



DELEUM BERHAD (Co. No. 715640-T)
No. 2, Jalan Bangsar Utama 9, Bangsar Utama,
59000 Kuala Lumpur, Malaysia.
Tel : 603-2295 7788 Fax : 603-2295 7777

www.deleum.com

ENERGISING
A SUSTAINABLE FUTURE

2013
ANNUAL REPORT

OUR MISSION

To Provide Sustainable Growth and Enhance Stakeholders' Value

OUR VISION

To be the Market Leader in our Operating Segments domestically and to establish regional presence by 2015

OUR SHARED VALUES

- Integrity
- Professionalism
- Health, Safety & Environment
- Excellence



COVER RATIONALE

Synergising our diverse range of products and services has been the driving force to enhance our capabilities across our three core business segments in the oil and gas sector value chain so as to ensure our business sustainability.

The three products, as featured on the cover (from left to right) namely compressor rotor of a gas turbine, slickline down hole tools and machinery component represent our focus in the three core business segments respectively - Power and Machinery, Oilfield Services and Maintenance, Repair and Overhaul.



ENERGISING
A SUSTAINABLE FUTURE

2013
ANNUAL REPORT

The Contents

| | |
|-----|--|
| 4 | Financial Highlights |
| 8 | Corporate Information |
| 9 | Group Corporate Structure |
| 12 | Profiles of Directors |
| 19 | Key Management |
| 22 | Chairman's Statement |
| 28 | Management Discussion and Analysis |
| 35 | Quality, Health, Safety and Environment |
| 37 | Activities of 2013 |
| 54 | Statement of Corporate Governance |
| 64 | Statement on Risk Management and Internal Control |
| 67 | Audit Committee Report |
| 71 | Financial Statements |
| 166 | Notice of Annual General Meeting |
| 173 | Statement Accompanying Notice of Annual General Meeting |
| 173 | Additional Compliance Information |
| 174 | List of Properties |
| 175 | Analysis of Shareholdings |
| 178 | Corporate Directory |
| | Proxy Form |



2

faces of Deleum



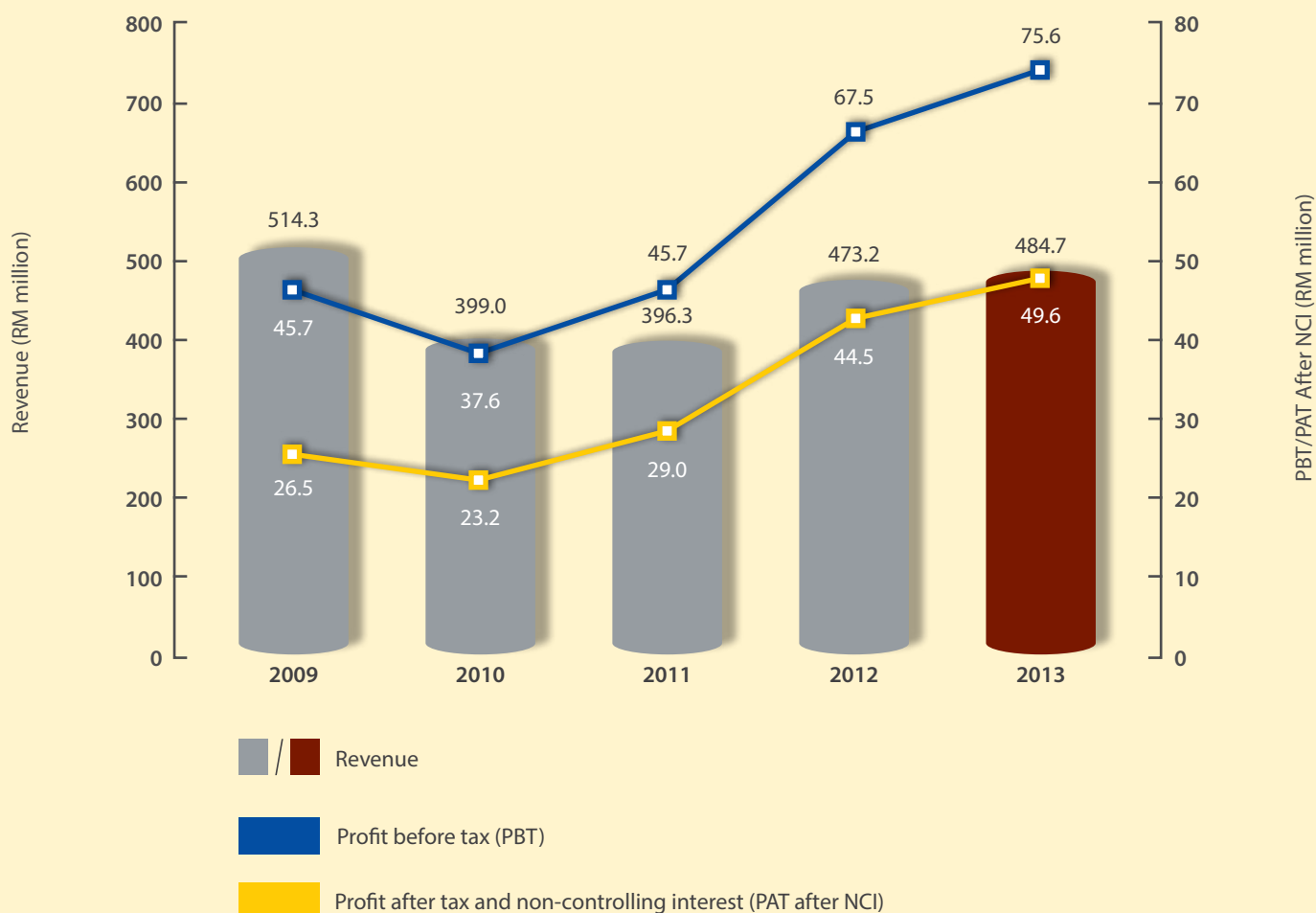
faces of Deleum (continued)



4

Financial Highlights for the financial years ended 31 December 2009-2013

REVENUE / PROFITS




| Financial Year (RM'000) | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|---------|---------|---------|---------|----------------|
| Revenue | 514,293 | 399,045 | 396,303 | 473,240 | 484,684 |
| Gross profit | 79,275 | 75,950 | 79,574 | 107,724 | 128,644 |
| EBITDA (Earning before interest, taxes, depreciation and amortisation) | 56,754 | 50,908 | 59,520 | 81,610 | 91,572 |
| Share of associates results' | 9,651 | 9,744 | 13,679 | 15,579 | 15,973 |
| Profit before tax | 45,687 | 37,594 | 45,709 | 67,471 | 75,592 |
| Profit after tax | 35,734 | 30,213 | 34,711 | 54,214 | 58,662 |
| Non-controlling interest | (9,284) | (6,977) | (5,678) | (9,764) | (9,103) |
| PAT after NCI | 26,450 | 23,237 | 29,033 | 44,450 | 49,559 |


Financial Highlights for the financial years ended 31 December 2009-2013 (continued)

FINANCIAL RESULTS HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2013

EBITDA (RM'000)

 **RM91,572**
2012: RM81,610

PAT AFTER NCI (RM'000)

 **RM49,559**
2012: RM44,450


RETURN ON EQUITY

 **20.5%**
2012: 20.6%


TOTAL FIXED ASSETS (RM'000)

 **RM133,670**
2012: RM98,089

SHAREHOLDERS' EQUITY (RM'000)

 **RM241,921**
2012: RM215,949

DIVIDEND PER SHARE

 **17.0 sen**
2012: 15.0 sen

FINANCIAL RATIOS

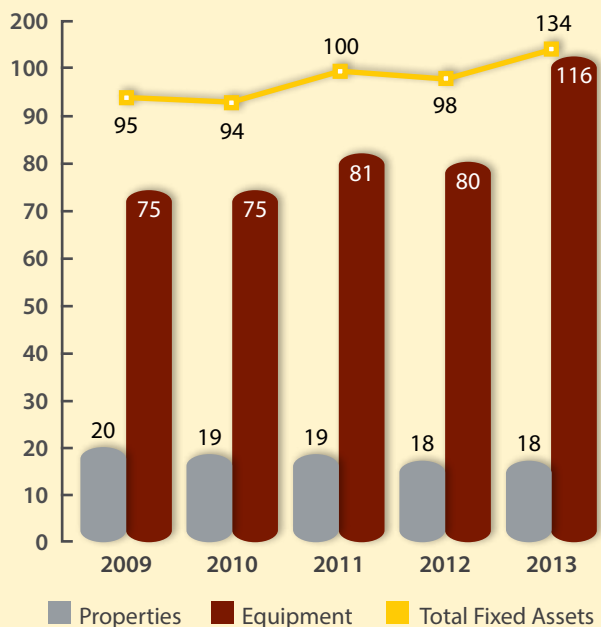
| Financial Year | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------|-------|-------|-------|-------|--------------|
| Return on equity | 16.4% | 13.5% | 15.4% | 20.6% | 20.5% |
| Return on total assets | 9.7% | 6.6% | 8.6% | 10.7% | 9.9% |
| Gearing ratio | 15.6% | 12.5% | 14.2% | 8.8% | 12.3% |
| Net asset per share (RM) | 1.61 | 1.73 | 1.89 | 1.44* | 1.61* |
| Gross dividend per share (Sen) | 12.0 | 11.5 | 14.0 | 15.0 | 17.0 |
| Gross dividend yield | 7.6% | 7.6% | 8.9% | 7.7%* | 3.9%* |

* Based on enlarged share capital of 150 million ordinary shares pursuant to issuance of 50 million bonus shares on 8 June 2012.

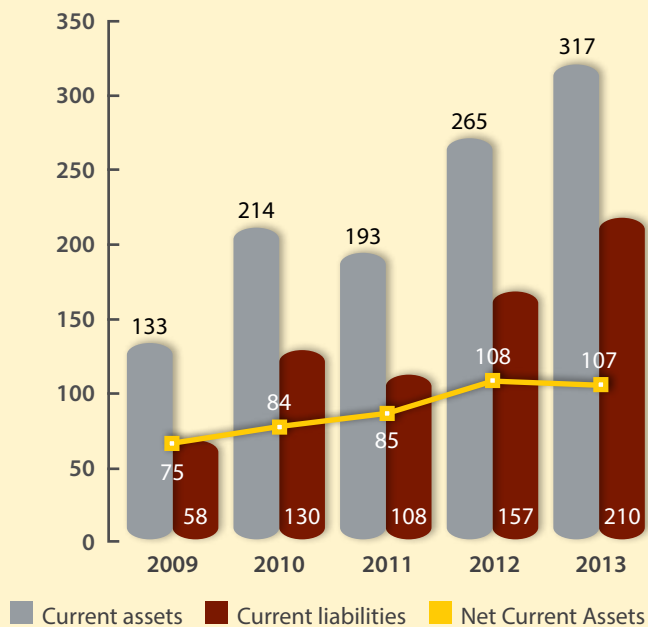
6

Financial Highlights for the financial years ended 31 December 2009-2013 (continued)

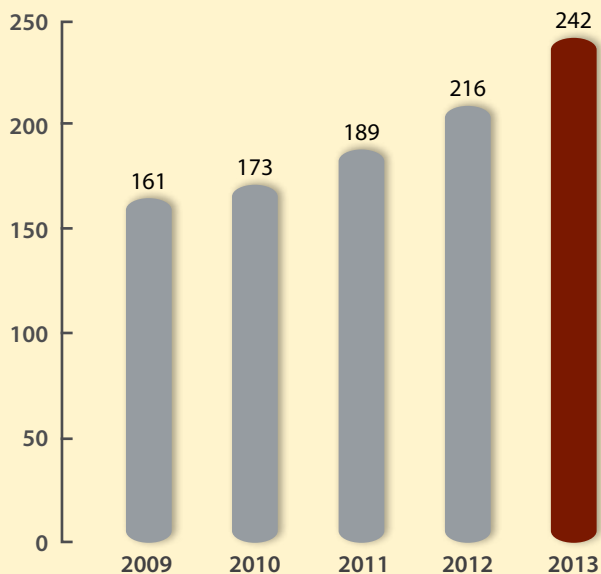
PROPERTY, PLANT AND EQUIPMENT (RM million)



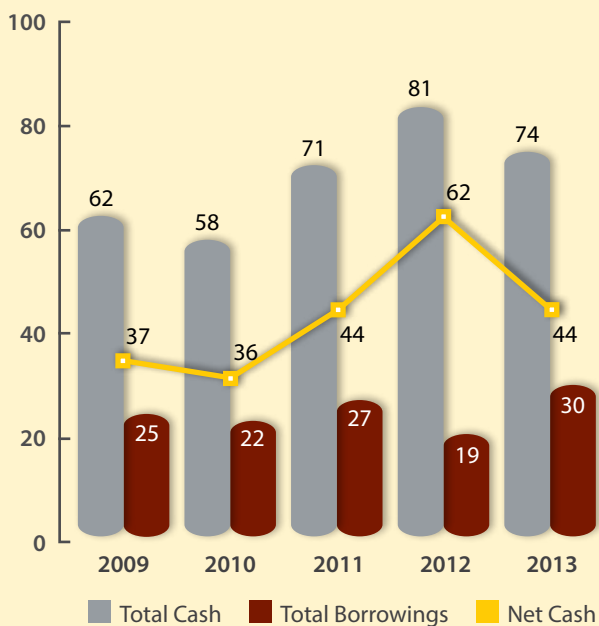
NET CURRENT ASSETS (RM million)



SHAREHOLDERS' EQUITY (RM million)

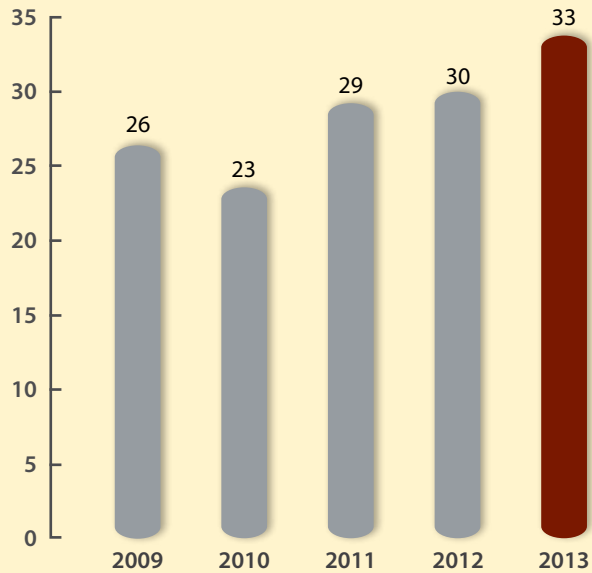


NET CASH (RM million)

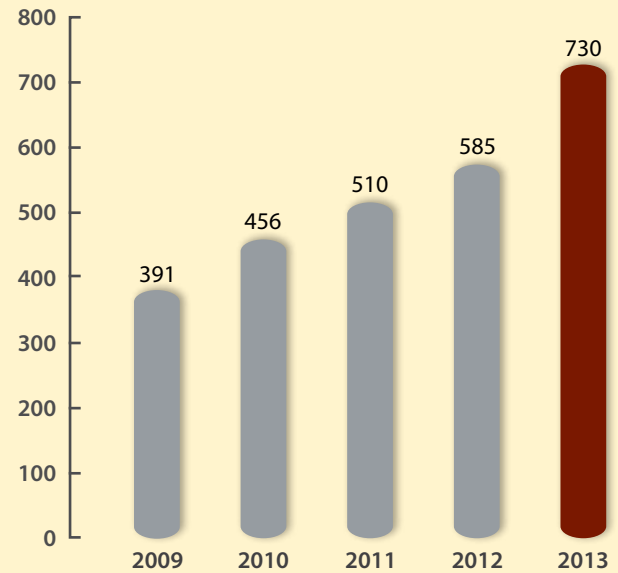


Financial Highlights for the financial years ended 31 December 2009-2013 (continued)

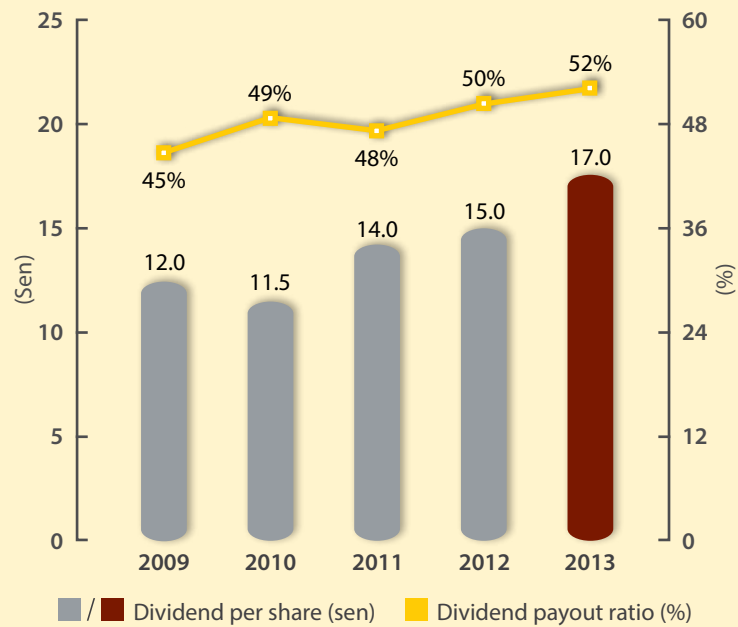
EARNINGS PER SHARE (Sen)



EMPLOYEES



DIVIDENDS



8

Corporate Information

BOARD OF DIRECTORS

Dato' Izham bin Mahmud

Non-Independent Non-Executive Chairman

Datuk Vivekananthan a/I 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

Chin Kwai Yoong

Independent Non-Executive Director

Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz

Non-Independent Non-Executive Director

Datuk Ir (Dr) Abdul Rahim bin Hashim

Senior Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Ishak bin Imam Abas

Chairman

Chin Kwai Yoong

Dato' Izham bin Mahmud

Datuk Vivekananthan a/I M.V. Nathan

Datuk Ir (Dr) Abdul Rahim bin Hashim

JOINT REMUNERATION AND NOMINATION COMMITTEE

Datuk Ir (Dr) Abdul Rahim bin Hashim

Chairman

Dato' Izham bin Mahmud

Datuk Vivekananthan a/I M.V. Nathan

Datuk Ishak bin Imam Abas

Chin Kwai Yoong

RISK COMMITTEE

Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz

Chairman

Nan Yusri bin Nan Rahimy

Datuk Vivekananthan a/I M.V. Nathan

Chin Kwai Yoong

Datuk Ir (Dr) Abdul Rahim bin Hashim

COMPANY SECRETARIES

Lee Sew Bee

MAICSA No. 0791319

Lim Hooi Mooi

MAICSA No. 0799764

REGISTERED OFFICE/HEAD OFFICE

No. 2, Jalan Bangsar Utama 9, Bangsar Utama

59000 Kuala Lumpur, Malaysia

Tel : 603-2295 7788

Fax : 603-2295 7777

Email: info@deleum.com

Website: www.deleum.com

SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House, Pusat Dagangan Dana 1

Jalan PJU 1A/46, 47301 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel : 603-7841 8000

Fax : 603-7841 8151/52

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Code: 5132

AUDITORS

PricewaterhouseCoopers

Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral

P.O. Box 10192, 50706 Kuala Lumpur, Malaysia

Tel : 603-2173 1188

Fax : 603-2173 1288

SOLICITORS

Zain & Co.

6th & 7th Floor, Akademi Etiqa

23, Jalan Melaka, 50100 Kuala Lumpur, Malaysia

Tel : 603-2698 6255

Fax : 603-2693 6488

PRINCIPAL BANKERS

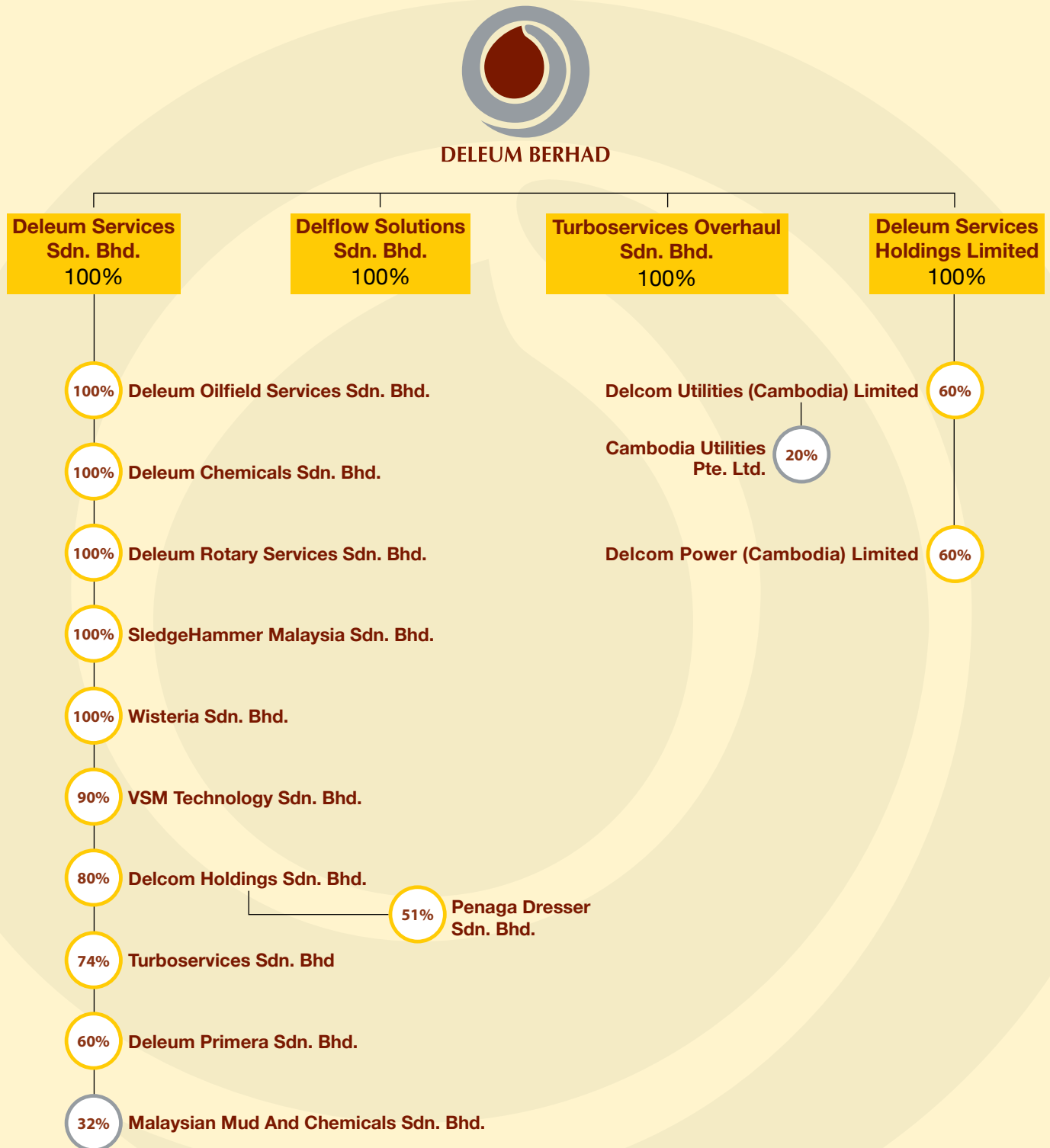
Standard Chartered Bank Malaysia Berhad

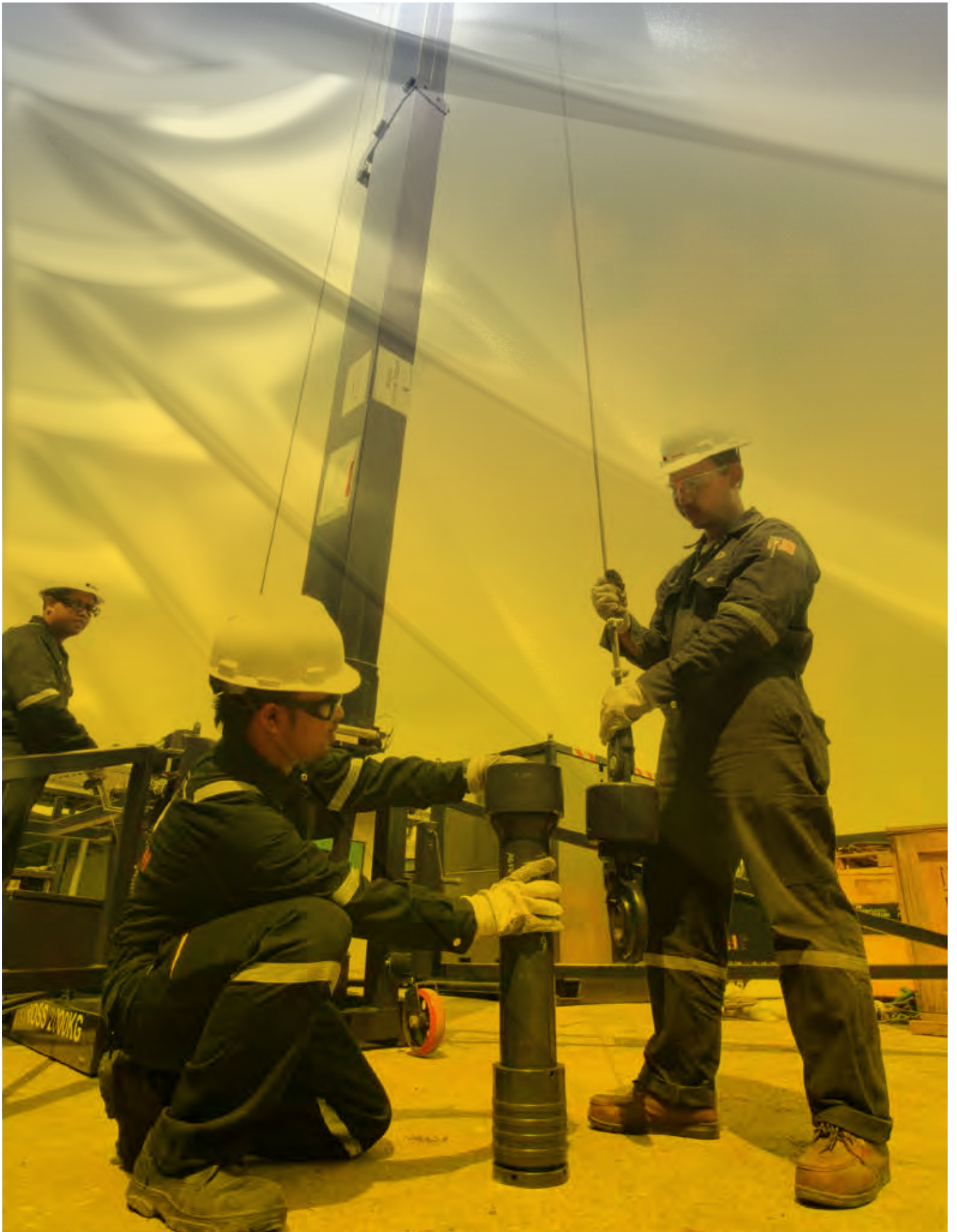
HSBC Bank Malaysia Berhad

Malayan Banking Berhad

AmBank (M) Berhad

Group Corporate Structure





BUILDING A BRIGHTER FUTURE

The foundation of Deleum begins with invaluable contributions, dedication and loyalty from employees, and continuous support from stakeholders. It is our goal to continuously seek for business opportunities, enhance our capabilities and optimise our performance in pursuit of sustainable growth.



12

Profiles of Directors



DATO' IZHAM BIN MAHMUD

Non-Independent Non-Executive Chairman

Dato' Izham bin Mahmud (Malaysian, aged 73) 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.

He 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. He embarked on his banking career in 1974 when he joined Aseambankers Malaysia Berhad where he served as General Manager and later Managing Director in 1979, a position he held until his retirement in 1996. During this period, he was also a Director of various subsidiaries of the Maybank Group and Cagamas Berhad.

Upon retirement, Dato' Izham joined Deleum Services as its Chairman 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 the Non-Executive Chairman. He also served as a Director of RHB Capital Berhad, RHB Bank Berhad, Renong Berhad, Opus Berhad, AMMB Holdings Berhad and AmInvestment Bank Berhad.

Profiles of Directors (continued)**DATUK VIVEKANANTHAN
A/L M.V. NATHAN***Non-Independent Non-Executive Deputy Chairman*

Datuk Vivekananthan a/l M.V. Nathan (Malaysian, aged 73) was appointed to the Board on 21 December 2005. He is one of the co-founders of Deleum Services.

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

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

He sits on the Board of International Conference and Exhibition Professionals (iCEP) (formerly WGC 2012 / the National Organising Committee of the 25th World Gas Conference in Kuala Lumpur) which is the organiser of conferences and exhibitions hosted by PETRONAS.

Profiles of Directors (continued)



NAN YUSRI BIN NAN RAHIMY

Group Managing Director

Nan Yusri bin Nan Rahimy (Malaysian, aged 42) was appointed to the Board on 1 March 2011.

He holds a Bachelor of Engineering Degree (Honours) in Mechanical Engineering from the Royal Melbourne Institute of Technology (now RMIT University), Australia and is a member of the Society of Petroleum Engineers.

He started his career with Deleum Services in April 1996 as a Marketing Executive supporting the turbomachinery business 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 VP - Business Development, VP - Exploration and Production and COO - Oilfield Services.

In August 2009, he was promoted to CEO of Deleum Oilfield Services Sdn. Bhd., a wholly-owned subsidiary of Deleum Berhad and in September 2010 promoted to CEO of Deleum Services before being appointed to his current position on 1 March 2011. He sits on the Board of iCEP as Alternate Director to Datuk Vivekananthan a/l M.V. Nathan.

Profiles of Directors (continued)**DATUK ISHAK BIN IMAM ABAS***Independent Non-Executive Director*

Datuk Ishak bin Imam Abas (Malaysian, aged 68) 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 (MIA).

Prior to joining PETRONAS in 1981, he was, amongst others, Finance Director of Pfizer (M) Sdn. Bhd., Bursar of Universiti Kebangsaan Malaysia, Finance Director of Western Digital (M) Sdn. Bhd. and Accountant in Pernas International Holdings Berhad.

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 PETRONAS Board of Directors and Board Member of several of its subsidiaries. He retired from PETRONAS as Senior VP in April 2006 but continued to be CEO of KLCC (Holdings) Sdn. Bhd. and KLCC Property Holdings Berhad until his retirement in April 2007.

Currently, he is the Non-Executive Chairman of Putrajaya Holdings Sdn. Bhd. as well as Non-Executive Director of Kuala Lumpur City Park Berhad, KLCC Property Holdings Berhad and KLCC REIT Management Sdn. Bhd., all of which are subsidiaries of PETRONAS.

He is also Independent Non-Executive Director on the Boards of Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad and Integrated Petroleum Services Sdn. Bhd.

Profiles of Directors (continued)



CHIN KWAI YOONG

Independent Non-Executive Director

Chin Kwai Yoong (Malaysian, aged 65) was appointed to the Board on 21 March 2007. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants and the MIA.

He started his career with Price Waterhouse (currently known as PricewaterhouseCoopers) as an Audit Senior in 1974 and was promoted to Audit Manager in 1978. He was an Audit Partner in the firm from 1982 until his retirement in 2003. During his tenure as Partner, he was the Executive Director in charge of the Consumer and Industrial Products and Services Group and was the Director in charge of the Audit and Business Advisory Services and Management Consulting Services division.

He has extensive experience in the audits of major companies in the banking, oil and gas, automobile, heavy equipment, manufacturing, construction and property development industries. He was also involved in the corporate advisory services covering investigations, mergers and acquisitions and share valuations.

Currently, he sits on the Boards of ASTRO Malaysia Holdings Berhad, ASTRO All Asia Networks Plc., ASTRO Overseas Limited, Genting Berhad and Fraser & Neave Holdings Berhad. He is also a Director of Bank Negara Malaysia.

Profiles of Directors (continued)



TAN SRI DATO' SERI ABDUL GHANI BIN ABDUL AZIZ

Non-Independent Non-Executive Director

Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz (Malaysian, aged 69) was appointed to the Board on 30 April 2009. He holds a Master of Arts in International Relations and Strategic Studies from the University of Lancaster, UK, and a Master of Human Sciences (History and Civilisation) from the International Islamic University, Malaysia.

He joined the Royal Malaysian Air Force (RMAF) in 1964 and graduated as a qualified pilot in 1965. He served in the RMAF for 32 years and attained the position of Chief of Air Force in 1993 before retiring in November 1996.

He is the Managing Director of Penaga Dresser Sdn. Bhd., a subsidiary of Deleum Berhad. He is also the Independent Non-Executive Chairman of C.I. Holdings Berhad.

Profiles of Directors (continued)



DATUK IR (DR) ABDUL RAHIM BIN HASHIM

Senior Independent Non-Executive Director

Datuk Ir (Dr) Abdul Rahim bin Hashim (Malaysian, aged 60) was appointed to the Board on 15 November 2013.

He holds a B.Sc. (Electronics & Electrical) Engineering from the University of Birmingham, UK. He is an Associate Member of the American Institute of Chemical Engineers. He completed the Advanced Management Program at Harvard Business School in 1997. He is currently the Vice Chancellor / CEO of Universiti Teknologi PETRONAS.

Datuk Ir (Dr) Abdul Rahim started his career in PETRONAS as an Electrical Engineer soon after graduating in 1976. He has 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 and VP of Research and Technology Division of PETRONAS, a position held 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.

He is the Immediate Past President of the International Gas Union, the host of the 25th World Gas Conference held in Kuala Lumpur in 2012. He also helmed the presidency of Asia Pacific Natural Gas Vehicle Association from 2003 to 2007 and the presidency of the Malaysian Gas Association from 2003 to 2013. He has served as a Board Member of the Board of Engineers Malaysia.

Currently, he is a member of the National Science and Research Council of Malaysia and the Energy Commission of Malaysia, and is a Director of SIRIM Berhad since 2004. He is also a Director of Institute of Technology PETRONAS Sdn. Bhd. since September 2010, Chairman of the Dewan Filharmonik PETRONAS and the Malaysian Philharmonic Orchestra since September 2013. He also sits on the Board of LanzaTech NZ Ltd. since March 2013.

Notes:

1. Directors' attendance at Board and Board Committees' meetings during the financial year ended 31 December 2013 are set out in the Statement of Corporate Governance and Audit Committee Report.
2. The above Directors have no family relationship with any Director and/or major shareholders of Deleum Berhad, have no conflict of interest with Deleum Berhad and have not been convicted of any offence within the past 10 years.

Key Management

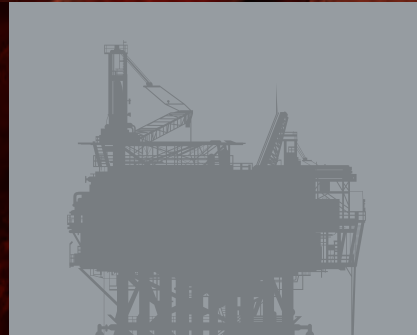


1. Khairiri bin Abd Karim
Chief Operating Officer
Deleum Rotary Services Sdn. Bhd.
2. Heng Phok Wee
Chief Operating Officer
Deleum Services Sdn. Bhd.
3. Ahmad Uzahir bin Khalid
Chief Operating Officer
Deleum Oilfield Services Sdn. Bhd.
4. Jayanthi Gunaratnam
Senior General Manager
Group Finance, Administration & Procurement
5. Mazrin bin Ramli
Chief Operating Officer
Deleum Primera Sdn. Bhd.
6. Nan Yusri bin Nan Rahimy
Group Managing Director
7. Lee Sew Bee
Senior General Manager
Group Corporate Services



PURSUIT OF **DISTINCTION**

Our commitment to shareholders, employees and other stakeholders at large has remained unchanged. It is our commitment to pursue strong financial and operational results to ensure sustainability and uphold high standards of Shared Values in Integrity, Professionalism, Health, Safety & Environment, and Excellence.



22

Chairman's Statement



Dato' Izham bin Mahmud
Chairman

“

THE BOARD HAS REMAINED MINDFUL OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012, THUS REINFORCING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE AND ETHICAL CONDUCT WHILE EMPHASISING A CULTURE OF HIGH PERFORMANCE AND ORGANISATIONAL EFFECTIVENESS.

”

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (Board), I am pleased to present this Annual Report and Financial Statements of Deleum Berhad (Deleum or the Group) for the financial year ended 31 December 2013 (FY2013). The year under review marks the Group's significant efforts in transforming from a diversified service provider to an integrated services and solutions provider of specialised products and services in the Malaysian oil and gas industry.

The Group continues to address sustainable growth across its business segments by establishing increased efforts both organically and through long-term strategic partnerships in the oil and gas industry. As a trusted partner and responsible employer, we remain committed towards upholding the best practices of

integrity, professionalism, health, safety and environment with excellence in mind. The year 2013 has been a very encouraging year for us and it gives me great pleasure to share with you our notable highlights and accomplishments for the year under review.

FINANCIAL PERFORMANCE

I am pleased to report that the Group recorded a new high profit after tax and non-controlling interest of RM49.6 million, which is an increase of 11.5% from RM44.5 million in 2012. This commendable result is attributed to the stronger performance achieved by each of our business segments on the back of a marginal increase in revenue from RM473.2 million in 2012 to RM484.7 million in 2013.

Chairman's Statement (continued)

The positive results achieved by the Group in 2013 have demonstrated our business focus and strategy to capitalise on growing opportunities in the domestic oil and gas industry through constant efforts to expand our products and services offerings.

The details of the performance of the three business segments, namely Power and Machinery, Oilfield Services and Maintenance, Repair and Overhaul (MRO) are explained in the Management Discussion and Analysis section of this Annual Report.

DIVIDEND

Deleum remains committed to its dividend policy of distributing dividends of 50% of the Group's annual profit to shareholders of the Company, subject to the availability of adequate distributable reserves, operating cash flow requirements, financial commitments and expansion plans to sustain its existing operations and to support its future business growth. In respect of FY2013, we continued to reward our shareholders by declaring our highest ever dividend since listing, of 17.0 sen per ordinary share, an increase of 2.0 sen from 15.0 sen per ordinary share for FY2012. During the year, the Company paid a first interim single tier dividend of 6.0 sen per ordinary share to our shareholders on 25 September 2013 and subsequently declared a second interim single tier dividend of 11.0 sen per ordinary share which was paid on 26 March 2014. There is no final dividend proposed in respect of FY2013.

PROPOSED CORPORATE EXERCISES

On 11 March 2014, the Company made an announcement on the proposed corporate exercises to be undertaken for the best interest of the Company.

Proposed Bonus Issue

The Company proposed a bonus issue of 50 million new ordinary shares on the basis of one (1) bonus share for every three (3) existing shares held by the entitled shareholders of the Company, on an entitlement date to be determined (Proposed Bonus Issue). The Proposed Bonus Issue would result in the issued and paid-up share capital of Deleum increasing from RM150 million to RM200 million. The Proposed Bonus Issue aims to reward the entitled shareholders for their loyalty and continuing support while increasing the capital base of the Company.

Proposed Share Split

Concurrently, in order to enhance the marketability and trading liquidity of Deleum shares, a proposed share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each held into two (2) new ordinary shares of RM0.50 each on an entitlement date to be determined (Proposed Share Split) was announced on the same day. Accordingly, upon the completion of the Proposed Bonus Issue and Proposed Share Split, the issued

and paid-up share capital of the Company will be RM200 million, comprising 400 million ordinary shares of RM0.50 each. The Proposed Share Split will result in an adjustment to the market price of Deleum shares to a more affordable entry price which is expected to appeal to a wider group of public shareholders and/or investors. The Proposed Share Split will also enable the existing shareholders of the Company to have a larger number of shares in the Company while maintaining their percentage of equity interest.

Proposed LTIP

At Deleum, we always recognise that our success hinges on our committed, dedicated and loyal employees who contribute and drive the Company to achieve sustainable growth and profitability. Hence, the Company proposed the establishment of a long-term incentive plan (Proposed LTIP) of up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point in time during the duration of the Proposed LTIP for executive directors of the Company and key employees of the Group.

The Company believes that the Proposed LTIP is a flexible and effective share incentive scheme, which aims to retain, motivate and reward eligible employees to optimise and sustain their performance standards and efficiency to maintain a high level of contribution through greater dedication and commitment to the Group.

The Company is seeking the shareholders' approval for the above-mentioned proposed corporate exercises at the Ninth Annual General Meeting, subject to the approval of the relevant authorities.

HIGHLIGHTS OF THE YEAR

I am particularly proud to share that during the year under review, Deleum Oilfield Services Sdn. Bhd. (Deleum Oilfield), a wholly-owned subsidiary of Deleum, had been awarded multiple contracts from various Production Sharing Contract (PSC) operators under a joint tender exercise for the provision of slickline equipment and services for PSC operators' drilling programmes and production operations, each for a duration of 5 years. With the award of these contracts, our number of operating slickline units will increase to approximately 50 units as compared to 26 units previously.

In addition, Turboservices Sdn. Bhd. (Turboservices), a subsidiary of Deleum, had secured Long Term Service Agreements (LTSAs) to provide aftermarket turbomachinery maintenance services for Solar Turbines Incorporated's gas turbines in Malaysia to PETRONAS Group of Companies and PSC operators, replacing the existing agreements. The appointment of Turboservices subsists for a primary period of seven (7) years, with extension of an additional three (3) years.

Chairman's Statement (continued)

Consequently, the continuation of providing aftermarket turbomachinery maintenance services of gas turbines to various PSC operators and the award of the slickline contracts will further enhance the sustainability of our recurring services.

We continue to reinforce our commitment to delivering quality and timely services to our customers. I am also pleased to inform that Deleum Oilfield had once again been recognised by PETRONAS Carigali Sdn. Bhd. (PCSB) for its outstanding performance and we were presented with the Outstanding Vendor Award during the year under review. This award was given following the evaluation by PCSB of its vendors' performance in 2012, including Health, Safety and Environment (HSE), timeliness of service delivery, responsiveness and Non-Productive Time (NPT). PCSB has more than 450 vendors and contractors and Deleum Oilfield was selected as one of the 20 recipients of the award.

CORPORATE GOVERNANCE

I firmly believe that a strong commitment to good corporate governance serves to propel the organisation's growth in this vibrant and challenging industry. At Deleum, we constantly strive to uphold the best interests of our shareholders and other stakeholders by safeguarding our resources while concurrently sustaining business growth and enhancing the prospects of the Group's position in the oil and gas industry.

The Board has remained mindful of the Malaysian Code on Corporate Governance 2012, thus reinforcing the highest standards of corporate governance and ethical conduct while emphasising a culture of high performance and organisational effectiveness. To further enhance the adherence to good corporate governance, the Whistleblowing Policy was approved and implemented in May 2013 by the Board to promote stronger values of transparency, accountability and ethics within the Group.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

In the year under review, we have continued to ensure the sustainability of our business while being committed to achieving a balance among the interests of all stakeholders including our employees, the communities, environment and marketplace in which we operate.



Hari Raya celebration with the children from Asrama Darul Falah PERKIM

Our HSE Committee continues to build upon its annual HSE Campaign through organising talks, workshops, programmes, activities and monthly bulletin boards to keep our employees updated on the latest safety measures and also to educate and increase their HSE awareness. The detailed programmes and activities are set out in the Quality, Health, Safety and Environment section on page 35 of this Annual Report.

The Group continues to invest time and effort in Corporate Responsibility initiatives especially in community development. The commencement of the 'Deleum Community Enrichment Programme' is part of the Group's initiatives to support the nation's social and economic development. We hosted the Health and Safety Talk, donated essential supplies and also shared the joy of a festive occasion with the children from Asrama Darul Falah PERKIM, a shelter for orphans, the underprivileged and the needy. We are focused on initiatives to inculcate skills for life and to create awareness of best practices for healthy living and hygienic practices for needy children. In the year 2013, we continued with our blood donation campaign which was held at the Headquarters, in collaboration with *Pusat Darah Negara*, and successfully collected 69 pints of blood from employees, business associates and the public.

HUMAN CAPITAL DEVELOPMENT

Our focus on key factors such as professional development, performance enhancement, people development, retention of manpower and process improvements has been crucial in support of our business sustainability and growth. Therefore, the Group has established the balanced scorecard with the Key Performance Indicators system and competencies based performance assessment to measure and assess our continuous development of competencies more effectively. The Group also organised the 'Spirits of Champion' – its first group-wide off-site programme for management and staff, which was initiated to

Chairman's Statement (continued)

Group Team Building – ‘Spirits of Champion’

bolster the development of leadership and team building within the organisation. Additionally, we implemented the Graduate Trainee Engineers Programme as part of our efforts in contributing towards sustainable development within the oil and gas industry by enhancing the work experience and employability of graduates.

ENTERPRISE RESOURCE PLANNING

In preparation of the Group's further expansion and growth, the Group proceeded with the implementation of Enterprise Resource Planning (ERP), a system capable of automating, integrating and re-engineering its existing business processes. The ERP system is expected to centralise and integrate the entire financial, project management, procurement, assets management and other relevant transactions under a single, central data source and provide real-time information on day-to-day operations. During the year under review, Deleum Rotary Services Sdn. Bhd., one of the key operating subsidiaries, had successfully gone live with the said ERP system. Moving forward, the Group aims to ensure a seamless rollout of the ERP system across the entire Group through a wave approach that is expected to be completed by 2015.

OUTLOOK

We remain positive about our prospects in the Malaysian oil and gas industry due to the increased efforts for new discoveries and intensified enhancement of production activities in support of the Economic Transformation Programme. In order to capitalise on the increased activities in the industry, the Group continues to enhance its competitive edge by transforming the Group into an integrated services and solutions provider.

The efforts of PETRONAS in enhancing and increasing its exploration and production activities, coupled with its substantial allocation of capital expenditure in the areas of production enhancement, asset integrity and rejuvenation of existing fields through Enhanced Oil Recovery have resulted in increasing business opportunities for us.

Looking ahead, the Group will continue to focus on its core business segments whilst looking diligently for opportunities to form strategic alliances, mergers and acquisitions in order to achieve and increase our prospects of growth, profitability and sustainability. In line with our aspiration to remain competitive, we are continually reinforcing our position and strength by enhancing our technical skills, technological expertise and expanding our capabilities to deliver innovative solutions to our customers in support of the increased demand in the industry.

ACKNOWLEDGEMENTS

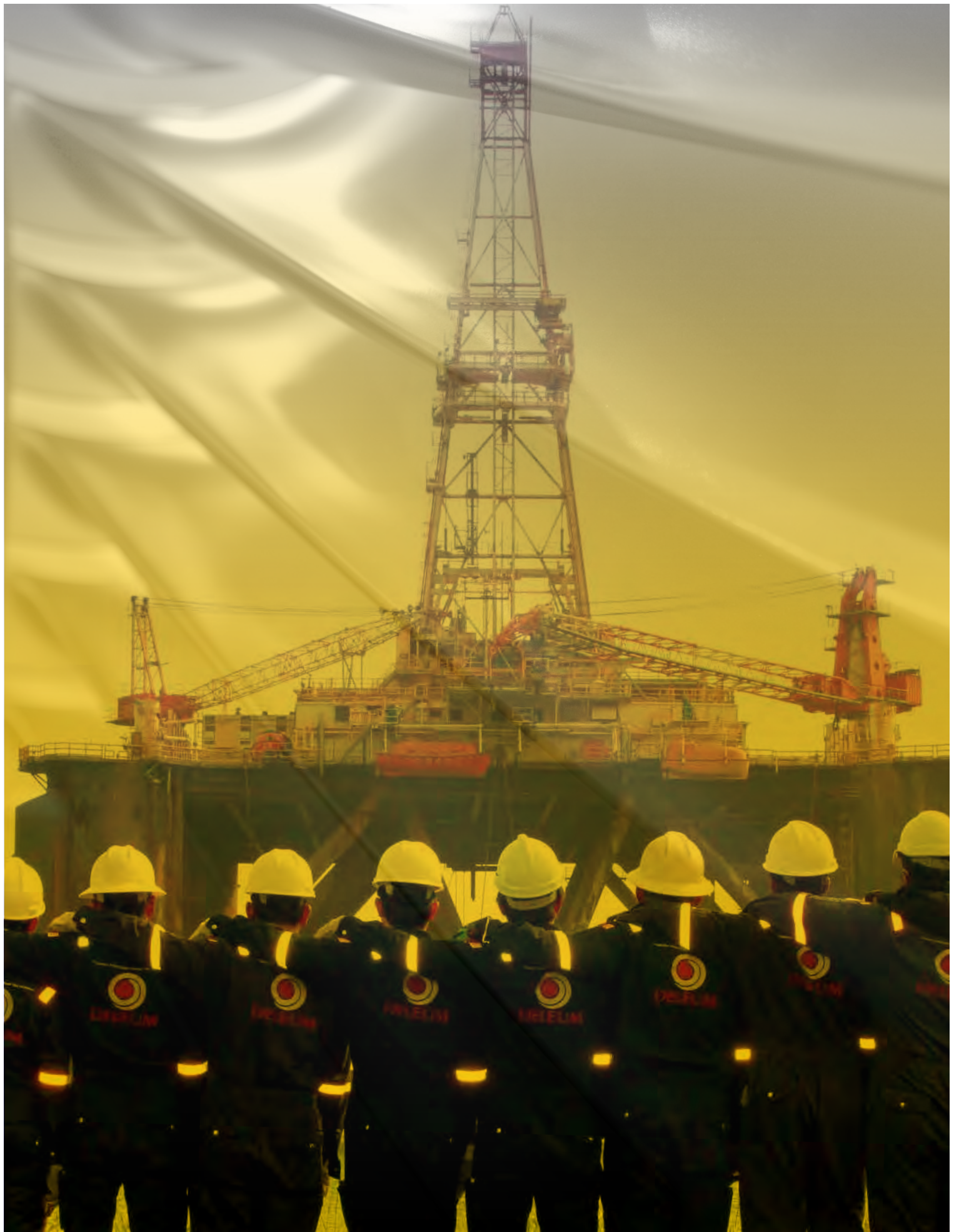
On behalf of the Board, I wish to extend our gratitude to the Management and employees for dedicating their passion, professionalism and hard work towards another substantial year of progress. It has been yet, another significant year of business growth for Deleum. On that note, I would also like to sincerely thank and acknowledge the wisdom, the guidance and the counsel that my fellow Board members have provided over the years.

Also, on behalf of the Board, I would like to record our appreciation to Dato' Kamaruddin bin Ahmad, who has resigned from the Board on 21 October 2013, for his invaluable contributions. I also wish to extend a warm welcome to Datuk Ir (Dr) Abdul Rahim bin Hashim who joined the Board on 15 November 2013.

Last but not least, I would like to thank all of our shareholders and other stakeholders, particularly our customers, suppliers, business partners and financiers for their loyal support, patience, trust and confidence in Deleum throughout the years.

Dato' Izham bin Mahmud
Chairman

5 May 2014



SHARING **ONE VISION**

At Deleum, we are dedicated and committed towards pursuing our Mission, Vision and Shared Values. Together, we forge forward as ONE to become a reputable Integrated Services and Solutions provider in the oil and gas industry, and to maintain sustainable growth of our business. Our unwavering commitment to excellence is attributed to our sharing of the same vision, same commitment and same values as an organisation.



Management Discussion and Analysis



GROUP BUSINESS AND OPERATIONS

With over 30 years of operational experience in the oil and gas industry, Deleum has emerged as an established service provider which features a diverse range of specialised products and services particularly in the exploration and production sector. Significant efforts have been made by the Group in the recent years to evolve from a 'Product Oriented' business to an 'Integrated Services and Solutions' provider. The Group continues to address business sustainability by enhancing its capabilities across its core business segments for the oil and gas sector value chain.

The Group has three (3) main business segments consisting of Power and Machinery, Oilfield Services and Maintenance, Repair and Overhaul (MRO). Our business focus in growing these segments remains with the expansion of products and services offerings, which are further explained in the Business Performance Review of this section.

The Group is headquartered in Kuala Lumpur with operating supply bases in Kemaman Supply Base located in Kemaman, Terengganu and Asian Supply Base in Labuan. Our integrated facility in Senawang supports gas turbine overhaul and repair services for local and regional customers. For East Malaysia operations, we have offices and workshop facilities in Miri, Labuan, Kota Kinabalu and Bintulu. A Research and Development facility was set up in Petaling Jaya, Selangor for our specialty chemicals business. In support of growing the MRO business, two new workshop facilities have been established in Bintulu and Kemaman during the year, in addition to the existing offices and facilities in Kajang, Selangor and Sungai Besi, Kuala Lumpur.

FINANCIAL REVIEW

The Economic Transformation Programme (ETP) continues to set the tone for Malaysia's Oil, Gas and Energy industry with significant increase of activities in exploration and production, and further development in deepwater, marginal and stranded fields, and Enhanced Oil Recovery (EOR) in matured fields. Furthermore, PETRONAS' planned capital expenditure which will be intensified for upgrading and enhancing the integrity and yield of existing assets has spurred business opportunities for industry service providers like Deleum.

Management Discussion and Analysis (continued)

The Group delivered commendable results for the financial year ended 31 December 2013 (FY2013), turning in a reputable performance on the financial and operational fronts. The Group achieved a 11.5% increase in profit after tax and non-controlling interest from RM44.5 million in 2012 to RM49.6 million in 2013 on the back of a marginal increase in revenue from RM473.2 million to RM484.7 million. In spite of the challenging and competitive environment, the Group managed to deliver the best results since its inception, supported by the increase in contributions from all the business segments.

The Power and Machinery segment, the key revenue contributor to the Group, recorded segment results of RM64.0 million, a 10.2% increase as compared to RM58.1 million in 2012. The Oilfield Services segment had a stronger showing in 2013 by delivering a 43.9% increase in segment results of RM7.3 million as compared to RM5.1 million in 2012. The MRO segment had contributed to the growth of the Group by recording a profit of RM1.9 million as compared to a loss of RM1.0 million in the previous financial year.

Liquidity and Capital Resources

During the year, the cash and cash equivalents of the Group decreased by RM7.1 million from RM80.3 million to RM73.2 million due to a few notable key factors. The Group paid a higher tax amount of RM7.7 million with the higher results achieved during the year and increased its capital expenditure from RM22.2 million in the previous year to RM47.2 million mainly due to the award of new Pan Malaysian Slickline contracts. The capital expenditure also included the purchase of additional property, plant, equipment and office renovations as part of the Group's expansion plans to enhance sustainability and profitable growth. Furthermore, the Group made a higher dividend payout of RM24.0 million in the year 2013 to its shareholders as compared to RM16.5 million in the previous financial year.

Gearing Ratio

The gearing ratio of the Group as at 31 December 2013 was 0.12 times, an increase from 0.09 times as at 31 December 2012. The gearing ratio is calculated as total debt (RM29.6 million) divided by total shareholders' equity (RM241.9 million). Gearing ratio has increased, particularly due to a new term loan obtained by Deleum Oilfield Services Sdn. Bhd. (Deleum Oilfield) for the purchase of new slickline equipment for the Pan Malaysian Slickline contracts. As at 31 December 2013, Deleum Oilfield has drawn down a total of RM10.0 million from this term loan facility.

Contingent Liabilities

The Group has provided guarantees amounting to RM21.4 million to third parties in respect of operating requirements, utilities and maintenance contracts.

Capital Management

The Group's objective towards managing capital is to safeguard its ability to sustain growth and to maintain an optimum capital structure which maximises shareholders' value. In order to maintain or achieve optimal capital structure, Deleum may adjust the amount of dividends, return capital to shareholders, issue new shares or increase the borrowings.

The capital structure consists of borrowings, cash and cash equivalents, and total equity.



Installation of compressor rotor stators and spacer rings



Engine performance test

Management Discussion and Analysis (continued)

Future Commitments and Funding Sources

The Group has total capital commitments for property, plant and equipment amounting to RM196.8 million as at 31 December 2013. Capital expenditure of RM75.8 million has been authorised and contracted for, but not incurred as at 31 December 2013. The remaining RM121.0 million has been authorised, but not contracted for. Capital commitment that has been authorised and contracted for largely covers the purchase of new equipment for the Pan Malaysian Slickline contracts and the enhancement of facilities.

As at 31 December 2013, the Group has approximately RM44.1 million in net cash, after taking into account approximately RM29.6 million in bank borrowings. Net cash is calculated as cash and cash equivalents (including restricted cash) less total bank borrowings. Details of the borrowings and maturity profile of such borrowings are disclosed accordingly in the consolidated financial statements (Note 22).

BUSINESS PERFORMANCE REVIEW

Power and Machinery

The Power and Machinery segment continues to be the major revenue contributor within the Group. The segment focuses on the provision of a complete life cycle support of gas turbine generators, mechanical drives and compressor packages; turnkey solutions for combined heat and power plants; supply, installation, repair and maintenance of valves and flow regulators; umbilical and piping insulation solutions; transport and installation works, and provision of heavy lifting equipment for offshore installations.

To further strengthen the segment's aftermarket support and to enhance its local capabilities, the Group has an integrated facility in Senawang which offers overhaul and repair services for gas turbines as well as performs simulation tests on control retrofits for both local and regional customers. The integrated facility also serves as a training centre and is well equipped with simulators and training skids to facilitate hands-on training on related packages and system upgrades.

During the year under review, the Power and Machinery segment's contribution to the Group's revenue increased marginally by 0.7% from RM379.5 million in 2012 to RM382.2 million, mainly attributed to the higher sales from parts and services and exchange engine, and marketing fees earned in connection with the provision of an offshore facility. The increase was offset against lower contribution from retrofit projects. Despite the marginal increase in revenue, Power and Machinery segment results increased by RM5.9 million from RM58.1 million in 2012 to RM64.0 million for the year under review mainly attributed to the said marketing fees earned. In 2013, the Group managed to secure new gas turbine package orders for onshore and offshore oil and gas projects. The Group continues to see an increase in activities from the gas turbine rehabilitation and upgrade projects that provide an extensive fleet assessment programme as well as an integrated turnkey execution and implementation solution for customers.



Installation of lube oil connections

Management Discussion and Analysis (continued)



**Quality control inspection
on pressure control equipment**



Slickline unit function test

During the year under review, Turboservices Sdn. Bhd. (Turboservices) was awarded Long Term Service Agreements (LTSA) to provide aftermarket turbomachinery maintenance services for Solar Turbines Incorporated's gas turbines in Malaysia to the Production Sharing Contract (PSC) operators, replacing the existing agreements, which further sustained the segment's recurring services. The appointment of Turboservices subsists for a primary period of seven (7) years, with extension of an additional three (3) years.

The control and safety relief valves business saw a marginal decrease in revenue by 2.2%, mainly due to the lower aftermarket service activities as compared to the year 2012. Despite the challenges and stiff competition in the control and safety relief valves business, the segment sees possibilities of continuing its positive contribution to the Group's revenue in the forthcoming year.

Oilfield Services

The Oilfield Services segment focuses mainly on upstream operations, topside and downhole support services which include the provision of slickline equipment and logging services, completion services, integrated wellhead maintenance services, Asset Integrated Solutions (A.I.S.), integrated chemical solutions, other oilfield products and technical services.

For FY2013, the Oilfield Services segment revenue reduced by RM1.7 million, from RM76.9 million in 2012 to RM75.2 million. This was mainly due to lower deployment of slickline equipment and services and related products and slickline third party sales. In spite of the contraction in revenue, Oilfield Services segment results had

improved by 43.9%, from RM5.1 million to RM7.3 million. Factors which contributed to this include improved margins in slickline business and the increased supply of drilling related products to support the heightened oil and gas activities driven by PETRONAS Drilling Programme.

During the year, Deleum Oilfield had once again been recognised by PETRONAS Carigali Sdn. Bhd. for its outstanding performance in 2012 and was presented with the Outstanding Vendor Award. The Group has demonstrated its capabilities through the attainment of multiple contracts from various PSC operators for the provision of slickline equipment and services, paving the way for larger opportunities of growth.

Within this segment, the Group continued its conscientious efforts to offer value added services for existing contracts, mainly through mechanical intervention and electronic data acquisition services.

In the quest to reinforce our strength and capabilities in Oilfield Services business, the A.I.S. unit was newly set up during the year to consolidate and integrate the segment's products and services into an integrated services and one-stop solutions provider.

The A.I.S. unit offers a diverse range of products and services and customised solutions through smart and viable integration of all types of assets within the segment and/or the Group. This has further bolstered the strength of the Group by being able to address the specific needs of customers, ranging from just a selection of specific services to customising solutions and managing complex projects.

Management Discussion and Analysis (continued)



Gate valve function test

In 2013, the A.I.S. unit had fared positively for the segment in securing pilot jobs for production enhancement, plug setting services, mechanical water shut-off and cement retainer setting work for drilling and exploration campaign as well as plug and abandonment work.

Chemical Services, a growing niche within the Oilfield Services segment, is a research-oriented unit that focuses on developing chemical solutions for production enhancement, flow assurance and well integrity. The offerings include a wide range of performance chemicals and Integrated Production Chemicals – designed to support activities such as production enhancement, well stimulations, tubing and wellbore cleaning, waste management, process equipment cleaning, flow line cleaning and integrated EOR services.

For the year under review, this unit developed and trademarked five (5) new chemical solutions, namely DEL-SOL, FLOW SURF®, LIQUID FILTER®, SAND LIFT™ and ScaleSTIM™. Among these solutions, DEL-SOL and SAND LIFT™ were developed and commercialised during the year. While DEL-SOL provides a holistic solution for naphthenate issues found in oilfields, SAND LIFT™ deconsolidates sand and increases buoyancy in tubing in order to ease sand removal.

Maintenance, Repair and Overhaul (MRO)

The MRO segment provides repair, servicing, maintenance and overhaul of motors, generators, transformers, pumps, valves, composite repair integrity for pipeline and also secondary structural repair for the oil and gas and general industries. The acquisition of Deleum Primera Sdn. Bhd. (Deleum Primera) during the fourth quarter of 2012 has continued to expand the capabilities of the MRO segment in the maintenance and repair services supply chain such as surface preparation services, corrosion prevention and painting.

The revenue contribution from the MRO segment during the year increased by RM10.5 million, from RM16.8 million to RM27.3 million, mainly due to increased contributions of RM9.8 million from Deleum Primera.

MRO sought to transform its core provision of maintenance, repair and overhaul services into an integrity based life cycle management and services. The Asset Integrity Management offered by the segment integrates the core products and services of both operating subsidiaries in the MRO segment, i.e. Deleum Rotary Services Sdn. Bhd. (Deleum Rotary) and Deleum Primera by applying the maintenance engineering concept of integrity management, advanced inspection and monitoring solutions. Its integrity management based solutions expand the capabilities of the MRO segment to perform online assessment and monitoring as well as provide online mitigation solutions via newly acquired technological frontiers.

Management Discussion and Analysis (continued)

During the year, Deleum Rotary secured its first Packaged Engineering, Procurement, Construction and Commissioning contract which marked its successful transition into the oil and gas industry in contribution towards the segment's growth. The implementation of Asset Integrity Management has also transformed Deleum Rotary beyond just being a provider of service, repair and maintenance in the general industries. Deleum Rotary further enhanced its capabilities by offering engineered repair solutions for pipe rack integrity and structural strengthening through its 'Hybrid Pipeline Repair' integrated solution.

Deleum Primera continues to synergise products and services under the MRO segment with additional revenue streams gained from new projects throughout the year. In the year under review, Deleum Primera has obtained the sole distributorship of Sponge Jet Technology in Singapore, Brunei, Iraq and Turkmenistan in addition to existing markets in Malaysia and Indonesia. This has served as a gateway for the Group, in line with its mission to establish a regional presence in the Southeast Asian markets.

Sponge Jet Technology features an abrasive blasting method that produces low fugitive emissions to effectively and delicately clean aggressive profiling of industrial substrates, while remaining safe to the environment. It is recognised and accepted by PETRONAS, SIRIM, Department of Occupational Safety and Health (DOSH) and other major oil and gas companies.

Additionally, Deleum Primera continues to expand its products and services offerings in obtaining the sole distributorship of ENECON Corrosion Protection Technology. ENECON's advanced polymer technology expands the core capabilities of MRO to effectively address erosion, corrosion, wear and chemical attack problems on pipes, heat exchangers, shafts and susceptible components.

ASSOCIATE COMPANIES

The Group has two associate companies, namely Malaysian Mud And Chemicals Sdn. Bhd. (2MC) and Cambodia Utilities Pte. Ltd. (CUPL).

2MC is a joint venture company incorporated in 1985 to provide dry and liquid bulking services for East Malaysia offshore operations at the Asian Supply Base in Labuan. The bulking facility at the Asian Supply Base offers services for handling, storage, pumping and transportation of materials consumed in drilling operations.

CUPL is the first independent power producer in Cambodia, delivering a net capacity of 35MW electricity to the Phnom Penh transmission grid since 1997. The Power Purchase Agreement entered into with Electricite Du Cambodge will end in May 2015.

The share of associates' results for the current financial year was broadly similar to the previous year. During the year under review, profit contribution from 2MC increased by RM1.7 million mainly attributed to higher drilling activities in East Malaysia, offset by reduced contribution from CUPL of RM1.3 million due to lower throughput in 2013 resulted from sufficient power supply from other sources.

GROUP'S STRATEGIES

The Group has embarked on a business transformation plan to sustain and grow its core business segments – Power and Machinery, Oilfield Services and MRO through synergising its wide scope of products and services into an integrated services and solutions provider.



Internal lining coating



Commutator skimming

Management Discussion and Analysis (continued)



Chemical testing at laboratory

We remain focused and committed in the participation of exploration and production activities, and vast opportunities laid out by PETRONAS, along with its significant capital outlays to boost the production of oil and gas within the country. We strongly believe that with our in-house expertise, capabilities and established business relationships with relevant business associates and partners, it will further underpin our strength for development of innovative solutions, bringing considerable values to our customers, and stakeholders at large.

In preparation of the expected increase in exploration and production activities, the Group has purchased additional equipment to enhance its operational and laboratory facilities. The Group looks to enhance its human capabilities development by developing a series of extensive training initiatives to upscale its employees' capabilities to support the expanding operations and growth for the years to come.

Looking ahead, diversifying the portfolio of services as well as geographical reach has always been a mission that the Group is committed to, in ensuring the sustainability of the business and regional growth. Our presence in the Southeast Asian Markets through applications of Sponge Jet Technology and ENECON Corrosion Protection Technology along with integration of production enhancement, flow assurance and hybrid pipeline repair in the region has provided the Group a gateway to increase its presence in new and growing markets of neighbouring countries, namely Brunei, Cambodia, Indonesia, Myanmar, Thailand, Vietnam and the Middle East.

PROSPECTS

In 2014, the Group is highly motivated to continue its pursuit of sustainable growth, which is in tandem with the growth attained by the Malaysian oil and gas sector driven largely by the strong exploration and production activities undertaken by PETRONAS. The increase of exploration and production activities which include implementation of EOR, strengthened production effort through deep water exploratory drilling, revitalising matured fields and developing marginal fields, have led to a higher demand for products and services offered by the Group.

We acknowledge that competition will be intense and there may be factors beyond our control impacting the oil and gas industry. Thus, the Board and Management are cognisant of the challenges ahead. Accordingly, initiatives and mitigating actions are being undertaken to enhance our competitive position, in order to capitalise on the forthcoming opportunities.

Quality. Health. Safety and Environment (QHSE)

As a responsible service provider in the oil and gas industry, Deleum places a strong emphasis on Health, Safety and Environment (HSE) – which is embedded in the Deleum Group's Shared Values that it upholds throughout its business conduct. Our HSE slogan of *'Collective Responsibility Towards HSE Excellence'* best represents our commitment to always ensuring the best practices of QHSE management among operational standards and procedures on a day-to-day basis. At Deleum, our employees are always committed towards taking necessary measures to improve quality, health and safety performance by adhering to the Group's established QHSE policies and clients' requirements at all times.

Deleum's commitment towards continuous improvement is upheld by high standards of certification in quality assurance and management. In 2004, Deleum Oilfield Services Sdn. Bhd. (Deleum Oilfield) and Turboservices Sdn. Bhd. (Turboservices) attained the ISO 9001:2000 certification by SIRIM for their quality management systems. In 2008, both Deleum Oilfield and Turboservices were re-certified under the umbrella of their holding company, Deleum Services Sdn. Bhd. for ISO 9001:2008 certification by Det Norske Veritas (DNV).

Another subsidiary, Deleum Rotary Services Sdn. Bhd. has also obtained its ISO 9001:2008 certification by AGM Certification Sdn. Bhd. and an international IECEx Certification from Simtars, Australia endorsing the safety level of the facilities and its personnel capabilities. This marked a significant milestone in the Deleum Group's initiative to continuously improve its management system and meeting customers' requirements.

The Deleum Group continues to participate in HSE forums and conferences organised by customers, business partners and relevant authorities in the oil and gas industry. Furthermore, the Group also conducted regular training, HSE programmes and activities to provide our employees with the latest information regarding safety mechanisms and operational technology and best practices. During the year, a number of internal HSE programmes and activities were conducted to maintain the highest standards with regard to the health and safety of our employees, protection of the environment and support for the communities where we operate. These included the following:

HSE CAMPAIGN

The Deleum Group held its annual HSE Campaign via a *'HSE Week'* programme to emphasise on safety, health and environmental awareness. In 2013, the Group adopted the theme of *'Healthy Lifestyle'* and held the *'Deleum's Biggest Loser'* programme which aimed to promote and encourage employees wellbeing and a better quality of life. Likewise, other complementing health programmes such as health screenings, health talks, and medical checkups were held to educate employees on the importance of self-sustainability. Besides safety in the workplace, the *'HSE Week'* focused on other safety practices regarding housekeeping and prevention of snatch theft and robbery. Furthermore, the Deleum Group partnered with *Pusat Darah Negara* to organise a blood donation drive during the *'HSE Week'*, as part of our commitment to serve the community.



Basic occupational first-aid training

36

Quality. Health. Safety and Environment (QHSE) (continued)

MONTHLY SAFETY BULLETIN

The Group maintained its efforts to address the fundamentals of best HSE practices among its employees in the workplace, homes and the environment through publishing Monthly Safety Bulletins. Employees were also encouraged to participate in energy-saving measures, recycling programmes and healthy living to promote the benefits of sustainability in the environment and towards their wellbeing.

SAFETY MEETINGS

During the year, the Group held safety meetings and seminars on a regular basis to continuously address safety performance and statistics against workplace hazards which included incident investigation reports, incident mitigation and prevention measures, analysis of STOP card issuances, workplace audit and inspection reports, annual QHSE plan updates and QHSE policies.

HSE MANAGEMENT SYSTEM AUDIT AND INSPECTION

Our HSE Management System audits are performed at our operational facilities on a periodical basis. The HSE Committee continuously looks to enhance the system by implementing the necessary new processes.

EMPLOYEE TRAINING

At Deleum, we strive to practise the best standards of safety at the workplace by taking necessary measures to prevent injuries and accidents in day-to-day operations. The Group conducted comprehensive safety seminars and training programmes to better

address workplace hazards such as hand and finger injuries, fire safety, chemical safety, hoist safety and basic occupational first-aid training among our employees.

AWARDS AND RECOGNITION

The continued maturity of our safety culture and our high standard of HSE performance is reflected in the recognition received from the customers in the industry. In 2013, the Group ended the year on a positive note with the receipt of several recognitions and awards as listed below in acknowledgement of its dedication to QHSE among its business segments and day-to-day operations.

- **Outstanding Vendor Award (OVA) 2013** from PETRONAS Carigali Sdn. Bhd. (PCSB).
- **Certificate of Appreciation** from Borneo Well Intervention Department, PCSB Sarawak in conjunction with its *'BWI 3.0 Million Safe Man-Hours Without LTI'* celebration.
- **Goal Zero Achievement** for achieving 2,160 Days without any recordable incident from Sarawak Shell Berhad.
- **Excellent HSE Performance for Modules 4, 5 & 7 Pit Stop Year 2013** from Malaysia LNG Sdn. Bhd.
- **2012 Safety Recognition For Hurt-Free Operations Below 100,000 Man-Hours** from ExxonMobil.



Talk on personal safety



Blood donation drive

Corporate & Business Activities



Activities of 2013 Corporate & Business Activities (continued)



PCSB Contractor Forum & Outstanding Vendor Award 13 March 2013

Deleum Oilfield was awarded the Outstanding Vendor Award by PETRONAS Carigali Sdn. Bhd. (PCSB) for its outstanding performance in 2012. The award was presented during the PCSB contractor forum.



Offshore Technology Conference 2013 (OTC 2013) 6-9 May 2013

Deleum made its maiden participation at the OTC 2013 held in Houston, Texas, the USA.

Deleum was selected by the OTC Committee to present a technical paper titled '*Chemical Solutions for Flow Assurance*' which was produced as a joint effort between Deleum and PETRONAS.



37th IPA Convention and Exhibition 15-17 May 2013

In collaboration with PETRONAS Carigali Indonesia, Deleum made its debut at the Indonesian Petroleum Association (IPA) Convention and Exhibition, where a presentation on '*Production Enhancement/Well Intervention with SolidClenz™*' was made by the chemical team.



8th Annual General Meeting 16 May 2013

The 8th Annual General Meeting was held at the Sime Darby Convention Centre, Kuala Lumpur and attended by a diverse group of shareholders.

Activities of 2013 Corporate & Business Activities (continued)



37th IATMI - KL Evening Talk

30 May 2013

Deleum participated in the IATMI - KL Evening Talk, organised by the Association of Indonesian Petroleum Engineers - Kuala Lumpur Chapter, which provided great networking business opportunities for knowledge sharing on the recent technology and non-technological issues of the oil and gas business.

The technology on '*Thermo Chemical In-Situ Heat Generation Technique to Remove Organic Solid Deposition: Effective Tool for Production Enhancement and Flow Assurance*' was also presented by our chemical team.



The 14th Asian Oil, Gas & Petrochemical Engineering Exhibition (OGA 2013)

5-7 June 2013

The Group participated in the region's top oil and gas biennial event, OGA 2013 to further promote the Group's diverse range of specialised products and services for the oil and gas industry.

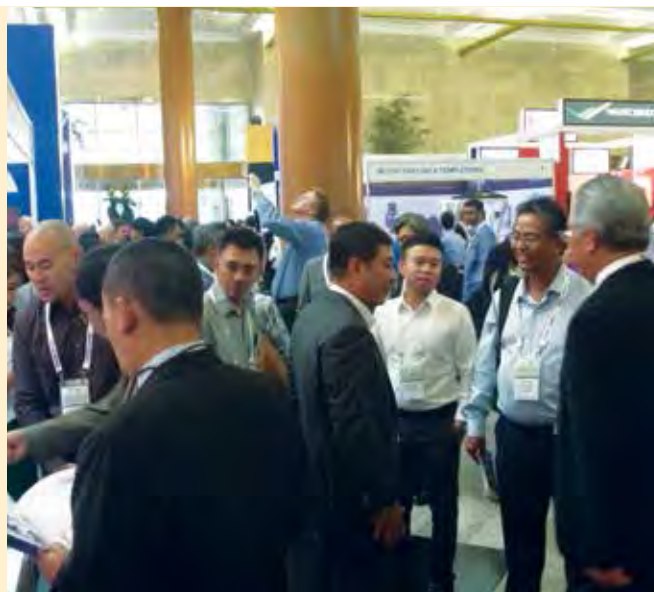
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Activities of 2013 Corporate & Business Activities (continued)



Cocktail Reception 2013 6 June 2013

In conjunction with OGA 2013, Deleum hosted a cocktail reception in celebration of its 30th Anniversary Partnership with Solar Turbines International Company. The reception was well attended by the Group's business associates, customers, board members, management and employees.



Asia Pacific Oil & Gas Conference and Exhibition (APOGCE 2013) 22-24 October 2013

Deleum participated in the APOGCE 2013, an annual upstream technical convention held in Jakarta, Indonesia. Themed *'Maximising the Mature, Elevating the Young'*, the event highlighted a broad range of technical disciplines in the exploration and gas industry. It served as an excellent platform for upstream professionals to enhance their technical and professional competence.

Corporate Responsibility Activities



Activities of 2013 Corporate Responsibility Activities (continued)



Society of Petroleum Engineers (SPE) Life Aid 2013

26 & 27 February 2013

In our continuous commitment towards activities that contribute to the community, Deleum lent its support in the two-day blood and organ donation drive through sponsorship activities as well as having employee participation as volunteers in the event. Health checks, dietary consultations and talks were organised to promote public health awareness.



Earth Hour 2013

23 March 2013

Deleum continued to support the global environmental initiative - Earth Hour. The employees and their families were encouraged to turn off lights for one hour or beyond in support of the global collaborative awareness message for action against climate change.



NADI Charity Golf Tournament

23 March 2013

Deleum participated as a sponsor in the National Diabetes Institute (NADI) Charity Golf Tournament, 'Swing for Diabetes' in support of raising funds to treat diabetes and associated diseases, and promote healthy lifestyles.



PETRONITA PETRONAS Charity Golf Challenge

19 May 2013

Deleum participated as a sponsor in the PETRONITA PETRONAS Charity Golf Tournament to raise funds for cleft lip and palate patients as well as upgrading old folks homes and orphanages.

Activities of 2013 Corporate Responsibility Activities (continued)



SPE Amazing Race on Wheels
8 June 2013

A Deleum team from Kemaman Supply Base, participated in this 'Amazing Race on Wheels', organised by SPE Terengganu Chapter. Bicycles used in this event were subsequently donated to needy students and schools in Kerteh.



Donations to Asrama Darul Falah PERKIM (ASDAF)

1 August 2013

In conjunction with the month of *Ramadhan*, donations of basic necessities such as school uniforms, food, household cleaning products and toiletries were made to ASDAF. ASDAF is a home that shelters Muslim children who are orphans, underprivileged or from poor families and *Mualaf* (Muslim converts), gathered from *Orang Asli* villages nationwide.



Raya Celebration 2013 with ASDAF Children
29 August 2013

In promoting employees' engagement with the communities, a 'Raya Celebration' encompassing a twist of festive feasting cum educational outdoor activities was held at the Kuala Lumpur Bird Park with ASDAF children. Coupled with various 'fun-tastic' and 'fun-filled' activities during the dinner, the event brought beaming smiles and joy from the ASDAF children.

44

Activities of 2013 Corporate Responsibility Activities (continued)



TYT's Charity Golf Classic 2013

9 September 2013

In our continuous efforts towards uplifting community development particularly education and welfare of the underprivileged children, Deleum participated and outreached its financial support in raising funds through this event.



Blood Donation Drive 2013

12 September 2013

In conjunction with the HSE Campaign, a blood donation drive was organised with *Pusat Darah Negara* at Deleum's headquarters, which garnered overwhelming participation from Deleum employees and members of the public. This blood donation drive demonstrated Deleum's proactive commitment to create awareness of this life saving campaign.



'We Care, We Share'

14 September 2013

Deleum participated in Shell's community outreach programme 'We Care, We Share'. This programme held at *Universiti Malaysia Sabah* with a focus on environmental conservation, received monetary donation and saw volunteers from Deleum supporting the tree-planting activity.

Activities of 2013 Corporate Responsibility Activities (continued)



ASDAF Health Talk
12 October 2013

A Health and Safety Talk was organised at ASDAF with the aim of inculcating skills for life and creating awareness of best practices for healthy living and hygienic practices for the children.



Health and Wellness Talk 2013
8 November 2013

A Health and Wellness Talk was organised to enhance awareness on diet and fitness among employees in maintaining a healthy lifestyle. Various exercises and workouts were demonstrated by a fitness expert to be practised and adopted at home.



Yayasan Universiti Teknologi PETRONAS (YUTP) Charity Golf 2013
12 October 2013

Deleum recognises the importance of education and development of future talents. Deleum participated in the YUTP Charity Golf 2013 as one of the main sponsors, which aimed to raise funds for Yayasan UTP Bursary. Funds collected from this event were donated to deserving students to support their studies at the university.

46

Activities of 2013 Corporate Responsibility Activities (continued)



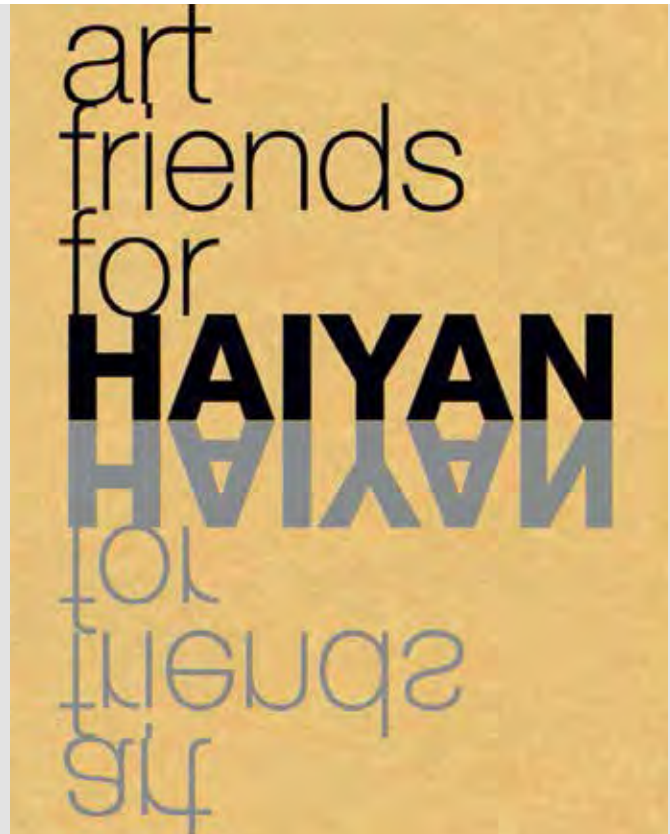
Spirits of Champion 22-24 November 2013

The biggest group team building event for Deleum which involved employees from various operating facilities, functions and levels, with the aim of helping our management and staff to discover their personal strengths and weaknesses, building mental strength and upscaling their leadership traits to meet challenges at work. The journey witnessed amazing team spirit, sportsmanship, camaraderie and joy that were engraved in everyone's hearts and minds.



Flood Relief for Kemaman 9 December 2013

A Flood Relief Effort for Kemaman including a donation drive for money and other essentials was carried out to provide aid to our Kemaman colleagues in need during the flood situation that struck the East Coast of Malaysia.



Art Friends for Haiyan Charity Art Auction 2 December 2013

In line with Deleum's continuous commitment towards community development, Deleum lent its support by participating in the bidding of paintings at this charity art auction, which was held to raise funds for the survivors of the biggest storm that hit Philippines - Typhoon Haiyan. Proceeds were channeled directly to MERCY Malaysia's Typhoon Haiyan Appeal for the provision of emergency and facilities support.

Employees' Sports & Recreational Activities



Activities of 2013 Employees' Sports & Recreational Activities (continued)



Quadrangular Futsal Challenge 21 February 2013

A friendly futsal challenge was held at Sports Planet between teams from Headquarters and Kajang Office in pursuit of the Challenge Trophy. Participants had their share of fun and glory, as well as displayed great sportsmanship during the match.



Cooking Class 15 March & 4 October 2013

A cooking class organised at Masak-Masak Kitchen at B.I.G, Publika for our employees received an overwhelming response especially from the ladies. Apart from honing cooking skills, it provided a social avenue for our employees to gather and unwind after a long week at work. By popular demand, the class was repeated.



Zumba Class for Fitness 20 June - 28 August 2013

Held every Tuesday or Thursday after working hours from June to August 2013, this class was eagerly anticipated by many as it was not just dancing for fitness but also a fun-filled activity for everyone to gather and mingle.



Karaoke Night 6 September 2013

This most awaited event received spectacular response from the employees as many participated to flaunt their singing talents and skills at Red Box, The Gardens. The memorable night ended with smiles on everyone's faces and lots of pleasant memories.

Activities of 2013 Employees' Sports & Recreational Activities (continued)



Paintball 26 October 2013

Employees participated in the exciting and intense paintball game held at Canyon Paintball, Bandar Utama. It was also a platform where great teamwork and camaraderie were displayed.



Wall Climbing 9 November 2013

The employees had a great time at the wall climbing activity held at Camp 5, One Utama. Everyone climbed to their hearts' content and great team spirit was demonstrated throughout the event.



Pool Tournament 15 November 2013

This anticipated night which was held at Brewball, Mid Valley Megamall unveiled hidden talents among the employees and witnessed great participation from various departments in the quest for victory.



Deleum Family Day 2013 7 December 2013

A family day for the employees based at Headquarters, Bangsar, and Senawang, Kajang and Sungai Besi offices was held at Sunway Lagoon, which was well attended by employees and their family members. An array of games was organised during the day and delightfully participated by all.

Activities of 2013 Employees' Sports & Recreational Activities (continued)

Annual



Annual Dinner for Miri Office 21 June 2013

Themed *'Rockers Night'*, the annual dinner for Miri based employees at the Park City Everly Hotel-Pavilion, Miri was well attended by the employees and their families. Various awards were presented including Best Stop Card award in line with the Group's commitment towards workplace safety practices and Long Service awards in recognition of employees' loyalty to the Group.



Annual Dinner for Labuan Office 22 June 2013

Themed *'Elegant & Smart'*, the annual dinner for employees based in Labuan was held at the Grand Dorsett Hotel, Labuan. It was well attended by employees and their family members. Most Active Stop Card Participation for offshore and workshop were presented to recognise employees' outstanding contributions and achievements.

Activities of 2013 Employees' Sports & Recreational Activities (continued)

Dinners



Deleum 'Night at the Movies' 15 December 2013

An annual dinner themed 'Night at the Movies' held at PJ Hilton, Petaling Jaya, saw unique impersonations of movie characters by the employees. The dinner featured live band and dance performances by employees, stand-up comedy, lucky draws, Best Dressed awards and Long Service awards.



RESPONSIBILITY COMES FIRST

Deleum recognises the importance of strong and responsible corporate governance in pursuit of business goals. We are committed towards safeguarding the interests of stakeholders with an emphasis on transparency, accountability and ethical conduct in undertaking our business and operations, every day, in every way.



54

Statement of Corporate Governance

The Board of Directors (the Board) of Deleum Berhad (Deleum or the Company) is dedicated towards its commitment in ensuring the practice and application of high standards of corporate governance throughout Deleum and its subsidiaries (collectively the Group) in furtherance of the Group's Mission, Vision and Shared Values.

The Board is cognisant of the principles and recommendations of corporate governance as stipulated in the Malaysian Code on Corporate Governance (MCCG) 2012 and the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad (Bursa Securities) and shall continue to uphold good corporate governance and support these principles and recommendations, where applicable and appropriate.

1. THE BOARD OF DIRECTORS

1.1 Composition

At the end of the financial year, the Board comprised seven (7) Directors with one (1) Executive Director and six (6) Non-Executive Directors, three (3) of whom are independent, as follows:

| No. | Name | Designation |
|-----|--|---|
| 1 | Dato' Izham bin Mahmud | Non-Independent Non-Executive Chairman |
| 2 | Datuk Vivekananthan a/l M. V. Nathan | Non-Independent Non-Executive Deputy Chairman |
| 3 | Nan Yusri bin Nan Rahimy | Group Managing Director |
| 4 | Datuk Ishak bin Imam Abas | Independent Non-Executive Director |
| 5 | Chin Kwai Yoong | Independent Non-Executive Director |
| 6 | Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz | Non-Independent Non-Executive Director |
| 7 | Datuk Ir (Dr) Abdul Rahim bin Hashim <i>(Appointed on 15 November 2013)</i> | Senior Independent Non-Executive Director |

The seven (7) members of the Board are persons of high calibre and integrity from diverse professional and commercial backgrounds. With a composite blend of good management, entrepreneurial skills, industry specific knowledge and experience, they bring depth and diversity in outlooks and perspectives adding value to the Group's strategic growth and its business and operations.

The profiles of each Director are presented on pages 12 to 18 of this Annual Report.

All Directors are equally and collectively accountable for the proper stewardship of the Group's business activities and affairs.

During the financial year, the Senior Independent Non-Executive Director, Dato' Kamaruddin bin Ahmad, withdrew from the Board due to personal reasons. In place, the Board appointed Datuk Ir (Dr) Abdul Rahim bin Hashim as the Senior Independent Non-Executive Director, to whom any concerns affecting the Group may be conveyed by the shareholders and other stakeholders.

The Independent Directors continue to fulfil the requirements of the definition of independence as stipulated in the Main Market Listing Requirements (Listing Requirements) of Bursa Securities. The Board acknowledges Recommendation 3.2 of MCCG 2012 that an appropriate term for Independent Non-Executive Directors should not be more than nine (9) years. In this regard, none of the Independent Directors has served the Company for more than 9 years.

The Board is also conscious of Recommendation 3.5 of the MCCG 2012 that the Board should comprise a majority of independent directors where the Chairman is not an independent director. The non-compliance of this Recommendation is mitigated by the fact that the Chairman is non-executive and not involved in the day-to-day management of the Group. There is a clear separation of roles and responsibilities of the Chairman and the Group Managing Director to ensure a balance of power and authority.

Statement of Corporate Governance (continued)

The Board has established clear roles and responsibilities which are set out in the Board Charter. There are matters reserved for the Board's collective decision making which includes the overall corporate strategy and direction, business plans and annual budget including major capital commitments, participation in tenders or projects exceeding the prescribed value, material acquisitions and disposals and key policies.

The Joint Remuneration and Nomination Committee (the JRNC)'s assessment confirmed that the Board's size and composition is appropriate given the scale of the Group's business and operations, and well balanced, thereby constituting an effective Board able to discharge its duties professionally and efficiently.

1.2 Board Charter

The Board has adopted a Board Charter to promote the standards of corporate governance which stipulates amongst others, the roles, functions, composition, operations and processes of the Board. The Board will regularly review the Charter to ensure that it remains consistent with the Board's objectives and responsibilities and the relevant standards of corporate governance. The Board Charter is available on the corporate website www.deleum.com.

1.3 Directors' Code of Ethics

The Directors' Code of Ethics outlines certain standards of business conduct and ethical behaviour to be observed by all Directors in discharging their duties and responsibilities to enhance high standards of personal integrity and professionalism. The Code is available on the corporate website.

1.4 Board Gender Diversity

The Board recognises that gender diversity can bring a greater range of viewpoints to boardroom debate and improve board dynamics. Nevertheless, it is satisfied given the present mix of skills, work experiences and business industry knowledge gained to date especially by the Independent Non-Executive Directors, it is in the interests of the shareholders and other stakeholders that the present Board be maintained. However, the Board will take note of the gender diversity guideline when considering future changes to the Board's composition.

1.5 Whistleblowing Policy

Recognising the importance of openness, transparency and accountability, a whistleblowing policy was implemented during the financial year 2013 to provide an avenue for employees to report any wrongdoing in accordance with the procedures in the policy. The policy is accessible to all employees via the Group's intranet.

1.6 Roles and Responsibilities

The Board has collective responsibility and accountability to the shareholders and a wider range of stakeholders for good corporate governance, the strategic direction of the Company and the pursuit of value creation.

It has the ultimate and overall responsibility for the entire affairs of the Group and the proper and effective conduct of its business. It directs the Company's strategic planning, financial, operational and resource management, risk assessment and management and provides effective oversight of Management. While the Board retains full responsibility for guiding and monitoring the Company in discharging its responsibilities, it delegates the performance of certain of its functions to the Board Committees as detailed in item 2 which provides the Board with recommendations and advice. The Board is committed to ensure that Management, being vested with delegated authorities and powers by the Board, serves and acts in the best interests of the shareholders.

The Board practises a clear demarcation of responsibilities whilst maintaining the balance of power and authority. The positions of the Chairman, Deputy Chairman and Group Managing Director are held by separate persons and the clear separation of powers further enhances the independence of the Board.

The Chairman leads the Board and presides over meetings. He is responsible for the leadership and governance of the Board. He ensures that all Board members, executive and non-executive alike, are enabled and encouraged to play their full roles effectively. He is primarily responsible for the orderly conduct and effective working of the Board, and acts as a liaison between the Board and Management.

The Deputy Chairman supports the Chairman and also assists in high level business development and customer relations.

Statement of Corporate Governance (continued)

The Group Managing Director leads the Management of the Company and oversees the day-to-day running and management of the business and operations, and implementation of the Board's policies and decisions.

The Independent Directors are independent of Management and are free from any business or other relationships that could materially interfere with the exercise of independent judgement. They provide independent and balanced assessment and unbiased views and advice to the Board's deliberation and decision-making process.

1.7 Board Meetings

Board meetings for the ensuing financial year are planned and scheduled in advance by the Company Secretaries before the end of the financial year to enable all Directors to plan ahead.

The Company Secretaries ensure that the agenda and necessary information for the Board to deal with in the meeting is systematically organised and disseminated to the Board members on a timely basis.

The Chairman encourages active participation and full deliberation of issues brought up at the Board meetings. Senior Management and external advisors are invited to attend the Board and Board Committee meetings to brief and advise on relevant agenda items to enable the Board to arrive at a considered decision. Decisions reached at the meetings normally reflect the consensus of the Board and not the views of any individual or group. At these meetings, the Company Secretaries are responsible for ensuring that all relevant procedures are complied with and that the proceedings of the Board meetings and resolutions passed are recorded properly and accurately and kept in the statutory books at the registered office of Deleum.

During the financial year ended 31 December 2013, eight (8) meetings of the Board were held. The attendance of the Directors at the Board meetings is reflected as follows:

| No. | Name | No. of attendance and meetings |
|-----|--|--------------------------------|
| 1 | Dato' Izham bin Mahmud | 7/8 |
| 2 | Datuk Vivekananthan a/l M. V. Nathan | 8/8 |
| 3 | Nan Yusri bin Nan Rahimy | 8/8 |
| 4 | Datuk Ishak bin Imam Abas | 8/8 |
| 5 | Chin Kwai Yoong | 8/8 |
| 6 | Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz | 8/8 |
| 7 | Datuk Ir (Dr) Abdul Rahim bin Hashim <i>(Appointed on 15 November 2013)</i> | 1/1 |
| 8 | Dato' Kamaruddin bin Ahmad <i>(Resigned on 21 October 2013)</i> | 6/6 |

The Board is satisfied with the level of time commitment given by Directors towards fulfilling their roles and responsibilities as directors.

1.8 Supply of Information

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

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

The Board is updated with an overview of the Group's financial performance and business activities at quarterly meetings.

Statement of Corporate Governance (continued)

The minutes of each Board meeting is circulated to all Directors for their perusal prior to confirmation. The Directors may raise comments or seek clarifications on the minutes prior to its confirmation.

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

The Directors are apprised of all the Company's announcements to Bursa Securities. They are also apprised of the restriction in dealing with the securities of the Company at least one (1) month prior to the release of the announcement of quarterly financial results pursuant to Chapter 14 of the Listing Requirements of Bursa Securities. In addition, close periods are enforced when Directors and Key Management are in possession of market sensitive information prior to that information being made available to the public.

1.9 Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries in the discharge of its duties and responsibilities and has unhindered access to their advice and services.

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures, and compliance with corporate governance matters and relevant regulatory requirements, codes, guidelines and legislations. Aside from their advisory role, they are responsible for organizing and facilitating Board and Board Committee meetings, the preparation and circulation of notices, agendas and Board papers and ensuring that the deliberations at the Board and Board Committee meetings are well captured, minuted and subsequently communicated to the relevant Management for necessary action.

The appointment and removal of the Company Secretaries are decided and agreed by the Board as a whole.

2. BOARD COMMITTEES

The Board has established Board Committees namely the Audit Committee (the AC), the JRNC, and the Risk Committee.

The Board Committees operate within their own clearly defined terms of reference in order to enhance business and operational efficacy and to assist in the effective functioning of the Board.

The Board Committees deliberate and examine matters within their operating parameters in greater detail and report to the Board on matters deliberated together with their recommendations. The ultimate responsibility for the final decision on all matters however, lies with the Board.

2.1 Audit Committee

The composition of the AC and a summary of its activities are set out in the AC Report on page 67 to 69 of this Annual Report.

2.2 Joint Remuneration and Nomination Committee

The JRNC comprises exclusively of Non-Executive Directors, the majority of whom are Independent Directors.

The JRNC is primarily responsible for the following:

- i) reviewing and recommending appropriate remuneration packages for Executive Directors and Key Management of Deleum to the Board;
- ii) identifying and recommending new individuals to be appointed to the Board as well as Directors to the Board Committees;
- iii) evaluating the effectiveness of the Board and Board Committees including reviewing the Board's required mix of skills, experience and other qualities and core competencies; and
- iv) assisting the Board in examining the size of the Board with a view to determining the impact of the number of directors on its effectiveness.

Statement of Corporate Governance (continued)

During the financial year ended 31 December 2013, six (6) meetings of the JRNC were held. The attendance of members at the JRNC meetings is reflected as follows:

| | Name | No. of attendance and meetings |
|----------|--|--------------------------------|
| Chairman | Datuk Ir (Dr) Abdul Rahim bin Hashim <i>(Appointed on 15 November 2013)</i> | 1/1 |
| Members | Dato' Izham bin Mahmud | 5/6 |
| | Datuk Vivekananthan a/l M.V. Nathan | 6/6 |
| | Datuk Ishak bin Imam Abas | 6/6 |
| | Chin Kwai Yoong | 6/6 |
| | Dato' Kamaruddin bin Ahmad <i>(Resigned on 21 October 2013)</i> | 4/4 |

The Board is satisfied that the JRNC in its current function in respect of nomination and remuneration matters is in accordance with its terms of reference which is available on the Company's corporate website.

During the financial year, the following activities were undertaken by the JRNC:

- (i) reviewed the remuneration package for the Group Managing Director including his annual bonus and made recommendations for the Board's approval;
- (ii) reviewed the overall bonus for the employees and remuneration of Key Management;
- (iii) reviewed and recommended for the Board's approval the appointment of a new director to the Board and Board Committees;
- (iv) reviewed the recruitment of Key Management personnel;
- (v) reviewed key performance indicators for the Group Managing Director and Key Management;

(vi) conducted annual evaluation of the Board's effectiveness covering the assessment of the Board as a whole, each Board Committee and independence of the Independent Directors. An independent individual Director's self and peer evaluation was also commissioned. The findings were subsequently reported to the Board.

In addition, the Committee with the assistance of the external advisors undertook a comprehensive review of the compensation structure of its employees. The objectives are to incentivise long-term employee behavior, drive focus on the achievements of multi-year business objectives and create an ownership mentality and sense of identity for all employees. This review is ongoing and appropriate information will be made available on completion which is expected by the next financial year.

2.3 Risk Committee

The Enterprise Risk Management Policy and Enterprise Risk Management Framework ensure a proper and structured enterprise risk management process for the identification, assessment, response, monitoring and reporting of risks on an enterprise wide basis.

During the financial year ended 31 December 2013, four (4) meetings of the Risk Committee (the RC) were held and attended by all members as reflected below:

| | Name | No. of attendance and meetings |
|----------|---|--------------------------------|
| Chairman | Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz | 4/4 |
| Members | Nan Yusri bin Nan Rahimy | 4/4 |
| | Datuk Vivekananthan a/l M.V. Nathan | 4/4 |
| | Chin Kwai Yoong | 4/4 |

The RC is primarily responsible for the following:

- (i) reviewing the Group's risk profile and appetite and establishing and monitoring the effectiveness of the risk management framework, systems, plans, and processes for identifying, evaluating, monitoring and reporting of risks.

Statement of Corporate Governance (continued)

- (ii) identifying, reviewing and evaluating risks facing the Group and reviewing the adequacy of the Group's processes and procedures to identify and mitigate key organisational risks.
- (iii) ensuring that continuous risk assessment and monitoring of key risk indicators and exposures are performed by Management based on the Group's risk profile and appetite and that adequate risk mitigation processes, action plans and controls formulated and implemented by Management are functioning effectively.
- (iv) making necessary recommendations to the Board on risk management and control, where appropriate.
- (v) updating the Board on the activities of the Committee at its quarterly meetings.

The terms of reference of the RC is available on the Company's corporate website.

During the financial year ended 31 December 2013, the following activities were undertaken by the RC:

- (i) instilled a risk awareness culture within the Group via the implementation of a formal ERM framework.
- (ii) reviewed the corporate risk profiles and parameters at Corporate and Business Unit levels.
- (iii) reviewed the risk matrices of key Business Units setting out key risks and action plans taken to mitigate the risks at each quarterly RC meeting. By the end of the financial year, risk matrices had been established for the Power and Machinery, Oilfield Services and Maintenance, Repair and Overhaul segments.

3. DIRECTORS' TRAINING

The Company is mindful that appropriate continuous training is necessary for the Directors to be kept updated on changes and developments in the market place and the corporate regulatory framework and to enhance their understanding of their roles and responsibilities. On a quarterly basis, the Directors are briefed and updated on the relevant amendments to the Listing Requirements of Bursa Securities as well as new statutory and regulatory requirements and corporate governance.

The Company Secretary facilitates the organisation of internal training programmes and the Directors' attendance of external seminars and programmes and keeps records of the training received by the Directors.

During the financial year, the Company organised an in-house Fraud Awareness workshop session for the Board and Senior Management.

In addition, the Directors also attended various training programmes, seminars and conferences including those organized by the relevant regulatory authorities to be apprised, updated and to further enhance their knowledge and understanding of the business environment, regulatory requirements and corporate governance. Among the briefings, seminars and conferences attended by one or more Directors during the financial year included:

- *'Conference on governance and Enterprise Risk Management – Managing the challenges ahead';*
- *'Launch of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers';*
- *'5th Annual Corporate Governance Summit – Embedding the culture of voluntary governance in organisations';*
- *'Directors' duties, regulatory updates and governance seminar for Directors of PLCs 2013';*
- *'Nominating and Remuneration Committees – What every Director should know';*
- *'Goods and Services Tax';* and
- *'Personal Data Protection Act'.*

The Group will continually review the training and development needs of the Directors.

Statement of Corporate Governance (continued)

4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of Directors is undertaken by the Board as a whole through a formal process as set out in the provisions of the Company's Articles of Association (the Articles) and upon the recommendation by the JRNC.

The JRNC in recommending new appointments to the Board will assess the suitability of an individual to be appointed to the Board by taking into account the individual's skills, experience, expertise and core competencies. Besides evaluating the skills and experience of the candidates, the JRNC takes into consideration the following factors:

- (a) whether the individual meets the requirements of independence as defined in the Listing Requirements of Bursa Securities;
- (b) industry experience, leadership qualities, business and commercial acumen; and
- (c) the individual's character, integrity and time to effectively discharge his or her role and provide the required mix of skills and diversity to the Board taking into account the Company's business and operational needs.

Re-election or re-appointment of Directors at the Company's Annual General Meeting (AGM) is in accordance with the Articles and the Companies Act, 1965 (the Act).

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

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

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

Directors who are over seventy (70) years of age are required to submit themselves for re-appointment by shareholders with not less than a three-fourth (3/4) majority in accordance with Section 129(2) of the Act. At the Eighth AGM held on 16 May 2013, three (3) Directors were re-appointed pursuant to this provision.

The names and details of Directors seeking re-election and re-appointment at the forthcoming AGM are disclosed in the Notice of AGM and the profiles of the Board of Directors respectively in this Annual Report.

5. DIRECTORS' REMUNERATION

The details of Directors' remuneration during the financial year ended 31 December 2013 disclosed by categories are as follows:

Aggregate Remuneration

| Remuneration | Executive (RM) | Non-Executive (RM) |
|--|------------------|--------------------|
| Fees | - | 924,475 |
| Salaries and bonuses | 1,314,000 | - |
| Defined contribution plan | 197,100 | - |
| Estimated monetary value of benefits-in-kind | 31,150 | 70,400 |
| Other emoluments | 15,224 | 121,222 |
| Total | 1,557,474 | 1,116,097 |

Analysis of Remuneration

| Remuneration Band (RM) | Executive | Non-Executive |
|---------------------------|-----------|---------------|
| Less than RM50,000 | - | 1 |
| RM50,001 – RM100,000 | - | 2 |
| RM100,001 – RM150,000 | - | 2 |
| RM300,001 – RM350,000 | - | 1 |
| RM350,001 – RM400,000 | - | 1 |
| RM1,550,001 – RM1,600,000 | 1 | - |

Statement of Corporate Governance (continued)

Remuneration of the Executive Director

As set out in the contract of employment of the Group Managing Director, En. Nan Yusri bin Nan Rahimy, the compensation payable to him consists of:

- Monthly Salary;
- Annual discretionary bonus based on the Group's performance and as recommended by the JRNC and approved by the Board;
- Defined contribution plan;
- Medical and insurance coverage and club subscriptions; and
- Car and driver.

Termination of the contract may be exercised by either party by giving three (3) months' notice in writing.

Non-Executive Directors are entitled to directors' fees and additional fees for chairing or sitting in Board Committees except for the Chairman and Deputy Chairman who do not receive any additional fees. They are provided a car, a driver and club subscriptions. Set meeting allowances are also paid to Non-Executive Directors covering expenses incurred in the course of their duties except for the Chairman and Deputy Chairman.

The Board is of the view that the disclosure of remuneration by appropriate components and bands is sufficient to meet the objectives of the MCCG 2012.

Directors' remuneration is decided and reviewed in line with the objectives of attracting and retaining directors of the calibre, expertise and experience needed to lead the Group successfully. The remuneration of the Executive Director is aligned to individual and corporate performance appropriate to his scale of responsibilities and performance. The JRNC makes recommendations to the Board on all elements of the Executive Director's remuneration, terms of employment, reward structure and benefits which are subject to the approval of the Board.

The Board as a whole determines the remuneration of Non-Executive Directors which is subject to the approval of the shareholders at the AGM.

Directors and Officers of the Group are indemnified under a Directors and Officers Liability insurance scheme against any liability incurred by them in their discharge of duties while in office. However, they are not indemnified if any negligence, fraud, breach of duty or trust is proven against them.

6. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of an effective and ongoing communication channel with shareholders to help build trust and understanding in the relationship between the Company and its shareholders.

Information is disseminated to shareholders and investors through various disclosures and announcements made via Bursa Securities, quarterly financial reports, the Annual Report and media releases. To ensure that full and timely information about the Company is provided to shareholders and investors, the Group is guided by the Corporate Disclosure Policy which sets out the timing and manner of disclosure of material information and the Listing Requirements of Bursa Securities. The Group maintains high confidentiality measures with regard to undisclosed material information.

The Company uses the AGM as a means of communication amongst shareholders, the Board and Management. Shareholders and stakeholders are welcome to attend and ask questions or raise queries on the Group's performance and prospects to the Board at the AGM. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. The Company will convene its Ninth AGM on 27 May 2014.

The Group regularly engages with the investment community to share its long-term corporate objectives, strategies, business and financial performance and foster closer relationships. Its investor relations' initiatives such as group analyst briefings, face to face meetings and teleconferences enable direct interaction and engagement between the senior management team and research analysts, fund managers and institutional investors.

Statement of Corporate Governance (continued)

Shareholders and investors can obtain pertinent information on the Group's profile, finances, operations, products and services, press releases and activities by accessing its website at www.deleum.com. The website has a dedicated online investor relations portal providing information on financials, Annual Reports, Bursa announcements, dividend history, stock information and shareholding information. The portal also has an e-mail alerts service where shareholders and anyone who are interested may register to receive newly posted announcements and news updates on the Company via e-mail. In addition, the Board has identified Datuk Ir (Dr) Abdul Rahim bin Hashim as the Senior Independent Director to whom queries and concerns regarding the Group may be raised. Datuk Ir (Dr) Abdul Rahim can be reached as follows:

Datuk Ir (Dr) Abdul Rahim bin Hashim

c/o Company Secretary
No. 2, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Tel : +603-2295 7790
Fax : +603-2295 7777
Email : AbdulRahim.Hashim@deleum.com

Shareholders and investors may also direct their queries to the following persons:

Ms. Anthea Wan Phooi Sze

Senior Manager – Corporate Development
Tel : +603-2295 7796
Fax : +603-2295 7777
Email : Anthea.PhooiSze.Wan@deleum.com

Ms. Lee Sew Bee

Senior GM – Group Corporate Services /
Company Secretary
Tel : +603-2295 7790
Fax : +603-2295 7777
Email : SewBee.Lee@deleum.com

7. ACCOUNTABILITY AND AUDIT

7.1 Financial Reporting

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

The Board is assisted by the AC to oversee the Group's financial reporting process, the quality of its financial reporting and also to ensure that the financial statements are drawn up following appropriate accounting policies and in accordance with the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Act. The accounting policies, once adopted, are consistently applied and supported by reasonable judgments and estimates.

7.2 Risk Management and Internal Control

The Statement on Risk Management and Internal Control is set out on pages 64 to 66 of this Annual Report which provides an overview of the state of risk management and internal controls of the Group.

7.3 Relationship with the Auditors

The Company's external auditors continue to report to the Company on their findings which are reported in the Company's financial reports with respect to each year of audit on the statutory financial statements and the review of the quarterly announcements. The AC and the Board have established formal and transparent arrangements to maintain appropriate relationships with the Company's external auditors in respect of all their professional services rendered to the Group.

Statement of Corporate Governance (continued)

7.4 Statement of Directors' Responsibility

The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2013, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Act and any material departures have been disclosed and explained in the financial statements;
- made estimates and judgments which are reasonable and prudent; and
- ensured the financial statements have been prepared on a going concern basis.

7.5 Compliance Statement

The Board recognises and subscribes to the importance of the principles and best practices set out in the MCCG 2012. In this respect, where practical and appropriate, the Board has applied the principles and recommendations under the MCCG 2012 for the financial year ended 31 December 2013.

Statement on Risk Management and Internal Control

The Statement on Risk Management and Internal Control is made in accordance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) which requires Malaysian public listed companies to make a statement about their risk management and internal control in their annual reports. This is in line with the Malaysian Code on Corporate Governance (MCCG) 2012.

BOARD RESPONSIBILITIES

The Board of Directors (the Board) of Deleum Berhad and its subsidiaries (collectively the Group) have the overall responsibility to establish a system of risk management and internal control for the Group in order to ensure key risk areas are managed to an acceptable level to achieve the Group's key business objectives. In this regard, the Board and Management have put in place processes and procedures to identify, assess, monitor and manage risks, including system updates in line with changes to business environment, operating conditions and regulatory requirements.

The system of internal control with its processes and procedures are designed to manage rather than eliminate the risk that may restrict or prevent the achievement of the Group's business objectives. These processes and procedures by their nature can only provide reasonable but not absolute assurance against material misstatements, losses or fraud.

The application of these processes and procedures are not extended to the associate companies in which the Group's interests are safeguarded through board representations.

RISK MANAGEMENT

The Risk Committee (RC) is chaired by a Non-Independent Non-Executive Director. The RC meets on a quarterly basis to review the reports arising from risk management activities and also to discuss new and emerging risks.

The day-to-day management of risks is the responsibility of the Group Managing Director (GMD) and the heads of business units are responsible in representing the GMD's obligation to all business units. The Senior Management team supports the GMD in recommending Enterprise Risk Management (ERM) strategies, policies, risk tolerance and reviewing the application of risk management practices across the Group.

The RC has noted the key risks faced by the Group, the potential impact and likelihood of the risks occurring, the effectiveness of controls and the action plans being taken to manage the risks to the desired levels. These key risks are reviewed by the Board on a quarterly basis.

The duties and responsibilities of the RC are set out in the section entitled 'Board Committees' in the Statement of Corporate Governance.

The Group's risk management framework and processes are consistent with the COSO (The Committee of Sponsoring Organisations of the Treadway Commission) ERM Framework, which was adopted in the previous year.

The Board and Management are engaged regularly with employees in promoting and engendering a high risk awareness culture within the organisation. Towards this end, programs are in place to ensure that key employees attend regular risk briefings and training. The risk framework and matrices of each business unit and the Group are shared with heads of business units and cascaded to all business units. At each quarterly RC meeting, selected business units are required to present their risk matrices setting out the key risks and the action plans to mitigate the risks.

The adoption of the ERM Framework demonstrated the emphasis placed by the Board on the risk management agenda for the Group underlining the importance for a well-managed ERM programme. Echoing the tone of the Board, the GMD, Group Chief Operating Officer and other members of the Senior Management team had reinforced the ERM principles to the staff during the course of the ERM rollout. This included an awareness of the constituent parts of the ERM Framework and practical workshops on the processes for identifying, assessing, responding to, monitoring and reporting risks encountered by the Group.

CONTROL STRUCTURE

The key features of the Group's control structure are as follows:

- **The Board**

The Board provides direction and oversight and is supported by the Joint Nomination and Remuneration Committee, Audit Committee (AC) and RC. Their terms of reference and responsibilities are defined and together with the Board Charter are available for reference on the Company's corporate website.

The specific lines of responsibility, accountability and delegation of authority as approved by the Board to facilitate the Group's daily operations rest with the GMD and the Senior Management team.

Statement on Risk Management and Internal Control (continued)

- **Strategic Business Planning, Budget and Reporting**

A rolling strategic plan (1+3 years) and budget setting out objectives and strategies is prepared and approved by the Board in December before the commencement of the new financial year. Regular and comprehensive information is provided to Management, covering operating and financial performance, key business indicators, Quality, Health, Safety and Environment (QHSE), resource utilisation, cash flow performance, project achievement, human resource and information technology.

Performances are monitored monthly by the GMD and follow up action taken by the heads of business units, where necessary.

The Board reviews the results against budget and historical results on a quarterly basis in conjunction with the public announcement of the Group's quarterly results under the Main Market Listing Requirements of Bursa Securities. At the same time, Management provides a rolling forecast of the business and any changes in plans and direction are deliberated and sanctioned by the Board accordingly.

- **Audit Committee**

The AC evaluates the adequacy and integrity of the Group's internal control systems. The AC reviews internal control matters raised by the internal and external auditors and Management. Where appropriate, the AC is briefed on matters pertaining to corporate governance, financial reporting standards, listing requirements, legal and regulatory requirements as well as key matters affecting the interim and annual financial statements.

- **Internal Audit**

The Internal Audit function is undertaken by BDO Governance Advisory Sdn. Bhd. (BDO) to provide assurance to the AC on the adequacy and integrity of the Group's internal controls. Internal Audit reviews are executed based on an approved internal audit plan. The work scope which is risk based and focusses on the significant business and support units is developed in conjunction with Management and the AC. Any revisions to the plan are presented to the AC for approval.

The findings of the Internal Audit reviews together with Management's responses are presented to the AC on a quarterly basis. The AC after considering the findings instructs Management to rectify weaknesses and/or lapses in internal control and to implement the recommendations

made by the Internal Auditors. The status of implementation by Management and any outstanding issues are reviewed and reported to the AC in the following AC meeting to ensure the key risks and control weaknesses are properly mitigated and addressed.

- **Group Values and Code of Conduct**

The Group values are communicated through the Group's corporate statement and each employee is required to comprehend and observe the Group's Code of Business Conduct upon commencement of employment. The Group's Shared Values and Code of Business Conduct are available on the Group's intranet accessible by all employees.

Furthermore, statements on Code of Conduct and/or business policies and principles from business partners and customers are communicated to all employees together with a reminder of the Group's Code of Business Conduct.

- **Authorisation Limits**

Authorisation limits in respect of organisational requirements such as purchasing of goods and/or services, cash management and disbursements, contracting and banking transactions and human resources are clearly defined and documented. The guidelines also set out matters reserved for the Board's decision. The limits are reviewed and updated regularly to reflect the business environment, operational and structural changes.

- **Policies and Procedures**

Documented internal policies and procedures are in place to ensure compliance with internal controls and the relevant rules and regulations. They are reviewed regularly by Management and periodically by the internal auditors to ensure that the gaps in policies and controls are addressed and where required policies and procedures are augmented and revised to meet with the changing business dynamics. To further improve the internal policies and procedures, Management is in the process of performing a comprehensive review of these matters in conjunction with the Group wide Enterprise Resource Planning project that is now currently under way.

- **Enterprise Resource Planning (ERP)**

Deleum Group embarked on the implementation of an ERP solution for the Group and being ISO 9001 certified, the Group approached the selection process in a structured

66

Statement on Risk Management and Internal Control (continued)

manner to ensure all critical business areas are covered. The ERP implementation will lead to automation, integration and re-engineering of business processes and will provide the Group with information on overall performance in real time. This will facilitate better management, operational procedures, and enhanced systems and processes in the Group.

In view of this, the Group did a thorough review of the available ERP suites, taking into consideration the requirements of the organisation, both short-term and long-term, and developed a requirements plan that best suited the organisation's strategic business objectives. Once the requirements plan was developed, and after further deliberation, the Group has selected a suitable suite which best matches its requirements and needs.

The Group is currently in the midst of implementing the ERP System on a phased rollout by business segments.

- **Corporate Secretariat and Compliance**

The Company Secretarial functions are under the stewardship of the Company Secretaries whose roles and responsibilities are discussed in the Statement of Corporate Governance set out in page 57.

A significant part of the Group's operations are underpinned by licenses from PETRONAS. The Board and Management monitor these licenses regularly to ensure full compliance and where appropriate engage with its management to ensure operations are conducted seamlessly and efficiently.

- **Personal Data Protection Act 2010 (PDPA)**

The PDPA governing personal data integrity came into force during the financial year with a time frame given for compliance. A town hall meeting and an awareness workshop has been conducted for key employees with the assistance of the outside counsel. The Group is working with the outside experts to establish procedures and processes to ensure compliance and expects to be compliant this financial year.

CONCLUSION

The external and internal auditors, in the course of executing their work based on the pre-approved audit plans had highlighted their findings and recommendations for improvements and on the basis of the work conducted, they have not noted any significant deficiencies in internal controls. Management has considered the control recommendations and are in the midst of implementing them.

For the financial year under review, the Board has received Management representation by the GMD and Senior General Manager – Group Finance, Administration & Procurement, that the risk management and internal control processes are adequate to safeguard shareholders investments and the Group's assets. There were no significant internal control deficiencies or weaknesses that resulted in material losses or contingencies to the Group.

REVIEW OF THIS STATEMENT

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement is made in accordance with the resolution of the Board dated 25 February 2014.

Audit Committee Report

The Board is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2013 in accordance with Paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

The Audit Committee provides assistance to the Board in reviewing and monitoring the integrity of the Group's financial reporting process and accounting records and reviewing the Group's risks. It also reviews the Group's audit process and compliance with relevant legal and regulatory requirements.

I. CONSTITUTION

The terms of reference of the Audit Committee is available on the Company's corporate website at www.deleum.com under the 'Corporate Profile' section.

II. MEMBERSHIP AND MEETINGS

The Audit Committee comprises five (5) members of the Board with three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

During the financial year ended 31 December 2013, five (5) meetings of the Audit Committee were held. The membership of the Audit Committee and members' attendance at the Audit Committee meetings are reflected as follows:

| | Name | No. of attendance and meetings |
|----------|---|--------------------------------|
| Chairman | Datuk Ishak bin Imam Abas <i>Independent Non-Executive Director</i> | 5/5 |
| Members | Chin Kwai Yoong <i>Independent Non-Executive Director</i> | 5/5 |
| | Dato' Izham bin Mahmud <i>Non-Independent Non-Executive Director</i> | 4/5 |
| | Datuk Vivekananthan a/l M.V. Nathan <i>Non-Independent Non-Executive Director</i> | 5/5 |
| | Datuk Ir (Dr) Abdul Rahim bin Hashim <i>Senior Independent Non-Executive Director</i> <i>(Appointed on 15 November 2013)</i> | 0/0 |
| | Dato' Kamaruddin bin Ahmad <i>Independent Non-Executive Director</i> <i>(Resigned on 21 October 2013)</i> | 4/4 |

By invitation, the Group Managing Director and other relevant Senior Management personnel, external and internal auditors were also present during deliberations. Besides the external and internal auditors, Management presented their reports on the financial results and other matters that required the Audit Committee's approval. At the Board meeting, the Chairman presented the recommendations of the Audit Committee and highlighted the relevant issues.

Audit Committee Report (continued)

III. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2013, the Audit Committee's duties included the following:

1. Financial Results

- (a) Reviewed the unaudited quarterly financial results and announcements before recommending them to the Board for consideration and approval and the release of the Group's results to Bursa Securities.
- (b) Reviewed the annual audited financial statements before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were in compliance with:
 - Listing Requirements of Bursa Securities;
 - Provisions of the Companies Act, 1965 and other relevant legal and regulatory requirements; and
 - Applicable approved Malaysian Financial Reporting Standards and International Financial Reporting Standards.

2. Annual Reporting

Reviewed the Statement of Corporate Governance, Statement on Risk Management and Internal Control and Audit Committee Report prior to the Board's approval for inclusion into the Annual Report.

3. External Audit

- (a) Reviewed the external auditors' scope of work and audit plan for the year.
- (b) Reviewed the results of their audit of the year end financial statements and quarterly announcements and the resolution of issues highlighted in their report to the Audit Committee.
- (c) Reviewed the internal control findings and discussed the impact on the overall soundness of the internal control procedures and processes.
- (d) Reviewed other matters relating to accounting, auditing and financial reporting practices of the Group.

- (e) Reviewed the independence of the external auditors during the year.
- (f) Reviewed and recommended the external auditors' remuneration to the Board.
- (g) Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements and the extent of compliance.
- (h) Held two meetings with the external auditors without the presence of the executive directors and employees of the Company.

4. Internal Audit

- (a) Reviewed and approved the Internal Audit Plan prepared by the Internal Auditors, BDO Governance Advisory Sdn. Bhd. to ensure the adequacy of the scope and coverage of the Group's activities.
- (b) Reviewed the resources, performance and competency of the Internal Auditors.
- (c) Reviewed the Internal Audit reports, audit recommendations made and Management's responses to these recommendations and actions taken to improve the system of internal control and procedures.
- (d) Ensured that appropriate and prompt remedial actions and improved procedures were implemented by Management on the findings arising from the Internal Audit reviews and outstanding issues identified from the follow-up audits accordingly.
- (e) Held one meeting with the Internal Auditors without the presence of executive directors and employees of the Company.

Audit Committee Report (continued)

5. Related Party Transactions

- (a) Reviewed the adequacy of procedures and processes in identifying, monitoring, reviewing and reporting related party transactions.
- (b) Reviewed the related party transactions of the Group to ensure that they are based on normal commercial terms.

6. Other activities

- (a) Reviewed reports of the Risk Committee.
- (b) Reviewed relevant new regulations and laws.
- (c) Reviewed adequacy of the terms of reference of the Audit Committee taking into consideration changes to applicable laws, regulations and auditing principles.

7. Training

The Audit Committee is briefed on current corporate governance practices, changes to accounting and reporting requirements and attended appropriate briefing and familiarisation training sessions offered by regulators and appropriate bodies.

The activities carried out by the IAF were as follows:

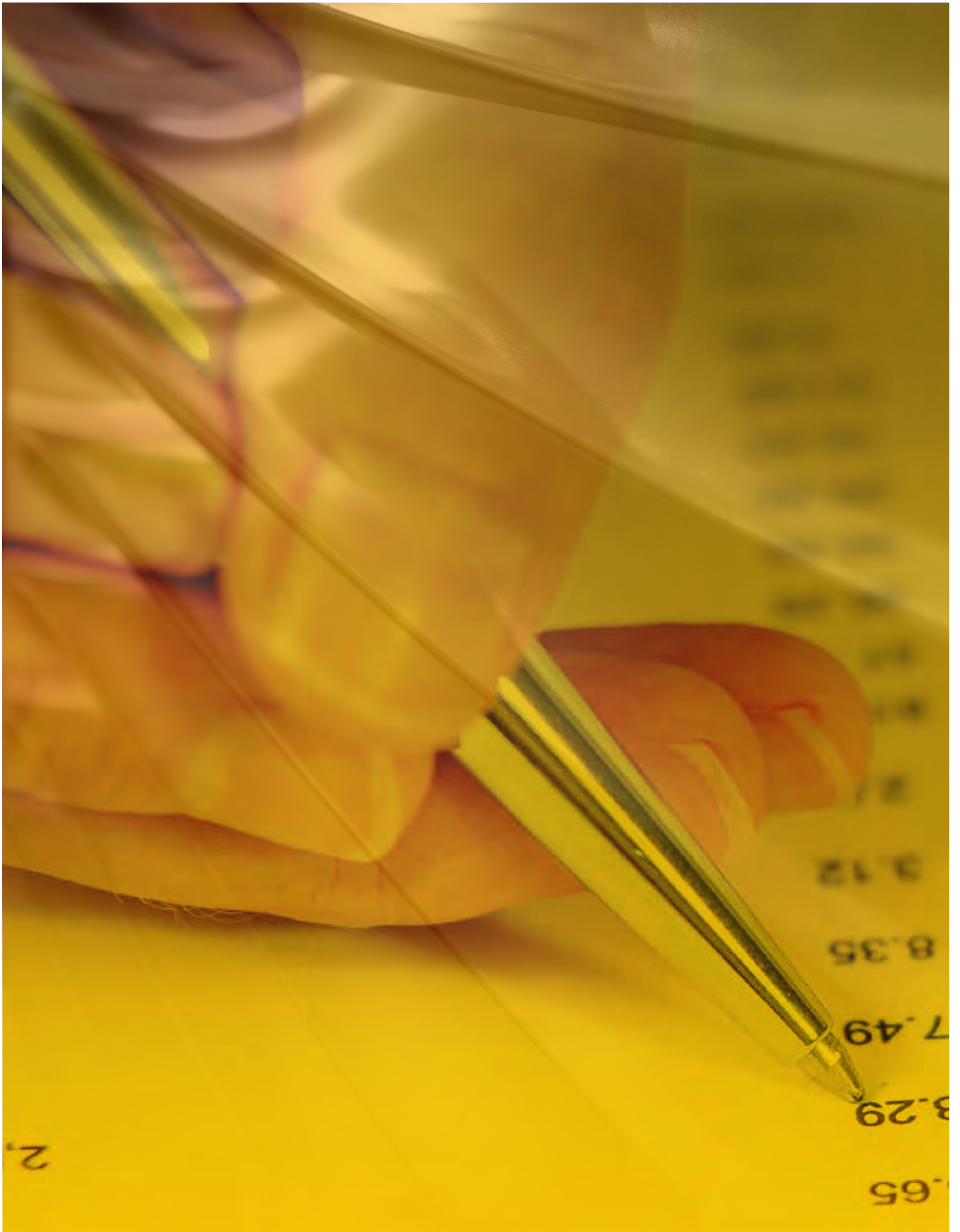
- (a) Conducted Internal Audit engagements consistent with the annual audit plan presented and approved by the Audit Committee. The work performed included financial and operational reviews across the three main business segments, review of information technology systems and human resource functions. Their findings together with the recommendations and Management's responses were reported to the Audit Committee on a quarterly basis.
- (b) Reviewed the adequacy and integrity of the system of controls to ensure there is a systematic methodology in identifying, assessing and managing risk areas with regard to:
 - reliability and integrity of financial and operational information;
 - effectiveness and efficiency of operations;
 - safeguarding of assets; and
 - compliance with laws, regulations and contractual obligations within the Company's governance, operations and information systems.
- (c) Conducted follow up action taken by Management in implementing their recommendations within the agreed timelines.

IV. INTERNAL AUDIT FUNCTION

The Internal Audit function (IAF) of the Group is carried out by BDO Governance Advisory Sdn. Bhd. The cost incurred for the outsourced IAF in respect of the financial year ended 31 December 2013 amounted to RM88,570.

The IAF's primary role is to provide assurance to the Audit Committee on the adequacy and integrity of the internal control and governance framework of the Group.

The IAF reports directly to the Audit Committee which reviews and approves the Internal Auditors' annual audit plan.





Financial Statements

| | |
|-----|--|
| 72 | Directors' Report |
| 77 | Statements of Comprehensive Income |
| 78 | Statements of Financial Position |
| 80 | Consolidated Statement of Changes in Equity |
| 82 | Company Statement of Changes in Equity |
| 83 | Statements of Cash Flows |
| 85 | Summary of Significant Accounting Policies |
| 104 | Notes to the Financial Statements |
| 163 | Statement by Directors |
| 163 | Statutory Declaration |
| 164 | Independent Auditors' Report |



72

Directors' Report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

| | <u>Group</u> RM | <u>Company</u> RM |
|---|--------------------|----------------------|
| Profit for the financial year attributable to | | |
| -Equity holders of the Company | 49,559,375 | 87,347,275 |
| -Non-controlling interest | 9,102,582 | 0 |
| Profit for the financial year | <u>58,661,957</u> | <u>87,347,275</u> |

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2012 were as follows:

| | RM |
|--|-------------------|
| In respect of the financial year ended 31 December 2012, as shown in the Directors' report of that year, a second interim single tier dividend of 10 sen per share on 150,000,000 ordinary shares, paid on 25 March 2013 | 15,000,000 |
| In respect of the financial year ended 31 December 2013, first interim single tier dividend of 6 sen per share on 150,000,000 ordinary shares, paid on 25 September 2013 | 9,000,000 |
| | <u>24,000,000</u> |

The Directors, had on 25 February 2014 declared a second interim single tier dividend of 11 sen per share of RM1.00 each in respect of the financial year ended 31 December 2013 totaling RM16,500,000, payable on 26 March 2014.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2013.

Directors' Report (continued)**RESERVES AND PROVISIONS**

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

DIRECTORS

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

Dato' Izham bin Mahmud

Datuk Vivekananthan a/l M.V. Nathan

Datuk Ishak bin Imam Abas

Chin Kwai Yoong

Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz

Nan Yusri bin Nan Rahimy

Datuk Ir (Dr) Abdul Rahim bin Hashim

(Appointed on 15 November 2013)

Dato' Kamaruddin bin Ahmad

(Resigned on 21 October 2013)

In accordance with Article 76 of the Company's Articles of Association, Datuk Ir (Dr) Abdul Rahim bin Hashim retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 78 of the Company's Articles of Association, Chin Kwai Yoong and Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan, retire pursuant to Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company was a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 7) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

74

Directors' Report (continued)**DIRECTORS' INTERESTS**

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

| | Number of ordinary shares of RM1 each in the Company | | | |
|---|---|-----------------|-------------|--------------------------|
| | At 1.1.2013 | Acquired | Sold | At 31.12.2013 |
| Direct interest | | | | |
| Dato' Izham bin Mahmud | 4,200,000 | 0 | 0 | 4,200,000 |
| Datuk Vivekananthan a/l M.V. Nathan | 15,945,000 | 0 | 0 | 15,945,000 |
| Datuk Ishak bin Imam Abas | 676,000 | 160,000 | 0 | 836,000 |
| Chin Kwai Yoong | 281,250 | 0 | 0 | 281,250 |
| Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz | 214,350 | 0 | 0 | 214,350 |
| Nan Yusri bin Nan Rahimy | 125,250 | 20,000 | 0 | 145,250 |

Indirect interest

| | | | | |
|-------------------------------------|------------|---------|---|------------|
| Dato' Izham bin Mahmud | 51,894,150 | 120,000 | 0 | 52,014,150 |
| Datuk Vivekananthan a/l M.V. Nathan | 30,644,550 | 0 | 0 | 30,644,550 |
| Nan Yusri bin Nan Rahimy | 16,000 | 10,000 | 0 | 26,000 |

Number of ordinary shares of RM1 each in a subsidiary, VSM Technology Sdn. Bhd.

| | Number of ordinary shares of RM1 each in a subsidiary, VSM Technology Sdn. Bhd. | | | |
|-------------------------------------|--|-----------------|-------------|--------------------------|
| | At 1.1.2013 | Acquired | Sold | At 31.12.2013 |
| Direct interest | | | | |
| Datuk Vivekananthan a/l M.V. Nathan | 40,400 | 0 | 0 | 40,400 |

Number of ordinary shares of RM1 each in a subsidiary, Delcom Holdings Sdn. Bhd.

| | Number of ordinary shares of RM1 each in a subsidiary, Delcom Holdings Sdn. Bhd. | | | |
|---|---|-----------------|-------------|--------------------------|
| | At 1.1.2013 | Acquired | Sold | At 31.12.2013 |
| Direct interest | | | | |
| Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz | 20,000 | 0 | 0 | 20,000 |

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

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

Directors' Report (continued)**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the statements of comprehensive income and statements of financial position were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

In the opinion of the Directors:

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

76

Directors' Report (continued)

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 4 January 2013, the Company had accepted an offer made by NSE Resources Corporation (M) Sdn. Bhd. (NSERC) to subscribe for new shares to be issued by NSERC, representing 55% equity interest in NSERC for a total consideration not exceeding RM23,100,000.

The principal activity of NSERC is that of investment holding and provision of management consultation services. NSERC has three (3) subsidiaries namely NSE Energy Sdn. Bhd., NSE Polymer Sdn. Bhd. and Global Network Technology Sdn. Bhd. . The core businesses of NSE Group are in the provision of specialty chemicals and renewable energy.

The proposed subscription has been terminated effective 30 September 2013. In view of the uncertainty on the collectability of the earnest deposit, the Company has made a provision for doubtful debts amounting to RM3.8 million representing the entire sum of the earnest deposit.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2014.

DATO' IZHAM BIN MAHMUD
Director

NAN YUSRI BIN NAN RAHIMY
Director

Statements of Comprehensive Income

for the financial year ended 31 December 2013

| | Note | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|---|------|---------------|---------------------|--------------|-----------------------|
| Revenue | 5 | 484,683,898 | 473,239,969 | 109,874,514 | 22,136,000 |
| Cost of sales | | (356,039,560) | (365,516,125) | (10,843,087) | (8,985,800) |
| Gross profit | | 128,644,338 | 107,723,844 | 99,031,427 | 13,150,200 |
| Other operating income | | 2,381,288 | 2,703,242 | 599,491 | 1,095,096 |
| Selling and distribution costs | | (26,526,149) | (19,233,386) | 0 | 0 |
| Administrative expenses | | (39,074,973) | (34,891,472) | (5,948,281) | (7,809,464) |
| Other operating expenses | | (4,297,300) | (4,001,656) | (3,869,904) | (222,433) |
| Operating profit | | 61,127,204 | 52,300,572 | 89,812,733 | 6,213,399 |
| Finance cost | 8 | (1,508,849) | (408,077) | 0 | 0 |
| Share of results of associates (net of tax) | 16 | 15,973,351 | 15,578,725 | 0 | 0 |
| Profit before tax | 6 | 75,591,706 | 67,471,220 | 89,812,733 | 6,213,399 |
| Tax expense | 9 | (16,929,749) | (13,256,972) | (2,465,458) | 662,450 |
| Profit for the financial year | | 58,661,957 | 54,214,248 | 87,347,275 | 6,875,849 |
| Other comprehensive income: Item that may be subsequently reclassified to profit or loss | | | | | |
| Currency translation differences | | 1,360,235 | (1,358,279) | 0 | 0 |
| Total comprehensive income for the financial year | | 60,022,192 | 52,855,969 | 87,347,275 | 6,875,849 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | 49,559,375 | 44,450,172 | 87,347,275 | 6,875,849 |
| Non-controlling interest | | 9,102,582 | 9,764,076 | 0 | 0 |
| | | 58,661,957 | 54,214,248 | 87,347,275 | 6,875,849 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | 49,939,962 | 43,524,826 | 87,347,275 | 6,875,849 |
| Non-controlling interest | | 10,082,230 | 9,331,143 | 0 | 0 |
| | | 60,022,192 | 52,855,969 | 87,347,275 | 6,875,849 |
| Earnings per share (sen) | | | | | |
| - Basic | 10 | 33.04 | 29.63 | | |

The above statements of comprehensive income are to be read in conjunction with the significant accounting policies and notes 1 to 38 to the Financial Statements.

Statements of Financial Position

as at 31 December 2013

| | Note | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|----------------------------------|------|--------------------|---------------------|--------------------|-----------------------|
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 12 | 132,758,348 | 97,153,745 | 4,655,564 | 5,759,299 |
| Investment properties | 13 | 911,612 | 935,225 | 0 | 0 |
| Intangible assets | 14 | 2,965,243 | 1,619,016 | 271,333 | 0 |
| Subsidiaries | 15 | 0 | 0 | 133,740,455 | 133,740,455 |
| Associates | 16 | 43,822,710 | 46,526,548 | 0 | 0 |
| Deferred tax assets | 25 | 2,780,857 | 2,261,693 | 134,234 | 0 |
| | | <u>183,238,770</u> | <u>148,496,227</u> | <u>138,801,586</u> | <u>139,499,754</u> |
| CURRENT ASSETS | | | | | |
| Amounts due from subsidiaries | 17 | 0 | 0 | 94,972,142 | 13,536,252 |
| Tax recoverable | | 4,118,287 | 4,803,133 | 3,014,061 | 3,546,825 |
| Inventories | 18 | 20,498,915 | 15,867,110 | 0 | 0 |
| Trade and other receivables | 19 | 203,256,043 | 159,905,191 | 462,957 | 230,018 |
| Deferred cost | | 13,829,356 | 3,006,681 | 0 | 0 |
| Amounts due from associates | 20 | 1,714,110 | 1,124,341 | 2,553 | 2,341 |
| Cash and cash equivalents | 21 | 73,723,464 | 80,816,899 | 8,381,365 | 29,730,396 |
| | | <u>317,140,175</u> | <u>265,523,355</u> | <u>106,833,078</u> | <u>47,045,832</u> |
| LESS: CURRENT LIABILITIES | | | | | |
| Amounts due to subsidiaries | 17 | 0 | 0 | 13,586,934 | 16,874,171 |
| Borrowings | 22 | 17,914,260 | 15,592,244 | 9,800,000 | 9,800,000 |
| Taxation | | 2,995,762 | 5,486,527 | 0 | 0 |
| Dividends payable | | 519,677 | 140,029 | 0 | 0 |
| Deferred revenue | | 20,036,090 | 8,397,004 | 0 | 0 |
| Trade and other payables | 23 | 168,149,728 | 127,503,952 | 2,493,071 | 2,969,469 |
| Financial guarantee liabilities | 24 | 0 | 0 | 73,679 | 132,441 |
| | | <u>209,615,517</u> | <u>157,119,756</u> | <u>25,953,684</u> | <u>29,776,081</u> |
| NET CURRENT ASSETS | | 107,524,658 | 108,403,599 | 80,879,394 | 17,269,751 |

Statements of Financial Position

as at 31 December 2013 (continued)

| | Note | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|--|-------------|--------------------|------------------------------|--------------------|--------------------------------|
| NON-CURRENT LIABILITIES | | | | | |
| Deferred tax liabilities | 25 | 7,786,286 | 7,235,981 | 0 | 435,800 |
| Borrowings | 22 | 11,730,821 | 3,368,251 | 0 | 0 |
| | | <u>19,517,107</u> | <u>10,604,232</u> | <u>0</u> | <u>435,800</u> |
| | | <u>271,246,321</u> | <u>246,295,594</u> | <u>219,680,980</u> | <u>156,333,705</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | | | | | |
| Ordinary shares | 26 | 150,000,000 | 150,000,000 | 150,000,000 | 150,000,000 |
| Share based payment | 27 | 42,888 | 10,931 | 0 | 0 |
| Retained earnings | | 145,019,636 | 119,460,261 | 69,680,980 | 6,333,705 |
| Merger deficit | 28 | (50,000,000) | (50,000,000) | 0 | 0 |
| Foreign currency translation | | (3,142,024) | (3,522,611) | 0 | 0 |
| Shareholders' equity | | <u>241,920,500</u> | <u>215,948,581</u> | <u>219,680,980</u> | <u>156,333,705</u> |
| NON-CONTROLLING INTEREST | | <u>29,325,821</u> | <u>30,347,013</u> | <u>0</u> | <u>0</u> |
| TOTAL EQUITY | | <u>271,246,321</u> | <u>246,295,594</u> | <u>219,680,980</u> | <u>156,333,705</u> |

The above statements of financial position are to be read in conjunction with the significant accounting policies and notes 1 to 38 to the Financial Statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2013

| Group | Note | Attributable to equity holders of the Company | | | | | | | | Total equity RM |
|---|------|--|---------------------------|------------------------------------|-------------------|----------------------|--------------|---------------------------------|--------------|--------------------|
| | | Issued and fully paid ordinary shares of RM1 each | Share based payment | Foreign currency translation | Merger deficit | Retained earnings | Total | Non- controlling interest | | |
| | | Number of shares | Nominal value RM | RM | RM | RM | RM | RM | RM | RM |
| At 1 January 2013 | | 150,000,000 | 150,000,000 | 10,931 | (3,522,611) | (50,000,000) | 119,460,261 | 215,948,581 | 30,347,013 | 246,295,594 |
| Profit for the financial year | | 0 | 0 | 0 | 0 | 0 | 49,559,375 | 49,559,375 | 9,102,582 | 58,661,957 |
| Other comprehensive income for the financial year | | 0 | 0 | 0 | 380,587 | 0 | 0 | 380,587 | 979,648 | 1,360,235 |
| Total comprehensive income for the financial year | | 0 | 0 | 0 | 380,587 | 0 | 49,559,375 | 49,939,962 | 10,082,230 | 60,022,192 |
| Share based payment | | 0 | 0 | 31,957 | 0 | 0 | 0 | 31,957 | 0 | 31,957 |
| Dividends | 11 | 0 | 0 | 0 | 0 | 0 | (24,000,000) | (24,000,000) | (11,103,422) | (35,103,422) |
| At 31 December 2013 | | 150,000,000 | 150,000,000 | 42,888 | (3,142,024) | (50,000,000) | 145,019,636 | 241,920,500 | 29,325,821 | 271,246,321 |

The above consolidated statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 38 to the Financial Statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2013 (continued)

| Group | Note | Attributable to equity holders of the Company | | | | | | | | |
|--|------|--|---------------------------|------------------------------------|-------------------|----------------------|--------------|---------------------------------|-----------------|--------------|
| | | Issued and fully paid ordinary shares of RM1 each | Share based payment | Foreign currency translation | Merger deficit | Retained earnings | Total | Non- controlling interest | Total equity | |
| | | Number of shares | Nominal value RM | RM | RM | RM | RM | RM | RM | RM |
| At 1 January 2012 | | 100,000,000 | 100,000,000 | 0 | (2,597,265) | (50,000,000) | 141,510,089 | 188,912,824 | 25,288,016 | 214,200,840 |
| Profit for the financial year | | 0 | 0 | 0 | 0 | 0 | 44,450,172 | 44,450,172 | 9,764,076 | 54,214,248 |
| Other comprehensive income for the financial year | | 0 | 0 | 0 | (925,346) | 0 | 0 | (925,346) | (432,933) | (1,358,279) |
| Total comprehensive income for the financial year | | 0 | 0 | 0 | (925,346) | 0 | 44,450,172 | 43,524,826 | 9,331,143 | 52,855,969 |
| Bonus issue | 26 | 50,000,000 | 50,000,000 | 0 | 0 | 0 | (50,000,000) | 0 | 0 | 0 |
| Non-controlling interest arising from business combination | 35 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,023,715 | 1,023,715 |
| Share based payment | | 0 | 0 | 10,931 | 0 | 0 | 0 | 10,931 | 0 | 10,931 |
| Dividends | 11 | 0 | 0 | 0 | 0 | 0 | (16,500,000) | (16,500,000) | (5,295,861) | (21,795,861) |
| At 31 December 2012 | | 150,000,000 | 150,000,000 | 10,931 | (3,522,611) | (50,000,000) | 119,460,261 | 215,948,581 | 30,347,013 | 246,295,594 |

The above consolidated statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 38 to the Financial Statements.

82

Company Statement of Changes in Equity

for the financial year ended 31 December 2013

| | Note | Number of shares | Issued and fully paid ordinary shares of RM1 each Nominal value RM | Distributable Retained earnings RM | Total RM |
|--|------|---------------------|---|---|--------------------|
| <u>Company</u> | | | | | |
| At 1 January 2013 | | 150,000,000 | 150,000,000 | 6,333,705 | 156,333,705 |
| Total comprehensive income for the financial year | | 0 | 0 | 87,347,275 | 87,347,275 |
| Dividends | 11 | 0 | 0 | (24,000,000) | (24,000,000) |
| At 31 December 2013 | | <u>150,000,000</u> | <u>150,000,000</u> | <u>69,680,980</u> | <u>219,680,980</u> |
| At 1 January 2012 | | 100,000,000 | 100,000,000 | 65,957,856 | 165,957,856 |
| Bonus issue | 26 | 50,000,000 | 50,000,000 | (50,000,000) | 0 |
| Total comprehensive income for the financial year | | 0 | 0 | 6,875,849 | 6,875,849 |
| Dividends | 11 | 0 | 0 | (16,500,000) | (16,500,000) |
| At 31 December 2012 | | <u>150,000,000</u> | <u>150,000,000</u> | <u>6,333,705</u> | <u>156,333,705</u> |

The above statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 38 to the Financial Statements.

Statements of Cash Flows

for the financial year ended 31 December 2013

| | Note | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|--|------|---------------|---------------------|--------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts from customers | | 455,820,819 | 429,204,663 | 7,223,261 | 11,064,300 |
| Cash payments to suppliers | | (292,136,914) | (293,027,669) | 0 | 0 |
| Cash payments to employees and for operating expenses | | (98,990,189) | (72,377,913) | (14,425,239) | (9,507,387) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Tax paid | | 64,693,716 | 63,799,081 | (7,201,978) | 1,556,913 |
| Interest paid | | (18,670,281) | (10,978,743) | 0 | 0 |
| | | (1,034,666) | (1,102,780) | 0 | 0 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | | 44,988,769 | 51,717,558 | (7,201,978) | 1,556,913 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | | 1,260,309 | 1,583,132 | 397,715 | 646,351 |
| Acquisition of subsidiary, net cash | 35 | 0 | (3,178,190) | 0 | 0 |
| Purchase of property, plant and equipment | 12 | (41,304,930) | (11,637,818) | (259,499) | (759,017) |
| Deposit and prepayment for purchase of property, plant and equipment | | (5,885,756) | (10,601,034) | 0 | 0 |
| Proceeds from disposal of property, plant and equipment | | 302,075 | 178,000 | 75,500 | 0 |
| Purchase of intangible assets | 14 | (1,052,848) | 0 | (271,333) | 0 |
| Proceeds from reduction in capital in associate | 16 | 4,560,000 | 0 | 0 | 0 |
| Amount due from associates | | (3,609) | 0 | 0 | 0 |
| Dividends received from subsidiaries | | 0 | 0 | 25,979,986 | 32,702,000 |
| Dividends received from associates | | 15,416,199 | 12,294,475 | 0 | 0 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash (used in)/generated from investing activities | | (26,708,560) | (11,361,435) | 25,922,369 | 32,589,334 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

84

Statements of Cash flows

for the financial year ended 31 December 2013 (continued)

| | Note | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|---|------|--------------|---------------------|--------------|-----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Term loan: | | | | | |
| - drawn down | | 9,996,287 | 0 | 0 | 0 |
| - repayments | | (5,748,745) | (7,327,296) | 0 | 0 |
| Revolving credit: | | | | | |
| - drawn down | | 6,000,000 | 0 | 0 | 0 |
| - repayments | | 0 | 0 | 0 | (1,500,000) |
| Finance lease liabilities | | | | | |
| - drawn down | | 0 | 65,000 | 0 | 0 |
| - repayments | | (22,149) | 0 | 0 | 0 |
| Dividends paid to: | | | | | |
| - shareholders | | (24,000,000) | (16,500,000) | (24,000,000) | (16,500,000) |
| - non-controlling interest | | (11,103,422) | (5,295,861) | 0 | 0 |
| Advances to subsidiaries | | 0 | 0 | (6,548,909) | (13,274,826) |
| (Repayment to)/advances from subsidiary | | 0 | 0 | (9,520,513) | 8,603,492 |
| Increase in restricted cash | | (2,659) | (12,630) | 0 | 0 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash used in financing activities | | (24,880,688) | (29,070,787) | (40,069,422) | (22,671,334) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR | | (6,600,479) | 11,285,336 | (21,349,031) | 11,474,913 |
| FOREIGN CURRENCY TRANSLATION | | (495,615) | (1,080,226) | 0 | 0 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | 80,293,730 | 70,088,620 | 29,730,396 | 18,255,483 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 21 | 73,197,636 | 80,293,730 | 8,381,365 | 29,730,396 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

The above statements of cash flows are to be read in conjunction with the significant accounting policies and notes 1 to 38 to the Financial Statements.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013

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

A. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

(a) Standards and amendments to published standards that are effective and applicable to the Group and the Company

The new accounting standards, amendments and improvements to published standards that are effective for the Group's and the Company's financial year beginning on/after 1 July 2012 and 1 January 2013 are as follows:

| | |
|-------------------------------------|--|
| MFRS 10 | "Consolidated financial statements" |
| MFRS 12 | "Disclosure of interest in other entities" |
| MFRS 13 | "Fair value measurement" |
| Revised MFRS 127 | "Separate financial statements" |
| Revised MFRS 128 | "Investments in associates and joint ventures" |
| Amendment to MFRS 101 | "Presentation of items of other comprehensive income" |
| Amendment to MFRS 119 | "Employee benefits" |
| Amendment to MFRS 7 | "Financial instruments: Disclosures" |
| Amendments to MFRS 10, 11 & 12 | "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance" |
| Annual improvements 2009-2011 cycle | |

There is no material impact upon adoption of the above MFRSs and Amendments to MFRSs.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

A. BASIS OF PREPARATION (continued)

(b) Standards early adopted by the Group

The amendments to MFRS 136 "Impairment of assets" removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13. The amendments are not mandatory for the Group and the Company until 1 January 2014, however, the Group and the Company had decided to early adopt the amendments as of 1 January 2013.

(c) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new standards and amendments to published standards in the following period:

(i) Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(ii) Financial year beginning on/after 1 January 2017

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group and the Company are in the process of assessing the financial effects on the adoption of the standards in the year of initial application.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

B. CONSOLIDATION

(a) Subsidiaries

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

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in MASB 21 "Business Combinations"
- internal group reorganisations, as defined in MASB 21, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
 - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
 - the minorities' share of net assets of the Group is not altered by the transfer
- combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006

The Group has taken advantage of the transitional provision provided by MASB 21, FRS 3 and FRS 3 (revised) to apply these Standards prospectively. Transitional provisions of MASB 21, FRS 3 and FRS 3 (revised) that were previously applied and disclosed in the prior year (FRS) financial statements are not relevant in the first set of MFRS financial statements. These provisions were applied to Deleum Services Sdn. Bhd.. Deleum Services Sdn. Bhd., a wholly-owned subsidiary company, is consolidated using the merger method of accounting as the internal group reorganisation took place on/after 1 April 2002 and with agreement dates before 1 January 2006, and where the ultimate shareholders remain the same, and the rights of each such shareholder relative to the others, are unchanged and the non-controlling interests' share of net assets of the Group is not altered by the transfer.

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

B. CONSOLIDATION (continued)

(a) Subsidiaries (continued)

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition dates at each stage, and the changes in fair value is taken through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Refer to accounting policy Note C(a) on goodwill.

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

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

B. CONSOLIDATION (continued)

(a) Subsidiaries (continued)

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount in the statement of comprehensive income.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

B. CONSOLIDATION (continued)

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition (see accounting policy Note C(a)), net of any accumulated impairment loss.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

B. CONSOLIDATION (continued)

(e) Transactions with non-controlling interests

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

C. INTANGIBLE ASSETS

(a) Goodwill

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

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill (inclusive of impairment losses recognised in a previous interim period) are not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segments (see accounting policy Note J on impairment of non-financial assets).

Any excess of the Group's share of the identifiable net assets at the date of acquisition over the cost of acquisition is recognised immediately in the statement of comprehensive income.

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

C. INTANGIBLE ASSETS (continued)

(b) Contracts

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

(c) Distributorship agreement

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

(d) Software costs

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

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

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

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

D. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

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

E. PROPERTY, PLANT AND EQUIPMENT

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

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

E. PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (refer to accounting policy Note H on leases) is amortised in equal instalments over the period of the respective leases that range from 60 to 99 years. Other property, plant and equipment are depreciated on the straight line basis to allocate the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

| | |
|--|------------------|
| Freehold building | 2% |
| Long term leasehold buildings | 2% - 5% |
| Office equipment, furniture and fittings | 10% - 33 1/3% |
| Renovations | 10% - 20% |
| Plant, machinery and other equipment | 6 2/3% - 33 1/3% |
| Motor vehicles | 16 2/3% - 20% |

Assets under construction are not depreciated until they are ready for their intended use.

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see accounting policy Note J on impairment of non-financial assets).

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

F. INVESTMENT PROPERTIES

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

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

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

F. INVESTMENT PROPERTIES (continued)

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment property is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see accounting policy Note J on impairment of non-financial assets).

G. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first in-first-out method. Goods purchased for resale are stated at cost. For other inventories, the cost comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs.

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

H. LEASES

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

Accounting by lessee

Finance leases

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

H. LEASES (continued)

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

I. CASH AND CASH EQUIVALENTS

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

J. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

K. FINANCIAL ASSETS

(a) Classification

The Group classifies all its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'amounts due from subsidiaries', 'trade and other receivables (excluding prepayments)', 'amounts due from associates' and 'cash and cash equivalents' in the statement of financial position (Notes 17, 19, 20 and 21).

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

K. FINANCIAL ASSETS (continued)

(b) Recognition and initial measurement

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(c) Subsequent measurement – gains and losses

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

(d) Subsequent measurement - Impairment of financial assets

Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

K. FINANCIAL ASSETS (continued)

(d) Subsequent measurement - Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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

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

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

(e) De-recognition

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

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

L. FINANCIAL LIABILITIES

(a) Classification

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS139, are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group classifies all its financial liabilities as other financial liabilities. The Group's and the Company's other financial liabilities comprise 'amount due to subsidiaries', 'borrowings', 'trade and other payables (excluding statutory obligations)' and 'financial guarantee liabilities' in the statement of financial position (Notes 17, 22, 23 and 24).

(b) Recognition and initial measurement

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

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

(c) De-recognition

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

M. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

N. FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

O. SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

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

(c) Dividends to shareholders of the Company

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

P. TRADE RECEIVABLES

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

Q. PAYABLES

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

R. BORROWINGS

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

S. REVENUE RECOGNITION

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

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

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

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

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

Dividend income earned by the Company is classified as revenue.

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

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

S. REVENUE RECOGNITION (continued)

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

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

T. EMPLOYEE BENEFITS

- (a) Short term employee benefits

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

- (b) Defined contribution plans

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

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

U. CURRENT AND DEFERRED INCOME TAXES

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

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

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

U. CURRENT AND DEFERRED INCOME TAXES (continued)

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

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

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

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

V. FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'.

Summary of Significant Accounting Policies

for the financial year ended 31 December 2013 (continued)

V. FOREIGN CURRENCIES (continued)

(b) Transactions and balances (continued)

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

(c) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially sold or disposed of, exchange differences that were recorded in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

W. SEGMENT REPORTING

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

X. CONTINGENT LIABILITIES

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

1. GENERAL INFORMATION

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

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

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

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

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

2. FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities expose it to a variety of financial risks from its operations including market risk, credit risk and liquidity risk. The Group's overall financial risk management objectives are to ensure that the Group creates value for its shareholders and to ensure that adequate financial resources are available for the development of the Group's businesses. The Group operates within clearly defined guidelines that are approved by the Board and seeks to minimise potential adverse effects on its financial performance. Such guidelines are reviewed periodically to ensure that the Group's policy guidelines are complied with.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

Market risk

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

(i) Foreign currency exchange risk

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

2. FINANCIAL RISK MANAGEMENT POLICIES (continued)Market risk (continued)

(i) Foreign currency exchange risk (continued)

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

| | 2013 | | Group 2012 | |
|-----------|----------------------|---------------------------|-----------------------|---------------------------|
| | Assets RM | Liabilities RM | Assets RM | Liabilities RM |
| US Dollar | 135,543,314 | 132,253,927 | 97,701,825 | 88,695,903 |
| Others | 458,189 | 2,117,796 | 701,117 | 1,685,397 |
| | <u>136,001,503</u> | <u>134,371,723</u> | <u>98,402,942</u> | <u>90,381,300</u> |

Foreign currency sensitivity

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

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

| | 2013 RM | Group 2012 RM |
|---|--------------------|------------------------------|
| <u>Weaken by 10% impact to profit or loss</u> | | |
| US Dollar | (328,939) | (900,592) |
| <u>Strengthen by 10% impact to profit or loss</u> | | |
| US Dollar | <u>328,939</u> | <u>900,592</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

2. FINANCIAL RISK MANAGEMENT POLICIES (continued)

Market risk (continued)

(ii) Interest rate risk

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

Interest rate sensitivity

This is mainly attributable to Group's exposure to interest rates on its variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit before tax would increase by RM264,363 (2012: RM129,360). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit before tax would decrease by a similar amount.

(iii) Price risk

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

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

Credit risk

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

2. FINANCIAL RISK MANAGEMENT POLICIES (continued)Credit risk (continued)

(i) Receivables

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

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

The credit quality of trade receivables can be assessed by reference to historical information about counterparty default rates:

| | <u>2013</u> RM | <u>Group</u> <u>2012</u> RM |
|---|--------------------|-----------------------------------|
| Neither past due nor impaired: Counterparties without external credit rating | | |
| - New customers during the year | 6,798,042 | 10,514,895 |
| - Existing customers with no defaults in the past | 158,717,358 | 109,959,171 |
| Total unimpaired trade receivables | <u>165,515,400</u> | <u>120,474,066</u> |
| Past due but not impaired: Counterparties without external credit rating | | |
| - New customers during the year | 1,103,946 | 15,233,916 |
| - Existing customers with no defaults in the past | 17,080,724 | 6,173,509 |
| Total past due but not impaired trade receivables | <u>18,184,670</u> | <u>21,407,425</u> |
| Past due and impaired: Counterparties without external credit rating | | |
| - Existing customers | 1,490,265 | 2,183,612 |
| Total past due and impaired trade receivables | <u>1,490,265</u> | <u>2,183,612</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

2. FINANCIAL RISK MANAGEMENT POLICIES (continued)

Credit risk (continued)

(ii) Amounts due from associates and subsidiaries

The Company provides unsecured loans and advances to subsidiaries. The amounts due from associates are in relation to dividends receivable and operating expenses. The Company monitors the results of the associates and subsidiaries regularly. As at 31 December 2013, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that amounts due from associates and subsidiaries are stated at the realisable values. As at 31 December 2013, there was no indication that the loans and advances extended to the subsidiaries and amounts due from associates are not recoverable.

(iii) Bank balances

Bank balances are with approved financial institutions and reputable banks.

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

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

| | 2013 | Group | 2013 | Company |
|-----|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | RM | 2012 | RM | 2012 |
| | | RM | RM | RM |
| AAA | 73,664,456 | 80,773,148 | 8,360,269 | 29,712,882 |
| AA | 31,564 | 17,217 | 20,685 | 16,538 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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

(iv) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries.

The maximum exposure to credit risk amounts to RM3,744,611 (2012: RM9,104,163) representing the outstanding banking facilities of the subsidiaries as at end of reporting period. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

2. FINANCIAL RISK MANAGEMENT POLICIES (continued)Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

| | On demand or within one year RM | One to two years RM | Two to five years RM | More than five years RM | 2013 Total RM |
|--|--|------------------------------------|-------------------------------------|--|------------------------------|
| <u>Group</u> | | | | | |
| <u>Financial liabilities</u> | | | | | |
| Trade and other payables (excluding statutory obligations) | 162,643,037 | 0 | 0 | 0 | 162,643,037 |
| Borrowings | 18,074,190 | 2,243,756 | 7,141,090 | 2,499,072 | 29,958,108 |
| Total undiscounted financial liabilities | <u>180,717,227</u> | <u>2,243,756</u> | <u>7,141,090</u> | <u>2,499,072</u> | <u>192,601,145</u> |
| <u>Company</u> | | | | | |
| <u>Financial liabilities</u> | | | | | |
| Amounts due to subsidiaries | 13,586,934 | 0 | 0 | 0 | 13,586,934 |
| Borrowings | 9,800,000 | 0 | 0 | 0 | 9,800,000 |
| Other payables and accruals (excluding statutory obligations) | 1,514,055 | 0 | 0 | 0 | 1,514,055 |
| Financial guarantee liabilities | 73,679 | 0 | 0 | 0 | 73,679 |
| Total undiscounted financial liabilities | <u>24,974,668</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>24,974,668</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

2. FINANCIAL RISK MANAGEMENT POLICIES (continued)Liquidity risk (continued)

| | On demand or within one year RM | One to two years RM | More than two years RM | 2012 Total RM |
|--|--|------------------------------------|---------------------------------------|------------------------------|
| <u>Group</u> | | | | |
| <u>Financial liabilities</u> | | | | |
| Trade and other payables (excluding statutory obligations) | 122,709,269 | 0 | 0 | 122,709,269 |
| Borrowings | 15,949,000 | 2,247,816 | 1,892,183 | 20,088,999 |
| Total undiscounted financial liabilities | <u>138,658,269</u> | <u>2,247,816</u> | <u>1,892,183</u> | <u>142,798,268</u> |
| <u>Company</u> | | | | |
| <u>Financial liabilities</u> | | | | |
| Amounts due to subsidiaries | 16,874,171 | 0 | 0 | 16,874,171 |
| Borrowings | 9,800,000 | 0 | 0 | 9,800,000 |
| Other payables and accruals (excluding statutory obligations) | 2,156,755 | 0 | 0 | 2,156,755 |
| Financial guarantee liabilities | 11,848,532 | 0 | 0 | 11,848,532 |
| Total undiscounted financial liabilities | <u>40,679,458</u> | <u>0</u> | <u>0</u> | <u>40,679,458</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Critical judgment in applying the Group's accounting policies

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

(i) Functional currency

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

(ii) Revenue recognition

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

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

If any of the above criteria is not met, revenues on those sales are recognised net as marketing fee earned.

The Group is also a party to contractual agreements, which can involve upfront and milestone payments that may occur over several years. These agreements may also involve certain future obligations. Revenue is only recognised when, in management's judgment, the significant risks and rewards of ownership have been transferred or when the obligation has been fulfilled. For some transactions, this can result in cash receipts being initially recognised as deferred revenue and then recognised as revenue over subsequent periods on the basis that the performance of the deliverables as specified in the agreements are met.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

4. SEGMENTAL REPORTING

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

- Power and Machinery – Mainly consists of:-
 - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services;
 - Supply and commission combined heat and power plants; and
 - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment.
- Oilfield Services – Mainly consists of:-
 - Provision of wireline equipment and services;
 - Provision of integrated wellhead maintenance services;
 - Provision of oilfield chemicals, and
 - Provision of drilling equipment and services and other oilfield products and technical services.
- Maintenance, Repair and Overhaul – Mainly consists of:-
 - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps; and
 - Services in integrated corrosion, inspection and mitigation, primarily using Sponge Jet technology.

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

Unallocated income consists mainly of interest income earned by the Company. Finance cost consists of interest on borrowings. These income and finance cost are not allocated to the business segments, as these types of activities are driven by the Group treasury function, which manages the cash position of the Group.

Unallocated corporate expenses represent expenses incurred by the Corporate division. These expenses are not allocated to segments as the expenses are not driven by each business segments.

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

4. SEGMENTAL REPORTING (continued)

(a) Business Segments

| | Power and machinery RM | Oilfield services RM | Maintenance, repair and overhaul RM | Group RM |
|--|------------------------------|----------------------------|--|---------------|
| Financial year ended 31 December 2013 | | | | |
| SEGMENT REVENUE | | | | |
| External revenue | 382,189,687 | 75,200,862 | 27,293,349 | 484,683,898 |
| SEGMENT RESULTS | | | | |
| Segment operating profit | 64,048,149 | 7,286,026 | 1,869,388 | 73,203,563 |
| Profit from operations | | | | 73,203,563 |
| Unallocated income | | | | 413,899 |
| Unallocated corporate expenses | | | | (13,999,107) |
| Share of results of associates | | | | 15,973,351 |
| Profit before tax | | | | 75,591,706 |
| Tax expense | | | | (16,929,749) |
| Profit for the financial year | | | | 58,661,957 |
| Other information: | | | | |
| Depreciation and amortisation | 2,589,064 | 9,171,387 | 937,916 | 12,698,367 |
| Other material non-cash items | | | | |
| Impairment for doubtful debts | 0 | 0 | 768,970 | 768,970 |
| Write back of impairment for doubtful debts | (973,303) | (403,156) | (84,904) | (1,461,363) |
| Allowance for slow moving inventories | 225,131 | 0 | 0 | 225,131 |
| Reversal of allowance for slow moving inventories | (11,385) | 0 | 0 | (11,385) |
| Provision for liquidated damages | 157,381 | 0 | 0 | 157,381 |
| Write back of provision for liquidated damages | (260,105) | 0 | 0 | (260,105) |
| Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue: | | | | |
| - Customer A | (120,293,156) | (52,997,258) | 0 | (173,290,414) |
| - Customer B | (46,916,538) | (4,702,883) | 0 | (51,619,421) |
| - Customer C | (34,839,506) | (1,000,929) | 0 | (35,840,435) |
| - Customer D | (29,212,971) | 0 | 0 | (29,212,971) |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

4. SEGMENTAL REPORTING (continued)

(a) Business Segments (continued)

| | Power and machinery RM | Oilfield services RM | Maintenance, repair and overhaul RM | Group RM |
|---------------------------------------|---------------------------------------|-------------------------------------|--|---------------------|
| Financial year ended 31 December 2013 | | | | |
| Segment assets | 252,326,740 | 141,891,441 | 24,363,643 | 418,581,824 |
| Unallocated corporate assets | | | | 81,797,121 |
| Total assets | | | | 500,378,945 |
| Segment liabilities | 139,158,200 | 58,131,057 | 8,185,220 | 205,474,477 |
| Unallocated corporate liabilities | | | | 23,658,147 |
| Total liabilities | | | | 229,132,624 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

4. SEGMENTAL REPORTING (continued)

(a) Business Segments (continued)

| | Power and machinery RM | Oilfield services RM | Maintenance, repair and overhaul RM | Group RM |
|--|------------------------------|----------------------------|--|---------------|
| Financial year ended 31 December 2012 | | | | |
| SEGMENT REVENUE | | | | |
| External revenue | 379,466,938 | 76,937,898 | 16,835,133 | 473,239,969 |
| SEGMENT RESULTS | | | | |
| Segment operating profit/(loss) | 58,127,053 | 5,063,397 | (987,171) | 62,203,279 |
| Profit from operations | | | | 62,203,279 |
| Unallocated income | | | | 668,025 |
| Unallocated corporate expenses | | | | (10,978,809) |
| Share of results of associates | | | | 15,578,725 |
| Profit before tax | | | | 67,471,220 |
| Tax expense | | | | (13,256,972) |
| Profit for the financial year | | | | 54,214,248 |
| Other information: | | | | |
| Depreciation and amortisation | 2,505,272 | 7,692,501 | 760,477 | 10,958,250 |
| Other material non-cash items | | | | |
| Impairment for doubtful debts | 973,303 | 409,888 | 690,497 | 2,073,688 |
| Write back of impairment for doubtful debts | 0 | (32,111) | (470,738) | (502,849) |
| Allowance for slow moving inventories | 39,745 | 0 | 0 | 39,745 |
| Reversal of allowance for slow moving inventories | (42,645) | 0 | 0 | (42,645) |
| Provision for liquidated damages | 636,136 | 0 | 0 | 636,136 |
| Write back of provision for liquidated damages | (523,390) | 0 | 0 | (523,390) |
| Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue: | | | | |
| - Customer A | (127,908,426) | (50,994,434) | 0 | (178,902,860) |
| - Customer B | (69,657,791) | (9,576,541) | 0 | (79,234,332) |
| - Customer C | (48,037,703) | (74,003) | 0 | (48,111,706) |
| - Customer D | (36,817,253) | (128,715) | 0 | (36,945,968) |

116

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

4. SEGMENTAL REPORTING (continued)

(a) Business Segments (continued)

| | Power and machinery RM | Oilfield services RM | Maintenance, repair and overhaul RM | Group RM |
|---------------------------------------|------------------------------|----------------------------|--|-------------|
| Financial year ended 31 December 2012 | | | | |
| Segment assets | 194,463,113 | 100,012,516 | 18,609,185 | 313,084,814 |
| Unallocated corporate assets | | | | 100,934,768 |
| Total assets | | | | 414,019,582 |
| Segment liabilities | 103,583,609 | 32,197,276 | 6,251,896 | 142,032,781 |
| Unallocated corporate liabilities | | | | 25,691,207 |
| Total liabilities | | | | 167,723,988 |

(b) Geographical information

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

5. REVENUE

| | <u>Group</u> | | <u>Company</u> | |
|-----------------------|--------------------|--------------------|--------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| Sale of equipment | 152,922,629 | 132,946,375 | 0 | 0 |
| Rendering of services | 305,794,488 | 329,948,340 | 0 | 0 |
| Marketing fee | 25,966,781 | 10,345,254 | 0 | 0 |
| Dividend income | 0 | 0 | 98,482,714 | 12,702,000 |
| Management fee | 0 | 0 | 11,391,800 | 9,434,000 |
| | <u>484,683,898</u> | <u>473,239,969</u> | <u>109,874,514</u> | <u>22,136,000</u> |

6. PROFIT BEFORE TAX

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|-------------|----------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| The following items have been charged/ (credited) in arriving at profit before tax: | | | | |
| Purchase of products, parts and consumables | 218,007,929 | 245,981,481 | 0 | 0 |
| Cost of services purchased | 72,844,259 | 66,749,005 | 0 | 0 |
| Inter-company interest income | 0 | 0 | (126,868) | (323,167) |
| Impairment for doubtful debts: | | | | |
| - Trade receivables | | | | |
| - impairment made | 768,970 | 2,073,688 | 0 | 0 |
| - write back of impairment | (1,461,363) | (502,849) | 0 | 0 |
| - Other receivables | | | | |
| - impairment made | 3,800,000 | 0 | 3,800,000 | 0 |
| Amortisation of intangible assets | 100,213 | 938,754 | 0 | 0 |
| Depreciation: | | | | |
| - property, plant and equipment | 15,607,793 | 14,529,766 | 659,484 | 1,516,069 |
| - investment properties | 23,613 | 23,543 | 0 | 0 |
| Fees to PricewaterhouseCoopers Malaysia: | | | | |
| - statutory audit services | | | | |
| - current year | 366,140 | 361,500 | 120,000 | 140,000 |
| - over provision in prior year | (25,800) | 0 | (25,800) | 0 |
| - audit related services | 265,630 | 144,000 | 256,630 | 144,000 |
| - non-audit related services | 359,550 | 195,000 | 255,555 | 141,500 |
| Statutory audit fees to other auditors | 70,928 | 61,030 | 0 | 0 |
| Gain on disposal of property, plant and equipment | (117,406) | (84,527) | (15,536) | 0 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

6. PROFIT BEFORE TAX (continued)

| | 2013 RM | <u>Group</u> 2012 RM | 2013 RM | <u>Company</u> 2012 RM |
|---|------------------|----------------------------|------------------|------------------------------|
| The following items have been charged/ (credited) in arriving at profit before tax (cont'd): | | | | |
| (Gain)/loss on foreign exchange: | | | | |
| - realised | (1,057,311) | 303,373 | 10,654 | 2,794 |
| - unrealised | 1,190,188 | 311,736 | 0 | 0 |
| Allowance for slow moving inventories | 225,131 | 39,745 | 0 | 0 |
| Reversal of allowance for slow moving inventories | (11,385) | (42,645) | 0 | 0 |
| Write off: | | | | |
| - property, plant and equipment | 58,899 | 7,827 | 0 | 0 |
| Provision for liquidated damages | 157,381 | 636,136 | 0 | 0 |
| Write back of provision for liquidated damages | (260,105) | (523,390) | 0 | 0 |
| Interest income | (1,260,309) | (1,761,757) | (397,715) | (646,351) |
| Rental income | (458,852) | (328,976) | 0 | 0 |
| Rental expense: | | | | |
| - business premises | 2,376,085 | 1,712,992 | 0 | 0 |
| - lease of equipment and motor vehicles | 1,468,745 | 1,897,914 | 0 | 0 |
| Staff cost (including executive directors' remuneration as disclosed in Note 7) | 56,712,689 | 45,673,806 | 9,824,238 | 8,770,504 |
| Defined contribution plan (including executive directors' remuneration as disclosed in Note 7) | 6,097,024 | 5,172,310 | 1,105,574 | 1,035,471 |
| | <u>6,097,024</u> | <u>5,172,310</u> | <u>1,105,574</u> | <u>1,035,471</u> |

7. DIRECTORS' REMUNERATION

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

| | 2013 RM | <u>Group</u> 2012 RM | 2013 RM | <u>Company</u> 2012 RM |
|--|------------------|----------------------------|------------------|------------------------------|
| Executive Directors: | | | | |
| - salaries and bonuses | 1,814,643 | 1,689,702 | 1,314,000 | 1,130,000 |
| - defined contribution plan | 273,390 | 284,180 | 197,100 | 169,500 |
| - other emoluments | 57,224 | 59,666 | 15,224 | 16,166 |
| - estimated monetary value of benefits-in-kind | 31,150 | 35,200 | 31,150 | 35,200 |
| Non-executive Directors: | | | | |
| - fees | 924,475 | 811,664 | 924,475 | 811,664 |
| - other emoluments | 121,222 | 110,026 | 121,222 | 110,026 |
| - estimated monetary value of benefits-in-kind | 70,400 | 70,400 | 70,400 | 70,400 |
| | <u>3,292,504</u> | <u>3,060,838</u> | <u>2,673,571</u> | <u>2,342,956</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

8. FINANCE COST

| | 2013 RM | Group 2012 RM |
|---|--------------------------|--|
| Interest on revolving credit facility | 541,692 | 442,063 |
| Interest on term loans | 257,374 | 477,720 |
| Profit sharing margin on Islamic term loans | 200,232 | 250,984 |
| Interest on finance lease | 3,808 | 1,783 |
| Bank charges | 31,560 | 50,862 |
| Amortisation cost on financial liabilities | 474,183 | (815,335) |
| | <u>1,508,849</u> | <u>408,077</u> |

9. TAX EXPENSE

| | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|---|--------------------------|--|--------------------------|--|
| Current tax: | | | | |
| - Malaysian tax | 16,885,153 | 13,945,828 | 2,017,523 | (1,384,345) |
| (Over)/Under provision in prior years: | | | | |
| - Malaysian tax | (20,791) | 206,103 | 1,017,969 | 314,195 |
| Deferred tax (Note 25): | | | | |
| - Origination and reversal of temporary differences | 65,387 | (894,959) | (570,034) | 407,700 |
| | <u>16,929,749</u> | <u>13,256,972</u> | <u>2,465,458</u> | <u>(662,450)</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

9. TAX EXPENSE (continued)

Current income tax is calculated at the statutory rate of 25% of the assessable profit for the year. The statutory tax rate will be reduced to 24% from the current year's statutory rate of 25% effective year of assessment 2016. The computation of the deferred tax as at 31 December 2013 has reflected this change.

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

| | 2013 % | <u>Group</u> 2012 % | 2013 % | <u>Company</u> 2012 % |
|--|-----------|---------------------------|-----------|-----------------------------|
| Numerical reconciliation between the effective tax rate and the Malaysian tax rate | | | | |
| Malaysian tax rate | 25 | 25 | 25 | 25 |
| Tax effects of: | | | | |
| - expenses not deductible for tax purposes | 3 | 2 | 2 | 10 |
| - under provision in prior years | 0 | 0 | 1 | 5 |
| - associates results reported net of tax | (5) | (6) | 0 | 0 |
| - income not subject to tax | 0 | 0 | (25) | (51) |
| - utilisation of previously unrecognised deferred tax asset | 0 | (1) | 0 | 0 |
| - change in statutory tax rate | (1) | 0 | 0 | 0 |
| Effective tax rate | <u>22</u> | <u>20</u> | <u>3</u> | <u>(11)</u> |

10. EARNINGS PER SHARE

Basic earnings per share

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

| | 2013 RM | <u>Group</u> 2012 RM |
|---|--------------------|----------------------------|
| Profit for the financial year attributable to equity holders of the Company | 49,559,375 | 44,450,172 |
| Weighted average number of ordinary shares in issue | <u>150,000,000</u> | <u>150,000,000</u> |
| Basic earnings per share (sen) | <u>33.04</u> | <u>29.63</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

11. DIVIDENDS

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

| | <u>2013</u> | | <u>2012</u> | |
|--|-------------------------------------|------------------------------|-------------------------------------|------------------------------|
| | Gross dividend per share sen | Amount of dividend RM | Gross dividend per share sen | Amount of dividend RM |
| <u>In respect of the financial year ended 31 December 2011</u> | | | | |
| Second interim single tier dividend, on 100,000,000 ordinary shares, paid on 23 March 2012 | 0 | 0 | 9.0 | 9,000,000 |
| <u>In respect of the financial year ended 31 December 2012</u> | | | | |
| First interim single tier dividend, on 150,000,000 ordinary shares, paid on 20 September 2012 | 0 | 0 | 5.0 | 7,500,000 |
| Second interim single tier dividend, on 150,000,000 ordinary shares, paid on 25 March 2013 | 10.0 | 15,000,000 | 0 | 0 |
| <u>In respect of the financial year ended 31 December 2013</u> | | | | |
| First interim single tier dividend, on 150,000,000 ordinary shares, paid on 25 September 2013 | 6.0 | 9,000,000 | 0 | 0 |
| | | <u>24,000,000</u> | | <u>16,500,000</u> |

The Directors had on 25 February 2014 declared a second interim single tier dividend of 11 sen per share of RM1.00 each in respect of the financial year ended 31 December 2013, totaling RM16,500,000, payable on 26 March 2014.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2013.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

12. PROPERTY, PLANT AND EQUIPMENT

| <u>Group</u> | <u>Freehold land</u> RM | <u>Freehold building</u> RM | <u>Long term leasehold land</u> RM | <u>Long term leasehold buildings</u> RM | <u>Office equipment, furniture & fittings and renovations</u> RM | <u>Plant, machinery, other equipment and motor vehicles</u> RM | <u>Assets under construction</u> RM | <u>Total</u> RM |
|---------------------------------------|----------------------------|--------------------------------|---------------------------------------|--|---|---|--|--------------------|
| <u>Year ended 31 December 2013</u> | | | | | | | | |
| <u>Net book value</u> | | | | | | | | |
| At 1 January 2013 | 1,040,000 | 8,455,945 | 3,642,417 | 4,377,988 | 8,363,575 | 68,524,368 | 2,749,452 | 97,153,745 |
| Additions | 0 | 0 | 0 | 0 | 3,300,569 | 8,912,446 | 39,762,949 | 51,975,964 |
| Written Off | 0 | 0 | 0 | 0 | (35,096) | (23,803) | 0 | (58,899) |
| Transfer | 0 | 0 | 0 | 0 | 169,300 | 17,563,627 | (17,732,927) | 0 |
| Reclassification to intangible assets | 0 | 0 | 0 | 0 | 0 | (520,000) | 0 | (520,000) |
| Disposals | 0 | 0 | 0 | 0 | (11,312) | (173,357) | 0 | (184,669) |
| Depreciation charge | 0 | (184,800) | (87,746) | (180,906) | (3,093,205) | (12,061,136) | 0 | (15,607,793) |
| At 31 December 2013 | <u>1,040,000</u> | <u>8,271,145</u> | <u>3,554,671</u> | <u>4,197,082</u> | <u>8,693,831</u> | <u>82,222,145</u> | <u>24,779,474</u> | <u>132,758,348</u> |
| <u>At 31 December 2013</u> | | | | | | | | |
| Cost | 1,040,000 | 9,240,008 | 4,387,284 | 6,152,947 | 28,243,972 | 138,383,493 | 24,779,474 | 212,227,178 |
| Accumulated depreciation | 0 | (968,863) | (832,613) | (1,955,865) | (19,550,141) | (56,161,348) | 0 | (79,468,830) |
| Net book value | <u>1,040,000</u> | <u>8,271,145</u> | <u>3,554,671</u> | <u>4,197,082</u> | <u>8,693,831</u> | <u>82,222,145</u> | <u>24,779,474</u> | <u>132,758,348</u> |
| <u>At 31 December 2012</u> | | | | | | | | |
| Cost | 1,040,000 | 9,240,008 | 4,387,284 | 6,152,947 | 26,100,155 | 113,721,658 | 2,749,452 | 163,391,504 |
| Accumulated depreciation | 0 | (784,063) | (744,867) | (1,774,959) | (17,736,580) | (45,197,290) | 0 | (66,237,759) |
| Net book value | <u>1,040,000</u> | <u>8,455,945</u> | <u>3,642,417</u> | <u>4,377,988</u> | <u>8,363,575</u> | <u>68,524,368</u> | <u>2,749,452</u> | <u>97,153,745</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

| <u>Group</u> | Freehold land RM | Freehold building RM | Long term leasehold land RM | Long term leasehold buildings RM | Office equipment, furniture & fittings and renovations RM | Plant, machinery, other equipment and motor vehicles RM | Assets under construction RM | Total RM |
|--|------------------------|----------------------------|--------------------------------------|---|--|---|------------------------------------|--------------|
| Year ended 31 December 2012 | | | | | | | | |
| <u>Net book value</u> | | | | | | | | |
| At 1 January 2012 | 1,040,000 | 8,640,745 | 3,730,163 | 4,558,894 | 10,194,363 | 70,941,668 | 0 | 99,105,833 |
| Acquisition of subsidiary (Note 35) | 0 | 0 | 0 | 0 | 204,983 | 836,177 | 0 | 1,041,160 |
| Additions | 0 | 0 | 0 | 0 | 1,584,111 | 7,304,255 | 2,749,452 | 11,637,818 |
| Written Off | 0 | 0 | 0 | 0 | (5,404) | (2,423) | 0 | (7,827) |
| Disposals | 0 | 0 | 0 | 0 | 0 | (93,473) | 0 | (93,473) |
| Depreciation charge | 0 | (184,800) | (87,746) | (180,906) | (3,614,478) | (10,461,836) | 0 | (14,529,766) |
| At 31 December 2012 | 1,040,000 | 8,455,945 | 3,642,417 | 4,377,988 | 8,363,575 | 68,524,368 | 2,749,452 | 97,153,745 |
| <u>At 31 December 2012</u> | | | | | | | | |
| Cost | 1,040,000 | 9,240,008 | 4,387,284 | 6,152,947 | 26,100,155 | 113,721,658 | 2,749,452 | 163,391,504 |
| Accumulated depreciation | 0 | (784,063) | (744,867) | (1,774,959) | (17,736,580) | (45,197,290) | 0 | (66,237,759) |
| Net book value | 1,040,000 | 8,455,945 | 3,642,417 | 4,377,988 | 8,363,575 | 68,524,368 | 2,749,452 | 97,153,745 |
| <u>At 31 December 2011</u> | | | | | | | | |
| Cost | 1,040,000 | 9,240,008 | 4,387,284 | 6,152,947 | 24,580,316 | 106,657,176 | 0 | 152,057,731 |
| Accumulated depreciation | 0 | (599,263) | (657,121) | (1,594,053) | (14,385,953) | (35,715,508) | 0 | (52,951,898) |
| Net book value | 1,040,000 | 8,640,745 | 3,730,163 | 4,558,894 | 10,194,363 | 70,941,668 | 0 | 99,105,833 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

| <u>Company</u> | Long term leasehold land RM | Long term leasehold buildings RM | Office equipment, furniture & fittings and renovations RM | Motor vehicles RM | Assets under construction RM | Total RM |
|--|-----------------------------------|---|--|-------------------------|------------------------------------|------------------|
| <u>Year ended</u> | | | | | | |
| <u>31 December 2013</u> | | | | | | |
| <u>Net book value</u> | | | | | | |
| At 1 January 2013 | 2,253,110 | 1,178,550 | 811,981 | 1,515,658 | 0 | 5,759,299 |
| Additions | 0 | 0 | 259,499 | 0 | 0 | 259,499 |
| Reclassification to intangible assets | 0 | 0 | (520,000) | 0 | 0 | (520,000) |
| Re-charge to subsidiaries | 0 | 0 | (137,540) | 0 | 13,754 | (123,786) |
| Disposal | 0 | 0 | 0 | (59,964) | 0 | (59,964) |
| Depreciation charge | (48,880) | (26,190) | (120,889) | (463,525) | 0 | (659,484) |
| At 31 December 2013 | <u>2,204,230</u> | <u>1,152,360</u> | <u>293,051</u> | <u>992,169</u> | <u>13,754</u> | <u>4,655,564</u> |
| <u>At 31 December 2013</u> | | | | | | |
| Cost | 2,444,000 | 1,309,500 | 4,686,302 | 2,227,587 | 13,754 | 10,681,143 |
| Accumulated depreciation | (239,770) | (157,140) | (4,393,251) | (1,235,418) | 0 | (6,025,579) |
| Net book value | <u>2,204,230</u> | <u>1,152,360</u> | <u>293,051</u> | <u>992,169</u> | <u>13,754</u> | <u>4,655,564</u> |
| <u>At 31 December 2012</u> | | | | | | |
| Cost | 2,444,000 | 1,309,500 | 5,291,927 | 2,737,731 | 0 | 11,783,158 |
| Accumulated depreciation | (190,890) | (130,950) | (4,479,946) | (1,222,073) | 0 | (6,023,859) |
| Net book value | <u>2,253,110</u> | <u>1,178,550</u> | <u>811,981</u> | <u>1,515,658</u> | <u>0</u> | <u>5,759,299</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

| <u>Company</u> | Long term leasehold land RM | Long term leasehold buildings RM | Office equipment, furniture & fittings and renovations RM | Motor vehicles RM | Total RM |
|----------------------------|-----------------------------------|---|--|-------------------------|------------------|
| <u>Year ended</u> | | | | | |
| <u>31 December 2012</u> | | | | | |
| <u>Net book value</u> | | | | | |
| At 1 January 2012 | 2,301,990 | 1,204,740 | 976,417 | 2,033,204 | 6,516,351 |
| Additions | 0 | 0 | 759,017 | 0 | 759,017 |
| Depreciation charge | (48,880) | (26,190) | (923,453) | (517,546) | (1,516,069) |
| At 31 December 2012 | <u>2,253,110</u> | <u>1,178,550</u> | <u>811,981</u> | <u>1,515,658</u> | <u>5,759,299</u> |
| <u>At 31 December 2012</u> | | | | | |
| Cost | 2,444,000 | 1,309,500 | 5,291,927 | 2,737,731 | 11,783,158 |
| Accumulated depreciation | (190,890) | (130,950) | (4,479,946) | (1,222,073) | (6,023,859) |
| Net book value | <u>2,253,110</u> | <u>1,178,550</u> | <u>811,981</u> | <u>1,515,658</u> | <u>5,759,299</u> |
| <u>At 31 December 2011</u> | | | | | |
| Cost | 2,444,000 | 1,309,500 | 4,532,910 | 2,737,731 | 11,024,141 |
| Accumulated depreciation | (142,010) | (104,760) | (3,556,493) | (704,527) | (4,507,790) |
| Net book value | <u>2,301,990</u> | <u>1,204,740</u> | <u>976,417</u> | <u>2,033,204</u> | <u>6,516,351</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

| | 2013 RM | Group 2012 RM |
|---|--------------------|---------------------|
| Net book value of property, plant and equipment of the Group pledged as security: | | |
| - freehold land | 1,040,000 | 1,040,000 |
| - freehold building | 8,271,145 | 8,455,945 |
| - long term leasehold land | 1,350,443 | 1,389,308 |
| - long term leasehold buildings | 1,811,345 | 1,935,080 |
| - office equipment, furniture & fittings and renovations | 1,418,033 | 2,976,560 |
| - plant, machinery, other equipment and motor vehicles | 90,605,436 | 52,806,927 |
| | <u>104,496,402</u> | <u>68,603,820</u> |

The property, plant and equipment above have been pledged as security for borrowings as disclosed in Note 22 and the unutilised banking facilities as at financial year end.

The net book value of a motor vehicle acquired under hire purchase arrangement amounted to RM118,192 (2012: RM75,571).

The Group and the Company acquired plant and equipment by the following means:

| | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|---------------|-------------------|---------------------|----------------|-----------------------|
| Cash* | 51,905,964 | 11,637,818 | 259,499 | 759,017 |
| Finance lease | 70,000 | 0 | 0 | 0 |
| | <u>51,975,964</u> | <u>11,637,818</u> | <u>259,499</u> | <u>759,017</u> |

* During the financial year, the Group acquired plant and equipment via cash amounting to RM51,905,964 (2012: RM11,637,818) of which RM10,601,034 (2012: Nil) had been paid upfront in the previous financial year.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

13. INVESTMENT PROPERTIES

| | 2013 RM | Group 2012 RM |
|-------------------------------------|------------------|---------------------|
| <u>Net book value</u> | | |
| At 1 January | 935,225 | 958,768 |
| Depreciation charge | (23,613) | (23,543) |
| At 31 December | <u>911,612</u> | <u>935,225</u> |
| Cost | 1,178,764 | 1,178,764 |
| Accumulated depreciation | (235,689) | (212,076) |
| Accumulated impairment loss | (31,463) | (31,463) |
| | <u>911,612</u> | <u>935,225</u> |
| Fair value of investment properties | <u>1,118,313</u> | <u>1,079,750</u> |

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

14. INTANGIBLE ASSETS

| | Goodwill RM | Contracts RM | Software costs RM | Software costs for assets in progress RM | Total RM |
|---|----------------|------------------|-------------------------|--|------------------|
| <u>Group</u> | | | | | |
| <u>2013</u> | | | | | |
| At 1 January | 108,997 | 1,510,019 | 0 | 0 | 1,619,016 |
| Additions | 0 | 0 | 92,613 | 960,235 | 1,052,848 |
| Reclassification from property, plant and equipment | 0 | 0 | 52,000 | 468,000 | 520,000 |
| Fair value adjustment (Note 35) | | | | | |
| - Contracts | 0 | (975,774) | 0 | 0 | (975,774) |
| - Distributorship agreement | 0 | 849,366 | 0 | 0 | 849,366 |
| Amortisation | 0 | (92,981) | (7,232) | 0 | (100,213) |
| At 31 December | <u>108,997</u> | <u>1,290,630</u> | <u>137,381</u> | <u>1,428,235</u> | <u>2,965,243</u> |
| Cost | 108,997 | 3,953,810 | 144,613 | 1,428,235 | 5,635,655 |
| Accumulated amortisation | 0 | (2,663,180) | (7,232) | 0 | (2,670,412) |
| | <u>108,997</u> | <u>1,290,630</u> | <u>137,381</u> | <u>1,428,235</u> | <u>2,965,243</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

14. INTANGIBLE ASSETS (continued)

| | Goodwill RM | Contracts RM | Software costs RM | Software costs for assets in progress RM | Total RM |
|---|----------------|------------------|-------------------------|---|------------------|
| <u>Group</u> | | | | | |
| <u>2012</u> | | | | | |
| At 1 January | 108,997 | 256,198 | 0 | 0 | 365,195 |
| Acquisition of Deleum Primera Sdn. Bhd. ("DPSB") (Note 35) | | | | | |
| - Fair value of contracts | 0 | 1,213,547 | 0 | 0 | 1,213,547 |
| - Fair value of distributorship agreement | 0 | 979,028 | 0 | 0 | 979,028 |
| Amortisation | 0 | (938,754) | 0 | 0 | (938,754) |
| At 31 December | <u>108,997</u> | <u>1,510,019</u> | <u>0</u> | <u>0</u> | <u>1,619,016</u> |
| Cost | 108,997 | 4,080,218 | 0 | 0 | 4,189,215 |
| Accumulated amortisation | 0 | (2,570,199) | 0 | 0 | (2,570,199) |
| | <u>108,997</u> | <u>1,510,019</u> | <u>0</u> | <u>0</u> | <u>1,619,016</u> |
| | | | | Software costs for assets in progress RM | |
| <u>Company</u> | | | | | |
| <u>2013</u> | | | | | |
| At 1 January | | | | | 0 |
| Additions | | | | | 1,052,848 |
| Reclassification from property, plant and equipment | | | | | 520,000 |
| Re-charge to subsidiaries | | | | | (1,301,515) |
| At 31 December | | | | | <u>271,333</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

15. SUBSIDIARIES

| | 2013 RM | <u>Company</u> 2012 RM |
|-------------------------|-------------|------------------------------|
| Unquoted shares at cost | 133,740,455 | 133,740,455 |

During the previous financial year, the Company increased its investment in its subsidiaries by RM58,749,999 through capitalisation of debts.

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in Note 31 to the financial statements.

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

| | <u>Penaga Dresser Sdn. Bhd.</u> | <u>Delcom Utilities (Cambodia) Limited</u> | <u>Other individually immaterial subsidiaries</u> | <u>Total</u> |
|--|---|--|---|--------------|
| In RM | | | | |
| <u>Year ended 31 December 2013</u> | | | | |
| NCI percentage of ownership interest and voting interest | 49% | 40% | | |
| Carrying amount of NCI | 11,088,633 | 9,855,798 | 8,381,390 | 29,325,821 |
| <u>Year ended 31 December 2012</u> | | | | |
| NCI percentage of ownership interest and voting interest | 49% | 40% | | |
| Carrying amount of NCI | 11,904,936 | 11,151,007 | 7,291,070 | 30,347,013 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

15. SUBSIDIARIES (continued)

Summarised financial information on subsidiaries with material NCI

Summarised statement of comprehensive income

| | Penaga Dresser Sdn. Bhd. | | Delcom Utilities (Cambodia) Limited | |
|---|---|-------------|---|-------------|
| | For the financial year ended 31 December | | For the financial year ended 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| Revenue | 41,621,084 | 42,570,657 | 12,679,559 | 9,248,128 |
| Profit before tax | 11,159,482 | 13,203,198 | 12,640,348 | 9,233,605 |
| Income tax expense | (2,825,409) | (3,330,964) | 0 | 0 |
| Profit for the financial year | 8,334,073 | 9,872,234 | 12,640,348 | 9,233,605 |
| Other comprehensive income | | | | |
| Foreign currency translation | 0 | 0 | 563,950 | (270,797) |
| Total comprehensive income | 8,334,073 | 9,872,234 | 13,204,298 | 8,962,808 |
| Total comprehensive income allocated to NCI | 4,083,696 | 4,837,394 | 5,281,719 | 3,585,123 |
| Dividends paid to NCI | 4,900,000 | 1,225,000 | 5,036,392 | 3,699,251 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

15. SUBSIDIARIES (continued)

Summarised statement of financial position

| | Penaga Dresser Sdn. Bhd. | | Delcom Utilities (Cambodia) Limited | |
|------------------------------|-------------------------------------|-------------------|--|------------------|
| | As at 31 December | | As at 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| Current | | | | |
| Assets | 27,288,804 | 29,485,163 | 4,788,264 | 371,850 |
| Liabilities | (6,550,979) | (7,066,257) | (515,986) | (137,714) |
| Total current net assets | <u>20,737,825</u> | <u>22,418,906</u> | <u>4,272,278</u> | <u>234,136</u> |
| Non-current | | | | |
| Assets | 1,963,340 | 1,917,714 | 3,969,576 | 7,394,400 |
| Liabilities | (71,299) | (40,827) | 0 | 0 |
| Total non-current net assets | <u>1,892,041</u> | <u>1,876,887</u> | <u>3,969,576</u> | <u>7,394,400</u> |
| Net assets | <u>22,629,866</u> | <u>24,295,793</u> | <u>8,241,854</u> | <u>7,628,536</u> |

Summarised statement of cash flows

| | Penaga Dresser Sdn. Bhd. | | Delcom Utilities (Cambodia) Limited | |
|--|---|--------------------|---|--------------------|
| | For the financial year ended 31 December | | For the financial year ended 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 14,949,805 | 6,808,371 | 335,788 | 42,306 |
| Tax paid | (3,180,276) | (1,792,541) | 0 | 0 |
| Interest paid | (42,090) | (52,645) | 0 | 0 |
| Net cash generated from operating activities | <u>11,727,439</u> | <u>4,963,185</u> | <u>335,788</u> | <u>42,306</u> |
| Net cash (used in)/generated from investing activities | <u>(233,847)</u> | <u>(112,026)</u> | <u>17,239,559</u> | <u>9,248,128</u> |
| Net cash used in financing activities | <u>(10,022,149)</u> | <u>(2,508,668)</u> | <u>(12,590,979)</u> | <u>(9,248,128)</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

15. SUBSIDIARIES (continued)

Summarised statement of cash flows (continued)

| | Penaga Dresser Sdn. Bhd. | | Delcom Utilities (Cambodia) Limited | |
|--|---|-------------------|---|----------------|
| | For the financial year ended 31 December | | For the financial year ended 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| Net increase in cash and cash equivalents | 1,471,443 | 2,342,491 | 4,984,368 | 42,306 |
| Foreign currency translation | 35,566 | 6,114 | (571,225) | (8,717) |
| Cash and cash equivalents at beginning of the financial year | 11,893,210 | 9,544,605 | 327,451 | 293,862 |
| Cash and cash equivalents at end of the financial year | <u>13,400,219</u> | <u>11,893,210</u> | <u>4,740,594</u> | <u>327,451</u> |

16. ASSOCIATES

| | 2013 | Group |
|---|-------------------|-------------------|
| | RM | 2012 |
| | | RM |
| Group's share of net assets of associates | <u>43,822,710</u> | <u>46,526,548</u> |

In the opinion of the Directors, Malaysian Mud And Chemicals Sdn. Bhd. and Cambodia Utilities Pte. Ltd. are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and country of incorporation are set out in Note 31 to the financial statements. The associates have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

16. ASSOCIATES (continued)

Summarised statement of comprehensive income

| | Malaysian Mud And Chemicals Sdn. Bhd. | | Cambodia Utilities Pte. Ltd. | | Total | |
|-----------------------------------|--|--------------|---|-------------|---|--------------|
| | For the financial year ended | | For the financial year ended | | For the financial year ended | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM | RM | RM |
| Revenue | 75,843,998 | 60,379,607 | 96,600,455 | 137,133,010 | 172,444,453 | 197,512,617 |
| Depreciation | (15,169,435) | (10,823,385) | (152,900) | (236,709) | (15,322,335) | (11,060,094) |
| Interest expense | (390,816) | (11,984) | (17,431) | (10,248) | (408,247) | (22,232) |
| Interest income | 0 | 66,944 | 1,640,059 | 2,688,331 | 1,640,059 | 2,755,275 |
| Profit before tax | 36,893,013 | 30,429,275 | 38,232,164 | 45,172,402 | 75,125,177 | 75,601,677 |
| Income tax expense | (8,721,065) | (7,486,790) | (3,440,524) | (3,986,752) | (12,161,589) | (11,473,542) |
| Profit for the financial year | 28,171,948 | 22,942,485 | 34,791,640 | 41,185,650 | 62,963,588 | 64,128,135 |
| Other comprehensive income | | | | | | |
| Foreign currency translation | 0 | 0 | 1,885,170 | (811,531) | 1,885,170 | (811,531) |
| Total comprehensive income | 28,171,948 | 22,942,485 | 36,676,810 | 40,374,119 | 64,848,758 | 63,316,604 |
| Interest in associates (32%; 20%) | | | | | | |
| Share of results | 9,015,023 | 7,341,595 | 6,958,328 | 8,237,130 | 15,973,351 | 15,578,725 |
| Dividends received from associate | 2,721,360 | 3,039,600 | 12,694,839 | 9,254,875 | 15,416,199 | 12,294,475 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

16. ASSOCIATES (continued)

Summarised statement of financial position

| | <u>Malaysian Mud And Chemicals Sdn. Bhd.</u> | | <u>Cambodia Utilities Pte. Ltd.</u> | | <u>Total</u> | |
|---|--|---------------------|---|---------------------|---------------------|---------------------|
| | As at | | As at | | As at | |
| | 31 December | | 31 December | | 31 December | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM | RM | RM |
| Current | | | | | | |
| Cash and cash equivalents | 11,503,450 | 6,983,386 | 36,864,418 | 82,252,580 | 48,367,868 | 89,235,966 |
| Other current assets (excluding cash) | 47,259,947 | 29,361,727 | 24,002,398 | 30,773,872 | 71,262,345 | 60,135,599 |
| Total current assets | <u>58,763,397</u> | <u>36,345,113</u> | <u>60,866,816</u> | <u>113,026,452</u> | <u>119,630,213</u> | <u>149,371,565</u> |
| Financial liabilities (excluding trade payables) | (7,375,142) | (2,848,638) | (1,359,058) | (1,214,204) | (8,734,200) | (4,062,842) |
| Other current liabilities (including trade payables) | (23,973,452) | (22,613,692) | (2,887,785) | (20,097,245) | (26,861,237) | (42,710,937) |
| Total current liabilities | <u>(31,348,594)</u> | <u>(25,462,330)</u> | <u>(4,246,843)</u> | <u>(21,311,449)</u> | <u>(35,595,437)</u> | <u>(46,773,779)</u> |
| Non-current Assets | <u>98,509,389</u> | <u>80,894,145</u> | <u>2,751,028</u> | <u>9,742,435</u> | <u>101,260,417</u> | <u>90,636,580</u> |
| Financial liabilities | (14,919,531) | 0 | (182,801) | (212,532) | (15,102,332) | (212,532) |
| Other liabilities | (11,051,315) | (9,659,530) | 0 | 0 | (11,051,315) | (9,659,530) |
| Total non-current liabilities | <u>(25,970,846)</u> | <u>(9,659,530)</u> | <u>(182,801)</u> | <u>(212,532)</u> | <u>(26,153,647)</u> | <u>(9,872,062)</u> |
| Net assets | <u>99,953,346</u> | <u>82,117,398</u> | <u>59,188,200</u> | <u>101,244,906</u> | <u>159,141,546</u> | <u>183,362,304</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

16. ASSOCIATES (continued)

Reconciliation of summarised financial information

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

| | <u>Malaysian Mud And Chemicals Sdn. Bhd.</u> | | <u>Cambodia Utilities Pte. Ltd.</u> | | <u>2013</u> RM | <u>Total</u> <u>2012</u> RM |
|--|--|-------------------|---|--------------------|--------------------|-----------------------------------|
| | <u>2013</u> RM | <u>2012</u> RM | <u>2013</u> RM | <u>2012</u> RM | | |
| Opening net assets | | | | | | |
| 1 January | 82,117,398 | 68,673,663 | 101,244,906 | 110,391,287 | 183,362,304 | 179,064,950 |
| Profit for the year | 28,171,948 | 22,942,485 | 34,791,640 | 41,185,650 | 62,963,588 | 64,128,135 |
| Other comprehensive income | 0 | 0 | 1,885,170 | (811,531) | 1,885,170 | (811,531) |
| Foreign exchange differences | 0 | 0 | (10,504,321) | (3,246,125) | (10,504,321) | (3,246,125) |
| Exchange difference from reduction in share capital | 0 | 0 | (4,755,000) | 0 | (4,755,000) | 0 |
| Dividends | (10,336,000) | (9,498,750) | (63,474,195) | (46,274,375) | (73,810,195) | (55,773,125) |
| Closing net assets | <u>99,953,346</u> | <u>82,117,398</u> | <u>59,188,200</u> | <u>101,244,906</u> | <u>159,141,546</u> | <u>183,362,304</u> |
| Interest in associates (32%; 20%) | <u>31,985,071</u> | <u>26,277,567</u> | <u>11,837,639</u> | <u>20,248,981</u> | <u>43,822,710</u> | <u>46,526,548</u> |
| Carrying value | <u>31,985,071</u> | <u>26,277,567</u> | <u>11,837,639</u> | <u>20,248,981</u> | <u>43,822,710</u> | <u>46,526,548</u> |

During the year, Cambodia Utilities Pte. Ltd. reduced its issued and fully paid share capital from USD12,000,000 to USD6,000,000. Following the completion of the share capital reduction, the Group's equity holding in the associate is maintained at 20% and the Group recorded a gain on exchange difference of RM951,000. The proceeds from reduction in share capital of RM4,560,000 was received during the financial year. The Group continues to equity account the associate as it has retained significant influence over the financial and operating policy of the associate through representation on the associate's board of directors.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

17. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

| | 2013 | Company |
|-------------------------------|--------------|----------------|
| | RM | 2012 |
| | | RM |
| <u>Current</u> | | |
| Amounts due from subsidiaries | 94,972,142 | 13,536,252 |
| Amounts due to subsidiaries | (13,586,934) | (16,874,171) |

Included in amounts due from subsidiaries under current assets are amounts due from a subsidiary amounting to RM2,200,000 (2012: Nil) in relation to the financing of the purchase of equipment. These amounts are unsecured, charged interest at 4.4% per annum (2012: 6.9% per annum) and are repayable on demand.

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

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

18. INVENTORIES

| | 2013 | Group |
|--|-------------|--------------|
| | RM | 2012 |
| | | RM |
| At cost: | | |
| Raw material | 1,569,843 | 2,101,407 |
| Finished goods | 19,187,253 | 13,810,138 |
| | 20,757,096 | 15,911,545 |
| Less: Allowance for slow moving inventories | (312,211) | (87,080) |
| Add: Reversal of allowance for slow moving inventories | 54,030 | 42,645 |
| | 20,498,915 | 15,867,110 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

19. TRADE AND OTHER RECEIVABLES

| | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|-------------------------------------|--------------------|---------------------|----------------|-----------------------|
| Retention sum | 851,275 | 681,343 | 0 | 0 |
| Accrued revenue | 76,045,443 | 67,340,461 | 0 | 0 |
| Trade receivables | 108,293,617 | 76,043,299 | 0 | 0 |
| | 185,190,335 | 144,065,103 | 0 | 0 |
| Less: Impairment for doubtful debts | (1,490,265) | (2,183,612) | 0 | 0 |
| Trade receivables, net | 183,700,070 | 141,881,491 | 0 | 0 |
| Other receivables | 11,756,293 | 5,536,681 | 3,803,188 | 0 |
| Less: Impairment for doubtful debts | (3,800,000) | 0 | (3,800,000) | 0 |
| | 7,956,293 | 5,536,681 | 3,188 | 0 |
| Deposits | 8,145,425 | 2,008,742 | 82,152 | 43,558 |
| Prepayments | 3,454,255 | 10,478,277 | 377,617 | 186,460 |
| | 19,555,973 | 18,023,700 | 462,957 | 230,018 |
| | <u>203,256,043</u> | <u>159,905,191</u> | <u>462,957</u> | <u>230,018</u> |

The currency profile of trade receivables is as follows:

| | 2013 RM | Group 2012 RM |
|--------------------|--------------------|---------------------|
| - Ringgit Malaysia | 59,869,457 | 53,256,471 |
| - US Dollar | 123,693,150 | 87,942,502 |
| - Euro | 87,004 | 682,518 |
| - Singapore Dollar | 50,459 | 0 |
| | <u>183,700,070</u> | <u>141,881,491</u> |

Credit terms of trade receivables range from 30 to 60 days (2012: 30 to 60 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

63% of the Group's trade receivables as at 31 December 2013 (2012: 60%) relates to 5 (2012: 5) main customers while the remaining balance is spread over a large number of customers. The major customers are primarily players in the oil and gas industry.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

19. TRADE AND OTHER RECEIVABLES (continued)Ageing Analysis of trade receivables

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

| | 2013 RM | Group 2012 RM |
|--|--------------------------|--|
| Neither past due nor impaired | 165,515,400 | 120,474,066 |
| 1 to 30 days past due not impaired | 5,474,581 | 5,098,761 |
| 31 to 60 days past due not impaired | 3,586,635 | 10,170,308 |
| 61 to 90 days past due not impaired | 4,676,323 | 2,325,231 |
| 91 to 120 days past due not impaired | 2,177,052 | 355,581 |
| More than 121 days past due not impaired | 2,270,079 | 3,457,544 |
| Past due and impaired: | | |
| More than 121 days | 1,490,265 | 2,183,612 |
| | <u>185,190,335</u> | <u>144,065,103</u> |
| Less: Impairment for doubtful debts | (1,490,265) | (2,183,612) |
| | <u>183,700,070</u> | <u>141,881,491</u> |

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM18,184,670 (2012: RM21,407,425) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

Movement in impairment for doubtful debts is as follows:

| | 2013 RM | Group 2012 RM |
|---------------------------------|--------------------------|--|
| <u>Trade receivables</u> | | |
| At 1 January | 2,183,612 | 1,001,961 |
| Impairment made during the year | 768,970 | 2,073,688 |
| Written off during the year | (954) | (389,188) |
| Reversal of impairment losses | (1,461,363) | (502,849) |
| | <u>1,490,265</u> | <u>2,183,612</u> |
| At 31 December | | |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

19. TRADE AND OTHER RECEIVABLES (continued)

Movement in impairment for doubtful debts is as follows (continued):

| | Group and Company | |
|---------------------------------|--------------------------|-------------|
| | 2013 | 2012 |
| | RM | RM |
| <u>Other receivables</u> | | |
| At 1 January | 0 | 0 |
| Impairment made during the year | 3,800,000 | 0 |
| | <hr/> | <hr/> |
| At 31 December | <u>3,800,000</u> | <u>0</u> |

All impaired trade receivables are individually determined. These impaired receivables are from customers who are in financial difficulties and have defaulted on payments. These receivables are not secured by collateral or credit enhancements.

The trade receivables of subsidiaries totalling RM34,596,965 (2012: RM32,164,363) have been pledged as security for borrowings as disclosed in Note 22 and the unutilised banking facilities as at financial year end.

The impaired other receivables relate to earnest deposit paid for the proposed subscription for new shares in a group of companies. The proposed subscription had been terminated during the financial year. The entire sum of the earnest deposit was impaired in view of the uncertainty on the collectability of the amount.

20. AMOUNTS DUE FROM ASSOCIATES

| | 2013 | Group | 2013 | Company |
|-----------------------------|------------------|------------------|--------------|----------------|
| | RM | 2012 | RM | 2012 |
| | | RM | | RM |
| Amounts due from associates | <u>1,714,110</u> | <u>1,124,341</u> | <u>2,553</u> | <u>2,341</u> |

The amounts due from associates are non-trade in nature, unsecured, interest free, repayable on demand and are denominated in Ringgit Malaysia.

The amounts due from associates are in relation to payments made on behalf for operating expenses. As at the financial year ended 31 December 2013, the amount includes dividend receivable of RM1,708,160 (2012: RM1,122,000).

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

21. CASH AND CASH EQUIVALENTS

| | 2013 | Group | 2013 | Company |
|-----------------------------------|-------------------|-------------------|------------------|-------------------|
| | RM | 2012 | RM | 2012 |
| | | RM | | RM |
| Deposits with licensed banks | 57,103,424 | 68,626,375 | 8,190,000 | 29,566,200 |
| Cash and bank balances | 16,620,040 | 12,190,524 | 191,365 | 164,196 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total cash and bank balances | 73,723,464 | 80,816,899 | 8,381,365 | 29,730,396 |
| Less: | | | | |
| Cash held in trust for dividends | (25,323) | (22,636) | 0 | 0 |
| Cash held in a designated account | (500,505) | (500,533) | 0 | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents | <u>73,197,636</u> | <u>80,293,730</u> | <u>8,381,365</u> | <u>29,730,396</u> |

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

| | 2013 | Group | 2013 | Company |
|--------------------|-------------------|-------------------|------------------|-------------------|
| | RM | 2012 | RM | 2012 |
| | | RM | | RM |
| - Ringgit Malaysia | 61,552,574 | 71,038,977 | 8,381,365 | 29,730,396 |
| - US Dollar | 11,850,164 | 9,759,323 | 0 | 0 |
| - Euro | 227,472 | 18,599 | 0 | 0 |
| - Singapore Dollar | 77,370 | 0 | 0 | 0 |
| - Hong Kong Dollar | 15,884 | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | <u>73,723,464</u> | <u>80,816,899</u> | <u>8,381,365</u> | <u>29,730,396</u> |

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

| | 2013 | Group | 2013 | Company |
|-------------------|-------------|--------------|-------------|----------------|
| | | 2012 | | 2012 |
| Interest rate (%) | 0.10 – 2.32 | 0.10 – 2.95 | 2.00 – 2.32 | 2.00 – 2.95 |
| Maturities (days) | 1 - 40 | 1 - 35 | 1 - 40 | 1 - 35 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Cash held in a designated account is required by the terms of the term loans undertaken by a subsidiary company (Note 22).

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

22. BORROWINGS

| | 2013 | Group | 2013 | Company |
|--|---------------------|---------------------|--------------------|--------------------|
| | RM | 2012 | RM | 2012 |
| | | RM | | RM |
| Revolving credits | 15,800,000 | 9,800,000 | 9,800,000 | 9,800,000 |
| Finance lease liabilities | 104,183 | 56,332 | 0 | 0 |
| Term loans | 11,274,946 | 6,214,560 | 0 | 0 |
| Islamic term financing long term non-interest bearing facilities | 2,465,952 | 2,889,603 | 0 | 0 |
| | <u>29,645,081</u> | <u>18,960,495</u> | <u>9,800,000</u> | <u>9,800,000</u> |
| <u>Less: amount repayable within 12 months</u> | | | | |
| Revolving credits | (15,800,000) | (9,800,000) | (9,800,000) | (9,800,000) |
| Finance lease liabilities | (32,884) | (15,505) | 0 | 0 |
| Term loans | (1,278,659) | (4,983,978) | 0 | 0 |
| Islamic term financing long term non-interest bearing facilities | (802,717) | (792,761) | 0 | 0 |
| | <u>(17,914,260)</u> | <u>(15,592,244)</u> | <u>(9,800,000)</u> | <u>(9,800,000)</u> |
| Amount repayable after 12 months | <u>11,730,821</u> | <u>3,368,251</u> | <u>0</u> | <u>0</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

22. BORROWINGS (continued)(a) Term loans (secured)

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

| | 2013 RM | <u>Group</u> 2012 RM |
|---|-------------------|----------------------------|
| Not later than 1 year | 1,278,659 | 4,983,978 |
| Later than 1 year but not later than 2 years | 1,499,443 | 1,230,582 |
| Later than 2 years but not later than 5 years | 5,997,772 | 0 |
| Later than 5 years | 2,499,072 | 0 |
| | <u>11,274,946</u> | <u>6,214,560</u> |

On 3 April 2009, a subsidiary of the Group drew down on term loans to part finance the purchase of wireline equipment and tools. Under the loan covenant, the subsidiary is to open an escrow account under its own name. A minimum of one installment (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2013 is RM500,505 (2012: RM500,533) (Note 21). The term loans are secured by an "all monies" debenture creating charge over all the fixed and floating assets of the subsidiary as disclosed in Notes 12 and 19, and corporate guarantee for RM20,000,000 furnished by the Company.

On 29 October 2013, a subsidiary of the Group partially drew down a term loan to part finance the purchase of slickline equipment and tools. The total draw down as of 31 December 2013 is RM9,996,287. The term loan is secured by an "all monies" first legal charge over machinery of slickline equipment and tools of the subsidiary as disclosed in Notes 12 and corporate guarantee for RM76,000,000 furnished by the another subsidiary of the Group.

The above term loans were structured as follows:

| | 2013 RM | <u>Group</u> 2012 RM |
|-------------------|-------------------|----------------------------|
| (i) Term loan 1 | 640,000 | 3,136,000 |
| (ii) Term loan 2 | 638,659 | 3,078,560 |
| (iii) Term loan 3 | 9,996,287 | 0 |
| | <u>11,274,946</u> | <u>6,214,560</u> |

Term loan 1 carries an interest of 5.54% per annum (2% per annum above the bank's cost of funds of 3.54%) (2012: 5.48% per annum). Term loan 2 carries a fixed interest rate of 5.40% per annum (2012: 5.40% per annum). Term loans 1 and 2 are repayable by way of 47 monthly principal instalments of RM416,000 per month and a final principal instalment of RM448,000. The first instalment commences on the 13th month from the date of the first drawdown. The tenure of the loans is 5 years.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

22. BORROWINGS (continued)

(a) Term loans (secured) (continued)

Term loan 3 carries an interest of 4.69% per annum (1.15% per annum above the bank's cost of funds of 3.54%). The loan is repayable by way of 60 monthly principal instalments of RM1,266,667. The first instalment commences on the 18th month from the date of the first drawdown or the 6th month from the date of the full drawdown, whichever is earlier. The tenure of the loan is 5 years.

The fair value of the term loans 1 and 3 approximates its carrying amount due to floating rate instruments, and fair value of term loan 2 is estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the reporting date. Total fair value of the term loans are RM1,280,630 (2012: RM6,273,085).

(b) Islamic term financing long term non-interest bearing facilities (secured)

| | 2013 RM | Group 2012 RM |
|---|------------------|----------------------------|
| Not later than 1 year | 802,717 | 792,761 |
| Later than 1 year but not later than 2 years | 610,675 | 834,749 |
| Later than 2 years but not later than 5 years | 1,052,560 | 1,262,093 |
| | <u>2,465,952</u> | <u>2,889,603</u> |

The Islamic term financing long term non-interest bearing facilities are repayable in the following manner:

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

The facilities bear profit sharing margins of 6.55% to 7.00% per annum (2012: 6.55% to 7.00% per annum) as at the financial year end and are secured by a first party fixed charge on the property and a debenture over the equipment of the respective subsidiary as disclosed in Note 12 and corporate guarantee for RM7,000,000 furnished by the Company.

The fair value amount of the Islamic term financing long term non-interest bearing facilities at the end of reporting date is RM2,637,183 (2012: RM3,170,587).

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

22. BORROWINGS (continued)(c) Revolving credit (unsecured)

In the previous financial year, the Company had drawn down a new revolving credit facility for a subsidiary company to part finance the purchase of additional wireline equipment and tools. No securities have been pledged under this facility.

The Company total draw down of RM11,300,000 was rolled-over on a monthly basis at an average rate of 4.78% (1.25% per annum above the bank's cost of funds). There is repayment during the year for an amount of RM1,500,000 on 2 April 2012. The interest is fixed at the date of each draw down and subsequently revised at the commencement of each roll-over period.

In the current financial year, a subsidiary of the Group draw down an additional revolving credit facility to part finance the purchase of wireline equipment and tools. The draw down was made on 17 September 2013 for an amount of RM6,000,000. The amount was rolled-over on a monthly basis at an average rate of 4.78% (1.25% per annum above the bank's cost of fund). The interest is fixed at the date of each draw down and subsequently revised at the commencement of each roll-over period.

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

(d) Finance lease liabilities

| | 2013 RM | Group 2012 RM |
|---|--------------------------|--|
| <u>Future minimum lease payments</u> | | |
| Not later than 1 year | 37,212 | 17,916 |
| Later than 1 year but not later than 2 years | 37,212 | 17,916 |
| Later than 2 years but not later than 5 years | 37,965 | 25,373 |
| | <hr/> | <hr/> |
| | 112,389 | 61,205 |
| Less: Future finance charges | (8,206) | (4,873) |
| | <hr/> | <hr/> |
| Present value of finance lease liabilities | 104,183 | 56,332 |
| | <hr/> | <hr/> |
| <u>Analysis of present value of finance lease liabilities</u> | | |
| Not later than 1 year | 32,884 | 15,505 |
| Later than 1 year but not later than 2 years | 34,573 | 16,320 |
| Later than 2 years but not later than 5 years | 36,726 | 24,507 |
| | <hr/> | <hr/> |
| | 104,183 | 56,332 |
| | <hr/> | <hr/> |

The finance lease liabilities bear interests of 2.55% to 2.56% per annum (2012: 2.56%).

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

23. TRADE AND OTHER PAYABLES

| | 2013 RM | <u>Group</u> 2012 RM | 2013 RM | <u>Company</u> 2012 RM |
|----------------|--------------------|----------------------------|------------------|------------------------------|
| Trade payables | 146,616,257 | 109,133,008 | 0 | 0 |
| Other payables | 11,412,054 | 3,843,308 | 795,379 | 469,918 |
| Accruals | 10,121,417 | 14,527,636 | 1,697,692 | 2,499,551 |
| | 21,533,471 | 18,370,944 | 2,493,071 | 2,969,469 |
| | <u>168,149,728</u> | <u>127,503,952</u> | <u>2,493,071</u> | <u>2,969,469</u> |

The currency profile of trade payables is as follows:

| | 2013 RM | <u>Group</u> 2012 RM |
|-----------------------|--------------------|----------------------------|
| - Ringgit Malaysia | 12,244,534 | 18,751,708 |
| - US Dollar | 132,253,927 | 88,695,903 |
| - Singapore Dollar | 652,832 | 93,650 |
| - Great Britain Pound | 29,796 | 0 |
| - Euro | 779,207 | 770,666 |
| - Japanese Yen | 655,961 | 821,081 |
| | <u>146,616,257</u> | <u>109,133,008</u> |

Credit terms of payment granted by the suppliers of the Group are 30 to 45 days (2012: 30 to 45 days).

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

24. FINANCIAL GUARANTEE LIABILITIES

| | 2013 RM | Company 2012 RM |
|-------------------------------|--------------------------|--|
| Financial guarantee contracts | 73,679 | 132,441 |

The financial guarantee amount relates to corporate guarantees provided by the Company to a bank for term loans and Islamic term financing long term non-interest bearing facilities taken by subsidiary companies (Note 22).

25. DEFERRED TAX

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

| | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|--------------------------|--------------------------|--|--------------------------|--|
| Deferred tax assets | 2,780,857 | 2,261,693 | 134,234 | 0 |
| Deferred tax liabilities | (7,786,286) | (7,235,981) | 0 | (435,800) |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

25. DEFERRED TAX (continued)

| | 2013 RM | Group 2012 RM | 2013 RM | Company 2012 RM |
|--|-------------|---------------------|------------|-----------------------|
| At 1 January | (4,974,288) | (5,321,103) | (435,800) | (28,100) |
| Acquisition of subsidiary (Note 35) | | | | |
| - Provisional purchase price allocation | 0 | (548,144) | 0 | 0 |
| - Effect of fair value adjustment on completion of purchase price allocation | 34,246 | 0 | 0 | 0 |
| (Charged)/credited to profit or loss (Note 9) | | | | |
| - property, plant and equipment | (1,575,415) | (1,301,775) | 434,972 | (282,700) |
| - unutilised tax losses | 794,407 | 655,239 | 0 | 0 |
| - deferred cost | (2,730,921) | (998,780) | 0 | 0 |
| - deferred revenue | 3,266,669 | 2,131,058 | 0 | 0 |
| - intangible assets* | 22,465 | 234,689 | 0 | 0 |
| - others | 157,408 | 174,528 | 135,062 | (125,000) |
| | (65,387) | 894,959 | 570,034 | (407,700) |
| | (5,005,429) | (4,974,288) | 134,234 | (435,800) |
| <u>Deferred tax assets (before offsetting)</u> | | | | |
| Property, plant and equipment | 4,037,164 | 4,423,315 | 124,172 | 0 |
| Unutilised tax losses | 1,724,246 | 929,839 | 0 | 0 |
| Deferred revenue | 5,397,727 | 2,131,058 | 0 | 0 |
| Fair value adjustment on completion of purchase price allocation | 34,246 | 0 | 0 | 0 |
| Others | 1,262,677 | 965,504 | 10,062 | 0 |
| | 12,456,060 | 8,449,716 | 134,234 | 0 |
| Less: Offsetting | (9,675,203) | (6,188,023) | 0 | 0 |
| <u>Deferred tax assets (after offsetting)</u> | 2,780,857 | 2,261,693 | 134,234 | 0 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

25. DEFERRED TAX (continued)

| | 2013 | Group | 2013 | Company |
|---|---------------------|---------------------|-------------|------------------|
| | RM | 2012 | RM | 2012 |
| | | RM | | RM |
| <u>Deferred tax liabilities (before offsetting)</u> | | | | |
| Property, plant and equipment | (12,904,793) | (11,715,529) | 0 | (310,800) |
| Deferred cost | (3,729,701) | (998,780) | 0 | 0 |
| Intangible assets* | (355,040) | (377,505) | 0 | 0 |
| Others | (471,955) | (332,190) | 0 | (125,000) |
| | <u>(17,461,489)</u> | <u>(13,424,004)</u> | <u>0</u> | <u>(435,800)</u> |
| Less: Offsetting | 9,675,203 | 6,188,023 | 0 | 0 |
| Deferred tax liabilities (after offsetting) | <u>(7,786,286)</u> | <u>(7,235,981)</u> | <u>0</u> | <u>(435,800)</u> |

* This includes intangible assets arising from acquisition of subsidiary as disclosed in Note 35.

26. SHARE CAPITAL

| | Group/Company | |
|---|----------------------|--------------------|
| | 2013 | 2012 |
| | RM | RM |
| <u>Authorised ordinary shares of RM1 each:</u> | | |
| At 1 January/31 December | <u>500,000,000</u> | <u>500,000,000</u> |
| <u>Issued and fully paid ordinary shares of RM1 each:</u> | | |
| At 1 January | 150,000,000 | 100,000,000 |
| Bonus issue | 0 | 50,000,000 |
| At 31 December | <u>150,000,000</u> | <u>150,000,000</u> |

During the previous financial year, the Company issued a bonus issue of 50,000,000 new ordinary shares of RM1 each, on the basis of one (1) new share for every two (2) existing shares held by the shareholders of the Company.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

27. SHARE BASED PAYMENT

| | 2013 RM | Group 2012 RM |
|--|--------------------------|--|
| Arising from acquisition of Deleum Primera Sdn. Bhd. in respect of employees' services | 42,888 | 10,931 |

Arising from the acquisition of a subsidiary, Deleum Primera Sdn. Bhd., the vendors remained as employees of the entity. Based on the contractual terms, the Group has a right of first refusal over the shares of the entity held by these employees, at a 10% discount of the fair value of the share price at the point of termination, should these employees resign within a period of two years.

The transaction is accounted for as an equity-settled share based payment. The fair value of the employee services received in exchange for the grant is recognised as an expense. The fair value of the share based payment is assessed at grant date.

28. MERGER DEFICIT

| | 2013 RM | Group 2012 RM |
|--|--------------------------|--|
| Arising from the Company's business combination with Deleum Services Sdn. Bhd. | 50,000,000 | 50,000,000 |

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

29. FINANCIAL INSTRUMENTS

Financial instruments by category

Year ended 31 December 2013

| | Loans and receivables RM | Other financial liabilities at amortised cost RM | Total RM |
|---|---|---|---------------------|
| <u>Group</u> | | | |
| <u>Assets</u> | | | |
| Trade and other receivables (excluding prepayments) | 199,801,788 | 0 | 199,801,788 |
| Amount due from associates | 1,714,110 | 0 | 1,714,110 |
| Cash and cash equivalents | 73,723,464 | 0 | 73,723,464 |
| | <u>275,239,362</u> | <u>0</u> | <u>275,239,362</u> |
| <u>Liabilities</u> | | | |
| Trade and other payables (excluding statutory obligations) | 0 | 162,643,037 | 162,643,037 |
| Borrowings | 0 | 29,645,081 | 29,645,081 |
| | <u>0</u> | <u>192,288,118</u> | <u>192,288,118</u> |
| <u>Company</u> | | | |
| <u>Assets</u> | | | |
| Trade and other receivables (excluding prepayments) | 85,340 | 0 | 85,340 |
| Amount due from subsidiaries | 94,972,142 | 0 | 94,972,142 |
| Amount due from associates | 2,553 | 0 | 2,553 |
| Cash and cash equivalents | 8,381,365 | 0 | 8,381,365 |
| | <u>103,441,400</u> | <u>0</u> | <u>103,441,400</u> |
| <u>Liabilities</u> | | | |
| Other payables and accruals (excluding statutory obligations) | 0 | 1,514,055 | 1,514,055 |
| Amount due to subsidiaries | 0 | 13,586,934 | 13,586,934 |
| Borrowings | 0 | 9,800,000 | 9,800,000 |
| Financial guarantee liabilities | 0 | 73,679 | 73,679 |
| | <u>0</u> | <u>24,974,668</u> | <u>24,974,668</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

29. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

Year ended 31 December 2012

| | Loans and receivables RM | Other financial liabilities at amortised cost RM | Total RM |
|---|--------------------------------|---|--------------------|
| <u>Group</u> | | | |
| <u>Assets</u> | | | |
| Trade and other receivables (excluding prepayments) | 149,426,914 | 0 | 149,426,914 |
| Amount due from associates | 1,124,341 | 0 | 1,124,341 |
| Cash and cash equivalents | 80,816,899 | 0 | 80,816,899 |
| | <u>231,368,154</u> | <u>0</u> | <u>231,368,154</u> |
| <u>Liabilities</u> | | | |
| Trade and other payables (excluding statutory obligations) | 0 | 122,709,269 | 122,709,269 |
| Borrowings | 0 | 18,960,495 | 18,960,495 |
| | <u>0</u> | <u>141,669,764</u> | <u>141,669,764</u> |
| <u>Company</u> | | | |
| <u>Assets</u> | | | |
| Trade and other receivables (excluding prepayments) | 43,558 | 0 | 43,558 |
| Amount due from subsidiaries | 13,536,252 | 0 | 13,536,252 |
| Amount due from associates | 2,341 | 0 | 2,341 |
| Cash and cash equivalents | 29,730,396 | 0 | 29,730,396 |
| | <u>43,312,547</u> | <u>0</u> | <u>43,312,547</u> |
| <u>Liabilities</u> | | | |
| Other payables and accruals (excluding statutory obligations) | 0 | 2,156,755 | 2,156,755 |
| Amount due to subsidiaries | 0 | 16,874,171 | 16,874,171 |
| Borrowings | 0 | 9,800,000 | 9,800,000 |
| Financial guarantee liabilities | 0 | 132,441 | 132,441 |
| | <u>0</u> | <u>28,963,367</u> | <u>28,963,367</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

30. SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

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

| | 2013 RM | <u>Group</u> 2012 RM |
|--------------------------------------|-------------|----------------------------|
| Solar Turbines International Company | | |
| - Purchases | 242,050,313 | 251,219,857 |
| - Technical fees | 1,070,876 | 2,429,502 |
| | <hr/> | <hr/> |

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

| | 2013 RM | <u>Group</u> 2012 RM |
|--|------------|----------------------------|
| Amount due to Solar Turbines International Company | 81,845,902 | 49,128,855 |
| | <hr/> | <hr/> |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

30. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

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

| | 2013 RM | <u>Group</u> 2012 RM |
|--|-------------------|----------------------------|
| Sales to related parties of Dresser Italia S.R.L | (1,532) | (1,689) |
| Purchases from Dresser Italia S.R.L | 443,714 | 429,451 |
| Purchases from related parties of Dresser Italia S.R.L | 17,242,544 | 17,183,133 |
| | <u>17,684,726</u> | <u>17,610,895</u> |

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

| | 2013 RM | <u>Group</u> 2012 RM |
|---|------------|----------------------------|
| Amount due to related parties of Dresser Italia S.R.L | 3,841,126 | <u>3,203,883</u> |

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

| | 2013 RM | <u>Group</u> 2012 RM | 2013 RM | <u>Company</u> 2012 RM |
|--|-------------------|----------------------------|------------------|------------------------------|
| Directors' fees | 924,475 | 811,664 | 924,475 | 811,664 |
| Salaries and bonuses | 8,964,272 | 6,986,512 | 2,173,950 | 1,929,400 |
| Defined contribution plans | 1,160,401 | 919,796 | 309,222 | 274,356 |
| Other remuneration | 670,805 | 664,909 | 178,259 | 166,259 |
| Estimated monetary value of benefits-in-kind | 608,789 | 506,000 | 188,000 | 177,000 |
| | <u>12,328,742</u> | <u>9,888,881</u> | <u>3,773,906</u> | <u>3,358,679</u> |

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

31. CORPORATIONS IN THE GROUP

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

| <u>Name of Company</u> | <u>Country of incorporation</u> | <u>Group's effective equity interest</u> | | <u>Principal activities</u> |
|---|---------------------------------|--|------------------|---|
| | | 2013 % | 2012 % | |
| SUBSIDIARIES: | | | | |
| Deleum Services Sdn. Bhd. | Malaysia | 100 | 100 | Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry. |
| Deleum Services Holdings Limited * | Hong Kong | 100 | 100 | Investment holding. |
| Turboservices Overhaul Sdn. Bhd. | Malaysia | 100 | 100 | Provision of gas turbine overhaul and maintenance services. |
| Delflow Solutions Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| <u>Subsidiaries of Deleum Services Sdn. Bhd.</u> | | | | |
| Deleum Oilfield Services Sdn. Bhd. | Malaysia | 100 | 100 | Provision of wireline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield related products and services for the oil and gas industry. |
| Turboservices Sdn. Bhd. | Malaysia | 74 | 74 | Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry. |
| VSM Technology Sdn. Bhd. | Malaysia | 90 | 90 | Dormant. |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

31. CORPORATIONS IN THE GROUP (continued)

| <u>Name of Company</u> | <u>Country of incorporation</u> | <u>Group's effective equity interest</u> | | <u>Principal activities</u> |
|---|---------------------------------|--|-------------|---|
| | | <u>2013</u> | <u>2012</u> | |
| | | <u>%</u> | <u>%</u> | |
| SUBSIDIARIES: (continued) | | | | |
| <u>Subsidiaries of Deleum Services Sdn. Bhd. (continued)</u> | | | | |
| Deleum Chemicals Sdn. Bhd. | Malaysia | 100 | 100 | Development and provision of solid deposit removal solutions for enhancement of crude oil production and the supply of oilfield chemicals and services to the oil and gas industry. |
| Wisteria Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| Delcom Holdings Sdn. Bhd. | Malaysia | 80 | 80 | Investment holding. |
| Deleum Rotary Services Sdn. Bhd. | Malaysia | 100 | 100 | Servicing, repair, and maintenance of motors, generators, transformers, pumps and valves. |
| Sledgehammer Malaysia Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| Deleum Primera Sdn. Bhd. # | Malaysia | 60 | 60 | Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping. |
| <u>Subsidiaries of Delcom Holdings Sdn. Bhd.</u> | | | | |
| Penaga Dresser Sdn. Bhd. * | Malaysia | 41 | 41 | Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry. |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

31. CORPORATIONS IN THE GROUP (continued)

| <u>Name of Company</u> | <u>Country of incorporation</u> | <u>Group's effective equity interest</u> | | <u>Principal activities</u> |
|------------------------|---------------------------------|--|------|-----------------------------|
| | | 2013 | 2012 | |

%

%

SUBSIDIARIES: (continued)**Subsidiaries of Deleum Services Holdings Limited**

| | | | | |
|---------------------------------------|------------------------|----|----|---------------------|
| Delcom Utilities (Cambodia) Limited * | British Virgin Islands | 60 | 60 | Investment holding. |
| Delcom Power (Cambodia) Limited * | British Virgin Islands | 60 | 60 | Dormant. |

| <u>Name of Company</u> | <u>Country of incorporation</u> | <u>Group's effective equity interest</u> | | <u>Nature of the relationship</u> |
|------------------------|---------------------------------|--|------|-----------------------------------|
| | | 2013 | 2012 | |

%

%

ASSOCIATES:**Associate of Deleum Services Sdn. Bhd.**

| | | | | |
|--|----------|----|----|--|
| Malaysian Mud And Chemicals Sdn. Bhd.* | Malaysia | 32 | 32 | Operation of a bulking installation, offering dry and liquid bulking services to offshore oil and gas companies. |
|--|----------|----|----|--|

Associate of Delcom Utilities (Cambodia) Limited

| | | | | |
|--------------------------------|----------|-----------------|-----------------|--|
| Cambodia Utilities Pte. Ltd. ^ | Cambodia | 12 [⊗] | 12 [⊗] | Maintain and operate a power plant in Cambodia in line with the power generation business. |
|--------------------------------|----------|-----------------|-----------------|--|

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

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

On 5 October 2012, the Group completed the share sale transaction in connection with the acquisition of 594,000 ordinary shares of RM1.00 each in Deleum Primera Sdn. Bhd. ("DPSB"), representing 60% equity interest of DPSB. Following the completion of the acquisition, DPSB became a 60% owned subsidiary of the Company via its wholly-owned subsidiary, Deleum Services Sdn. Bhd.. Refer to Note 35 for details of the acquisition.

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

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

32. OPERATING LEASE COMMITMENTS

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

| | 2013 RM | <u>Group</u> 2012 RM |
|---------------------------|-------------------|----------------------------|
| Within one year | 751,432 | 510,460 |
| Between two to five years | 198,000 | 11,475 |
| | <u> </u> | <u> </u> |

33. CAPITAL COMMITMENTS

| | 2013 RM | <u>Group</u> 2012 RM | 2013 RM | <u>Company</u> 2012 RM |
|---|-------------------|----------------------------|-------------------|------------------------------|
| Capital expenditure for property, plant and equipment | | | | |
| Authorised and contracted for at the end of the reporting period but not yet incurred | 75,812,407 | 2,415,073 | 0 | 0 |
| Authorised but not contracted for at the end of the reporting period | 120,994,789 | 11,123,360 | 12,609,790 | 180,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 196,807,196 | 13,538,433 | 12,609,790 | 180,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

34. CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM21,371,894 (2012: RM22,573,862) to third parties in respect of operating requirements, utilities and maintenance contracts.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

35. ACQUISITION IN THE PREVIOUS YEAR

On 5 October 2012, the Company completed the share sale transaction in connection with the acquisition of 594,000 ordinary shares of RM1.00 each in Deleum Primera Sdn. Bhd. ("DPSB"), representing 60% equity interest of DPSB from the Vendors at a total cash consideration of RM3,180,000. DPSB is now a 60% owned subsidiary of the Company via its wholly-owned subsidiary, Deleum Services Sdn. Bhd. .

The acquired business contributed revenue of RM5,097,135 and profit for the financial year of RM806,159 to the Group for the period from 5 October 2012 to 31 December 2012. If the acquisition had occurred on 1 January 2012, Group revenue and profit for the financial year would have been higher by RM9,382,869 and RM1,172,515 respectively. These amounts have been calculated using the Group's accounting policies together with the consequential tax effects.

Details of the fair value of assets and liabilities acquired and the resultant intangible assets are as follows:

Purchase consideration

| | 2012 RM |
|---|--------------------------|
| Cash paid | 3,180,000 |
| Net assets acquired | (1,535,569) |
| | <hr/> 1,644,431 |
| Represented by: | |
| Intangible assets (Note 14) | |
| - Fair value of contracts acquired | 1,213,547 |
| - Fair value of distributorship agreement | 979,028 |
| Deferred tax liabilities on contracts and distributorship agreement (Note 25) | (548,144) |
| | <hr/> 1,644,431 |

The assets and liabilities as of 5 October 2012 arising from the acquisition are as follows:

| | 2012 RM |
|-------------------------------|--------------------------|
| Property, plant and equipment | 1,041,160 |
| Inventories | 138,554 |
| Trade and other receivables | 5,774,934 |
| Cash and cash equivalents | 1,810 |
| | <hr/> 6,956,458 |

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

35. ACQUISITION IN THE PREVIOUS YEAR (continued)

The assets and liabilities as of 5 October 2012 arising from the acquisition are as follows (continued):

| | 2012 RM |
|---------------------------------|--------------------------|
| Trade and other payables | 3,874,174 |
| Taxation | 523,000 |
| | <hr/> 4,397,174 |
| Net assets acquired | 2,559,284 |
| Less: Non- controlling interest | (1,023,715) |
| | <hr/> 1,535,569 |

The cash outflow of the Group on acquisition of DPSB is as follows:

| | |
|--|-----------------|
| Purchase consideration satisfied by cash | 3,180,000 |
| Cash and cash equivalents of subsidiary acquired | (1,810) |
| | <hr/> 3,178,190 |

The purchase price allocation on the acquisition of DPSB on 5 October 2012 was determined provisionally in the previous financial year. The fair value exercise and purchase price allocation in respect of the said acquisition was completed on 31 March 2013. The effect of the fair value adjustments during the financial year is as follows:

| | 2013 RM |
|--|--------------------------|
| Provisional goodwill as at 31 December 2012 | 0 |
| Effect of fair value adjustments: | |
| - Contracts adjustment | 975,774 |
| - Distributorship agreement adjustment | (849,366) |
| - Deferred tax arising from revaluation of contracts and distributorship agreement | (34,246) |
| - Purchase consideration | (92,162) |
| | <hr/> 0 |
| Goodwill after fair value adjustment and purchase price allocation | <hr/> 0 |

The fair value adjustments have not been retrospectively adjusted as the effects are not material in the context of the Group's financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

36. CAPITAL MANAGEMENT

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

The capital structure for the Group and the Company consists of borrowings, cash and cash equivalents and total equity, comprising issued share capital as follows:

| | 2013 RM | <u>Group</u> 2012 RM | 2013 RM | <u>Company</u> 2012 RM |
|---------------------------|--------------------|----------------------------|--------------------|------------------------------|
| Cash and cash equivalents | 73,197,636 | 80,293,730 | 8,381,365 | 29,730,396 |
| Less: Total borrowings | (29,645,081) | (18,960,495) | (9,800,000) | (9,800,000) |
| | <u>43,552,555</u> | <u>61,333,235</u> | <u>(1,418,635)</u> | <u>19,930,396</u> |
| Total equity | <u>271,246,321</u> | <u>246,295,594</u> | <u>219,680,980</u> | <u>156,333,705</u> |

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

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 4 January 2013, the Company had accepted an offer made by NSE Resources Corporation (M) Sdn. Bhd. ("NSERC") to subscribe for new shares to be issued by NSERC, representing 55% equity interest in NSERC for a total consideration not exceeding RM23,100,000.

The principal activity of NSERC is that of investment holding and provision of management consultation services. NSERC has three (3) subsidiaries namely NSE Energy Sdn. Bhd., NSE Polymer Sdn. Bhd. and Global Network Technology Sdn. Bhd.. The core businesses of NSE Group are in the provision of specialty chemicals and renewable energy.

The proposed subscription has been terminated effective 30 September 2013. In view of the uncertainty on the collectability of the earnest deposit, the Company has made a provision for doubtful debts amounting to RM3.8 million representing the entire sum of the earnest deposit.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2014.

Notes to the Financial Statements

for the financial year ended 31 December 2013 (continued)

39. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

| | 2013 RM | <u>Group</u> 2012 RM | 2013 RM | <u>Company</u> 2012 RM |
|---|--------------------|----------------------------|-------------------|------------------------------|
| Total retained profits of the Group and its subsidiaries: | | | | |
| Realised | 132,994,494 | 107,601,040 | 69,546,746 | 6,769,505 |
| Unrealised | (6,574,105) | (5,914,499) | 134,234 | (435,800) |
| | <u>126,420,389</u> | <u>101,686,541</u> | <u>69,680,980</u> | <u>6,333,705</u> |
| Total share of retained profits from associate companies: | | | | |
| Realised | 45,429,025 | 45,009,606 | 0 | 0 |
| Unrealised | (3,539,477) | (3,091,050) | 0 | 0 |
| | <u>41,889,548</u> | <u>41,918,556</u> | <u>0</u> | <u>0</u> |
| Less: Consolidation adjustments | (23,290,301) | (24,144,836) | 0 | 0 |
| | <u>18,599,247</u> | <u>17,773,720</u> | <u>0</u> | <u>0</u> |
| Total Group's and Company's retained profits | <u>145,019,636</u> | <u>119,460,261</u> | <u>69,680,980</u> | <u>6,333,705</u> |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

pursuant to section 169(15) of the companies act, 1965

We, Dato' Izham bin Mahmud and Nan Yusri bin Nan Rahimy, being two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 72 to 161 are drawn up in accordance with the provisions of Companies Act, 1965 and the Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of its financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 39 on page 162 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2014.

DATO' IZHAM BIN MAHMUD
Director

NAN YUSRI BIN NAN RAHIMY
Director

Statutory Declaration

pursuant to section 169(16) of the companies act, 1965

I, Jayanthi a/p Gunaratnam, the officer primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 161 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

JAYANTHI A/P GUNARATNAM

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

At : Kuala Lumpur
On : 25 February 2014

Before me:

Commissioner For Oaths

Independent Auditors' Report to the members of Deleum Berhad (Incorporated in Malaysia) (Company No. 715640-T)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Deleum Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 38.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report to the members of Deleum Berhad (Incorporated in Malaysia) (Company No. 715640-T) (continued)

REPORT ON THE FINANCIAL STATEMENTS (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 31 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 39 on page 162 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur
25 February 2014

SUBATHRA A/P GANESAN

(No. 3020/08/14 (J))

Chartered Accountant

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of DELEUM BERHAD (Deleum or Company) will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 27 May 2014 at 10.00 a.m., for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. (Please refer to Note (i)).
2. To re-elect the following Directors who retire by rotation pursuant to Article 78 of the Company's Articles of Association and being eligible, offer themselves for re-election:
 - (a) Chin Kwai Yoong **Ordinary Resolution 1**
 - (b) Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz **Ordinary Resolution 2**
3. To re-elect Datuk Ir (Dr) Abdul Rahim bin Hashim who retires pursuant to Article 76 of the Company's Articles of Association and being eligible, offers himself for re-election. **Ordinary Resolution 3**
4. To approve the payment of the Directors' fees of RM924,475 in respect of the financial year ended 31 December 2013. [2012: RM811,664] **Ordinary Resolution 4**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**
6. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129 of the Companies Act, 1965:
 - "**THAT** Dato' Izham bin Mahmud, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Ordinary Resolution 6**
 - "**THAT** Datuk Vivekananthan a/l M.V. Nathan, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Ordinary Resolution 7**

Notice of Annual General Meeting (continued)

AS SPECIAL BUSINESS:

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

7. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** **Ordinary Resolution 8**

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and any other governmental/regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to allot and issue not more than ten percent (10%) of the issued and paid-up share capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 5 MAY 2014** **Ordinary Resolution 9**

"THAT approval be and is hereby given for the renewal of the Shareholders' Mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(1) of the Circular to Shareholders dated 5 May 2014 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

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

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the Act) (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

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

Notice of Annual General Meeting (continued)

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(2) OF THE CIRCULAR TO SHAREHOLDERS DATED 5 MAY 2014**

Ordinary Resolution 10

"THAT approval be and is hereby given for the renewal of the Shareholders' Mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(2) of the Circular to Shareholders dated 5 May 2014 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

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

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the Act) (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

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

10. **PROPOSED BONUS ISSUE**

Ordinary Resolution 11

"THAT subject to the approvals of Bursa Malaysia Securities Berhad (Bursa Securities) and any other relevant regulatory authorities for the listing of and quotation for the new ordinary shares of RM1.00 each in the share capital of the Company (Deleum Shares) to be issued hereunder on the Main Market of Bursa Securities, the Board of Directors of the Company (Board) be and is hereby authorised to capitalise a sum of RM50,000,000 from the retained earnings of the Company as at 31 December 2013 by way of a bonus issue and that the same be applied in making payment in full for 50,000,000 new Deleum Shares (Bonus Shares), such Bonus Shares to be distributed and credited as fully paid-up to the entitled shareholders of the Company whose names shall appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board (Book Closure Date), in the proportion of one (1) Bonus Share for every three (3) existing Deleum Shares held as at the Book Closure Date (Proposed Bonus Issue) and that such Bonus Shares shall, upon allotment and issuance, rank pari passu in all respects with the then existing Deleum Shares except that they shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions whose entitlement date precedes the allotment date of the Bonus Shares;

THAT fractional entitlements of the Bonus Shares, if any, arising from the Proposed Bonus Issue shall be disregarded and be dealt with in such manner as the Board in its absolute discretion deems fit and expedient, and in the best interest of the Company;

Notice of Annual General Meeting (continued)

AND THAT the Board be and is hereby authorised to sign and execute all documents with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as it may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue.”

11. PROPOSED SHARE SPLIT

Ordinary Resolution 12

“**THAT** subject to the passing of Special Resolution 1 and the approvals of Bursa Malaysia Securities Berhad (Bursa Securities) and any other relevant regulatory authorities for the listing of and quotation for the new ordinary shares of RM0.50 each in the Company (Subdivided Shares) hereunder on the Main Market of Bursa Securities, approval be and is hereby given to subdivide each of the existing ordinary shares of RM1.00 each in the share capital of the Company (Deleum Shares) held by the entitled shareholders of the Company whose names shall appear in the Record of Depositors of the Company as at the close of business on an entitlement date after the completion of the proposed bonus issue of 50,000,000 new Deleum Shares to be determined and announced later by the Board of Directors of the Company (Board) into two (2) Subdivided Shares (Proposed Share Split) and that such Subdivided Shares shall, upon allotment and issuance, rank pari passu in all respects with each other.

THAT fractional entitlements of the Subdivided Shares, if any, arising from the Proposed Share Split shall be disregarded and be dealt with in such manner as the Board in its absolute discretion deems fit and expedient, and in the best interest of the Company.

AND THAT the Board be and is hereby authorised to sign and execute all documents with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as it may deem necessary or expedient to implement, finalise and give full effect to the Proposed Share Split.”

12. PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN FOR THE EXECUTIVE DIRECTORS OF THE COMPANY AND THE KEY EMPLOYEES OF THE COMPANY AND ITS SUBSIDIARIES

Ordinary Resolution 13

“**THAT** subject to the approvals of Bursa Malaysia Securities Berhad (Bursa Securities) and any other relevant authorities being obtained, approval be and is hereby given to the Company and to the extent permitted by law and the Memorandum and Articles of Association of the Company:

- (i) to establish, implement and administer the Proposed Long-Term Incentive Plan (Proposed LTIP) which comprises the restricted share incentive plan (RS) and performance share incentive plan (PS) for the benefit of the executive directors of the Company and the key employees of the Company and its subsidiaries who fulfil the conditions of eligibility for participation in the Proposed LTIP and are granted the award of RS and/or the award of PS (collectively the Awards) (Selected Employees) in accordance with the by-laws of the Proposed LTIP (By-Laws), a draft of which is set out in Appendix I of the Circular to Shareholders dated 5 May 2014 (Circular);
- (ii) to allot and issue and/or acquire and/or transfer such number of fully paid new and/or existing fully paid ordinary shares of the Company granted to the Selected Employees (LTIP Shares) from time to time as may be required by the committee appointed and authorised by the Board of Directors of the Company (Board) to implement and administer the Proposed LTIP in accordance with the By-Laws (Plan Committee) pursuant to the vesting of Awards under the Proposed LTIP, provided always that the total number of LTIP Shares to be allotted and issued and/or acquired

Notice of Annual General Meeting (continued)

and/or transferred upon the vesting of LTIP Shares shall not in aggregate exceed 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any) at any point in time during the duration of the Proposed LTIP;

- (iii) to establish a trust to be administered by a trustee to be appointed (Trustee) to facilitate the implementation and administration of the Proposed LTIP and authorise the Trustee to, amongst others, subscribe for and/or purchase LTIP Shares for the purpose of the Proposed LTIP;
- (iv) to provide money or other assistance (financial or otherwise), and/or to authorise and/or procure any one or more of the subsidiaries of the Company, to provide money or other assistance (financial or otherwise) from time to time if required to enable the Trustee to subscribe for and/or purchase LTIP Shares from the market;
- (v) to modify, alter, delete and/or amend the Proposed LTIP, the By-Laws and/or all rules, regulations and administration relating to the Proposed LTIP and/or the administration thereof, from time to time as may be required or permitted or deemed necessary by the authorities or the Board or the Plan Committee, provided that such modifications, alterations, deletions and/or amendments are effected and permitted in accordance with the provisions of the By-Laws; and
- (vi) to do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings (including but not limited to the trust deed with the Trustee) and to make such rules or regulations, or to impose such terms and conditions or delegate part of its power as may be necessary or expedient in order to give full effect to the Proposed LTIP and terms of the By-Laws.

THAT the proposed By-Laws, as set out in Appendix I of the Circular, which is in compliance with the Main Market Listing Requirements of Bursa Securities, be and is hereby approved;

THAT such new LTIP Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing ordinary shares in the Company and shall be entitled to any dividends, rights, allotments and/or distributions attached thereto and/or which may be declared, made or paid to the Company's shareholders, provided that the allotment date of such new LTIP Shares is prior to the entitlement date for any right, allotment and distribution;

AND THAT the Board be and is hereby empowered and authorised with full powers to amend and/or assent to any conditions, modifications, variations and/or amendments as the Board may deem fit, necessary and/or expedient in the best interest of the Company or as may be imposed by the relevant regulatory authorities and to take all steps as it may consider necessary or expedient to implement, finalise and give full effect to and in connection with the above."

13. PROPOSED LTIP AWARD TO NAN YUSRI BIN NAN RAHIMY

Ordinary Resolution 14

"**THAT** subject to the passing of Ordinary Resolution 13 and the approvals of all the relevant authorities for the proposed long-term incentive plan (Proposed LTIP), the Board of Directors of the Company be and is hereby authorised to, at any time and from time to time subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the by-laws governing the Proposed LTIP, grant Nan Yusri bin Nan Rahimy, the Group Managing Director, up to 12.5% of the total number of the fully paid new and/or existing fully paid ordinary shares of the Company available under the Proposed LTIP (LTIP Shares), (which is equivalent to up to 5,000,000 LTIP Shares on the assumption that Ordinary Resolution 11, Ordinary Resolution 12 and Special Resolution 1 are passed and successfully implemented), to be issued to and vested in him at a future date pursuant to the Proposed LTIP"

Notice of Annual General Meeting (continued)

14. PROPOSED LTIP AWARD TO TAN SRI DATO' SERI ABDUL GHANI BIN ABDUL AZIZ

Ordinary Resolution 15

"**THAT** subject to the passing of Ordinary Resolution 13 and the approvals of all the relevant authorities for the proposed long-term incentive plan (Proposed LTIP), the Board of Directors of the Company be and is hereby authorised to, at any time and from time to time subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the by-laws governing the Proposed LTIP, grant Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz, a Non-Independent Non-Executive Director and a key employee of a subsidiary of a company within the Deleum group of companies, up to 3.75% of the total number of the fully paid new and/or existing fully paid ordinary shares of the Company available under the Proposed LTIP (LTIP Shares), (which is equivalent to up to 1,500,000 LTIP Shares on the assumption that Ordinary Resolution 11, Ordinary Resolution 12 and Special Resolution 1 are passed and successfully implemented), to be issued to and vested in him at a future date pursuant to the Proposed LTIP."

15. PROPOSED AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION

Special Resolution 1

"**THAT** subject to the passing of Ordinary Resolution 12, the Memorandum of Association of the Company be amended as follows to facilitate the Proposed Share Split:

| Existing | Proposed Amendments |
|--|---|
| <p><u>Memorandum of Association</u> <u>Clause 7</u></p> <p>The capital of the Company is Ringgit Malaysia Five Hundred Million (RM500,000,000.00) divided into 500,000,000 shares of RM1.00 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.</p> | <p><u>Clause 7</u></p> <p>The capital of the Company is Ringgit Malaysia Five Hundred Million (RM500,000,000.00) divided into <u>1,000,000,000</u> shares of <u>RM0.50</u> each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.</p> |

AND THAT the Board of Directors of the Company (Board) be and is hereby authorised to take all such necessary steps with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as it may consider necessary or expedient to implement, finalise and give full effect to the Proposed Amendments."

BY ORDER OF THE BOARD

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

5 May 2014

Notice of Annual General Meeting (continued)

Notes:

- i. The Agenda Item 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 (the Act) and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting (AGM). As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.
- ii. A member of the Company entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply.
- iii. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds.

Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- iv. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
- v. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.
- vi. For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 20 May 2014 and only a depositor whose name appears on this Record shall be entitled to attend this AGM.

Explanatory Notes on Special Business:

- a. For Agenda Item 7
Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

The Company had at the Eighth Annual General Meeting held on 16 May 2013, obtained its shareholders' approval for the renewal of the general mandate for issuance of shares pursuant to Section 132D of the Act. The Company however did not issue any new shares pursuant to this mandate obtained as at the date of this notice.

The proposed Ordinary Resolution 8 is a renewal mandate for the issue of shares under Section 132D of the Act. If passed, it will give the Directors of the Company from the date of this AGM, authority to allot and issue shares from the unissued capital of the Company but not exceeding 10% of the issued and paid-up share capital of the Company.

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

- b. For Agenda Items 8 to 15

Please refer to the Circular to Shareholders dated 5 May 2014 accompanying the Company's Annual Report for the financial year ended 31 December 2013 for detailed information.

Statement Accompanying Notice of Annual General Meeting

pursuant to paragraph 8.27(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

There is no person seeking election as director of the Company at this Annual General Meeting.

Additional Compliance Information

1. SHARE BUYBACKS

During the financial year ended 31 December 2013, there were no share buybacks by the Company.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company had not issued any options, warrants or convertible securities during the financial year ended 31 December 2013.

3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2013.

4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, other Directors or Management by relevant regulatory bodies during the financial year ended 31 December 2013.

5. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group for the financial year ended 31 December 2013 was RM625,180 which consisted of professional fees in connection with the review of quarterly announcements on the Main Market of Bursa Malaysia Securities Berhad, taxation and other advisory services.

6. VARIATION IN RESULTS

The Company did not release any profit estimate, forecast or projection for the financial year. There was no significant variance between results for the financial year and the unaudited results previously released by the Company.

7. PROFIT GUARANTEE

The Company did not receive any profit guarantee during the financial year ended 31 December 2013.

8. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors and major shareholders during the financial year ended 31 December 2013.

174

List of Properties

| NO | COMPANY | ADDRESS | BRIEF DESCRIPTION | EXISTING USE | LAND AREA/ BUILT UP AREA | TENURE/ DATE OF EXPIRY OF LEASE | AGE OF BUILDING | NET BOOK VALUE @ 31/12/13 | REVALUATION IF ANY | DATE OF ACQUISITION |
|----|---|---|--|--|--|---------------------------------------|--------------------|---------------------------------|-----------------------|------------------------|
| 1 | Deleum Berhad (Corporate Head Office) | No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia | 6 storey corner shopoffice | Office | 350.00 sq metres/ 2,049.56 sq metres | Leasehold/ 3/12/2085 | 15 years | 3,356,590 | | 2/5/06 |
| 2 | Deleum Services Sdn. Bhd. | No. 42, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia | 5 storey corner shopoffice | Office | 237.00 sq metres/ 1,080.90 sq metres | Leasehold/ 3/12/2085 | 25 years | 525,633 | | 19/9/88 |
| 3 | Deleum Services Sdn. Bhd. | No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia | 5 storey shopoffice | Office | 168.00 sq metres/ 822.65 sq metres | Leasehold/ 3/12/2085 | 25 years | 515,835 | | 28/9/88 |
| 4 | Deleum Services Sdn. Bhd. | Unit No. 8-11-3, Menara Mutiaras Bangsar, Jalan Liku Off Jalan Bangsar, 59100 Kuala Lumpur, Malaysia | Office Lot | Office | -/ 139.72 sq metres | Freehold | 11 years | 444,282 | | 3/2/97 |
| 5 | Deleum Services Sdn. Bhd. | Unit No. 8-11-4, Menara Mutiaras Bangsar, Jalan Liku Off Jalan Bangsar, 59100 Kuala Lumpur, Malaysia | Office Lot | Office | -/ 146.87 sq metres | Freehold | 11 years | 467,330 | | 3/2/97 |
| 6 | Deleum Services Sdn. Bhd. (Miri Office) | Lot 1315, Block 9, Miri Concession Land District Miri Waterfront Commercial Centre, Jalan Bendahara 98008 Miri, Sarawak, Malaysia | 4 storey corner shopoffice | Office | 186.70 sq metres/ 891.84 sq metres | Leasehold/ 30/9/2066 | 9 years | 960,000 | | 20/8/04 |
| 7 | Deleum Services Sdn. Bhd. (Operations) | Asian Supply Base, Ranca Ranca Industrial Estate P.O. Box 81730, 87027 Labuan, Federal Territory Malaysia | Warehouse | Warehouse | 5,700.00 sq metres/ 1,776.43 sq metres | Leasehold/ 30/9/2014 | 13 years | 1,000,001 | | - |
| 8 | Deleum Services Sdn. Bhd. (Operations) | Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman, Malaysia | Warehouse | Warehouse | 4,341.00 sq metres/ 1,456.00 sq metres | Leasehold 30/9/14 | 5 years | 294,274 | | - |
| 9 | Turboservices Overhaul Sdn. Bhd. (Operations) | Lot 26197, Kawasan Perindustrian Tuanku Jaafar 71450 Seremban Negeri Sembilan Darul Khusus Malaysia | Integrated service centre | Turboservices: Solar Integrated Service Centre | 14,495.00 sq metres/ 2,735.90 sq metres | Freehold | 16 years | 9,303,140 | | 30/12/05 |
| 10 | Penaga Dresser Sdn. Bhd. (Operations) | No A1-A2, Kawasan MIEL Jakar Phase III, 24000 Kemaman, Terengganu Darul Iman, Malaysia | 2 units of semi-detached factory | Assembly Plant | A1-1723 sq metres A2-1229 sq metres | Leasehold/ 19/4/2053 | 21 years | 1,047,260 | 4/11/09 | 12/4/04 |
| 11 | Deleum Services Sdn. Bhd. | Unit E-P 17, Bayu Beach Resort, Port Dickson, 71050 Negeri Sembilan Darul Khusus Malaysia | Apartment | Apartment | -/ 143.53 sq metres | Leasehold/ 12/6/2092 | 19 years | 160,320 | | 24/2/92 |

Analysis of Shareholdings as at 31 March 2014

| | |
|----------------------------|----------------------------------|
| Authorised share capital | : RM500,000,000 |
| Issued and paid-up capital | : RM150,000,000 |
| No. of shareholders | : 2,036 |
| Class of shares | : Ordinary shares of RM1.00 each |
| Voting rights | : One vote per ordinary share |

DISTRIBUTION OF SHAREHOLDINGS

| Holdings | No. of Holders | Total Holdings | % of Holdings |
|--|----------------|--------------------|---------------|
| less than 100 shares | 200 | 8,281 | 0.01 |
| 100 to 1,000 shares | 311 | 224,042 | 0.15 |
| 1,001 to 10,000 shares | 1,105 | 4,192,586 | 2.80 |
| 10,001 to 100,000 shares | 333 | 11,075,880 | 7.38 |
| 100,001 to less than 5% of issued shares | 82 | 53,211,129 | 35.47 |
| 5% and above of issued shares | 5 | 81,288,082 | 54.19 |
| Total | 2,036 | 150,000,000 | 100.00 |

TOP 30 SECURITIES ACCOUNT HOLDERS

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

| No. | Name of Shareholders | No. of Shares | Percentage (%) |
|-----|---|---------------|----------------|
| 1. | Lantas Mutiara Sdn. Bhd. | 30,644,550 | 20.43 |
| 2. | Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd. | 18,062,032 | 12.04 |
| 3. | Datuk Vivekananthan a/l M.V. Nathan | 15,937,500 | 10.63 |
| 4. | IM Holdings Sdn. Bhd. | 9,135,000 | 6.09 |
| 5. | Datin Che Bashah @ Zaiton binti Mustaffa | 7,509,000 | 5.01 |
| 6. | Chandran Aloysius Rajadurai | 5,000,000 | 3.33 |
| 7. | Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (DLR 065 – Margin) | 4,407,200 | 2.94 |
| 8. | Dato' Izham bin Mahmud | 4,200,000 | 2.80 |
| 9. | Datin Che Bashah @ Zaiton binti Mustaffa | 2,903,100 | 1.94 |
| 10. | CIMB Group Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad for CIMB Islamic Dali Equity Theme Fund | 2,151,200 | 1.43 |

176

Analysis of Shareholdings as at 31 March 2014

| No. | Name of Shareholders | No. of Shares | Percentage (%) |
|-----|--|---------------|----------------|
| 11. | CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Chandran Aloysius Rajadurai (PB) | 1,848,800 | 1.23 |
| 12. | RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustafa (CEB) | 1,680,000 | 1.12 |
| 13. | Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Maakl-Cm Shariah Flexi Fund (270785) | 1,545,300 | 1.03 |
| 14. | Citigroup Nominees (Tempatan) Sdn. Bhd. Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund | 1,501,800 | 1.00 |
| 15. | Goh Thong Beng | 1,491,000 | 0.99 |
| 16. | Citigroup Nominees (Tempatan) Sdn. Bhd. Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund | 1,270,600 | 0.85 |
| 17. | Dilip Manharlal Gathani | 1,115,800 | 0.74 |
| 18. | Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218) | 1,097,900 | 0.73 |
| 19. | DYMM Tuanku Syed Sirajuddin Putra Jamalullail | 1,087,000 | 0.72 |
| 20. | Hj. Abd Razak bin Abu Hurairah | 1,070,105 | 0.71 |
| 21. | Neoh Choo Ee & Company, Sdn. Berhad | 1,031,000 | 0.69 |
| 22. | Lee Sew Bee | 960,000 | 0.64 |
| 23. | Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An for AIA Bhd. | 959,200 | 0.64 |
| 24. | Mohd Fauzi bin Ahmad | 937,500 | 0.63 |
| 25. | Saudah binti Hashim | 937,500 | 0.63 |
| 26. | CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804) | 800,000 | 0.53 |
| 27. | CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad - Kenanga Premier Fund | 746,900 | 0.50 |
| 28. | Datuk Ishak bin Imam Abas | 730,000 | 0.49 |
| 29. | CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB-Principal Asset Management Berhad for Manulife Insurance (Malaysia) Berhad – (Equity Fund) | 672,800 | 0.45 |
| 30. | Tan Swee Leong | 603,000 | 0.40 |

Analysis of Shareholdings as at 31 March 2014

SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct Interest | | Indirect Interest | |
|--|-----------------|-------|---------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Lantas Mutiara Sdn. Bhd. | 30,644,550 | 20.43 | 0 | 0 |
| Hartapac Sdn. Bhd. | 18,062,032 | 12.04 | 0 | 0 |
| Datuk Vivekananthan a/l M.V. Nathan | 15,945,000 | 10.63 | 30,644,550 ⁽¹⁾ | 20.43 |
| Datin Che Bashah @ Zaiton binti Mustaffa | 12,114,600 | 8.08 | 0 | 0 |
| IM Holdings Sdn. Bhd. | 9,135,000 | 6.09 | 0 | 0 |
| Dato' Izham bin Mahmud | 4,200,000 | 2.80 | 51,894,150 ⁽²⁾ | 34.60 |
| Datin Sian Rahimah Abdullah | 0 | 0 | 18,062,032 ⁽³⁾ | 12.04 |
| Faye Miriam Abdullah | 0 | 0 | 18,062,032 ⁽³⁾ | 12.04 |
| Hugh Idris Abdullah | 0 | 0 | 18,062,032 ⁽³⁾ | 12.04 |
| Farid Riza Izham | 0 | 0 | 9,135,000 ⁽⁴⁾ | 6.09 |
| Faidz Raziff Izham | 0 | 0 | 9,135,000 ⁽⁴⁾ | 6.09 |
| Hana Sakina Izham | 0 | 0 | 9,135,000 ⁽⁴⁾ | 6.09 |

Notes:

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

DIRECTORS' SHAREHOLDINGS

| Name of Directors | Direct Interest | | Indirect Interest | |
|---|-----------------|-------|---------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Dato' Izham bin Mahmud | 4,200,000 | 2.80 | 51,894,150 ⁽¹⁾ | 34.60 |
| Datuk Vivekananthan a/l M.V. Nathan | 15,945,000 | 10.63 | 30,644,550 ⁽²⁾ | 20.43 |
| Datuk Ishak bin Imam Abas | 875,000 | 0.58 | 0 | 0 |
| Chin Kwai Yoong | 281,250 | 0.19 | 0 | 0 |
| Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz | 214,350 | 0.14 | 0 | 0 |
| Nan Yusri bin Nan Rahimy | 145,250 | 0.10 | 26,000 ⁽³⁾ | 0.02 |

Notes:

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

Corporate Directory

HEAD OFFICE

Deleum Berhad and its Subsidiaries:

Deleum Services Sdn. Bhd.

Deleum Oilfield Services Sdn. Bhd.

Deleum Chemicals Sdn. Bhd.

Turboservices Sdn. Bhd.

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

Tel : 603-2295 7788

Fax : 603-2295 7777

Email : info@deleum.com

SALES AND MARKETING OFFICE (EAST MALAYSIA)

Miri

Lot 1315, Miri Waterfront
Commercial Centre
98008 Miri, Sarawak
Malaysia

Tel : 6085-413 528/417 020

Fax : 6085-418 037

Email : info@deleum.com

SERVICE CENTRE

Turboservices Overhaul Sdn. Bhd.

(Turboservices: Solar Turbines Integrated Service Centre)

Lot 26197, Kawasan Perindustrian
Tuanku Jaafar, 71450 Seremban
Negeri Sembilan Darul Khusus
Malaysia

Tel : 606-6798 270/207

Fax : 606-6798 267

Email : info@deleum.com

OPERATIONS AND SUPPLY BASES

Kemaman

Kemaman Supply Base
Warehouse 28
24007 Kemaman
Terengganu Darul Iman
Malaysia

Tel : 609-863 1407/1408

Fax : 609-863 1379

Email : info@deleum.com

Labuan

Asian Supply Base
Rancha Rancha Industrial Estate
87000 Labuan
Malaysia

Tel : 6087-413 935/583 205

Fax : 6087-425 694

Email : info@deleum.com

Miri

Lot 3017, Permy Jaya Teknologi Park
Bandar Baru Permy Jaya
98000 Miri, Sarawak
Malaysia

Tel : 6085-413 528/417 020

Fax : 6085-418 037

Email : info@deleum.com

Research & Development Facility

No. 26-G, Block I, Tingkat G
Jalan PJS 5/28
Pusat Perdagangan Petaling Jaya Selatan
46150 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel : 603-7773 0166

Email : info@deleum.com

SUBSIDIARIES

Deleum Rotary Services Sdn. Bhd.

Head Office & Service Centre

No. 3, Jalan P4/8, Seksyen 4
Bandar Teknologi Kajang
Selangor Darul Ehsan
Malaysia

Tel : 606-8723 7070

Fax : 606-8723 3070

Email : info@deleum.com

Pasir Gudang

No. 39, Jalan Masai Utama 1
Taman Masai Utama
81750 Masai, Johor Darul Takzim
Malaysia

Tel : 607-253 2070

Fax : 607-255 3070

Email : info@deleum.com

Bintulu Service Facility

Lot 3955, Block 32
Jalan Sungai Nyigu
97000 Bintulu
Sarawak
Malaysia

Tel : 086-339 964

Fax : 086-339 984

Email : info@deleum.com

Kemaman Service Facility

No. 17410, Jalan Mak Lagam
Kawasan Industri Jakar 3
24000 Chukai, Kemaman
Terengganu Darul Iman
Malaysia

Tel : 609-868 3650

Fax : 609-868 3667

Email : info@deleum.com

Deleum Primera Sdn. Bhd.

No. 26-2, Jalan Tasik Utama 5
Medan Niaga Tasik Damai
Sungai Besi, 57100 Kuala Lumpur
Malaysia

Tel : 603-9054 4441

Fax : 603-9054 4442

Email : info@deleum.com

Penaga Dresser Sdn. Bhd.

Head Office

Business Suite, 19A-9-1, Level 9
UOA Centre, No. 19, Jalan Pinang
50450 Kuala Lumpur
Malaysia

Tel : 603-2163 2322

Fax : 603-2161 8312

Email : sales@penagadresser.com

Kemaman Office & Service Centre

Lot A1-A2, Kawasan Miel
Jakar Phase III, 24000 Kemaman
Terengganu Darul Iman
Malaysia

Tel : 609-868 6799

Fax : 609-868 3453

Email : sales@penagadresser.com

Miri Office

Lot 3483, Block 6
Permy Jaya Technology Park
Kuala Baram Land District
98000 Miri, Sarawak
Malaysia

Tel : 6085-419 126

Fax : 6085-412 127

Email : sales@penagadresser.com

ASSOCIATES

Malaysian Mud And Chemicals Sdn. Bhd.

Asian Supply Base
Rancha Rancha Industrial Estate
87000 Labuan
Malaysia

Tel : 6087-415 922

Fax : 6087-415 921

Email : mc2@tm.net.my

Cambodia Utilities Pte. Ltd.

Power Plant #2, Route 2
Chak Angre District
Khan Meanchey, Phnom Penh
Kingdom of Cambodia

Tel : 855-23 425 592

Fax : 855-23 425 050

Email : administrationcupl@cupl.com.kh

Proxy Form



DELEUM BERHAD
(Company No. 715640-T)
(Incorporated in Malaysia under the Companies Act, 1965)

| | |
|-----------------|--------------------|
| CDS Account No. | No. of Shares Held |
| | |

I/We _____ (Full name in block letters)

I.C./Passport/Company No. _____

of _____ (Address in full)

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

I.C./Passport/Company No. _____ (Full name in block letters)

of _____ (Address in full)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Ninth Annual General Meeting of the Company to be held at **Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia** on **Tuesday, 27 May 2014** at **10:00 a.m.** and at any adjournment thereof.

| No. | Resolutions | For | Against |
|--------------------------|---|-----|---------|
| Ordinary Business | | | |
| 1. | To re-elect Chin Kwai Yoong as Director. | | |
| 2. | To re-elect Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz as Director. | | |
| 3. | To re-elect Datuk Ir (Dr) Abdul Rahim bin Hashim as Director. | | |
| 4. | To approve the payment of Directors' fees of RM924,475 [2012: RM811,664] in respect of the financial year ended 31 December 2013. | | |
| 5. | To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| 6. | To re-appoint Dato' Izham bin Mahmud as Director. | | |
| 7. | To re-appoint Datuk Vivekananthan a/l M.V. Nathan as Director. | | |
| Special Business | | | |
| 8. | Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 9. | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(1) of the Circular to Shareholders dated 5 May 2014. | | |
| 10. | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(2) of the Circular to Shareholders dated 5 May 2014. | | |
| 11. | Proposed Bonus Issue. | | |
| 12. | Proposed Share Split. | | |
| 13. | Proposed establishment of a Long-Term Incentive Plan for the Executive Directors of the Company and the key employees of the Company and its subsidiaries. | | |
| 14. | Proposed LTIP award to Nan Yusri bin Nan Rahimy. | | |
| 15. | Proposed LTIP award to Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz. | | |
| 16. | Proposed amendments to the Memorandum of Association. | | |

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

Dated this _____ day of _____, 2014.

Signature/ Common Seal of Shareholder(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

| | No. of Shares | Percentage |
|--------------|---------------|-------------|
| Proxy 1 | _____ | _____ % |
| Proxy 2 | _____ | _____ % |
| Total | _____ | 100% |

Notes:

- A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.
- For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 20 May 2014 and only a depositor whose name appears on this Record shall be entitled to attend this AGM.

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The Company Secretary
DELEUM BERHAD
(Co. No. 715640-T)
(Incorporated in Malaysia)
No. 2, Jalan Bangsar Utama 9
Bangsar Utama, 59000 Kuala Lumpur, Malaysia

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