achieves its objectives and produces the expected returns throughout the contract period despite any challenges that may arise.</li> </ul>

## Moving Forward

Moving forward, as the oil prices which have slumped some 65% since January 2020 to around USD 25 a barrel in the early April 2020 continue to remain volatile and the threat of COVID-19 pandemic adversely affecting economies worldwide, the operating environment is expected to remain extremely challenging. Countries have responded with their stimulus packages and measures to counter the impact of the COVID-19 and an impending global recession.

As Malaysia comes to grips with oil price fluctuations and COVID-19 pandemic, economic growth is expected to be weighed down by output loss from the impact of the Movement Control Order (MCO) imposed by the government to curb the spread of COVID-19.

Deleum's business being in the energy sector is classified as essential services under the MCO. We continue to operate to support our customers' needs in this essential sector during the MCO period whilst

taking the necessary precautionary measures to protect the safety and health of our employees which always remain as our top priority.

Deleum is grateful to our shareholders for their steadfast trust and support to the Group especially during these challenging times. As Deleum ventures forth into the year, we remain committed to safeguarding shareholders' interests and creating value for them. Barring unforeseen circumstances, we hope to be able to uphold our dividend policy of distributing a gross dividend of 50% of the Group's annual profit attributable to the equity holders. This is of course subject to the availability of adequate distributable reserves, operating cash flows requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations.

Amidst the highly challenging operating environment, we are actively monitoring, planning and implementing strategic measures in line with our key focus areas including effective cash preservation and margin improvement to safeguard the sustainability of our business. We remain steadfast in safe guarding our existing businesses whilst continuously looking out for other viable opportunities. Barring any unforeseen circumstances, Deleum will strive to maintain an intricate balance to ensure the sustainability of our business.

# Sustainability Statement

## OUR COMMITMENT TO SUSTAINABILITY

Deleum Berhad (Deleum or the Group) has grown progressively over the years and continues to provide a variety of specialised products and support services to oil and gas players within the upstream oil and gas sector. In line with the Group's mission to provide sustainable growth and to create long-term value for our stakeholders, we are dedicated to upholding responsible management and development on the Economic, Environmental and Social fronts.

This Sustainability Statement has been prepared in accordance with Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements which portrays the Group's commitment to carry out business in a transparent, efficient and responsible manner.

## REPORTING SCOPE AND BOUNDARY

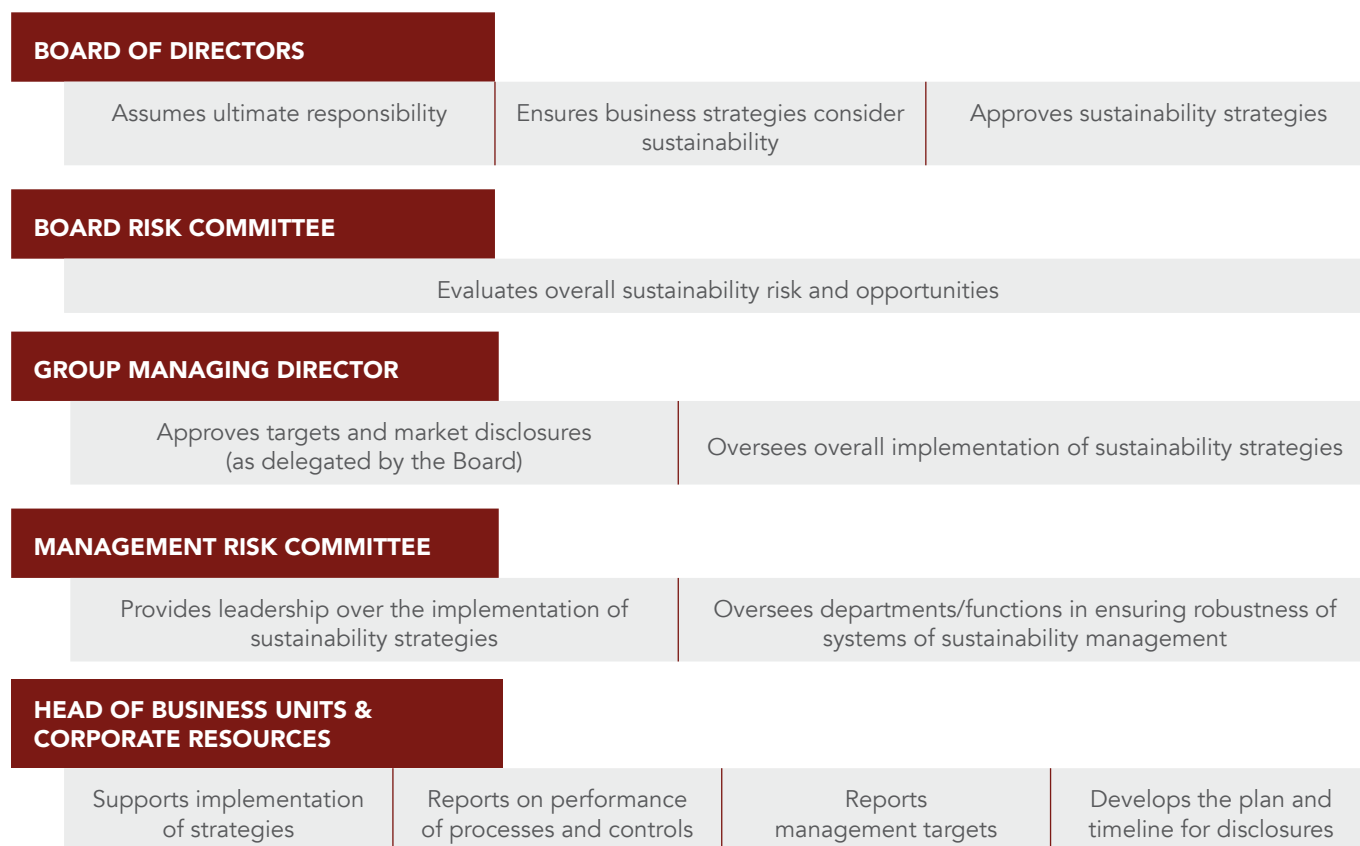
This Statement covers the Group's sustainability efforts and initiatives between 1 January 2019 and 31 December 2019 (FY2019). The information provided here encompasses our operations in Malaysia over which Deleum has controlling interests and includes a joint venture entity. This Statement has been reviewed and approved by our Board of Directors.

## OUR APPROACH TO SUSTAINABILITY

The agenda of sustainability complements the Group's plans for expansion and growth whilst delivering long-term value to our stakeholders. We have in place a sustainability governance structure which we integrate into our business.

The roles and responsibilities of our sustainability governing bodies are illustrated below:

### Deleum's Sustainability Governance Structure






## MATERIAL SUSTAINABILITY MATTERS

Material sustainability matters are matters that could significantly impact the Group’s ability to create value for its key stakeholders over the short, medium and long-term. The Group’s material sustainability matters are identified through a materiality assessment process which is reviewed annually and updated in accordance with any significant changes within our business operations or the external market environment. It is structured according to the three Pillars of Sustainability i.e. the Economic, Environmental, and Social or EES Pillars.

A Business Continuity Management (BCM) component has been added as a new material matter under the Enterprise Risk Management (ERM) which is housed under the Economic Pillar for the year under review. More information on this can be found in the ERM-related section of this report.

### Material Sustainability Matters

#### Pillars




	Key Themes	Material Matters
 <p><b>Economic</b> Refers to the impact that our business has on the economic conditions in relation to our stakeholders</p>	<p><b>Economic Performance and Impact</b> Features how economic performance is balanced out against environmental and social considerations</p> <hr/> <p><b>Corporate Governance</b> Defines how we manage our business in an ethical and responsible manner to maintain good governance and best practices</p> <hr/> <p><b>Enterprise Risk Management</b> Underscores how we assess, categorise and quantify risks that threaten our financial well-being and opportunities in the market.</p>	<ul style="list-style-type: none"> <li>• Sustainable business performance and business opportunities</li> <li>• Leveraging on digitalisation for operational excellence</li> <li>• Good procurement practices</li> <li>• Customer engagement and product responsibility</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Good governance and best practices</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Business Continuity Management</li> </ul>
 <p><b>Environmental</b> Refers to the impact of our business on living and non-living natural systems, including land, air, water and environmental ecosystems</p>	<p><b>Environment</b> Demonstrates our commitment towards managing our environmental impact</p>	<ul style="list-style-type: none"> <li>• Environmental impact</li> </ul>
 <p><b>Social</b> Refers to the impact our business has on the social system within our community</p>	<p><b>Managing Our People</b> Defines how we manage our people and build a sustainable workforce</p> <hr/> <p><b>Safety</b> Demonstrates our commitment towards maintaining a safe working environment</p> <hr/> <p><b>Corporate Social Responsibility</b> Highlights our community outreach and development programmes</p>	<ul style="list-style-type: none"> <li>• Human capital management</li> <li>• Workforce wellbeing</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Safety</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Community outreach</li> </ul>

## Sustainability Statement (Continued)


### STAKEHOLDER ENGAGEMENT

Our stakeholders are people who impact our business or are affected by our operations. As such, they remain an integral component of our business. We are continually undertaking stakeholder engagement activities to gain better insights into the interests and concerns of our diverse stakeholder groups as these issues may affect the Group's ability to create and sustain value.

Our material sustainability matters of significant priority are highlighted in the following Stakeholder Engagement Matrix:

Stakeholder Groups	Engagement Platforms	Frequency	Topics Discussed	Material Sustainability Matters
 Customer	Meetings and engagement sessions	Ad hoc	Products and services information, performance, feedback and complaints	Customer engagement
	Industry conferences and networking events			
	Corporate website			
	Exhibitions			
 Employees	Group Managing Director briefings	Quarterly	Company performance	Sustainable business performance and business opportunities
	Quality, Health, Safety and Environment (QHSE) updates	Monthly	QHSE matters	Environmental management Human capital management Safety
	Social media platform (Yammer)	Frequently	Internal and external activities or updates	Good governance and best practices
	Meetings and engagement sessions	Ad hoc	Staff performance reviews	Human capital management
	Staff activities		Team building	Workforce wellbeing
	Intranet		Company policies and procedures	Good governance and best practices
 Suppliers and Contractors	Meeting and engagement sessions	Frequently	Products and services information and performance	Procurement practices
	Joint workshops and training sessions			
	Supplier performance review	Annually		
	Corporate website	Ad hoc		



Stakeholder Groups	Engagement Platforms	Frequency	Topics Discussed	Material Sustainability Matters
 Shareholders and Investors	Group analyst briefings	Quarterly	Company performance, financials and dividend payments	Sustainable business performance and business opportunities
	Annual Report/Annual General Meeting	Annually		
	Media interviews and press releases	Ad hoc		
	Corporate website			
 Financial Institutions	Meetings and engagement sessions	Ad hoc	Company performance and financials	Sustainable business performance and business opportunities
	Corporate website			
 Local Communities	Community engagement sessions	Ad hoc	Community initiatives	Community outreach
	Corporate social responsibility events			
	Corporate website			
 Government and Regulators	Meetings and engagement sessions	Ad hoc	Corporate governance, compliance and regulations	Good governance and best practices
	Corporate website			
 Partners and Principals	Meetings and engagement sessions	Ad hoc	Business performance, planning and other commercial matters	Sustainable business performance and business opportunities
	Joint workshops and training sessions			
	Site visits			
	Exhibitions and social activities			
	Corporate website			
				Customer engagement

## Sustainability Statement (Continued)

### ECONOMIC

#### Key Theme: Economic Performance and Impact

The Group's economic performance is derived from our three business segments, namely the Power and Machinery, Oilfield Services, and Integrated Corrosion Solution. We offer a wide range of specialised products and services to the oil and gas industry particularly in the upstream sector. The details of the three business segments are expounded in the Management Discussion and Analysis (MD&A) section of this Annual Report.

#### Sustainable Business Performance and Business Opportunities

The challenges faced by the oil and gas industry these last few years have given rise to a highly competitive playing field. As players learn how to adapt to the new market realities, business sustainability remains a key concern. In line with the Group's objective to strengthen and sustain the growth of our business, we continue to leverage on our Strategic Plan that emphasises the Six Key Focus Areas (KFAs).

In FY2019, the Group recorded profit after tax and non-controlling interest (PATANCI) of RM33.1 million against revenue of RM868.3 million. This 22.0% improvement in our PATANCI from RM27.2 million in the preceding year is in line with 39.2% rise in revenue from RM623.7 million previously.

Deleum remains committed to upholding its dividend policy of distributing a gross dividend of at least 50% of the Group's annual profit attributable to equity holders of the Company. This is subject to the availability of adequate distributable reserves, operational cash flows requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations and to support future business growth. For FY2019, we declared a total dividend of 4.4 sen per ordinary share representing 53.4% of our attributable earnings for the financial year.

A detailed analysis of our business performance as driven by our Strategic Plan can be found in the MD&A section of this Annual Report.

#### Leveraging on Digitalisation for Operational Excellence

##### Climbing Onboard the IR4.0 Bandwagon

We continue to be vigilant and adaptive to market trends to ensure the sustainability of our business. In line with the advent of the Fourth Industrial Revolution (IR4.0), Deleum embarked on a group-

wide digitisation exercise in FY2016. By leveraging on electronic forms (e-Forms), we have achieved greater operational efficiency and reduced our environmental footprint. As at 31 December 2019, we had converted some 60% of the Group's manual forms to e-Forms resulting in 77% reduction in processing time and speedier operations. Whilst we are working on digitising the remaining manual forms, we are concurrently exploring a host of other initiatives to improve our current infrastructure, systems and processes. We also undertook training for our employees during the financial year to create awareness of and exposure to the Group's digitisation activities.

#### Strengthening Cybersecurity Measures

As part of our digitisation process, we understand the importance of implementing effective cybersecurity measures to protect our systems, networks and programmes from cyberattacks. The Group has also subscribed to a device-management and virtual-identity-management suite which accords our employees who utilise multiple devices, maximum security and control in a Cloud-based world.

To educate our employees on how best to take precautions against potential phishing attacks, the ICT function regularly circulates alerts, awareness emails and posters as well as provides quarterly updates to the Group Managing Director for his briefings to the employees.

#### Good Procurement Practices

Our Group Procurement Policy and Vendor Code of Conduct guide our procurement activities. These policies shape the Group's dealings with local and foreign vendors, contractors and sub-contractors in ensuring the best products and services are obtained in an effective, ethical, and sustainable manner. These policies are reviewed regularly and updated where appropriate. In FY2019, there were no major updates to the policies.

The Group Procurement and Group QHSE functions are tasked with jointly conducting vendor audits. The selection process for vendor audits is based on the Kraljic matrix, whereby typically the topmost five active vendors are reviewed to determine their deliverance capability and their compliance with contractual specifications, ISO9001:2015 and HSE requirements, amongst others. In FY2019, five vendors were selected for the audit in which there were no major exceptions noted.

#### % of Local Vendors in Our Procurement System



#### Support of Local Vendors

In supporting socio-economic development at the local level, we continue to work with local vendors. In FY2019, approximately 86.7% of the vendors within the Group's procurement system comprised of local vendors.

We procure directly from Original Equipment Manufacturers (OEMs) via our principals and partners to provide products and services of the highest quality to our customers. These procurement activities facilitate the transfer of technology through provision of training and services, which contribute in developing the local vendor participation which strengthens the local economy.

### Product Responsibility and Customer Engagement

We are committed to delivering quality products and services to our customers as well as ensuring high standards of customer satisfaction with consistent customer engagement activities across the board. Customer feedback is gathered and monitored through a Customer Feedback Log.

### Quality Assurance (Standards and Accreditation)

Our accreditation for internationally-recognised best practices and standards such as the ISO 9001:2015 Quality Management System (QMS) and ISO 14001:2015 environmental management system (EMS) is a testament of our continuous effort in ensuring quality service to our customers.

In addition, our workshop facilities in Kajang and Bintulu for maintenance, repair and overhaul (MRO) activities comply with the International Electrotechnical Commission System for Certification to Standards Relating to Equipment for Use in Explosive Atmospheres (IECEx).

Meanwhile, Deleum Oilfield Services Sdn. Bhd. (DOSSB) is in the midst of complying with the American Petroleum Institute Specifications (API Spec) Q2 certification criteria in order to meet customer requirements. DOSSB is aiming to receive its API Spec Q2 certification by the end of 2021.

The table below outlines the accreditation within our operations:

Certification	Primary Objectives	Companies with Accreditation
ISO 9001:2015 Quality Management System <sup>1</sup>	<ul style="list-style-type: none"> <li>Ensures continual improvements are made to the Group's management systems;</li> <li>Provides guidance on improving the quality of products and services.</li> </ul>	<p>Deleum Services Sdn. Bhd. (DSSB) is the holding company for these subsidiaries involved in the provision of the following products and services related to oil and gas exploration and production activities:</p> <ul style="list-style-type: none"> <li>a) primarily wireline, wellhead and oilfield services (DOSSB);</li> <li>b) assembly and supply of centraliser (DOSSB);</li> <li>c) chemicals supply and services (Deleum Chemicals Sdn. Bhd. or DCSB);</li> <li>d) repair and overhaul of electrical and mechanical equipment including site work (Deleum Rotary Services Sdn. Bhd. or DRSSB)</li> <li>e) integrated corrosion, inspection and mitigation for surface preparation industry (Deleum Primera Sdn. Bhd. or DPSB)</li> </ul> <p>Turboservices Sdn. Bhd. (TSSB) – provision of turbomachinery sales and services</p>

## Sustainability Statement (Continued)

<p>ISO 14001:2015 Environmental Management System<sup>1</sup></p>	<ul style="list-style-type: none"> <li>• Enables identification and control over the environmental impact of the Group's activities, products and services;</li> <li>• Ensures continual improvements are made in relation to the Group's environmental performance.</li> </ul>	<p>DCSB for the provision of products and services for the exploration and production of oil and gas:</p> <p>Chemical supply and services</p>
<p>International Electrotechnical Commission System for Certification to Standards Relating to Equipment for Use in Explosive Atmospheres (IECEX System)<sup>2</sup></p>	<ul style="list-style-type: none"> <li>• Ensures reduced testing and certification costs to the manufacturer;</li> <li>• To help build confidence about the product assessment process amongst customers.</li> </ul>	<p>DRSSB</p>

<sup>1</sup> ISO Certification by Det Norske Veritas – Germanischer (DNV-GL) for Quality Management System (QMS)

<sup>2</sup> IECEX awarded by Safety in Mines Testing and Research Station (SIMTARS) Australia

### Key Theme: Corporate Governance

#### Good Governance and Best Practices

Our business conduct and ethics are guided by key policies, systems, processes, standard operating procedures and best practices, and supported by a governance structure consisting of the following:

- Board of Directors;
- Audit Committee;
- Joint Remuneration and Nomination Committee;
- Board Risk Committee;
- Management Risk Committee;
- Group Managing Director; and
- Business Units and Corporate Resources.

In upholding good corporate governance and best practices, we are guided by the Malaysian Code of Corporate Governance 2017 as outlined in our Corporate Governance Overview Statement of this Annual Report. Our risk management and control structure and processes are detailed in the Statement on Risk Management and Internal Control.

Our Core Values of Integrity, Professionalism, Sustainability and Excellence serve to promote ethical behaviour, accountability for actions and outcomes, healthy and balanced lifestyles as well as to ensure

the provision of quality products and services throughout the Group. Key guidelines to the Group's corporate governance practices include the Code of Business Conduct and Whistleblowing Policy.

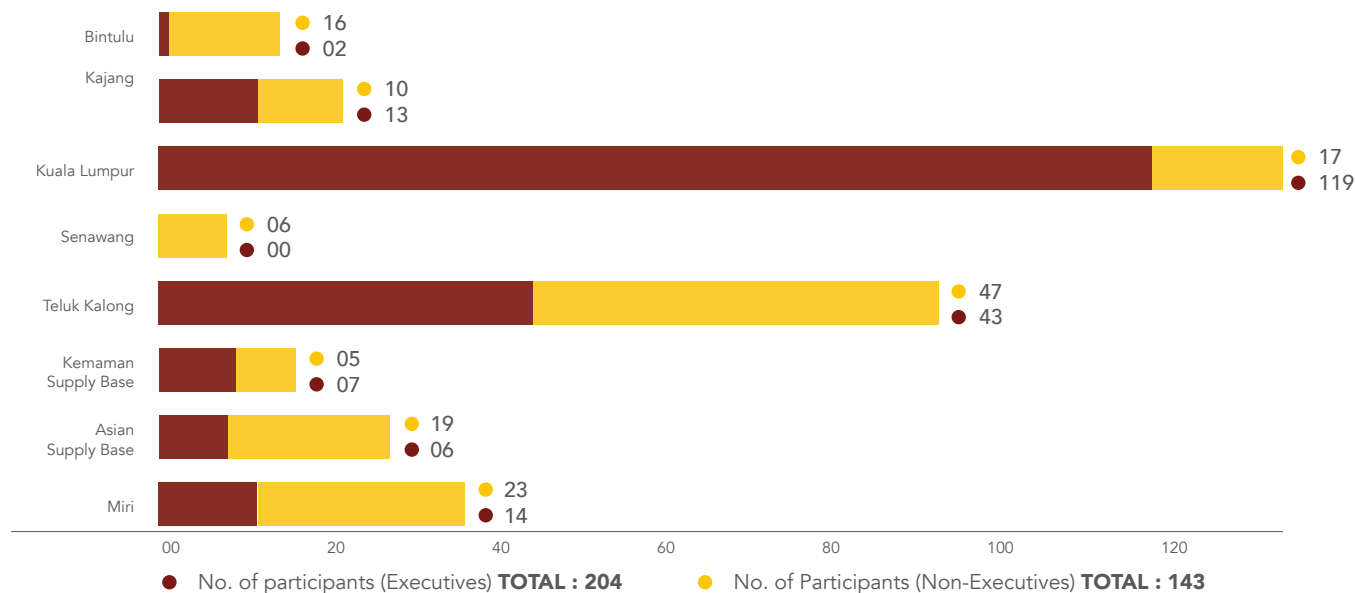
#### Code of Business Conduct (COBC)

Deleum's COBC spells out the guidelines for responsible behaviour that the Board and all employees are required to adhere to. Available in both English and Bahasa Malaysia, it sets out the standards of integrity and ethical conduct expected of our employees, directors, contractors, vendors, and any party undertaking work for or on behalf of the Group. It covers areas such as anti-bribery and anti-corruption; anti-money laundering and anti-terrorism; compliance with laws and policies; gifts, hospitality and entertainment; conflicts of interest; and equal opportunity.

We take any violation of the COBC very seriously. A breach of any part of the COBC will result in strict disciplinary action under the relevant policies as may be deemed appropriate. We embrace a culture of upholding the highest standard of integrity in our everyday dealings, and as such, our employees' understanding and practice of the principles outlined in the COBC is of paramount importance.

Over the course of 2019, we conducted separate training sessions (totalling ten) on Deleum's COBC policy for executive and non-executive employees, reflecting their different areas of focus.

### Number of COBC Participants in FY2019



For offshore based employees who were not able to attend the sessions due to work commitment, their respective base managers have briefed them on the COBC policy.

Following the training sessions, participants were assessed on their understanding of the COBC policy. Effective 2019, all COBC assessments are being conducted online.

#### Whistleblowing Policy

Deleum's Whistleblowing Policy enables both internal and external parties to report any improper conduct or wrongdoing within the Group in a confidential and secure manner via dedicated and discreet channels.

Under the policy, a whistle blower's identity is to be protected and kept confidential, thereby enabling all parties to report on suspected misconduct without any fear of repercussion. All cases reported are to be addressed and investigated in accordance with the policy. For FY2019, there were no cases reported via the Whistleblowing channel.

The Group has reviewed the overall Whistleblowing Policy and procedures and is satisfied that the existing requirements are still relevant and do not require any changes nor updates. The Whistleblowing Policy was also highlighted to employees during the annual briefing on the Group's COBC policy. The finer details of Deleum's Whistleblowing Policy, including

the information pertaining to reporting procedures, can be accessed on the Company's corporate website ([www.deleum.com](http://www.deleum.com)).

#### Adherence to the PDPA

The Personal Data Protection Act 2010 (PDPA) governance at Deleum is spearheaded by the PDPA Committee with the support of a PDPA Compliance Officer and Designated Compliance Officers from the respective business units and functions. Any breaches of the PDPA are to be managed through the Group's PDPA Policy and procedures whilst PDPA compliance reporting is undertaken on a monthly basis and updates to the PDPA Committee are carried out on a quarterly basis. Deleum's employees can also readily access the Group's PDPA Policy and procedures through the Group intranet.

For the year in review, there was no identified leaks, thefts or loss of personal data nor any complaints received. The PDPA Compliance Officer carried out an awareness programme which included four training sessions and PDPA assessments to raise awareness of PDPA compliance amongst employees. PDPA compliance is extended to our vendors, employees and business partners through the the Group's COBC, PDPA Policy and procedures as well as through contractual obligations.

#### Key Theme: Enterprise Risk Management

In FY2019, the Group kick-started an initiative to develop a Business Continuity Management system, which involves managing potential crises and disruptions to our business and operations through an integrated approach. In line with this, the Enterprise Risk Management (ERM) was introduced as a new key theme under the Economic Pillar.

## Sustainability Statement (Continued)

### Business Continuity Management (BCM)

Apart from building our capability and capacity to manage a crisis, our BCM framework aims to guide us in the development, implementation and improvement of a Business Continuity Plan (BCP), IT Disaster Recovery Plan (IT DRP), Crisis Communication Plan (CCP) and Emergency Response Plan (ERP).

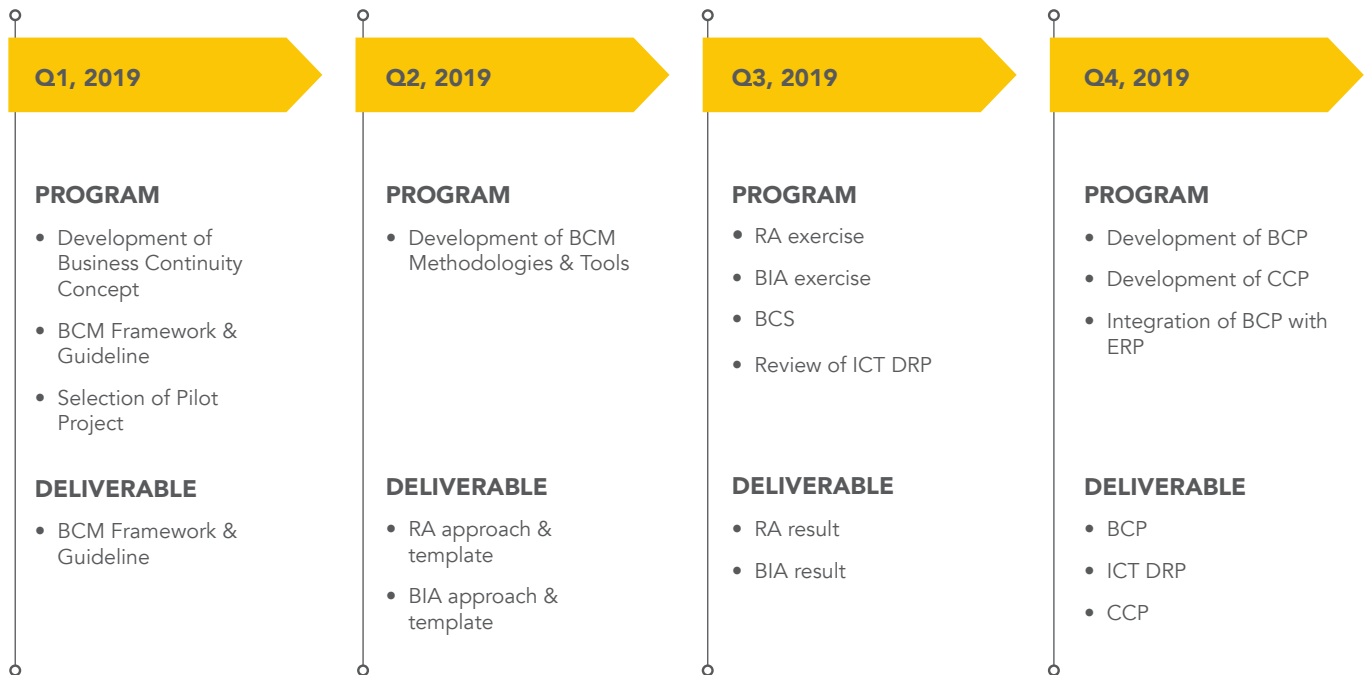
A BCP involves developing and implementing documented procedures that will guide our organisation on how best to restore and normalise operations as well as continue providing products and services to our customers in the wake of a disruption. The BCP serves to manage disruption by spelling out what responses and procedures are to be undertaken during a disruption and how critical operations and processes are to be recovered and resumed after a disruption. The Group's BCP aims to cover all offices, service centres and operational facilities.



Over the course of FY2019, the following processes were undertaken to develop the BCP:

- RA approach and template
- BIA approach and template
- RA and BIA exercises and results
- BCS

- Planning & Analysis
- Development
- Implementation



Whilst FY2019 saw the BCP for DOSSB being rolled out, FY2020 will see the BCM being finetuned and progressively implemented amongst the Group's other business units.

### Awards and Accolades

On June 2019, Deleum was included as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index. The F4GBM Index is a globally-recognised index launched by the FTSE Group which measures and acknowledges companies across the world who are demonstrating strong Environmental, Social and Governance (ESG) practices.

Deleum's commitment to delivering consistent value to our stakeholders was recognised when we received the accolades 'Highest return on equity over three years' and 'Highest returns to shareholders over three years' in the Energy sector category at the EDGE Centurion Club & Corporate Awards event. This event honours the best-performing companies in Malaysia with a market capitalisation of between RM100 million and below RM1 billion. Its objective is to encourage Malaysian companies to be more efficient, competitive and successful, whilst being socially responsible.

## ENVIRONMENTAL

### Key Theme: Environment

#### Environmental Management

The Group's focus on business sustainability extends to safeguarding the environment in which we operate.

#### Environmental Regulations and Compliance

The Group's Environmental Policy affirms our commitment towards environmental management through timely, adequate, corrective and protective measures. We are endeavouring to achieve a sustainable trade-off between our operational viability and any potential negative impact that our operations may have on the environment.

Deleum continuously emphasises facets of the Group's Environmental Policy amongst our personnel. Additionally, information regarding diverse aspects of environmental care continues to be included in the monthly HSE Bulletin.

For FY2019, we registered zero fines or sanctions in relation to environmental regulation breaches. We also maintained a zero Total Recordable Environmental Incident Frequency (TREIF) count. In July 2019, a third party was hired to run a surveillance audit on DCSB's compliance with the ISO 14001:2015 Environmental Management Systems certification for specialty chemical supply and services obtained in FY2018. The audit found that the company was in full compliance with all requirements of the standard.

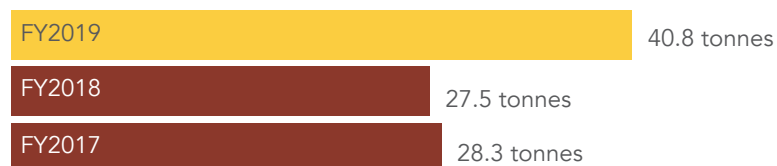
### Waste Management

Scheduled wastes are the categories of waste listed in the First Schedule of the Environmental Quality Act 1974. It is a requirement by the Department of Environment (DOE) that the Certified Environmental Professionals in Scheduled Waste Management (CePSWaM) monitors waste inventory and reports on it via the Electronic Schedule Waste Information Systems (e-SWIS) on a monthly basis. To date, the Group's CePSWaM team has five personnel across the three business segments.

At our Specialty Chemical and Well Stimulation (SCWS) unit, all operational personnel are made aware of the waste generation process. Frequent briefings and discussions about scheduled waste matters also take place between SCWS Management and operations personnel during the daily morning meetings.

In FY2019, we received zero reports of scheduled waste incidents or fines from the local authorities.

#### Total Scheduled Waste Generated FY2017 – FY2019 (tonnes)



The substantial increase of total scheduled waste generated in FY2019 was attributed by increased activity levels at DCSB's Teluk Kalong Facility.

#### Utilising Cleaner Technologies

Spearheading this venture is our Integrated Corrosion Solution segment represented by DPSB which is primarily involved in abrasive blasting as well as the removal of hazardous contaminants and painting. Since 2012, the company has partnered with Sponge-Jet to provide to its customers a low-pollution approach to surface preparation with the use of sponge media abrasive technology. This environmental-friendly technology provides a safe and clean method for dustless blasting of what would normally become airborne dust without disrupting our customers' ongoing operations.

#### Water Management

The rainwater harvesting initiative at DCSB's Teluk Kalong Facility continues to be one of our key water conservation initiatives. In FY2019, a water management awareness briefing was held for employees whilst reminder of 'Save Water' stickers were placed at taps. In our rainwater harvesting efforts, the plant collected a total of 56 m<sup>3</sup> rainwater in FY2019 as compared to 50 m<sup>3</sup> in FY2018.

#### Energy Efficiency

We began phasing out the use of conventional lighting at all our facilities in the fourth quarter of FY2018 and began replacing them with light emitting diodes (LEDs) to improve energy efficiency with the Group's operations. The installation of some 1,136 LEDs at Deleum's headquarters to date has resulted in tangible savings as indicated in the reduction of electricity usage and the ensuing cost savings.

## Sustainability Statement (Continued)

The following table highlights the meter readings taken from a single floor at HQ (i.e. DB-1F-DOSSB). It portrays a significant reduction in the amount of energy consumed after LED implementation:

Before LED Light Implementation				After LED Light Implementation			
No.	Month	No. of Days	Power Consumption (kWh)	No.	Month	No. of Days	Power Consumption (kWh)
1	January'19	31	2,736	1	October'19	31	2,015
2	April'19	30	3,674	2	November'19	30	1,677
3	June'19	30	3,774	3	December'19	31	1,283
<b>Average</b>			<b>3,394.7</b>	<b>Average</b>			<b>1,658.3</b>

Based on the data above, power consumption for this floor dropped by an average of 1,736.3 kWh over a period of three months. This resulted in energy savings of 51.1% after LED implementation.

We continue to take measures to promote energy conservation such as posting awareness notices about conserving electricity at all switch points.

### SOCIAL

#### Key Theme: Managing Our People

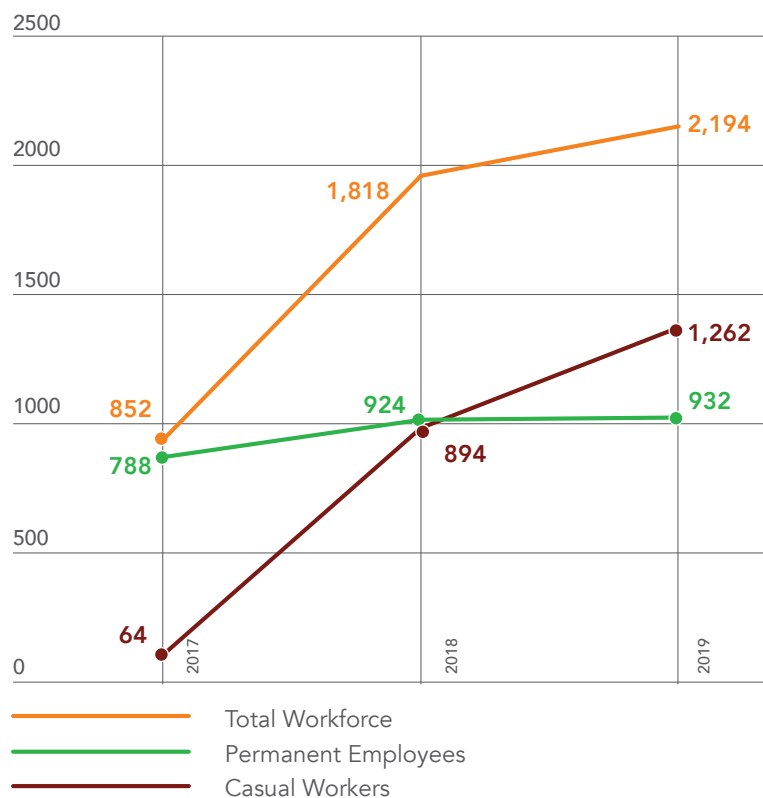
We cultivate a working environment that encourages our employees to exemplify our Core Values in every aspect of our working culture, tapping into their capabilities and providing opportunities for their career progression.

#### Human Capital Management

Underpinning the Group's business growth is a robust work culture that is being driven by our efforts on the human capital development front. Our initiatives for employees encompass the championing of diversity at the workplace, upskilling of competencies via various development programmes, and enhancing employee engagement initiatives towards managing an efficient and sustainable talent pool.

As at end FY2019, the total number of Deleum's workforce stood at 2,194 employees comprising 932 permanent employees and 1,262 casual workers. The surge in headcount in the recent years, as detailed in the line graph on the right, was due to the hiring of casual workers for the Maintenance, Construction and Modification Services contract. Casual workers are being hired on an ad hoc basis to service this contract to provide flexibility and more effective cost management.

Total Number of Employees (FY2017-FY2019)



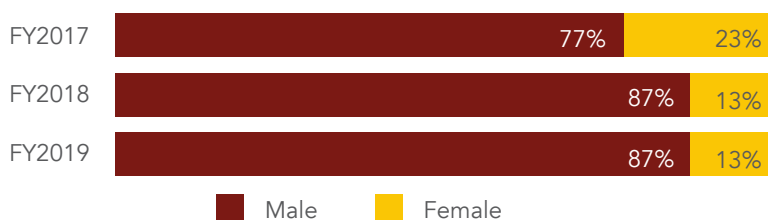


### Diversity within Our Workforce

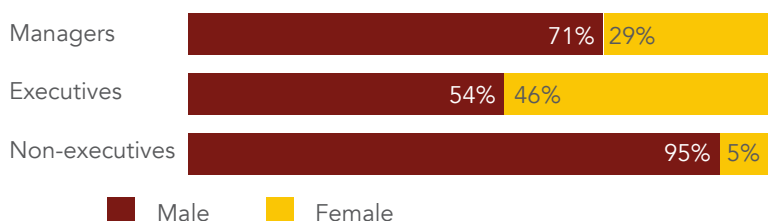
The Group's Equal Opportunity Policy ensures that all our employees are provided with equal opportunities, with no age, gender, ethnicity or disability-based discrimination. This is reflected in our support and practice of the Universal Declaration of Human Rights by the United Nations as posted on the Company's corporate website. It is also incorporated within our onboarding orientation programme as part of our efforts to champion human rights within the Group. We also organised a workshop to help inculcate a better understanding of human rights amongst our employees.

Deleum's gender demographics remain skewed towards male employees, underscoring the industrial nature of our offshore-centric operations. We practise local hiring to provide job opportunities within the oil and gas sector for Malaysians. In FY2019, approximately 99% of our employees were Malaysians.

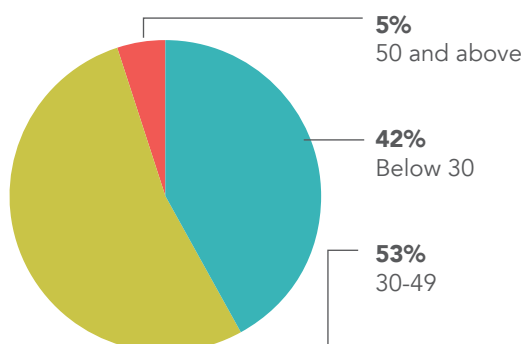
### Employee Breakdown by Gender (FY2017-FY2019) (\*Malaysian employees only)



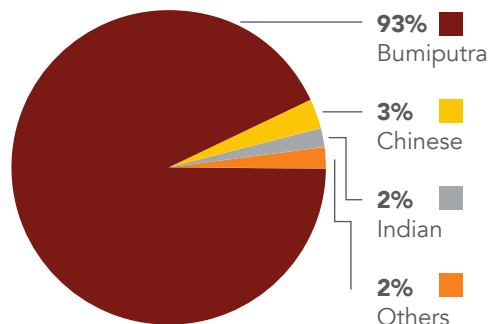
### Employee Breakdown by Level (FY2019)



### Employee Age Group (FY2019)



### Employee Breakdown by Ethnicity (FY2019)



### Employee Training and Development

The Group continues to strengthen the Deleum Talent Management Framework. The framework encompasses a succession planning structure that emphasises leadership competencies. To date, components such as a Senior Management Development Programme, internal workshops and soft skill training sessions have been brought into play. As we leverage on these and other elements, we are ensuring Deleum has a strong talent pool to draw from as and when new leaders are required.

During FY2019, workshop and training sessions covered, amongst others, the following topics:

- Ongoing compulsory training relating to Loss Prevention System (LPS), Permit to Work (PTW), Hydrogen Sulphide (H2S), Basic Offshore Safety Induction and Emergency Training (BOSIET), Tropical Further Offshore Emergency Training (T-FOET) and International Well Control Forum (IWCF) training;
- Introduction to Oil & Gas: Upstream Overview;
- Behavioural Event Interviewing (BEI) skills training;
- First Aid training and Dedicated First Aider training;
- Basic Communication for Writing and Speaking;
- Finance for Non-Finance Personnel;
- Store and Inventory Management;
- Creating a Harassment Free Workplace;
- The Art of Effective Presentation; and
- Managing People in the Perspective of Employment Law.

In FY2019, we completed the succession planning exercise for the Group Managing Director's role where independent gap assessments were performed by an external party on C-suite executives and the findings were presented to the Board.

## Sustainability Statement (Continued)

### Employee Engagement

We encourage our employees and leaders to have frequent engagement sessions throughout the year. These include the annual performance reviews which are conducted with our employees to provide feedback on their performance and advice on their career development. These ongoing reviews provide opportunities to gain better insights into our employees' interests and workplace concerns as well as to finetune our human capital management initiatives based on the feedback we receive.

Other than the above, Group Managing Director conducts quarterly townhall briefing sessions with the employees covering Deleum's quarterly results and current developments within the Group, amongst other topics. This platform serves to facilitate an effective two-way communication between employees and Management.

### Employee Benefits

For FY2019, our employee benefits and incentives include the extension of maternity leave from 60 days to 90 days and paternity leave from two to five days. Management periodically reviews the Group's remuneration packages to ensure these remain competitive.

### Employee Well-being

Employee well-being activities were carried out throughout the year to strengthen camaraderie amongst the Deleum workforce as well as to promote a healthy work-life balance and the fundamentals of self-care and wellness. Amongst the activities held in FY2019 were the Group annual dinner at all locations, festive gatherings, Children's Day at Work and corporate wellness activities.

The corporate wellness activities included sports and recreation activities and a Corporate Wellness Programme which was held over a 17-week duration. This programme continued to gain good momentum in FY2019 through a wide range of mental and physical wellness activities which included 15 exercise classes and eight workshops and talks.

A key corporate wellness activity conducted in FY2019 was our flagship Women's Week, to celebrate and commemorate women's strengths, potential and achievements held from 21 to 25 October 2019. The programme featured various activities, including Deleum's Most Amazing Woman award, which were well received and drew good participation from our employees.

### Key Theme: Safety

#### Safety Practices, Procedures and Processes

Our Health, Safety and Environment (HSE) Slogan, "Collective Responsibility Towards HSE Excellence" aims to inculcate a sense of ownership and a collective responsibility in every employee to continuously improve Deleum's HSE performance. The Group's HSE Management System (HSEMS) helps to ensure its smooth running. Periodic audits of the HSEMS are undertaken at our operational facilities, whilst the system itself is reviewed annually by our HSE committee.

Effective 2 May 2019, Deleum implemented a change in its HSE policies to address the evolving needs of contractual and regulatory requirements as well as to align with current industry best practices. The existing Drug and Alcohol Policy was revised and renamed to Substance Misuse Policy and it is made available in both English and Bahasa Malaysia on the Company's corporate website.

In FY2019 we reinforced our "10 Life Saving Rules" by installing pledge boards at all operations bases and also conducted refresher trainings in conjunction with our HSE policies briefing. A Safe Start sharing session with suppliers and vendors was held during the Supplier HSE audit to promote safety amongst customers and other stakeholders.

As part of our efforts towards upholding responsibility and care as well as ensuring compliance, we conducted the Chemical Hazards Risk Assessment (CHRA) at all operations sites that are potentially exposed to chemicals. The CHRA forms part of the safety requirements of the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulations 2000, which the Group is in full compliance with.

#### Group QHSE Governance

All the Group's QHSE matters come under the ambit of Deleum's HSE Committee consisting of ten members representing Business Units and Corporate Resources with the Group Managing Director as the chairman. The Group's HSE Committee meets every quarter to discuss HSE-related matters such as safety performance, plans and policies.

#### HSE Assurance and Management Review Process

The Group is continually monitoring HSE action plans and activities as part of our HSE Assurance and Management Review process. External audits are conducted to assess our compliance with regulatory and contractual requirements in the areas of HSE Management Systems, HSE performance, risk assessment, permits, training and competency, drug and alcohol usage, as well as personal protective equipment (PPE) usage. The findings arising from these external reviews are disclosed as part of the audit and inspection process with the necessary corrective measures implemented accordingly. For FY2019, aside from the HSE inspections and Deleum's HSE Committee site visits, we also conducted four HSE audits on selected suppliers/vendors as part of the review process.

### Occupational Safety and Health (OSH) Safety Training Sessions

Our training sessions primarily involve personnel working at sites and the following key training sessions were conducted in FY2019:

- Control of Work (CoW);
- Basic Occupational First Aid, CPR and AED;
- Adverse Weather Safety Awareness Campaign;
- 10 Life Saving Rules Refresher Training;
- Safe Choice Training; and
- Radiation Awareness Training.

### OSH-Related Initiatives

Throughout FY2019, we implemented a variety of OSH-related initiatives at both our head office and facilities towards meeting our stakeholders' safety requirements and their expectations. We also continued to distribute safety awareness information such as the latest HSE-related updates to our employees via monthly bulletins.

The following were some of the key OSH-related initiatives undertaken in FY2019:

Activity	Description
STOP Card	The STOP or Safety Training Observation Programme initiative in HSE is a behavioural-based safety programme designed to prevent injuries and occupational illnesses at the workplace. The programme involves training, observation, corrections and STOP work authority. For FY2019, the reward system that acknowledged the Best STOP Card issuer on a quarterly basis continued to be implemented.
Digitalisation of STOP Card and Scheduled Waste Submission (Paperless programme)	The year saw DOSSB Labuan updating its systems to enable STOP Card submission and scheduled waste submission through QR codes.
Hazard and Effect Management Process (HEMP)	HEMP is a risk management process which ensures that hazards/ risks to the workforce, assets and environment are properly controlled. It also helps mitigate the risk of incidents. In FY2019, DPSB and DOSSB completed their HEMP programmes.
HSE Inspections	In addition to the regular QHSE inspections done by QHSE coordinators on a monthly or quarterly basis, a total of four HSE inspections were conducted in FY2019.
Basic Occupational First Aid, CPR & AED	External trainers were engaged to conduct first aid training sessions and assessments for employees including those at operation sites.
Emergency Preparedness Drills	Emergency drills were conducted for chemicals spillage at Deleum's Teluk Kalong and Labuan facilities. Radiation emergency drills were also conducted at DOSSB's Kemaman facilities.

### Safety Performance

Between 25 August 2012 and 20 November 2019, we recorded a total of 15.6 million free Lost Time Injury (LTI) man-hours. Unfortunately, due to an LTI incident in Labuan on 21 November 2019, where a contractor's employee was hit by a fallen door and cracked his right femur, our LTI record was reset to zero. In the wake of this incident, we conducted joint investigation with the Department of Occupational Safety & Health (DOSHS) as required. The Group has since gone on to implement additional measures to prevent a recurrence and to strengthen our safety culture.

## Sustainability Statement (Continued)

At the Group level, as of 31 January 2020, our total LTI free man-hours stood at 591,000 for 71 days, whilst our total Recordable Case Frequency stood at zero. As of 31 January 2020, the number of accidents / incidents / cases and fatalities within the Group stood at zero.

In FY2019, our operating entities received the following awards and accolades in recognition of their excellent HSE performance:

No.	Date	Client/ Regulatory Body	Award
DOSSB			
1	13-Feb-19	EMEPMI	DOSSB was awarded the Grand Winner for 2018 Chairman's Safety Award during EMEPMI SSHE Forum
2	26-Sep-19	EPIC	Best Premise for HSE Week 2019 at Kemaman Supply Base by Eastern Pacific Industrial Corporation Berhad (EPIC)
3	30-Dec-19	EMEPMI	Gold Winner Best Stop Card to DELEUM Specialist by Wells global EMEPMI (Texas)
DSSB			
1	19-Nov-19	EnQuest	Certificate of Appreciation in recognition of achieving excellent HSE and operational performance for EnQuest Malaysia since 2015
DPSB			
1	30-Oct-19	DOSH	Achieved Overall Level 5 (Excellence) for Program Intervensi Systematic Occupational Health Enhancement Level Program (SoHELP) by DOSH Terengganu
TSSB			
1	19-Nov-19	EnQuest	Certificate of Appreciation in recognition of achieving excellent HSE and operational performance for EnQuest Malaysia since 2015
DCSB			
1	30-Oct-19	DOSH	Achieved Overall Level 5 (Excellence) for Program Intervensi Systematic Occupational Health Enhancement Level Program (SoHELP) by DOSH Terengganu

On 13 February 2019, DOSSB was named the Grand Winner of the 2018 Chairman's Safety Award during the Annual EMEPMI Safety, Security, Health and Environment (SSHE) Forum and Chairman's Safety Awards event. The award recognised DOSSB's efforts for constantly demonstrating excellent conduct in the following areas:

- Leadership and Communication;
- Crew Competency Programme;
- Worker Empowerment/ Engagement; and
- SSHE Programme Effectiveness.

### Key Theme: Corporate Social Responsibility

#### Community Outreach Practices

Deleum continues to support Corporate Social Responsibility (CSR) initiatives as a conscientious corporate citizen. The Group strongly believes in giving back to the community and managing our environmental footprint in the areas we operate in based on three focal areas, namely Education, Community and the Environment.

Our efforts to date centre on the following key initiatives:

- Education: School Adoption Programme
- Community: Festive CSR activities and the "We Care We Share" programme
- Environment: Mangrove Planting at EcoCare Kerteh

### School Adoption Programme

Through the Group's participation in the "Promoting Intelligence, Nurturing Talent and Advocating Responsibility" (PINTAR) school adoption programme, we continue to make a positive impact on Sekolah Kebangsaan Kampung Bakam (SKKB) in Miri, Sarawak. In FY2019, we demonstrated our continuous support towards promoting academic and non-academic growth of SKKB and its students through several tangible initiatives.

The year saw us refurbishing SKKB's school library by installing air conditioning, providing new computers and furniture, setting up reading corner and notebook stations for a conducive learning environment.

### Education: School Adoption Programme

8 March 2019

Official Launch of the refurbished Gedung Ilmu Deleum at SKKB, Miri



Our efforts also extended to providing financial aid to 80 underprivileged students of SKKB for the purchase of books, stationery, sports attire and other necessities at the start of the school year.

### Community-Focused CSR Activity

We continue to engage the underprivileged and the wider community through various CSR initiatives by extending care to the local community.

In FY2019, we carried out several activities revolving around festive celebrations:

15 February 2019

A donation drive for the Rumah Charis Home for the Aged in conjunction with the Chinese New Year celebrations.



28 June 2019

Hari Raya Aidilfitri celebrations with children from Rumah Telaga Kasih.



4 November 2019

Deepavali celebrations at SJK (T) Bangsar.



20 December 2019

Deleum's Secret Santa Christmas celebration with the children at the Trinity Children's Home.



28 November 2019

As part of Deleum's "We Care We Share" initiative, we donated food as well as undertook cleaning and painting activities in support of the residents of Pusat Transit Gelandangan together with several underprivileged individuals within the community.



## Sustainability Statement (Continued)

In FY2019, our annual blood donation drive carried out at our Bangsar, Kemaman and Miri locations was extended to Labuan. In total, we attracted a total of 318 blood donors (FY2018: 257 donors).

	Date (2019)	Total Number of Participants	Total Pints of Blood Collected
Labuan	1 October	70	54
Bangsar	17 October	116	81
Kemaman	17 October	80	53
Miri	30 October	52	33
<b>Total</b>		<b>318</b>	<b>221</b>

### October 2019



### Environment Focused CSR Activity

18 June 2019

Deleum sponsored 100 mangrove plants when its employees participated in a mangrove planting session with EcoCare Kerteh.



### DELIVERING TRUE, SUSTAINABLE VALUE

As Deleum moves forward amidst a challenging operating environment, we remain committed to balancing out our economic ambitions with environmental and social considerations. We recognise that sustainability is everyone's responsibility as the Economic, Environmental and Social choices we make, affect us now and in the future.