



DELEUM

# *Sustaining Our Values*



2015  

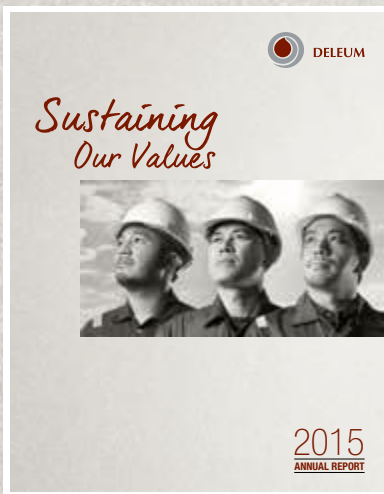
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ANNUAL REPORT

## COVER RATIONALE

The intrinsic value of our Company lies in our people, who are at the heart of everything that we strive to achieve. Our human capital creates and perpetuates our value and is a conduit towards the successful delivery of our mission and vision. The three employees on the cover represent Deleum's three (3) core businesses: Power and Machinery, Oilfield Services and Integrated Corrosion Solution. Our people are ready-at-the-go, visionary and ambitious.

These qualities exemplify Deleum's positioning as an organisation that is both forward-thinking and future-focused, underpinned by a skilled workforce that has been augmented through on-going human capital development. Our people, our key asset, are well-prepared to take on new opportunities, sustain our growth and deliver long-term values to our stakeholders.



## OUR MISSION

To Provide Sustainable Growth and Enhance Stakeholders' Value

## OUR VISION

To be the Market Leader in our Operating Segments domestically and to achieve 20% Operating Profits contribution from International Business by 2019

## OUR SHARED VALUES

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



# CONTENTS

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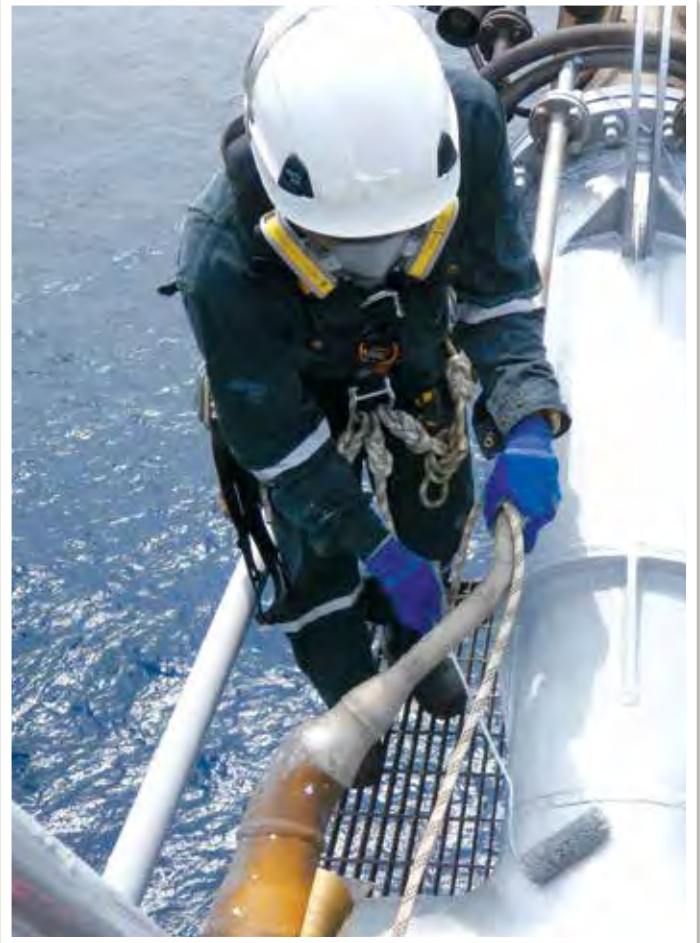
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*Our people  
our success*





*Putting heart  
into what we do*

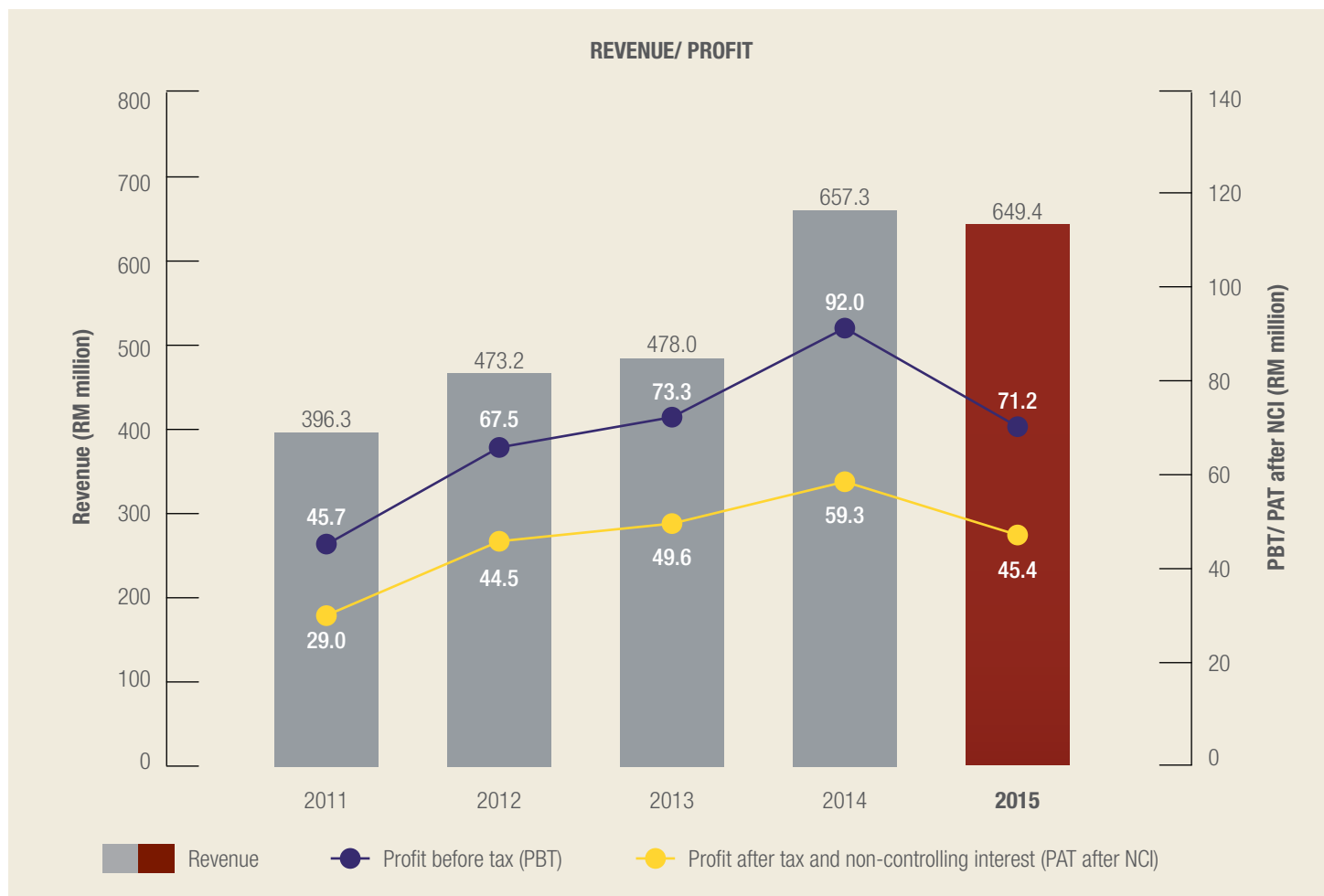
Passion and energy drives results. In every project that we are involved in, we strive to unlock our full potential towards meeting customers' needs. It is a continuous effort, one that sees us taking our experiences to develop diversified solutions towards accomplishing success.





# Financial Highlights

For The Financial Years Ended 31 December 2011 - 2015



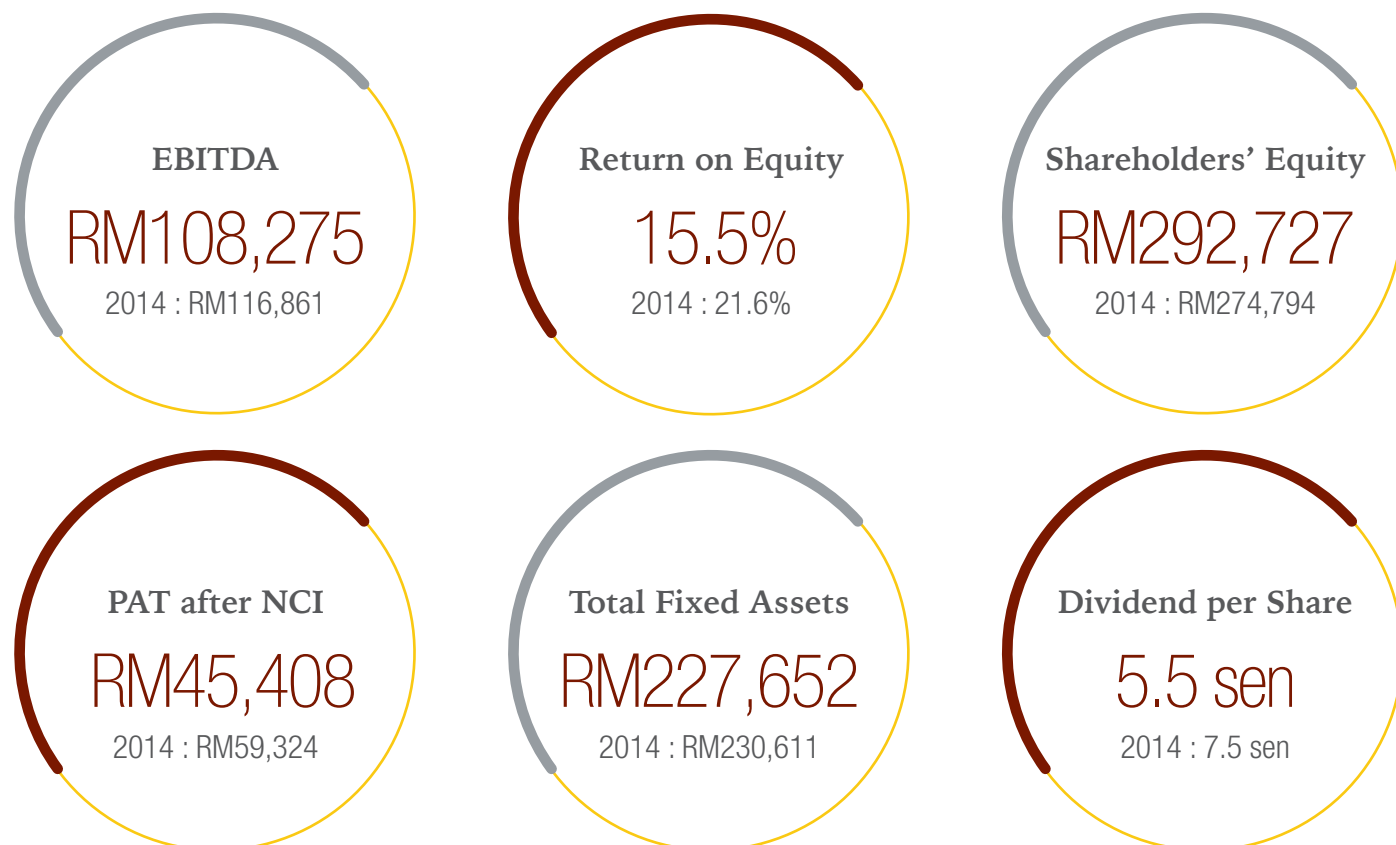
Financial Year (RM'000)	2011	2012	2013	2014	2015
Revenue	396,303	473,240	477,955 <sup>#</sup>	657,273 <sup>#</sup>	<b>649,398</b>
Gross profit	79,574	107,724	122,701 <sup>#</sup>	157,969 <sup>#</sup>	<b>149,176</b>
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	59,520	81,610	91,572	116,861	<b>108,275</b>
Share of associates' results	13,679	15,579	15,973	13,727	<b>5,642</b>
Share of joint venture's results	-	-	-	-	<b>775</b>
Profit before tax	45,709	67,471	73,327 <sup>#</sup>	91,994 <sup>#</sup>	<b>71,152</b>
Profit after tax	34,711	54,214	58,662	70,651	<b>55,539</b>
Non-controlling interest	(5,678)	(9,764)	(9,103)	(11,327)	<b>(10,131)</b>
PAT after NCI	29,033	44,450	49,559	59,324	<b>45,408</b>
Number of shares ('000)	100,000	150,000	150,000	400,000	<b>400,000</b>

<sup>#</sup> For the financial year ended 31 December 2014, an overhaul facility within the Power and Machinery segment has been excluded as a discontinued operation. The comparative consolidated statement of comprehensive income for the financial year ended 31 December 2013 has been re-presented to show the discontinued operation separately from continuing operations. The said facility is presented as continuing operation in the previous financial years ended 31 December 2011 - 2012.



# Financial Highlights

For The Financial Years Ended 31 December 2011 - 2015



In RM'000 unless otherwise stated

## FINANCIAL RATIOS

Financial Year	2011	2012	2013	2014	2015
Return on equity	15.4%	20.6%	20.5%	21.6%	<b>15.5%</b>
Return on total assets	8.6%	10.7%	9.9%	8.9%	<b>6.7%</b>
Gearing ratio	14.2%	8.8%	12.3%	56.5%#	<b>46.9%</b>
Net asset per share (RM)	1.89	1.44	1.61	0.69*	<b>0.73</b>
Dividend per share (Sen)	14.0	15.0	17.0	7.5^	<b>5.5</b>
Dividend yield	8.9%	7.7%	3.9%	4.7%*	<b>5.0%</b>

# For the financial year ended 31 December 2014, an overhaul facility within the Power and Machinery segment has been excluded as a discontinued operation. The comparative consolidated statement of comprehensive income for the financial year ended 31 December 2013 has been re-presented to show the discontinued operation separately from continuing operations. The said facility is presented as continuing operation in the previous financial years ended 31 December 2011 - 2012.

\* Based on enlarged share capital of 400 million ordinary shares pursuant to the completion of bonus issue and share split on 17 June 2014.

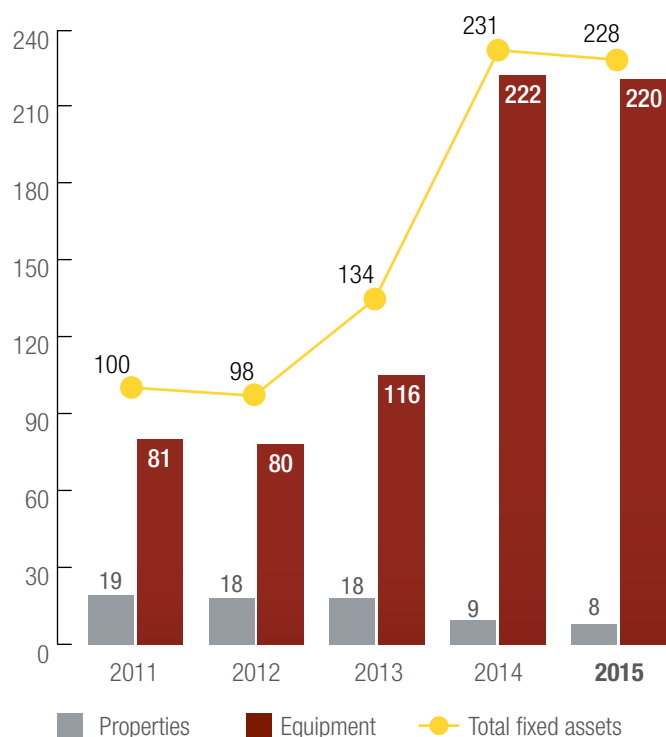
^ 2014: 7.5 sen dividend per share is based on the enlarged share capital of 400 million ordinary shares (2013: 17.0 sen dividend per share is based on the share capital of 150 million ordinary shares).

# Financial Highlights

For The Financial Years Ended 31 December 2011 - 2015

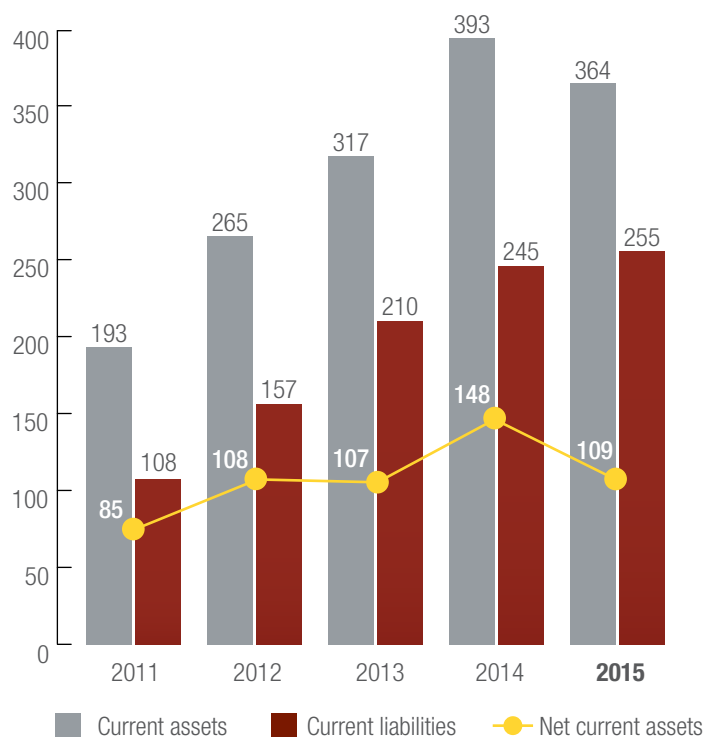
## PROPERTY, PLANT AND EQUIPMENT

(RM million)



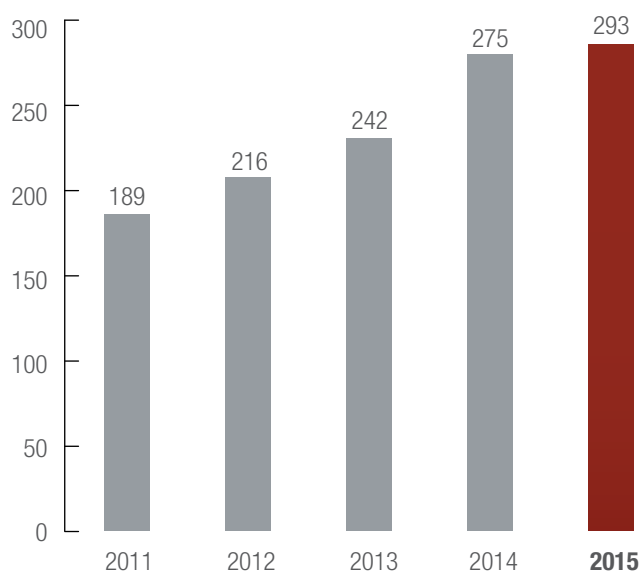
## NET CURRENT ASSETS

(RM million)



## SHAREHOLDERS' EQUITY

(RM million)

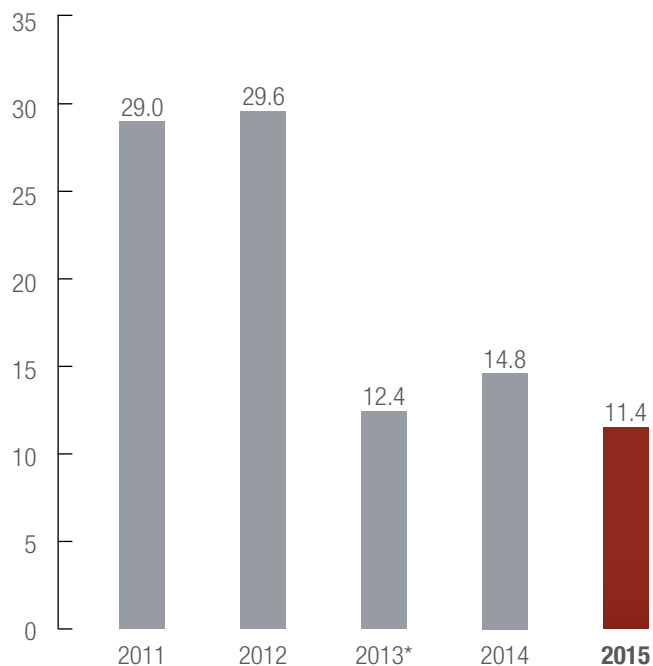


# Financial Highlights

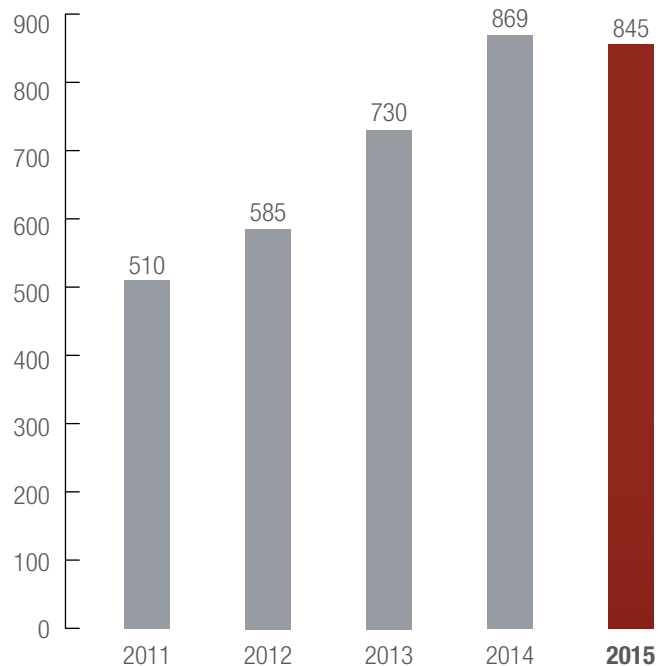
For The Financial Years Ended 31 December 2011 - 2015

## EARNINGS PER SHARE

(Sen)

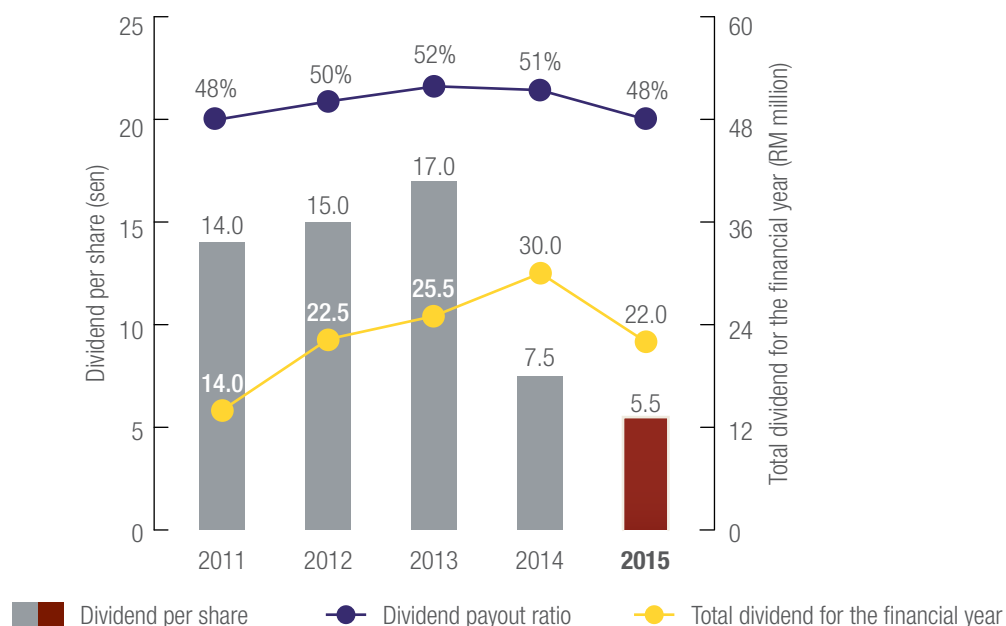


## EMPLOYEES



\* Earnings per share for 2013 has been adjusted retrospectively pursuant to the bonus issue and share split during the financial year ended 31 December 2014.

## DIVIDENDS



# 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*

**Datuk Chin Kwai Yoong**

*Independent Non-Executive Director*

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

*Senior Independent  
Non-Executive Director*

**Datuk Noor Azian  
binti Shaari**

*Independent Non-Executive Director*

## Audit Committee

**Datuk Ishak bin Imam Abas**

*(Chairman)*

**Datuk 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**

**Datuk Chin Kwai Yoong**

**Datuk Noor Azian binti Shaari**

## Risk Committee

**Datuk Chin Kwai Yoong**

*(Chairman)*

**Nan Yusri bin Nan Rahimy**

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

**Datuk Noor Azian binti Shaari**

## 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 : 603-7849 0777  
Fax : 603-7841 8151/52

## Stock Exchange Listing

**Bursa Malaysia Securities Berhad  
Main Market**

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.**

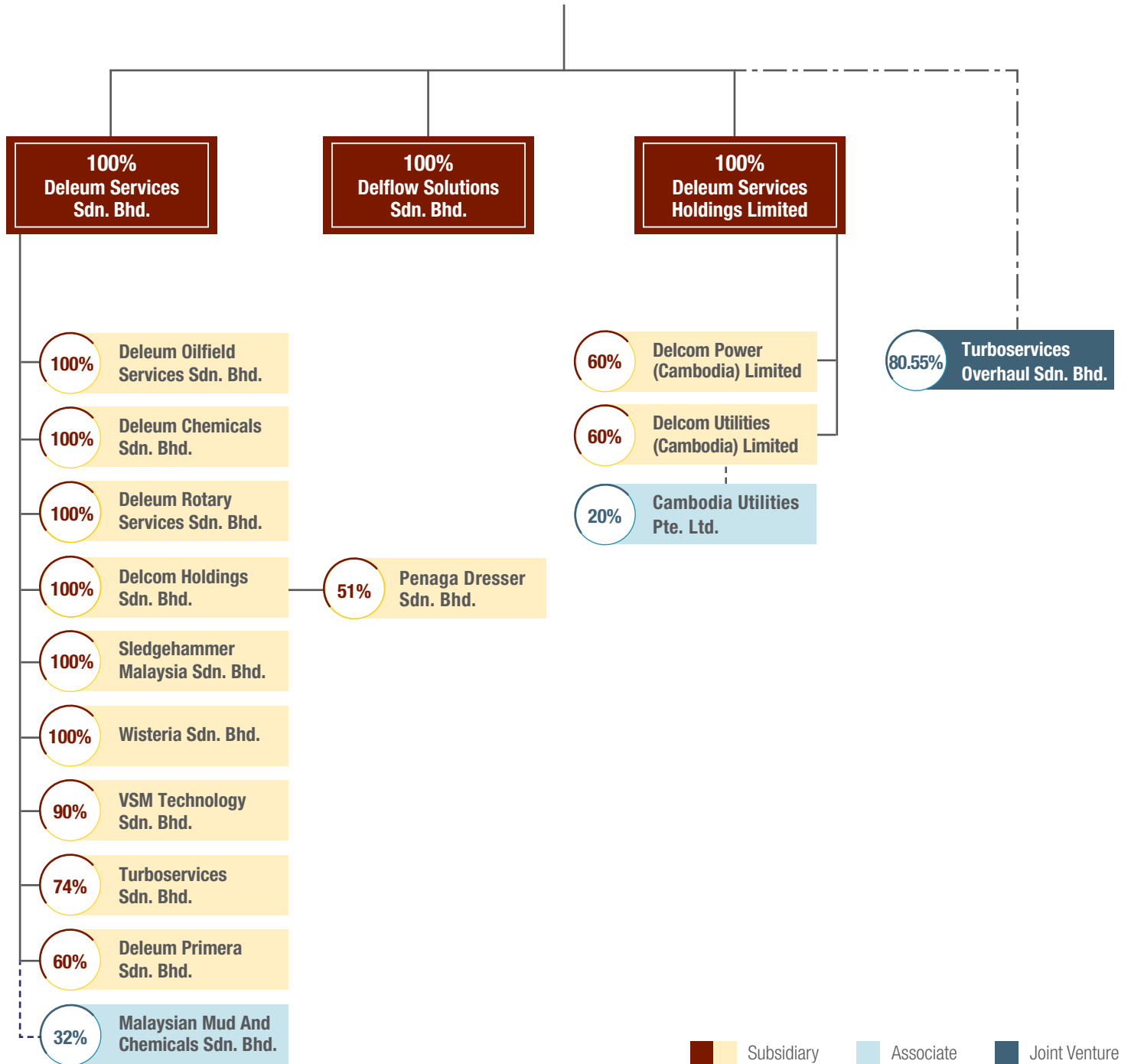
6th & 7th Floor, Akademi Etiqa  
23, Jalan Melaka  
50100 Kuala Lumpur, Malaysia  
Tel : 603-2698 6255  
Fax : 603-2693 6488

## Principal Bankers

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

# Group Corporate Structure

## DELEUM BERHAD



# *Putting boots on the ground*

We are involved in diversified projects which require us to mobilise a wide range of talents to assist our customers to reach their desired outcomes. With upskilling and improved technical know-how and competencies, we have built a workforce with a competitive edge towards value creation for our stakeholders.





# Profiles of Directors

## DATO' IZHAM BIN MAHMUD

*Non-Independent Non-Executive Chairman*

Dato' Izham bin Mahmud (Malaysian, aged 75, Male) was appointed to the Board on 21 December 2005.

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

Dato' Izham joined the Federal Treasury in 1965 and attained the level of Principal Assistant Secretary and was subsequently seconded to the Malacca State Development Corporation as General Manager in 1972. In 1974, he embarked on his banking

career and joined Aseambankers Malaysia Berhad as General Manager and was later promoted to Managing Director in 1979, a position he held until his retirement in 1996. During this period, he served as a Director of various subsidiaries of the Maybank Group and Cagamas Berhad.

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



## DATUK VIVEKANANTHAN A/L M.V. NATHAN

*Non-Independent Non-Executive Deputy Chairman*

Datuk Vivekananthan a/l M.V. Nathan (Malaysian, aged 75, Male) was appointed to the Board on 21 December 2005. He is one of the co-founders of Deleum Services.

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

In 1982, together with his founding partners, Datuk Vivekananthan successfully spearheaded Deleum

Services' venture into the oil and gas industry. He was appointed as the Managing Director and later re-designated as President of Deleum Services. He was the Deputy Executive Chairman of Deleum Berhad until his retirement on 31 May 2010 and subsequently became the Non-Executive Deputy Chairman.

He sits on the Board of International Conference and Exhibition Professionals (ICEP) (formerly known as WGC 2012/ National Organising Committee of the 25th World Gas Conference), the organiser of conferences and exhibitions hosted by PETRONAS. He is also a Council Member of the Malaysian Gas Association. Datuk Vivekananthan is a Director of Malaysian Philharmonic Orchestra and a member of the Board of Trustees of Dewan Filharmonik PETRONAS since November 2014.





## Profiles of Directors

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### NAN YUSRI BIN NAN RAHIMY

*Group Managing Director*

Nan Yusri bin Nan Rahimy (Malaysian, aged 44, Male) was appointed to the Board on 1 March 2011.

He graduated from the Royal Melbourne Institute of Technology (now RMIT University), Australia with a Bachelor of Engineering Degree (Honours) in Mechanical Engineering in 1996. He has been a member of the Society of Petroleum Engineers since 2004.

Nan Yusri joined Deleum Services as a Marketing Executive supporting the turbomachinery business in April 1996 and was later re-designated to Application Engineer in November 1996. He subsequently held several senior positions within the Group including Senior Marketing Manager,

Assistant Vice President - Business Development, Vice President (VP) - Exploration and Production, Chief Operating Officer - Oilfield Services and Chief Executive Officer (CEO) of Deleum Oilfield Services Sdn. Bhd. (DOSSB).

In September 2010, he was promoted to CEO of Deleum Services, the holding company of DOSSB, before being appointed to his current position. He sits on the Board of International Conference and Exhibition Professionals (ICEP) (formerly known as WGC 2012/ National Organising Committee of the 25th World Gas Conference) as Alternate Director to Datuk Vivekananthan a/l M.V. Nathan. He is also a member of the Student Development Advisory Council of Universiti Teknologi PETRONAS since December 2014.



### DATUK ISHAK BIN IMAM ABAS

*Independent Non-Executive Director*

Datuk Ishak bin Imam Abas (Malaysian, aged 70, Male) was appointed to the Board on 21 March 2007. He is a Fellow of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants.

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

During his tenure at PETRONAS, he held various senior positions including Deputy GM Commercial of PETRONAS Dagangan Berhad, Senior GM Finance of PETRONAS, Senior VP Finance of PETRONAS, CEO of KLCC (Holdings) Sdn. Bhd. and KLCC Property Holdings Berhad. He was also a member

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

Datuk Ishak is currently the Non-Executive Chairman of Putrajaya Holdings Sdn. Bhd. He is also the 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 sits on the Boards of Standard Chartered Bank Malaysia Berhad and Standard Chartered Saadiq Berhad as Independent Non-Executive Director. He is also a Non-Executive Director of Integrated Petroleum Services Sdn. Bhd.



## Profiles of Directors

### DATUK CHIN KWAI YOONG

*Independent Non-Executive Director*

Datuk Chin Kwai Yoong (Malaysian, aged 67, Male) 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 Malaysian Institute of Accountants.

He started his career with Price Waterhouse (currently known as PricewaterhouseCoopers) in 1974 as an Audit Senior and was promoted to Audit Manager in 1978. He was the Audit Partner of 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.

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

Currently, he sits on the Boards of ASTRO Malaysia Holdings Berhad and Genting Berhad. He is also a Director of Bank Negara Malaysia since March 2010.



### DATUK IR (DR) ABDUL RAHIM BIN HASHIM

*Senior Independent Non-Executive Director*

Datuk Ir (Dr) Abdul Rahim bin Hashim (Malaysian, aged 62, Male) was appointed to the Board on 15 November 2013.

He graduated with a B.Sc. (Electronics & Electrical) Engineering from the University of Birmingham, UK in 1976 and has also completed the Advanced Management Programme at Harvard Business School in 1997.

He started his career in PETRONAS as an Electrical Engineer soon after graduation. He held various senior positions including Managing Director and CEO of PETRONAS Penapisan (Melaka) Sdn. Bhd. and Malaysian Refining Company Sdn. Bhd., VP of Human Resource Management Division and VP for Gas Business of PETRONAS. He was the VP of Research and Technology Division of PETRONAS from April 2006 until his retirement in December 2008. He also held directorships in several PETRONAS subsidiaries including PETRONAS Gas Berhad, PETRONAS Dagangan Berhad, PETRONAS Carigali Sdn. Bhd. and Malaysia LNG Sdn. Bhd., all of which he relinquished upon retirement.

Datuk Ir (Dr) Abdul Rahim is the Past President of the International Gas Union (2009-2012), the host of the 25th World Gas Conference held in Kuala Lumpur in 2012. He 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 the Vice Chancellor/ CEO of Universiti Teknologi PETRONAS. He was a member of the National Science and Research Council of Malaysia and the Energy Commission of Malaysia. He is a director of Institute of Technology PETRONAS Sdn. Bhd. since September 2010 and Chairman of the Dewan Filharmonik PETRONAS and the Malaysian Philharmonic Orchestra since September 2013. He sits on the Board of SIRIM Berhad since 2004 and is also a director of LanzaTech NZ Ltd. On 9 November 2015, he was appointed a member of the Board of Advisors of the Higher Education Leadership Academy under the Minister of Higher Education for a period of 3 years.



## Profiles of Directors

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### DATUK NOOR AZIAN BINTI SHAARI

*Independent Non-Executive Director*

Datuk Noor Azian binti Shaari (Malaysian, aged 67, Female) was appointed to the Board on 1 January 2015. She is a Barrister-At-Law of Lincoln's Inn London having been called to the English Bar in May 1971.

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

Chairman of the Special Commissioners for Income Tax and Chairman of Tribunal for Consumer Claims.

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

She is now a Registered Arbitrator with The Kuala Lumpur Regional Centre for Arbitration.



#### Notes:

1. Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2015 are set out in the Statement on Corporate Governance and Audit Committee Report.
2. The above Directors have no family relationship with any Director and/or major shareholder of Deleum Berhad, have no conflict of interest with Deleum Berhad and have not been convicted of any offence within the past 10 years.

# Key Management

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Ahmad Uzhir  
bin Khalid

Chief Operating Officer  
Deleum Oilfield Services Sdn. Bhd.

Jayanthi  
Gunaratnam

Group Chief  
Financial Officer

Nan Yusri  
bin Nan Rahimy

Group Managing  
Director

Anwarudin bin  
Saidu Mohamed

General Manager  
Deleum Chemicals Sdn. Bhd.

## Key Management

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Azman  
bin Jemaat

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Chief Operating Officer  
Penaga Dresser Sdn. Bhd.

Heng  
Phok Wee

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Chief Operating Officer  
Deleum Services Sdn. Bhd.

Mazrin  
bin Ramli

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Chief Operating Officer  
Deleum Primera Sdn. Bhd.

Lee  
Sew Bee

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Senior General Manager  
Group Corporate Services

*Putting our  
shared values  
at our core*



Our shared values are upheld by all of us in meeting our needs without compromising on future sustainability. As the growth pillars of our organisation, it enhances our ability as a whole to excel financially and operationally.



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# Chairman's Statement

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*Dear Shareholders,*

On behalf of the Board of Directors, I am pleased to present the Annual Report and Consolidated Financial Statements of Deleum Berhad (Deleum or the Group) for the financial year ended 31 December 2015 (FY2015).

FY2015 was a year that presented many challenges stemming from the drop in crude oil prices, and the upstream sector of the oil and gas industry was particularly affected by this development. Across the industry, the cutback on capital expenditure (CAPEX) and operating expenditure (OPEX) by oil majors had adversely impacted activity levels and created downward pressure on the whole supply chain.

Notwithstanding these developments, our activity levels held up well due to our diverse products and services, strong principal relationships and work orders generated from existing contracts. However, as the operating budgets of our larger customers were cut back significantly, our margins were also impacted.



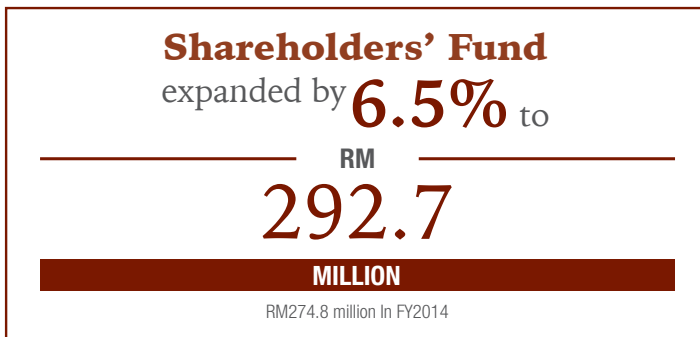
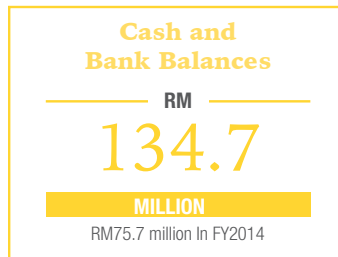
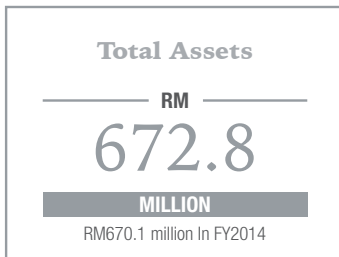
# Chairman's Statement

## FINANCIAL PERFORMANCE

Against the backdrop outlined in the preceding paragraph, the Group posted a profit after tax and non-controlling interest of RM45.4 million, which was 23.5% lower than the financial year ended 31 December 2014's (FY2014) performance of RM59.3 million. This decrease was attributed to compressed margins, lower associates' results and the increase in finance costs.

The Group's financial position at the end of FY2015 continued to be strong with total assets standing at RM672.8 million, a marginal increase over FY2014's position of RM670.1 million. Shareholders' fund expanded by 6.5% to RM292.7 million from RM274.8 million in FY2014. Meanwhile, cash and bank balances remained strong which increased from RM75.7 million to RM134.7 million and borrowings reduced from RM155.4 million to RM137.4 million.

Detailed information on the operating and financial performance of our three (3) core business segments i.e. Power and Machinery, Oilfield Services and Integrated Corrosion Solution, are presented in the Business Performance Review section of this Annual Report.



## DIVIDEND

The Board is grateful that you have continued to invest your trust in us. Whilst we remain focused on optimal business growth, we continue to commit to our dividend policy subject to the availability of adequate distributable reserves, operating cash flows, financial commitments and investments to sustain existing operations and to support future business growth.

In respect of FY2015, the Company paid a first interim single tier dividend of 2.0 sen per ordinary share on 25 September 2015 and subsequently declared a second interim single tier dividend of 3.5 sen per ordinary share, which was paid on 25 March 2016. This brought the total dividend payout for FY2015 to 5.5 sen per ordinary share totalling RM22.0 million, as compared to RM30.0 million for FY2014, which represented a payout of approximately 50% of attributable earnings for the financial year in line with our dividend policy.

Cumulatively, after the listing of the Company in 2007, dividends paid to date amounted to RM161.6 million since the financial year ended 31 December 2007.

## CORPORATE EXERCISES

During FY2015, the Group undertook a couple of corporate exercises.

On 24 March 2015, the Company and Turboservices Overhaul Sdn. Bhd. (TOSB) entered into a subscription agreement with Solar Turbines International Company (STICO) for the subscription of 19.45% equity interest in TOSB by STICO for a consideration of RM7 million. Upon completion of the corporate exercise on 30 March 2015, TOSB became a joint venture of the Company and STICO.



On 27 April 2015, Deleum was awarded the Local Oilfield Services Company of The Year 2015 by The Oil & Gas Year (TOGY), a leading supplier of information and communication services to the global energy industry. The award was given following the evaluation by TOGY on local oilfield services companies' business expansions and contributions made within the local oil & gas industry.

# Chairman's Statement



Deleum Services Sdn. Bhd. (DSSB), a wholly-owned subsidiary of the Company, had on 1 September 2015, completed the acquisition of the remaining 20% equity interest of Delcom Holdings Sdn. Bhd. (DHSB), for a consideration of RM3,169,000, upon which DHSB became a wholly-owned subsidiary of the Group. DHSB is an investment holding company with 51% equity interest in Penaga Dresser Sdn. Bhd. (PDSB) and accordingly, the effective interest of the Group in PDSB increased from 40.8% to 51.0%.

## CORPORATE GOVERNANCE

Deleum remains committed to good corporate governance and ethical conduct in its overall business direction and management to enhance long-term shareholder's value and to safeguard the interests of our stakeholders. The Board recognises that maintaining a high level of ethics is critical to business integrity and performance and key to creating value.

As a testament to our corporate governance commitments, Deleum was recognised by the Minority Shareholder Watchdog Group (MSWG) as a recipient of the Annual Corporate Governance (CG) Merit Award for Top CG and Performance under the category of companies with a market capitalisation between RM300 million to RM1 billion based on the parameters of the ASEAN CG Scorecard, which we are truly proud of.

## QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

We are cognisant that business operations must safeguard the interest of the relevant stakeholders, namely our employees, the community at large, the environment and the marketplace in which we operate.

QHSE remains the top priority of the Group in line with the slogan "Collective Responsibility Towards HSE Excellence". We continue to uphold our continuous commitment to the improvement and enhancement of our QHSE culture and performance within the Group. As of March 2016, we have achieved in excess of 5.92 million incident free man-hours, and this is a testimony to our excellent safety records.

## CORPORATE RESPONSIBILITY

Deleum continues to actively invest its time and resources towards community development as exemplified by our various corporate responsibility initiatives and we are pleased that there is growing participation from employees. The continuation of the Deleum Community Enrichment Programme, in support of national and economic development initiatives, has been furthered and we have reached out in providing equitable access to quality education for underprivileged communities.

Deleum's school adoption initiative of *Sekolah Kebangsaan Kampung Bakam*, a primary school in Miri, Sarawak, through our participation in the PINTAR Programme is in line with the national aspiration to develop human capital to be adequately prepared to face future challenges.

Details of the year's corporate responsibility activities are set out in the Corporate Responsibility section of this Annual Report.

## HUMAN CAPITAL DEVELOPMENT

The Group views its workforce as an essential part of its overall strategy for business sustainability and competitiveness and as a result, prioritises the continuous development and skills upgrading of our key asset. We continue to implement our Human Resource Strategic Plan and undertake various initiatives to develop leadership qualities, technical and non-technical competencies as well as to facilitate the development of our employees into high-performing talents.

The Long-Term Incentive Plan (LTIP) was approved on 27 May 2014 by the shareholders for selected eligible employees and the first grant was made on 2 March 2015. The LTIP consisting of Performance Share Incentive Plan and Restricted Share Incentive Plan (RS Award) was established to retain, motivate, and reward employees, as well as to sustain a high employee performance level whilst instilling a sense of loyalty to the Group.

# Chairman's Statement

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However, the first vesting cycle of the RS Award under the first grant did not vest due to the predetermined performance targets not being met following the downturn of the industry which impacted the Group's performance. Notwithstanding this, the second vesting of the RS Award in relation to the first grant will be dependent on the performance of the Group for the financial year ending 31 December 2016.

## OUTLOOK

We anticipate that the coming year will be equally, if not more, challenging for the Group. Nonetheless, we will focus on enhancing the dynamics between our three (3) core business segments based on our sound business fundamentals. The Group was still able to leverage on its financial strength and resources to develop opportunities for growth during the year under review. We aim at increasing contributions from international business through the provision of our specialised, niche and high-quality products and services.

The Board is confident that strong principal partnerships, especially in the Power and Machinery segment, working in tandem with the ongoing contracts under the Oilfield Services and Integrated Corrosion Solution segments, will mean that activity levels will not be materially affected. However, the pressure on margins will have a consequence on net earnings. On controllable spending, the Group will continue with the measures taken in the year under review by monitoring cost structures closely, deferring non-critical capital investments and proactively managing working capital and borrowings. We will continue to look at ways to make our business operations leaner and to focus on the variables that we can control.



## ACKNOWLEDGEMENTS

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers, business partners and financiers for their strong support, trust and confidence in Deleum throughout the years.

In the same vein, I wish to express appreciation to my fellow members of the Board, for their counsel and guidance provided over the years.

Last but not least, I wish to extend my sincere thanks and appreciation to the Management and staff for their dedication, professionalism and diligent efforts during the year under review.

A handwritten signature in black ink, which appears to read 'Izham Mahmud'.

**Dato' Izham bin Mahmud**  
*Chairman*

29 April 2016

# Business Performance Review

“ Despite the prevailing market sentiments, Deleum adapted to market pressures by focusing on its diverse capabilities, improving operational efficiencies and managing costs ”

Deleum stays focused towards meeting its mission in providing sustainable growth and enhancing stakeholders' value. As an Integrated Solutions Provider, Deleum provides specialised products and services to the oil and gas industry, predominantly in the exploration and production sector. We have positioned our businesses to be resilient which enables us to maintain commendable financial results for the year under review despite the challenges faced. Although our core business activities have been concentrated on the upstream sector, we are now focused to further expand our business activities to the downstream sector.

Results for the financial year ended 31 December 2015 (FY2015) reflects our continued ability to capitalise on the strength of our integrated businesses. The global crude oil prices crisis has impacted the oil and gas industry and the global economy as a whole. Despite the challenging operating environment, we delivered resilient financial results with a revenue of RM649.4 million and a profit after tax and non-controlling interest of RM45.4 million compared to RM657.3 million and RM59.3 million respectively in the financial year ended 31 December 2014 (FY2014).

## PERFORMANCE BY BUSINESS SEGMENTS

The Power and Machinery segment remains the biggest contributor to Deleum, generating segment results of RM63.8 million (FY2014: RM64.6 million) on the back of a revenue of RM465.9 million (FY2014: RM493.1 million). The Oilfield Services segment delivered a lower segment results of RM8.3 million (FY2014: RM28.3 million) with its revenue totalling RM137.9 million (FY2014: RM146.5 million). The Integrated Corrosion Solution segment made a strong comeback in FY2015 by delivering a 147.4% increase in its segment results with RM1.0 million (FY2014: -RM2.0 million) supported by an improved revenue of RM45.2 million (FY2014: RM17.7 million).

### Power and Machinery (P&M)

The P&M segment focuses on providing complete life cycle support for turbomachinery packages, turnkey solutions for combined heat and power plants, gas processing solutions, supply, assembly, repair and maintenance of valves and flow regulators, maintenance, repair and overhaul of motors, generators and transformers.

The P&M segment recorded a lower segment results of RM63.8 million, which is 1.2% lower than FY2014's segment results of RM64.6 million. Its revenue for FY2015 was RM465.9 million, a decrease of 5.5% from the previous year's revenue of RM493.1 million, mainly attributed to the deferment of projects due to the depressed crude oil prices. The situation was further exacerbated by cost

pressures affecting our customers, resulting in reduced contribution from P&M segment. Although projects were deferred, the marginal contraction for this segment was supported by its aftermarket sales and services which accounted for a major portion of the segment's revenue.

During the year under review, Deleum Rotary Services Sdn. Bhd. (DRSSB) was reclassified under the P&M segment. The integration is positioned to create more synergy within the segment with DRSSB providing interfunction support especially in the area of maintenance, repair and overhaul of generator sets and compressors.

The joint venture between the Company (80.55%) and Solar Turbines International Company (STICO) (19.45%) in Turboservices Overhaul Sdn. Bhd. (TOSB) further strengthened the segment's aftermarket support and improved its operational and technical capabilities, whilst enhancing its ability to repair and overhaul a wider range of STICO's equipment in Malaysia.

Penaga Dresser Sdn. Bhd. (PDSB), a subsidiary of the Group, delivered improved results and continued to thrive in the control and safety valves business. PDSB's positive performance in FY2015 is a reflection of the diversified nature of its business in servicing the exploration and production, refining, gas processing, petrochemicals and power generation sectors. PDSB profited from healthy inflows of aftermarket and material replacement orders attributed to improved execution of the Global Frame Agreement for control valves business.

The opening of PDSB's sales branch office in Kota Kinabalu during the year has augmented its service quality and efficiency to the benefit of its customers in Sabah and Labuan.



# Business Performance Review

## Oilfield Services (OS)

The OS segment mainly focuses on upstream activities which is, predominantly in the sub-surface section. The activities include the provision of slickline equipment and services, integrated wellhead maintenance services, asset integrated solutions, data processing and interpretation, geoscience studies, auxiliary cementing and casing accessories, production facilities, drilling related services and integrated chemical solutions.

The segment results for OS segment was RM8.3 million, which was a drop from RM28.3 million in FY2014. Revenue from this segment decreased by RM8.5 million in the year under review to RM137.9 million compared to the previous year's revenue of RM146.5 million.

The reduction in results from this segment was attributed to compressed margins in slickline business, lower activities for oilfield services, higher depreciation and borrowing costs on slickline assets and lower oilfield chemicals activities.

The decline in the Electronic Data Acquisition Survey (EDAS) related activities and well intervention activities was due to the cutback in operating expenditure (OPEX) by the oil and gas companies. The auxiliary cementing and accessories and the principal based businesses that are directly influenced by the drilling activities showed a big drop in revenue for the year under review. The slickline business which forms the core business of OS segment recorded a slight increase in revenue attributed to the oil companies increasing their oil production levels from the existing production wells rather than from new exploration or development wells which would entail high capital expenditure (CAPEX). The Group is operating the largest slickline fleet in both West and East Malaysian waters.

The Asset Integrated Solutions (A.I.S.) unit, which was established in 2013 has produced results even during its infancy by undertaking the Well Enhancement Study Project in 2014 which was completed in mid-2015. This challenging undertaking involved detailed well data analysis (i.e. production data, reservoir

data, petrophysics, well completion) by our geoscience team to assist the oil companies in maintaining their well's performance and in providing solutions to enhance well production. The outcome of these studies are then implemented at the well sites by the well intervention team. This business section is a forerunner to a more specialised and comprehensive service in the form of Cased Hole Logging Services (CHLS), a combination of the existing slickline services and logging/ perforating services. Deleum's existing Pan Malaysia Slickline Contracts provide a suitable platform to execute the CHLS and is formulated to reshape the future business model and direction of the OS segment for 2016 and beyond.

Deleum Chemicals Sdn. Bhd. (DCSB) is involved in the development and provision of integrated chemical solutions for production enhancement, flow assurance, improvement in the efficiency of hydrocarbon processing facilities and related services. The business unit offers a wide range of Specialty Performance Chemicals and Integrated Production Chemicals designed to support activities such as well stimulation, tubing and wellbore cleaning, integrated tank cleaning and waste management, de-bottle necking of hydrocarbon processing equipment, integrated pipeline cleaning, integrated Improved Oil Recovery (IOR) services and integrated water desalination, treatment and injection services.



FY2015 was a challenging year for the business unit as production enhancement and efficiency services are highly correlated to its customers' appetite to improve their asset performance. With the slump in the crude oil prices, many oil and gas players did not see the exigency for such services. The business unit embarked on a three-pronged expansion strategy going forward to meet market challenges. The horizontal expansion strategy saw the unit venturing into the mid and downstream sectors, which were not severely affected by the drop in the crude oil prices. The vertical expansion strategy took the form of improvements to the business unit's existing chemical solutions, whilst the geographical expansion strategy drove the unit to explore potential markets with specific requirements for which it could provide unprecedented solutions in the international marketplace.

# Business Performance Review

DCSB was accredited with the ISO14001:2004 Environmental Management Systems certification in recognition of its commitment towards improving environmental aspects and impact of its product offerings and conforming to the relevant environmental policies.

The business unit has achieved a key milestone in FY2015 for its continuous products enhancement initiative, by developing an in-house integrated tank cleaning method, which is targeted for commercialisation in 2016. In line with this, there are improvements to the existing chemical solutions, namely, LIQUID FILTER<sup>®</sup>, which can now be used for water shutoff in both gas and oil wells, as well as SCALE-FREE<sup>™</sup>, a solution for cleaning pipelines with hazardous contaminants and a novel chemical solution to manage asphaltene problems in the field. During the year under review, the unit received Certification of Registration of Trade Marks for Antifoulant GP-HX<sup>®</sup> and SAND-LIFT<sup>®</sup> chemical solutions.

## Integrated Corrosion Solution (ICS)

During the year, the Maintenance, Repair and Overhaul segment was renamed Integrated Corrosion Solution segment following the reclassification of DRSSB under the P&M Segment.

The ICS segment is involved in the provision of integrated corrosion and inspection services, topside maintenance, blasting technology and services for tanks, vessels, structures and piping through Deleum Primera Sdn. Bhd (DPSB).

The segment posted segment results of RM1.0 million for FY2015, which is a 147% leap from a segment loss of RM2.0 million in the previous year. The revenue contribution from this segment is RM45.2 million, which is RM27.5 million higher than FY2014 attributed to improved work orders for corrosion protection and maintenance on the back of the Pan Malaysia contracts.

In response to the challenging operating conditions, DPSB reengineered its operations and introduced intensive cost control measures which included redeployment of human capital and reduction in the utilisation of external manpower resources.

The ICS team has been aggressively participating in surface preparation and maintenance projects through opportunities creation and diversification of their services. This includes Rust and Paint Removal Technology (RPR Technology), a solution that uses induction heat to remove coatings for topside maintenance, minor fabrication and structural piping offerings and corrosion solutions related to riser maintenance.

The ICS segment is also well-equipped to execute maintenance projects for pipelines, vessels and structural integrity and is building momentum towards exploring opportunities in other industries such as marine, shipping, construction and power plants. It is also looking to undertake regional expansion into Indonesia, Singapore and Thailand.



## LIQUIDITY AND CAPITAL RESOURCES

The Group's cash and bank balances increased from RM75.7 million to RM134.7 million as at 31 December 2015. The increase of RM59.0 million was attributed to the following factors that benefited the Group in FY2015. Firstly, the Group succeeded in better managing its working capital with more efficient collections and payments. Secondly, the Group incurred lower capital expenditure in FY2015 due to the fulfilment of the capital-intensive Pan Malaysia Slickline contracts in FY2014. However, the increase in cash and bank balances were slightly offset by the repayment of borrowings amounting to RM25.7 million as well as the dividend payout of RM28.0 million in FY2015.

## GEARING RATIO

The gearing ratio of the Group as at 31 December 2015 was 0.47 times compared to 0.57 times as at 31 December 2014. The gearing ratio is calculated as total debt (RM137.4 million) divided by total shareholders' equity (RM292.7 million). The decrease in gearing ratio is due to the repayment of borrowings by Deleum Oilfield Services Sdn. Bhd. (DOSSB) to fulfil the Pan Malaysia Slickline contracts' capital requirements.

## CONTINGENT LIABILITIES

The Group has provided guarantees amounting to RM30.7 million to third parties in respect of operating requirements, utilities and maintenance contracts.

# Business Performance Review

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## **CAPITAL MANAGEMENT**

The Group's view on capital management is centred on protecting its ability to continue as a going concern and to maintain an optimum capital structure to maximise shareholders' value. In order to maintain or achieve optimal capital structure, Deleum may adjust the amount of dividends, return capital to shareholders or issue new shares or debts.

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

## **FUTURE COMMITMENTS AND FUNDING SOURCES**

The Group's total capital commitments authorised for property, plant and equipment amounted to RM26.7 million as at 31 December 2015, of which RM0.9 million of capital expenditure has been contracted for, but not incurred. The remaining capital expenditure of RM24.4 million has not been contracted for whilst RM1.4 million represents the capital commitment of a joint venture.

Capital commitment that has been authorised and contracted is for general contracts' requirements, enhancement of our workshops facilities and purchase of other equipment to prepare the Group for current operations and future expansion.

Details of the borrowings and maturity profile of such borrowings are disclosed accordingly in Note 24 of the consolidated financial statements.

## **ASSOCIATE COMPANIES**

The associate companies of the Group, Malaysian Mud And Chemicals Sdn. Bhd. (2MC) and Cambodia Utilities Pte. Ltd. (CUPL) recorded decreased results in FY2015. The reduction in results was mainly attributed to lower throughput from 2MC by RM3.4 million and CUPL by RM4.7 million. The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge, Cambodia, expired on 8 May 2015. 2MC's results, on the other hand, were affected by the decrease in drilling activities in the oil and gas industry, resulting in reduced results from its operations.

## **LOOKING AHEAD**

Deleum is confident that with its on-going contracts and strong principal partnerships, the activity levels will not be materially affected. However, we are aware that the squeeze on margins will remain unabated, thereby affecting net earnings.

In FY2016, Deleum's strategy is to diversify its business focus through partnerships and collaborations to limit the effects of oil price volatility underpinned by its capabilities as an Integrated Solutions Provider. One of the Group's key business focus areas is venturing into international business which is in line with the Corporate Vision Statement and will see the Group capitalising on the provision of its integrated and niche solutions and specialised services.

Notwithstanding the above, the Group will remain vigilant in the challenging operating environment and will be prudent in its undertakings whilst improving its operational efficiency and managing costs effectively by strengthening its business fundamentals and core competencies.

# Quality, Health, Safety and Environment

Deleum recognises the importance of Quality, Health, Safety and Environment (QHSE) in sustaining its business and achieving operational excellence. In line with this, we continue to cultivate an organisational culture that reinforces the importance of QHSE in the work place and day-to-day operations. The emphasis is on aligning the Group's established QHSE policies with industrial best practices and appropriate standards to ensure effective and sustainable business performance.

Achieving the high standards of quality and environment management system certifications is an objective for the Group. In October 2015, Deleum Chemicals Sdn. Bhd. (DCSB) attained ISO14001:2004 Environmental Management Systems certification from Det Norske Veritas and Germanischer Lloyd (DNV GL).

The Group had consolidated Deleum Rotary Services Sdn. Bhd. (DRSSB)'s ISO9001:2008 Quality Management Systems certification under the umbrella of its immediate holding company, Deleum Services Sdn. Bhd. (DSSB), to be aligned under one certification body namely DNV GL. DRSSB was successfully certified with ISO9001:2008 in December 2015 together with the recertification of Deleum Oilfield Services Sdn. Bhd. (DOSSB), Turboservices Overhaul Sdn. Bhd. (TOSB) and DCSB by DNV GL.

DRSSB maintains the International Electrotechnical Commission IEC Certification Scheme for Explosive Atmosphere (IECEx Certification) from Simtars, which approves DRSSB's facilities and equipment and endorses the competency of the personnel in handling, repairing and overhauling motors.

We are also pleased to announce that as of 31 March 2016, Deleum and its subsidiaries have achieved 5.92 million man-hours without Lost Time Injury (LTI) since August 2012 and a score of 1.05 for Total Recordable Case Frequency (TRCF) in 2015.

We are proud to share that, in 2015, we earned the recognition of the industry for our QHSE practices and standards through receipt of various appreciations, amongst others, active participation in customers' monthly HSE liaisons and successful fishing operations.

The Group values the safety of Deleum's stakeholders and believe that any injuries are preventable through good hazard and risk assessments whilst recognising the importance of having a database with all the identified hazards associated with our businesses. During the year, the Group embarked on the Hazard Effect Management Process (HEMP) aimed at creating the Hazard Effect Register (HER) to serve as an important reference in the development of the Group's critical activity catalogue and remedial action plan.

## Deleum's 10 Life Saving Rules



**1. Valid Safe Work Permit**  
Perform with valid safe work permit when required



**6. Personal Protective Equipment (PPE)**  
Always use correct and approved PPE in accordance with safe work plan, permit or site requirements



**2. Energy Isolation**  
Verify that there is no live energy before work begins



**7. Perform Risk Assessment**  
Identify all hazards associated with tasks and assess potential risks prior to commencing and during work



**3. Systems Override**  
Obtain authorisation before overriding or disabling safety critical equipment



**8. Follow Prescribed Journey Management Plan**  
Plan and execute necessary road transport journeys



**4. Confined Space Entry**  
Obtain authorisation before entering a confined space



**9. Mobile/Portable Devices**  
Do not handle your phone or any other mobile/portable communication when walking or driving



**5. The Line of Fire**  
Stay vigilant and keep a safe distance from area that has potential safety hazards



**10. Smoking and Ignition Sources**  
Do not smoke outside designated area or bring potential ignition sources into process areas without authorisation



# Quality, Health, Safety and Environment



## EMPLOYEE TRAINING

Sustained improvements to our QHSE performance was also seen through the investment of time and effort to provide training that helped to boost our employees' knowledge and competence. The training was governed by contractual and regulatory requirements as well as the standards to which Deleum subscribes. Among the key training programmes attended by the relevant staff during the year were Basic Offshore Safety Induction and Emergency Training (BOSIET), 18<sup>th</sup> Conference and Exhibition on Occupational Safety and Health (COSH 2015) and National Seminar on Occupational Safety and Health 2015.

Aside from the training programmes, various briefings and employees engagement activities were held during the year to enhance their safety knowledge and awareness.

Deleum will continue to adopt new best practices in the oil and gas industry to broaden its perspective and enhance its QHSE commitments, policies and initiatives.



## HSE CAMPAIGN

The Group's annual HSE Campaign which is targeted to raise awareness on safety, health and environmental issues, commenced with the launch of the Safety Pledge Board at our head office, signed by the employees of the Group as a pledge to Deleum's 10 Life Saving Rules.

The campaign which was held for a month had employees participating in various activities such as health screening, health talk, cooking class and a boot camp that aimed at promoting healthy lifestyle. Apart from health and safety, we were inspired to organise a terrarium DIY workshop to promote a recycling culture and to raise environmental awareness among the employees.

The Group continues to instil safety awareness and practices among employees by conducting regular trainings and other HSE initiatives. Training activities conducted for employees during the year included talks on the Normalisation of Deviance and Safe Work Modules. Practical safety training on Basic Rigging and Slings and a Wireline Rigging Workshop were held together with other oilfield contractors in our training facility in Labuan.

Training on safe chemical handling was also organised for the Chemicals team in Labuan to promote best practices in their daily operations. Apart from that, we have also participated in Petronas Carigali Sdn. Bhd. (PCSB)'s 'Zero Incident Zero Accident (ZIZA) Monsoon Campaign' where they organised a Management HSE Visit to Anjang Hikmah Platform & Kinarut Platform.

## MONTHLY SAFETY BULLETIN

The monthly circulation of our HSE Bulletin continues to provide employees with the latest information on HSE best practices at workplace and home. It also incorporates updates on the Group's HSE performance.

## SAFETY MEETINGS

The HSE Committee meetings and operational safety meetings were held on a regular basis to continuously address safety performance results and statistics against workplace hazards. The matters reviewed include incident investigation reports, incident mitigation and prevention measures, analysis of STOP card issuances, workplace audit and inspection reports, annual QHSE plan updates and review of the QHSE Policies as well as Health, Safety and Environment Manual System (HSEMS).

The Group QHSE also participated in various safety meetings and engagements conducted by customers to contribute towards the process of improving safety standards and practices.

## HSE MANUAL SYSTEM REVIEW, AND HSE MANAGEMENT AUDIT AND INSPECTION

Throughout the year we conducted monthly routine safety inspections at all our operation sites and also had management HSE visits at selected areas to fulfil the customer's requirements.

# Corporate Responsibility

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At Deleum, we consider Corporate Responsibility (CR) an integral part of our business. CR is about making a lasting and positive impact on the growth and well-being of the society. Consistent with our organisational culture and philosophy towards Corporate Responsibility, we continue to deliver value to our stakeholders in three (3) focal areas, namely, Community, Environment and Workplace through various CR programmes.

## **COMMUNITY OUTREACH AND DEVELOPMENT**

Following the adoption of *Sekolah Kebangsaan Kampung Bakam* in Miri through the PINTAR Programme last year, we continued to sponsor the programme as part of Deleum Community Enrichment Programme. The emphasis of PINTAR programme is to provide a holistic education to develop well-rounded, responsible and successful individuals in the future.

Under the PINTAR Programme, the Group is guided by the PINTAR Foundation to provide assistance to the school through four (4) core modules, namely, Motivation and Team Building; Education Support; Capability and Capacity Building; and Reducing Vulnerabilities and Social Issues.

During the year, in line with the Education Support module, the Group conducted the "*Program Kecemerlangan Akademik – Kemilau UPSR 2015*" to assist a selected group of Standard 6 students from the school sitting for the year's Ujian Penilaian Sekolah Rendah (UPSR).

In giving back to the communities that we serve in, the Group continued to support charitable causes and community development through various CR initiatives and these are some activities conducted by the Group during the year.

## **THE ENVIRONMENT AND WORKPLACE**

Environmental sustainability is a commitment that extends organisation-wide. The Group aims to reduce its impact on the environment where it operates in, whilst raising awareness among its employees of the environmental issues and their social responsibilities.

During the year, we continued to share best practises towards safeguarding the environment and workplace and ensuring the wellbeing of our people in the course of their duties.

# Corporate Responsibility

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Our people are our most valuable asset and the pillars of strength that uphold our success. We believe in creating a workplace based on dignity, fairness and respect, and we are committed to foster a working environment free of discrimination and harassment through the enforcement of our Equal Opportunity Policy which is a cornerstone that governs workplace conduct and promotes workforce diversity.

## Moving Forward

As we grow our business, our commitment and focus towards creating a positive impact on communities and preserving the environment will be reflected via our ethical business practices and CR initiatives. We will sustain our efforts with the aim of creating long-term value for our stakeholders and conducting our operations responsibly.

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14 August 2015

Deleum organised a **Raya Celebration with** children from **Pusat Aktiviti Kanak-Kanak (PAKK) Chow Kit** at Islamic Arts Museum Malaysia during the month of *Syawal*. The PAKK children enjoyed the array of activities organised and delightful memories were created.



21 August 2015

Deleum Primera organised a lively **Raya Open House** for the children of *Rumah Anak-Anak Yatim Darul Taqwa*.



2 September 2015

Deleum organised its annual **Blood Donation Drive** campaign in collaboration with *Pusat Darah Negara*. The event received overwhelming response and good support from both employees and member of the public.



29 November 2015

Many of our employees participated in a non-competitive charity event, **Terry Fox Run** Kuala Lumpur 2015, which raised funds for Cancer Research Institution Malaysia.

# Corporate Responsibility

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23 March 2015

In conjunction with the **Earth Hour 2015**, an awareness briefing was held to raise awareness on the importance of saving and conserving energy as part of our commitment towards combating climate change.

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21 August 2015

A **Health Talk** on stress management at workplace was organised to encourage employees to have work-life balance.

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6 November 2015

Together with *Agensi Kaunseling dan Pengurusan Kredit (AKPK)*, Deleum organised a talk on **Personal Financial Management** that focused on money and debt management skills. The two-hour session received overwhelming response from fellow employees.

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14 November 2015

Deleum worked closely with Global Environment Centre to organise activities in *Asrama Darul Falah (ASDAF)* that inculcated **awareness in recycling**.

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# Activities of 2015

## Corporate & Business Activities



7-8 March 2015

Deleum Chemicals Sdn. Bhd. (DCSB) and Deleum Oilfield Services Sdn. Bhd. (DOSSB) participated in the **SPE Terengganu Operational Excellence and Technology Week 2015**. The objective of this event was to inculcate sharing of knowledge and technologies among E&P professionals whilst giving back to the society via charitable activities.



28 April 2015

Turboservices Sdn. Bhd. was awarded the **Outstanding Vendor Award** in recognition of improved performance in 2014.



29 April 2015

The **10th Annual General Meeting** was held at the Sime Darby Convention Centre (SDCC), Kuala Lumpur and was attended by a diverse group of shareholders.

# Activities of 2015

## Corporate & Business Activities



26-27 June 2015

DOSSB and DCSB participated in the **Reservoir Management and Surveillance Summit 2015** which provided a platform for collaboration and integration among the PSCs and service companies. The event slogan was "Delivering the promise in a changing work – striking new path for success".



29-30 September 2015

Deleum Primera Sdn. Bhd. participated in the **FPSO World Congress** that was held in Singapore to introduce and promote the products and services of the Integrated Corrosion Solution (ICS) segment to the marine industry.



9-11 October 2015

Deleum rendered assistance in the annual **PRESTIGE** programme organised by Malaysian Gas Association, where selected student engineers from participating universities had the opportunity to expose and learn about safety and natural gas directly from the professionals in the oil and gas industry.

# Activities of 2015

## Employees' Sports and Recreational Activities



24 January 2015

Employees had an exciting weekend racing against time from Kuala Lumpur to Port Dickson in the quest of victory during the **Deleum Motor Hunt 2015**. The event aimed at fostering team spirit and competitiveness among the employees.



30 January 2015

The **Deleum Idol 2015** received overwhelming response from the employees as many participated to showcase their singing talents.



7 February 2015

Employees had an exhilarating time at the **ATV Adventure Ride** in Kg. Kemensah, the largest of its kind in Malaysia.

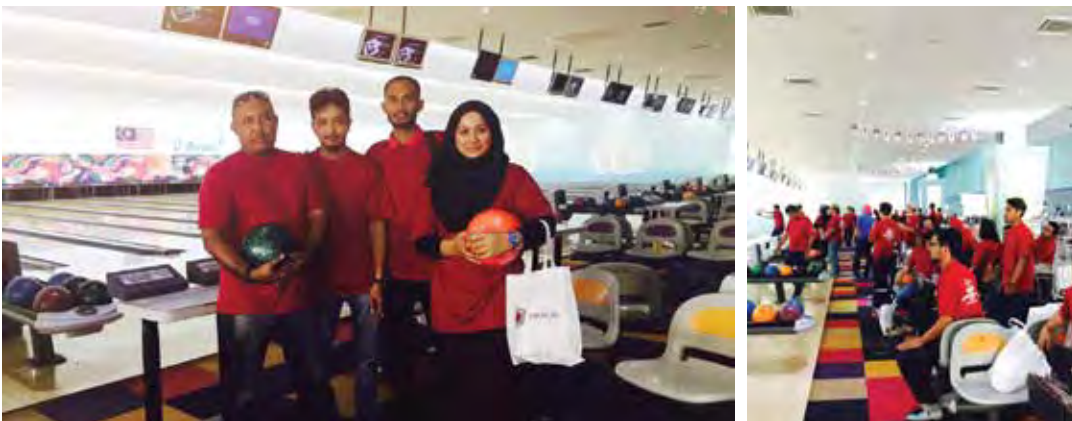
# Activities of 2015

## Employees' Sports and Recreational Activities



27 February 2015

Everyone enjoyed the festive atmosphere with a delicious array of cuisines in celebration of the **Chinese New Year** festival.



12 March & 28 May 2015

Employees of Head office and DOSSB in Kemaman displayed their bowling prowess while demonstrating good team spirit and forming closer bonds among themselves during the **Bowling Tournaments**.



21 March 2015

The participants had a thrilling adventure with paddling and rafting for 9 km through the serrated Selangor River during the **White Water Rafting**.



# Activities of 2015

## Employees' Sports and Recreational Activities



31 July 2015

The **Raya Celebration** witnessed employees dressed in traditional costumes sharing the festive spirit and delicacies.



29 August 2015

Participants' strength and mental confidence were put to test and pushed to the limit in the **Skytrex adventure** amidst the natural lush environment. It provided an eye-opening experience about rain forest for the employees from various departments and raised awareness on the ecological balance.



2 September 2015

Employees of DOSSB in Labuan displayed great sportsmanship and teamwork during a **Badminton Tournament** held at Kompleks Sukan Labuan.

# Activities of 2015

## Employees' Sports and Recreational Activities



4 September 2015

Employees banded together to solve the puzzles and riddles at the **escape game** in Breakout, Nu Sentral in seven themed-rooms with various levels of difficulties.



19 September 2015

Employees had fun rolling and tumbling at the **Bubble Futsal** held in the quest of victory which had employees' wills and endurance put to test.



10 October 2015

Employees loved the thrill of weightlessness through jumping and bouncing on trampolines at **Jump Street** Trampoline Parks. It was an enjoyable event with good interaction and socialising among our employees.



24 October 2015

Employees took part in the action-packed **paintball game** held at Canyon Paintball, fostering good team spirit and togetherness.

# Statement on Corporate Governance

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The Board of Directors (the Board) of Deleum Berhad (Deleum or the Company) remains steadfast in its commitment in ensuring that the high standards of corporate governance are consistently observed and practised throughout Deleum and its subsidiaries (collectively the Group) in furtherance of the Group's Mission, Vision and Shared Values.

The Board recognises the importance of safeguarding and promoting the interests of shareholders and is cognisant of the principles and recommendations of corporate governance as stipulated in the Malaysian Code on Corporate Governance (MCCG) 2012. The Board is mindful of its responsibilities to the shareholders and the other stakeholders and shall continue to uphold good corporate governance and support these principles and recommendations, where applicable and appropriate, in building a sustainable business.

This statement describes the main corporate governance practices of the Company and the manner in which the Company has complied with the principles and recommendations as set out in the MCCG 2012.

## **PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

### **1.1 Clear functions of the Board and Management**

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, key policies, risk assessment and management and provides effective oversight of Management. There are matters reserved set out in the Board Charter for the Board's collective decision, which include the following:

- the overall corporate strategy and direction, business plans and annual budget including major capital commitments;
- participation in tenders or projects exceeding the prescribed value in relation to the core business of the Group and any amount outside the core business;
- material acquisitions and disposals of undertakings and properties; and
- key policies and the delegation of authority guidelines of the Company.

During the year, matters relating to the above were tabled by Management to the Board for discussion, consideration and approval.

Whilst 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 this statement which provide the Board with recommendations and advice.

The Board has also delegated limits of authority to the Group Managing Director as specified in the Delegation of Authority Guidelines (DAG) on corporate and operational matters. The DAG sets out the specific approval thresholds for the Group Managing Director and it is regularly reviewed to reflect the dynamic changes within the Group. The Group Managing Director further delegates the authorities granted to him to the operational management team and other executives separately in the operational DAG. The Board is committed to ensure that the Management, being vested with delegated authorities and powers by the Board, serves and acts in the best interests of the shareholders. The Board is aware that delegation does not absolve responsibility as the Directors remain responsible for the exercise of power by the Group Managing Director and Senior Management.

### **1.2 Clear roles and responsibilities**

The Board has established clear roles and responsibilities to assume the following principal duties and responsibilities in discharging its fiduciary and leadership functions:

- reviewing and approving corporate strategies, business plans and significant policies, whereby Management presents to the Board its recommended strategies annually, together with its proposed business plans for the ensuing year, for the Board's review and endorsement;
- reviewing, adopting and approving the Group's annual budgets, key operational initiatives, major investments and funding decisions including major capital commitments, participation in tenders or projects exceeding the prescribed value, material acquisitions and disposals and key policies;
- overseeing the conduct of the Group's businesses, whereby the Group Managing Director presents to the Board on a quarterly basis a report on industry, business, prospects and issues faced by the Group;
- reviewing and approving remuneration practices of the Group with particular emphasis on compensation payable to Senior Management;
- reviewing the risk management processes within the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risk;
- approval of annual and quarterly financial results and annual reporting;

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- reviewing, adopting and implementing appropriate corporate disclosure policies and procedures;
- maintaining shareholders and investors relations;
- reviewing the adequacy and integrity of the Group's internal control and management information systems in compliance with relevant laws, rules, regulations directives and guidelines;
- appointment of the senior management positions, such as Group Managing Director, Chief Financial Officer, Chief Operating Officer, Senior General Manager, and assuming responsibility in succession planning within the Group; and
- review of the establishment of succession planning framework of Senior Management which are aligned to the Group's objectives.

The Board also assumes various functions and responsibilities that are required of them by regulatory authorities, as specified in guidelines and directives issued from time to time.

## 1.3 Ethical standards through Code of Conduct

### **Directors' Code of Ethics**

The Board has adopted and implemented a Directors' Code of Ethics (Code) which outlines certain standards of business conduct and ethical behavior to be observed by all Directors in discharging their duties and responsibilities to enhance high standards of personal integrity and professionalism. The Code sets out, amongst others, the Directors' obligations in observing high standards of corporate governance, adherence to and upholding the principles of integrity, objectivity, accountability, openness, honesty and leadership and acting in good faith and in the best interest of the Group.

During the year, the Code was reviewed to ensure it remained consistent with the current environment. The Code is available on the Company's corporate website [www.deleum.com](http://www.deleum.com).

### **Code of Business Conduct**

The Group has in place a Code of Business Conduct (COBC) as a guidance to its directors and employees as well as its contractors, subcontractors, consultants, agents and other service providers with regard to the Group's standard of integrity and rules of conduct to be observed in the performance of work and business practices. This is in line with the Group's shared values which promote a culture of integrity, professionalism, health, safety and environment, awareness and excellence.

The COBC covered the areas of, amongst others, conflict of interest, anti-bribery and anti-corruption, gifts, hospitality and entertainment, health, safety and environment, confidentiality, harassment, drug and alcohol policy and consequences of violation of the COBC.

The COBC was updated in line with the current business environment and approved by the Board in November 2015, following which employees were briefed on the COBC by the Group Managing Director at the town hall briefing. The COBC is accessible to all employees via the Group's intranet and is also made available in the Company's corporate website. All new employees are briefed on the COBC and other key policies of the Group by the Human Resource department to ensure their awareness and conformity of the same.

### **Whistleblowing Policy**

Deleum has established a Whistleblowing Policy to provide an avenue and an independent feedback channel through which employees, customers, suppliers, professional advisers, contractors, sub-contractors and any other third parties providing services to the Group may, in good faith and have reasonable grounds, report any wrongdoing in accordance with the procedures in the policy without fear of reprisal. All cases will be dealt with in accordance with the policy and the investigation procedures.

The policy prescribes in details the reporting channels that are available including a dedicated email: [whistle@deleum.com](mailto:whistle@deleum.com) which is administered by the Company Secretary and accessible by the Senior Independent Director. Letters/ documents/ reports may also be addressed to the Senior Independent Director. The Audit Committee (AC) shall be updated as and when there are cases reported. There was no reported case of wrongdoing in 2015.

The policy is reviewed annually and was last updated in August 2015.

## 1.4 Strategies promoting sustainability

The Board is cognisant of the importance of business sustainability and in conducting the Group's business, the impact on the environment, social and governance were taken into consideration on top of safeguarding the interest of the Group's employees, the community at large and the marketplace in which the Group operates.

Details of the activities in relation to corporate social responsibility and health, safety and environment are set out separately in the relevant sections of this Annual Report.

# Statement on Corporate Governance

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## 1.5 Access to information and advice

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. As a practice, Board papers in general are circulated seven (7) days before the meetings. This allows the Directors to have sufficient time to read the papers and to obtain further information, explanations or clarifications, where necessary, in order that deliberations at the meetings are focused and constructive. The Board is updated with the overview of the Group's financial performance and business activities at quarterly meetings.

The minutes of each Board meeting is circulated to all Directors for their perusal and comments, if any, prior to confirmation. In discharging their duties, all the Directors have full access to the advice and services of the Company Secretaries and other Key Management personnel. The relevant Key Management personnel are invited to attend the Board and Board Committee meetings to report on matters relating to their areas of responsibility and to brief and provide clarifications and details on recommendations so as to enable the Directors to make independent and informed decisions.

The Directors are also empowered to seek external independent professional advice at the Group's expense should they consider it necessary in the furtherance of their duties. Approval may be obtained at the Board meeting where the matter is deliberated or from the Chairman of the Board. No Director had sought the services of any professional advisor during the year in the discharge of his/her duties.

External advisers may also be invited to relevant Board or Board Committee meetings. During the year, the Joint Remuneration and Nomination Committee (JRNC) and the Board were briefed by external consultants on the implementation of the Long-Term Incentive Plan (LTIP).

The Directors are apprised of all the Company's announcements to Bursa Malaysia Securities Berhad (Bursa Securities). They are also apprised of the restriction in dealing with the securities of the Company at least 30 days prior to the release of the announcement of quarterly financial results pursuant to Chapter 14 of the Main Market Listing Requirements (Listing Requirements) of Bursa Securities. In addition, close periods are enforced when Directors and Key Management personnel are in possession of market sensitive information prior to that information being made available to the public.

## 1.6 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 are members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) which is a prescribed professional body for company secretaries under the Companies Act, 1965 (the Act).

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 organising and facilitating Board and Board Committee meetings, the preparation and circulation of notices, agendas and Board papers. At the Board and Board Committee meetings, the Company Secretaries are responsible for ensuring that all relevant procedures are complied with. The Company Secretaries ensure that deliberations at the meetings are well captured and minuted and the resolutions passed are recorded properly and accurately and kept in the statutory books at the registered office of the Company. Matters that required the necessary actions are communicated to the relevant Management. The Company Secretaries also follow up and ensure that matters arising be tabled at the subsequent Board or Board Committee meeting to update the Directors accordingly.

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

## 1.7 Board Charter

The Board Charter adopted by the Board sets out, amongst others, composition of the Board, its roles/ duties and responsibilities, division of responsibilities and powers between Chairman, Deputy Chairman and Group Managing Director, establishment of Board Committees, processes and procedures for convening Board meetings as well as operations and processes of the Board to promote the standards of corporate governance in line with the Group's shared values.

During the year, the Board reviewed the Board Charter to ensure consistency with the Board's objectives and responsibilities, the relevant standards of corporate governance and best practices and that it remained relevant to the current environment. The Board Charter is available on the Company's corporate website.

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## PRINCIPLE 2: STRENGTHEN COMPOSITION

The Board has established three (3) Board Committees namely the AC, the JRNC, and the Risk Committee (RC). 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 will deliberate and review matters within their Terms of Reference in greater detail and report on matters deliberated together with their recommendations to the Board. The Board is kept apprised of the activities and the decisions of the Board Committees through circulation of minutes of the meetings of the Board Committees and briefing by the Chairman of the respective Board Committees on key matters discussed on a quarterly basis, where applicable. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

### 2.1 Joint Remuneration and Nomination Committee

The JRNC comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors. The Chairman of the JRNC, Datuk Ir (Dr) Abdul Rahim bin Hashim is the Senior Independent Non-Executive Director of the Company.

The role of the JRNC is to assist the Board in ensuring that the Board comprises individuals with the required skills, knowledge, experience and personal characteristics.

The JRNC is primarily responsible for the following:

- (i) reviewing and recommending appropriate remuneration packages including short and long term incentives for Executive Directors and Key Management personnel of Deleum to the Board;
- (ii) identifying and recommending new candidates to be appointed to the Board as well as Directors to the Board Committees;
- (iii) developing, maintaining and reviewing the criteria to be used in the recruitment process and annual assessment of all Directors;
- (iv) evaluating the effectiveness of the Board, Board Committees and each individual Director, including reviewing the Board's required mix of skills, knowledge, expertise, experience, professionalism and other qualities and core competencies;
- (v) undertaking an annual assessment of the independence of the Independent Directors including those who have served more than nine (9) years based on the criteria to ensure that Independent Directors can continue to bring independence and objective judgement;
- (vi) 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;
- (vii) formulating policies on Board composition, nomination and election process;

- (viii) reviewing and ensuring that all Directors receive appropriate induction and continuous training programmes; and
- (ix) reviewing the Board's succession plan by recommending the appropriate board balance and effectiveness and taking appropriate measures with regard to boardroom balance and diversity taking into account the Board's size, composition, business and operational needs.

During the financial year ended 31 December 2015 (FY2015), two (2) meetings of the JRNC were held which were attended by all members as reflected below:

Name	No. of attendance and meetings
Chairman : Datuk Ir (Dr) Abdul Rahim bin Hashim	2/2
Members : Dato' Izham bin Mahmud	2/2
Datuk Vivekananthan a/I M. V. Nathan	2/2
Datuk Ishak bin Imam Abas	2/2
Datuk Chin Kwai Yoong	2/2
Datuk Noor Azian binti Shaari (Appointed on 1 January 2015)	2/2

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

As appointed by the Board, the JRNC also undertook the role of the Plan Committee for the implementation and administering of the Group's LTIP in accordance with the By-Laws of the LTIP. The LTIP was approved by the shareholders on 27 May 2014.

During FY2015, the following activities were undertaken by the JRNC:

- (i) discussed the annual bonus and salary increment in respect of FY2015 for the employees and the Group Managing Director;
- (ii) reviewed the overall annual bonus and salary increment for the employees and bonus for the Group Managing Director and Senior Management personnel in respect of FY2014 and made recommendations for the Board's approval;
- (iii) reviewed and recommended for the Board's approval the appointment of the Chairman of RC in replacement of the retired Chairman;
- (iv) conducted annual evaluation of the Board's effectiveness and performance covering the assessment of the Board as a whole, each Board Committee and independence of the Independent Directors;

# Statement on Corporate Governance

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- (v) assessed the performance of the Group Managing Director and addressed the areas that required for improvement;
- (vi) discussed the succession planning;
- (vii) reviewed total rewards framework of the Group including the short-term cash payments and the LTIP for Senior Management; and
- (viii) reviewed the first grant allocation, performance targets and participants of the LTIP. The LTIP was aimed at driving performance as well as retention strategy for key and senior positions, which are essential for sustainability and business growth.

The first grant of 2,396,500 ordinary shares of RM0.50 each in the Company (Deleum Shares) under the LTIP (1st Grant) comprising 1,254,300 Deleum Shares under Restricted Share Incentive Plan (RS Award) and 1,142,200 Deleum Shares under Performance Share Incentive Plan (PS Award) to selected eligible employees was made on 2 March 2015. The RS Award was segregated into three (3) tranches over three (3) years with annual vesting depending on the achievement of the performance targets with the first vesting due on 2 March 2016. The PS Award set the performance targets over a three-year accumulative results with the vesting due in March 2018. The first vesting cycle of the RS Award in relation to the 1st Grant did not vest as the pre-determined performance targets in respect of FY2015 was not met mainly on the back of the challenges affecting the oil and gas industry. The second vesting of the RS Award in relation to the 1st Grant will be dependent on the Group meeting the pre-determined performance targets.

## **Board and Workforce Diversity**

The Board believes that the requirement for diversity in gender, age and ethnicity can bring a greater range of viewpoints to boardroom debate and improve board dynamics. In this regard, the Board takes into consideration a candidate's background, gender, age and ethnicity and will make the necessary appointment based on good blend of competencies, skills, merits, extensive experience and knowledge and contribution to the overall working of the Board and the needs of the Group.

Deleum on 1 January 2015 appointed Datuk Noor Azian binti Shaari, its first female Director, to the Board. Datuk Azian, retired as High Court Judge of Malayan in July 2014, has vast legal knowledge and experience. Her appointment as a Board member has strengthened the Board's knowledge and appreciation of the legal and regulatory frameworks in Malaysia.

The Board is satisfied that given the present mix of skills, independence, work experiences and industry knowledge, the Board composition meets the needs of the Group in line with the nature and scale of the business operations, and it is in the interests of the shareholders and other stakeholders that the Board composition be maintained.

The Board recognises that workforce diversity in terms of gender, ethnicity and age, amongst others, can bring a variety of experiences and perspectives towards meeting the changing needs of the business environment and organisational growth.

Diversity in relation to the Group's workforce is covered under the Equal Opportunity Policy whereby Deleum is committed to provide fair and equal opportunity in employment and nurturing with the Group regardless of race, nationality, ethnic origin, age, religion or belief, gender, marital status, disability, or any other characteristic unrelated to the performance of the job. Recruitment will, thus, be based on a candidate's background, qualification, experience and competency per the requirements of the job function taking into consideration workforce diversity and any applicable regulatory requirements.

The workforce of the Group comprises 856 employees in the proportion of 76% male and 24% female. The higher ratio of male employees is due to the nature of the Group's activities which are largely performed offshore. Currently, there are 37 employees holding senior management positions of the Group, of which 27% is female.

## **2.2 Recruitment processes and annual assessment of Directors**

### **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 Board appoints its members through a selection process which involves the identification of candidate for directorship, evaluation and deliberation of suitability of candidate by the JRNC and recommendation to the Board. The JRNC in recommending new appointments to the Board will assess the suitability of an individual to be appointed to the Board by giving due consideration to the following factors, and the final endorsement lies with the entire Board:

- (a) the individual's skills, industry experience and knowledge, expertise, leadership qualities, professionalism, business and commercial acumen, strength and core competencies which would be relevant to enhance the composition of the Board;
- (b) 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;
- (c) gender, age and ethnic diversity; and

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- (d) in respect of Independent Directors, whether the individual is able to exercise independent judgement and to demonstrate the values and principles associated with independence such as impartiality, objectivity, and consideration of all stakeholders' interests on top of meeting the requirements of independence as defined in the Listing Requirements of Bursa Securities.

In accordance with the Articles, at each Annual General Meeting (AGM), one-third (1/3) of the Directors for the time being, or if their number is not three (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.

The JRNC had assessed one (1) Director, Datuk Chin Kwai Yoong standing for re-election pursuant to Article 78 and three (3) Directors standing for re-appointment pursuant to Section 129 of the Act and agreed that they met the criteria of character, experience and knowledge, integrity, competence and time commitment to effectively discharge their respective roles as Directors and recommended to the Board for endorsement of the Directors for re-election/ re-appointment at the forthcoming Eleventh AGM.

## **Annual Assessment of Board, Board Committees and Individual Directors**

The Board through the JRNC annually assesses the effectiveness of the Board as a whole, Board Committees and the contribution of each individual Director by way of a set of customised questionnaires. Summary of results of the annual assessment are tabled to the JRNC for deliberation and reported to the Board.

During the meeting held in February 2016, the JRNC had carried out the assessment on the effectiveness of the Board, its Committees and each Director in respect of FY2015. The evaluation covered the areas on structure and composition, operation and interaction as well as roles and responsibilities.

The outcome of the evaluation highlighted that more time be allocated for the Board to discuss with Senior Management on the business strategies, plans and performances of the Group.

Director's self and peer assessment has been carried out for evaluation of individual Director's performance for FY2015. The evaluation covered the criteria, amongst others, including Directors' understanding of his/her role, contribution to interaction and quality of input.

At the Board meeting held on 23 February 2016, the Board 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;
- individual Directors of the Company possessed the required competence and character to manage the Group's affairs and created value for the organisation and its shareholders; and
- the Board Committees are effective in discharging their duties and responsibilities in accordance with their Terms of Reference.

## **2.3 Remuneration policies and procedures**

The details of Directors' remuneration for FY2015, including a Director who retired during the financial year, disclosed by categories are as follows:

### **Aggregate Remuneration**

<b>Remuneration</b>	<b>Executive (RM)</b>	<b>Non-Executive (RM)</b>
Fees	-	962,000
Salaries and bonuses	1,595,000	-
Defined contribution plan	239,250	-
Estimated monetary value of benefits-in-kind	31,150	70,400
Other emoluments	4,314	102,736
<b>Total</b>	<b>1,869,714</b>	<b>1,135,136</b>

### **Analysis of Remuneration**

<b>Remuneration Band (RM)</b>	<b>Executive</b>	<b>Non-Executive</b>
Less than RM50,000	-	1
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	-	3
RM300,001 – RM350,000	-	2
RM1,850,001 – RM1,900,000	1	-



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## Remuneration of Executive Director

As set out in the contract of employment of the Group Managing Director, Encik 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;
- Car and driver; and
- LTIP.

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

Encik Nan Yusri bin Nan Rahimy was granted 145,800 Deleum Shares under RS Award and 226,200 Deleum Shares under PS Award pursuant to the 1st Grant of the LTIP as announced on 2 March 2015. The vesting of the 1st Grant of RS Award amounting to 48,600 Deleum Shares in March 2016 did not vest as the agreed upon performance targets were not met. The vesting of the Deleum Shares under PS Award will be in March 2018 if the agreed upon performance targets are met. As a result of non-vesting of the RS Award under the first vesting cycle in relation to the 1st Grant, his RS Award in relation to the 1st Grant has reduced to 97,200 Deleum Shares.

## Remuneration of Non-Executive Directors

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 each provided a car, a driver and club subscriptions.

### Directors' Fees:

Designation	Fee per month (RM)
Chairman	25,000
Deputy Chairman	25,000
Members of the Board	4,000

### Board Committees' Fees:

Designation	AC (Fee per month) (RM)	JRNC (Fee per month) (RM)	RC (Fee per month) (RM)
Chairman	2,500	1,000	1,000
Members of the Committee	2,000	1,000	1,000

Fixed 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 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.

## PRINCIPLE 3: REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independence

The assessment of the independence of each of the Independent Directors is undertaken annually according to set criteria as prescribed by the Listing Requirements of Bursa Securities. In addition, the individual's ability to exercise independent judgement and to demonstrate the values and principles associated with independence such as impartiality, objectivity, and consideration of all stakeholders' interests is also assessed.

Based on the evaluation, the JRNC and the Board concluded that all the Independent Directors of the Company continue to demonstrate conduct and behavior that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Board was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

### 3.2 Tenure of Independent Directors

Recommendation 3.2 of the MCGG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Board believes that a Director's independence should not be determined through the length of service as there are significant advantages to be gained from long-serving Directors who over the years have developed deeper understanding of the Group's business and possess tremendous insight and in-depth knowledge of the Group's business and affairs. Though the Board does not believe the tenure of the Independent Directors should be limited to nine (9) years, the Board does not encourage a Director whose term of appointment has exceeded a cumulative period of 12 years to be retained as Independent Director.

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Both Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong, who are the Independent Directors of the Company, would have served more than nine (9) years but less than 12 years at the forthcoming AGM to be held on 24 May 2016. The JRNC and the Board have assessed, reviewed and determined that Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong have remained objective and continued to be independent and unbiased in expressing their views and in participating in deliberations. They brought independent thoughts and provided objectivity in decision making of the Board and Board Committees.

During their tenure as Independent Directors, they have contributed sufficient time and efforts, exercised due care in all undertakings of the Company, and had acted and carried out their fiduciary duties in the interest of the Company and minority shareholders. The length of their service on the Board do not in any way interfere with their exercise of independent judgement as they are independent-minded and had provided the necessary checks and balances in the best interest of the shareholders. Both of them have met the independent guidelines set out in the Listing Requirements of Bursa Securities.

Datuk Ishak bin Imam Abas, having held various senior positions in PETRONAS since 1981 until his retirement as Senior Vice President in 2006, has vast experience and a depth of knowledge of the oil and gas industry. He was also a member of the Boards of PETRONAS and several of its subsidiaries during that period.

Datuk Chin Kwai Yoong was Audit Partner of an international accounting firm and has extensive experience in audits of major companies which included oil and gas companies. He is currently Audit Committee Chairman of Astro Malaysia Holdings Berhad and Bank Negara Malaysia.

### 3.3 Seeking Shareholders' Approval

The Board will seek shareholders' approval at the forthcoming Eleventh AGM to retain Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong as Independent Directors of the Company pursuant to Recommendation 3.3 of the MCCG 2012.

### 3.4 Separation of positions of the Chairman and Group Managing Director

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, roles and responsibilities ensures a balance of power and authority and further enhances the independence of the Board. There is no family relationship between the Chairman, Deputy Chairman and Group Managing Director.

The Chairman leads the Board and is responsible for the leadership and governance of the Board. He presides over Board meetings and encourages positive contributions of all Directors at Board meetings and promoting constructive relations between all Board members, executive and non-executive alike. 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 Chairman is non-executive and he is not involved in the day-to-day management of the Group.

The Deputy Chairman supports the Chairman and also assists in high level business development and customer relations. The Chairman and Deputy Chairman work closely with the Group Managing Director in the development of business, corporate policies and strategies for the Group.

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.

### 3.5 Board Composition and Balance

The Board, as of the date of this statement, comprises seven (7) Directors with one (1) Executive Director and six (6) Non-Executive Directors, 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	Datuk Chin Kwai Yoong	Independent Non-Executive Director
6	Datuk Ir (Dr) Abdul Rahim bin Hashim	Senior Independent Non-Executive Director
7	Datuk Noor Azian binti Shaari (Appointed on 1 January 2015)	Independent Non-Executive Director

The Board composition is in compliance with the requirements mandated by the Listing Requirements of Bursa Securities which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent.

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The Chairman of the Board is non-executive and non-independent by virtue of him being a substantial shareholder in which case in accordance with the MCCG 2012, Independent Directors should account for more than 50% of the Board members. In this regard, during FY2015 and as at the date of this statement, Independent Directors accounted for more than 50% of the Board members.

As structured, the Board has a well-balanced composition with an effective mix, ensuring that there is an effective and fair representation and also a balance of power and authority on the Board. The Independent Directors which make up more than half the Board play a crucial role in the exercise of independent and balanced assessment as well as impartial views and advice in Board deliberations and the decision-making process. They also provide an assurance that there is sufficient check and balance.

The profiles of each Director are presented on pages 14 to 17 of this Annual Report.

## PRINCIPLE 4: FOSTER COMMITMENT

### 4.1 Time Commitment

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 Chairman encourages active participation and full deliberation of issues brought up at the Board meetings. Decisions reached at the meetings normally reflect the consensus of the Board and not the views of any individual or group.

During FY2015, 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' Izhah bin Mahmud	8/8
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	Datuk Chin Kwai Yoong	8/8
6	Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz (Retired on 29 April 2015)	4/4
7	Datuk Ir (Dr) Abdul Rahim bin Hashim	7/8
8	Datuk Noor Azian binti Shaari (Appointed on 1 January 2015)	8/8

The Board Charter of Deleum provides that any Director, subject to the limitations on the number of directorships under the Listing Requirements or applicable laws, may accept new directorships which are not in conflict with the interests of Deleum's business. In accepting such appointment, the Director shall take into consideration time spent on the appointment to enable him to devote sufficient time to carry out his duties to the Company. A Director accepting such new appointments shall notify the Company Secretary who shall inform the Chairman and other members of the Board accordingly.

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

### 4.2 Directors' Training and Induction

The Board believes that continuous training for Directors is vital for the Directors to gain insight and be kept updated on changes and developments in the market place, state of economy and corporate regulatory framework and to enhance understanding of their roles and responsibilities. The Board Charter also specifies that the Directors shall continue to update and enhance their knowledge and skills by attending appropriate training to enable them to discharge their duties effectively.

On a quarterly basis, the Directors are briefed and updated on any relevant amendments to the Listing Requirements of Bursa Securities as well as applicable new statutory and regulatory requirements, corporate governance, accounting standards and taxation.

In addition, the Directors also attended various training programmes, seminars and conferences including those organised 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. All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Company Secretary keeps Directors informed of relevant external training programmes and all the Directors have undergone training during the financial year. The training programmes attended by Directors are recorded and maintained by the Company Secretary.

Among the briefings, seminars, conferences and training programmes attended by one or more Directors during the financial year included:

- Forum on Corporate Governance (CG): "Balancing Rules & Practices";
- CG Breakfast Series with Directors:
  - (i) "The Board's Response in Light of Rising Shareholder Engagements"
  - (ii) "Bringing the Best out in Boardrooms"
  - (iii) "Board Reward & Recognition"
  - (iv) "Future of Auditor Reporting - The Game Changer for Boardroom"

# Statement on Corporate Governance

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- Directors' Continuing Education Programme 2015;
- Revisiting Directors' Statutory Obligations;
- Mandatory Accreditation Programme for Directors of Public Listed Companies;
- Updates on Companies Bill 2015;
- Audit Oversight Board: "Conversation with Audit Committees";
- Financial Services in Turbulent Time;
- 18th Asia Oil & Gas Conference 2015: "Realising Opportunities Amidst Challenges";
- 1st Symposium titled "Unlocking Oil & Gas Opportunities in Sabah";
- 7th Society of Petroleum Engineers (SPE) Asia Pacific Enhanced Oil Recovery Conference;
- Asia Petroleum Geoscience Conference & Exhibition (APGCE) 2015;
- 26th World Gas Conference;
- Offshore Technology Conference (OTC) 2015;
- FPSO 2015: 16th Annual World Congress of Floating Production Storage and Offloading;
- Workshop on Cogeneration in Malaysia;
- 6th National Energy Forum;
- International Greentech & Eco Products Exhibition & Conference;
- 2nd CCPS Global Summit on Process Safety;
- Strategic Visioning Workshop for Strategic Alliance;
- U.S.-Malaysia Commercial Relations Conference;
- The Leadership Mystique; and
- Noel Tichy on Mastering the Art of Leadership Succession.

An induction programme is organised for the newly appointed Director which included management briefings and presentations on the Group's businesses.

The Terms of Reference of the JRNC and the Board Charter provide that the JRNC and the Board shall review, evaluate and determine the training needs of the Directors from time to time. List of trainings attended by individual Directors for FY2015 was tabled at the JRNC and Board meetings. The Board through the JRNC had assessed the training needs of each Director and is satisfied that the Directors have received the necessary training during FY2015 which enhanced their effectiveness and contributions to the Board.

## **PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING**

### **5.1 Compliance with applicable financial reporting standards**

#### **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 audited 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 (MFRS), International Financial Reporting Standards (IFRS) and the Act. The accounting policies, once adopted, are consistently applied and supported by reasonable judgments and estimates.

The Group Managing Director and the Group Chief Financial Officer provided assurance to the AC that adequate processes and controls are in place for an effective and efficient financial statement closing process, that appropriate accounting policies had been adopted and applied consistently, and that the relevant financial statements gave a true and fair view of the state of affairs of Deleum.

The Board is satisfied that in preparing the financial statements of the Group for FY2015, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the MFRS, IFRS, 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.

The Directors have a general responsibility in ensuring that the Group keeps proper accounting records in accordance with the Act to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

#### **Audit Committee**

The composition of the AC and a summary of its activities during the financial year are set out in the AC Report on pages 58 to 62 of this Annual Report.

### **5.2 Assessment of suitability and independence of External 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

# Statement on Corporate Governance

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.

As prescribed in the AC's Terms of Reference, the AC is responsible for the recommendations of the appointment of external auditors, considering the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditors.

Assessment of the external auditors is disclosed in the AC Report of this Annual Report.

## PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

### 6.1 Establishment of sound framework to manage risks

The Enterprise Risk Management (ERM) Policy and ERM 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.

#### Risk Committee

The RC comprises the following Directors and during FY2015, four (4) meetings of 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 (Retired on 29 April 2015)	1/1
Chairman : Datuk Chin Kwai Yoong (Appointed as Chairman on 29 April 2015)	4/4
Members : Nan Yusri bin Nan Rahimy	4/4
: Datuk Vivekananthan a/I M.V. Nathan	4/4
: Datuk Noor Azian binti Shaari (Appointed on 1 January 2015)	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;

- (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; and
- (v) updating the Board on the activities of the RC at its quarterly meetings.

The Terms of Reference of the RC is available on the Company's corporate website.

During FY2015, the following activities were undertaken by the RC:

- (i) reviewed the updated risk profile of Human Resource Function including risk on talent drain, manpower, competency gap, compliance and regulation as well as succession planning;
- (ii) reviewed the revision to the ERM Framework to reflect the current requirements as well as incorporation of a guideline on project risk management as an extension to the ERM Framework, which encompassed its objectives, criteria for the assessment and responsibilities of the relevant stakeholders;
- (iii) reviewed the risk profile for business units i.e. Slickline Business and Retrofit Projects particularly in relation to contract, manpower, domestic outlook, principal relationship and Health, Safety and Environment. Action plans taken to mitigate the risks were also reviewed and discussed;
- (iv) reviewed the revision to the Whistleblowing Policy which entailed enhancing the channel of reporting of wrongdoing as well as the internal guidelines on the investigation procedures; and
- (v) reviewed the revision to the COBC of the Group in line with the Group's shared values and the current business environment.

#### Risk Management and Internal Control

The Statement on Risk Management and Internal Control is set out on pages 54 to 57 of this Annual Report which provides an overview of the state of risk management and internal controls of the Group.

# Statement on Corporate Governance

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## 6.2 Internal Audit Function

Deleum engaged the services of BDO Governance Advisory Sdn. Bhd. as the outsourced Internal Audit Function, which reports directly to the AC and independent from Management.

A summary of the Internal Audit Function's responsibilities and activities is set out in the AC Report of this Annual Report.

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

## PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policies

The Board values the importance of an effective open dialogue with the shareholders and investment community. In this respect, the Group is committed to maintain high quality of disclosures with the objective of providing clear, accurate, relevant and timely information necessary for the shareholders and investment community to make informed investment decision and enjoy equal access to the information.

Information on the Group's business operations and financial performance is disseminated through various readily accessible channels including the announcements of quarterly and annual results via Bursa Securities, Annual Report, media releases and the Company's corporate website. The various disclosures are guided by the Listing Requirements of Bursa Securities and the Group's Corporate Disclosure Policy which outlines the timing and manner of disclosure of material information. The Group maintains high confidentiality measures with regard to undisclosed material information.

### 7.2 Leverage on information technology for effective dissemination of information

Deleum's corporate website at [www.deleum.com](http://www.deleum.com) provides quick access to the corporate information of the Group and is regularly updated to incorporate the latest development of the Group. The Group's corporate information, financial results, governance information, statutory announcements, stock information, press release and activities are assessable via the Company's corporate website. The website also has an e-mail alerts service where shareholders and anyone who are interested may register to receive the latest announcements of the Group via e-mail. Shareholders' and other stakeholders' queries and concerns affecting the Group can be conveyed to Datuk Ir (Dr) Abdul Rahim bin Hashim, the Senior Independent Non-Executive Director of Deleum who can be reached as follows:

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

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

## PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage shareholder participation at general meetings

AGM is an important channel as it is the principal forum for dialogue and interaction among shareholders, the Board and Management and for receiving constructive feedback from shareholders. Shareholders are given the opportunity to ask questions, raise queries and seek clarifications on any issues with regard to the Group's performance and prospects and to have a better understanding of the Group's business and corporate development. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

The Notice of the AGM is sent to shareholders at least 21 days ahead of the meeting date together with the Audited Financial Statements and agenda for the meeting. The forthcoming Eleventh AGM of the Company will be convened on 24 May 2016. All Directors are expected to attend the AGM, where possible. At every AGM, the Group Managing Director presents the Group's financial highlights and business activities to the shareholders.

The external auditors are also requested to be present at each AGM to answer questions on the conduct of the audit, and the preparation and content of the Auditors' Report.

# Statement on Corporate Governance

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## **8.2 Poll voting**

Voting at general meeting is carried out by show of hands unless a poll is demanded or the resolution is mandated to be passed by poll voting.

## **8.3 Effective communication and proactive engagements**

During FY2015, the Group held two (2) group analyst briefings and small group meetings and tele-conferences to provide constant updates to the investment community. These investor relations initiatives provide an avenue for dialogue between institutional investors, fund managers and analysts with the Senior Management. It also serves as an effective platform for the fund managers and analysts to receive a balanced and complete view of the business operations, financial performance, key operating statistics and corporate development and challenges faced by the Group.

## **COMPLIANCE STATEMENT**

The Board recognises and subscribes to the importance of the principles and best practices set out in the MCGG 2012. In this respect, where practical and appropriate, the Board has applied the principles and recommendations under the MCGG 2012 for FY2015.

The Board has deliberated, reviewed and approved this Statement on Corporate Governance on 15 March 2016.

# Statement on Risk Management and Internal Control

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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) and 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 (the Group) affirms its overall responsibility for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems. The systems in place are designed to ensure key risk areas are managed to an acceptable level to achieve the Group's business objectives. The Group's risk management and internal control systems is an ongoing process designed to meet the Group's particular needs based on the Group's business direction and to manage the risks including system updates in line with changes to business environment, operating conditions and regulatory requirements.

The Board is aware that the risk management and internal control systems can only provide reasonable and not absolute assurance against the risk of material errors, misstatement, fraud or occurrences of unforeseeable circumstances. The Board constantly reviews the adequacy and integrity of the Group's risk management and systems of internal control.

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

## RISK MANAGEMENT

The Risk Committee (RC) is chaired by an Independent Non-Executive Director. The RC meets on a quarterly basis to review the effectiveness of the risk management process and 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 continuously supports the GMD in integrating risk management strategies, policies, risk tolerance, risk appetite and reviewing the application of risk management practices across the Group in line with Deleum's Enterprise Risk Management (ERM) Framework.

The RC has noted the key risks faced by the Group which include financial risk, market risk and contract risk, 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 Statement on Corporate Governance on page 51 of this Annual Report.

The risk management process in Deleum was adopted from an ERM Framework developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO ERM Framework was adopted with the intention of assisting Deleum in performing holistic risk assessments, as the framework provides a robust and extensive focus on enterprise risk management.

The risk management approach taken in Deleum is a bottom-to-top review and the development of risk profile involved assessment at business unit level before being reviewed by the RC and Board. The RC will inform the Group Risk Manager who will then convey to the respective business units the areas of review and the expectations from the reviews. The risk profiles are developed through briefings to the Management team including the key personnel of business units on Deleum's ERM Framework and a walkthrough on risk profiling processes by the risk management team before the commencement of a risk assessment workshop.

Risk Management is integrated into the Group's everyday business and a risk based evaluation is incorporated into the Group's decision-making process such as strategic planning and project feasibility studies. This demonstrates the emphasis placed by the Board on the risk management agenda for the Group underlining the importance for a well-managed risk management programme.

During the year, risk briefings were held on a quarterly basis and awareness sessions were also held. The risk profile of each business unit and the Group are shared with heads of business units and cascaded to all business units.

Deleum's ERM Framework has been revised and approved by the Board on 20 May 2015 to reflect the Group's current business objectives.



# Statement on Risk Management and Internal Control

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In addition to that, Project Risk Management Guidelines has been established to act as an extension to Deleum's ERM Framework for implementing Project Risk Management (PRM). The Guidelines defines the scope and process for the identification, assessment, management and monitoring of risks which could impact the objectives of the project.

PRM has been implemented at the respective business units, where projects are assessed regularly through a PRM process with a formal project risk assessment and analysis performed. Project risk assessment analyses factors such as the impact of increase in material's cost, supplier delays, industrial action and other factors to quantify the potential financial impact of such events. The financial impact of any cost deviations from the Group standard terms and conditions is quantified, and a risk mitigation plan is proposed to control the risk. All the information will be documented in the respective project risk registers. The project risk registers are maintained and periodically reviewed to ensure project controls are sufficient and risks will not materialise and will be reasonably mitigated.

Action plans comprising the preventive and mitigation plans were then drawn up by the business units to mitigate the risks to an acceptable level. The action plans are specifically defined and Management shall plan forward on how much time is required to manage or rather implement those action plans. Relevant personnel shall be authorised to manage the action plans within the defined timeframe and the status of each action plan shall be periodically monitored as to determine its completion.

## 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 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.

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

A strategic plan and budget setting out objectives and strategies is prepared and approved by the Board in December before the commencement of the new financial year. Comprehensive budgets are prepared by the business

units and corporate resources units and are submitted to Group Finance Department which consolidates these into a Group Budget and thereafter presented to the Board on an annual basis for approval.

The strategic plan covers 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.

Upon approval of the Group Budget, the Group's performances are tracked and measured against the budget on a monthly basis. The performances are monitored monthly by the GMD and follow up actions 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. Concurrently, Management provides a rolling forecast/ outlook of the business and any changes in plans and direction of the Group are deliberated and sanctioned by the Board accordingly.

- **Audit Committee**

The Audit Committee (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. Details of the AC's activities and responsibilities are further discussed and are set out in the Audit Committee Report on pages 58 to 62 of this Annual Report.

- **Internal Audit**

The Internal Audit function is undertaken by BDO Governance Advisory Sdn. Bhd. (BDO), a well-established firm that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors.

BDO's primary role is to review the state of the internal controls maintained by the Group and to provide assurance to the AC on the adequacy and integrity of the internal controls and governance framework of the Group. They provide an independent and objective assessment on the adequacy and effectiveness of the risk management, internal controls and governance processes.

# Statement on Risk Management and Internal Control

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Internal Audit reviews are executed based on an approved internal audit plan. The plan is prepared by BDO and discussed with Management and then proposed to the AC for their consideration and approval before being rolled out for the year.

The work scope which is risk based and focuses on the significant business and support units is developed in conjunction with Management and the AC. Any revisions to the plan are discussed with Management and presented to the AC for approval.

The findings of the Internal Audit reviews together with Management's responses are discussed and agreed with the auditors before being presented to the AC on a quarterly basis.

The cost incurred for the outsourced Internal Audit Function in respect of the financial year ended 31st December 2015 amounted to RM96,618 (2014: RM109,231).

Details of the Internal Audit reviews conducted during the year are set out in the Audit Committee Report.

During the year under review, one private meeting was held with the AC without the presence of Executive Director and Management or employees of the Company to discuss any areas of concern.

## • **Whistleblowing Policy**

The Board had reviewed and updated the policy in line with the current practices and the updated policy is made available on the Group's intranet and is accessible to all employees. A Whistleblowing Investigation Procedure was also drawn up in order to explain the detailed processes involved in handling investigation.

During the year under review, there were no whistleblowing cases reported.

## • **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 have been communicated to all employees together with a reminder of the Group's Code of Business Conduct.

During the year, the Group's Code of Business Conduct was revised to include provisions on local and foreign applicable laws, anti-bribery and anti-corruption, data privacy and protection and drug and alcohol policy. Relevant parties such as contractors, subcontractors, vendors and other service providers performing works or services for the Group are required to comply with the revised Code. The revised Code has been communicated to all relevant parties including employees accordingly and has been published in the intranet.

## • **Authorisation Limits**

Authorisation limits in respect of organisational requirements for decision-making limits such as purchasing of goods and/or services, cash management and disbursements, contracting and banking transactions, human resources and approval of agreements for ordinary course of business are clearly defined and documented for each level of management within the Group. 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 Internal Audit 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 has established a Process Improvement section under the Finance Department to perform regular comprehensive reviews of the processes and procedures in place to ensure standardisation to increase work efficiency and effectiveness across the Group.

# Statement on Risk Management and Internal Control

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- **Quality Management Systems (QMS) and Environmental Management System (EMS) Audit**

Annual audits by internal and external QMS and EMS auditors are carried out to ensure compliance with requirements of ISO 9001:2008 and ISO 14001:2004 certifications. The certifications serve as an assurance to customers of the delivery of the highest quality of products and services within a controlled and approved environment by the Group. During the year under review, audits for the purposes of ISO certification were performed by approved auditors on Turboservices Sdn. Bhd., Deleum Oilfield Services Sdn. Bhd., Deleum Chemicals Sdn. Bhd., Deleum Rotary Services Sdn. Bhd., the Human Resource Department and Procurement Department. The audits confirmed these companies continued compliance with the relevant ISO standards.

- **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 on Corporate Governance.

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 the business units to ensure operations are conducted seamlessly and efficiently.

## **CONCLUSION**

The external and internal auditors, in the course of executing their works based on the pre-approved audit plans had highlighted their findings and recommendations for improvements and on the basis of the works conducted, they have not noted any significant deficiencies in internal controls.

For the financial year under review, the Board has received Management representation by the GMD and Group Chief Financial Officer, that the risk management and internal controls process are adequate to safeguard shareholders investments and the Group's assets.

## **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.

Based on the procedures performed nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared in all material respects in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor was factually incorrect.

This statement is made in accordance with the resolution of the Board dated 23 February 2016.

# Audit Committee Report

The Board of Directors (the Board) is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2015 in accordance with Paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

The Audit Committee (AC) provides assistance to the Board in fulfilling the Board's responsibilities to Deleum Berhad (Deleum or the Company) and its shareholders by reviewing and monitoring integrity of the financial reporting process and accounting records of Deleum and its subsidiaries (the Group). The AC also reviews the Group's management of risk, system of internal control, audit process and compliance with relevant legal and regulatory requirements.

## (I) CONSTITUTION

The Terms of Reference of the AC which is aligned to the provisions of the Listing Requirements and other best practices are published on the Company's corporate website at [www.deleum.com](http://www.deleum.com) under the 'Corporate Profile' section.

## (II) MEMBERSHIP AND MEETINGS

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

The composition of the AC meets the requirements of paragraph 15.09(1) of the Listing Requirements which stipulated that the AC must be composed of not fewer than three (3) members, all must be non-executive directors, with a majority of them being independent directors and at least one member must be a member of the Malaysian Institute of Accountants (MIA) or fulfilled the requirements as prescribed under the Listing Requirements. Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong, being the Chairman and member of the AC respectively, are members of the MIA.

The AC comprises the following five (5) Board members:

<b>Name of Committee Members</b>	<b>Appointment Date</b>	<b>Designation</b>
Datuk Ishak bin Imam Abas	21 March 2007	Chairman of AC/ Independent Non-Executive Director
Datuk Chin Kwai Yoong	21 March 2007	Member/ Independent Non-Executive Director
Dato' Izham bin Mahmud	16 August 2010	Member/ Non-Independent Non-Executive Director
Datuk Vivekananthan a/l M. V. Nathan	16 August 2010	Member/ Non-Independent Non-Executive Director
Datuk Ir (Dr) Abdul Rahim bin Hashim	15 November 2013	Member/ Senior Independent Non-Executive Director

During the financial year ended 31 December 2015 (FY2015), the AC held four (4) meetings and the attendance are reflected as follows:

<b>Name</b>	<b>No. of attendance and meetings</b>
Chairman: Datuk Ishak bin Imam Abas	4/4
Members: Datuk Chin Kwai Yoong	4/4
: Dato' Izham bin Mahmud	4/4
: Datuk Vivekananthan a/l M. V. Nathan	4/4
: Datuk Ir (Dr) Abdul Rahim bin Hashim	3/4

By invitation, the Group Managing Director, the Group Chief Financial Officer and other relevant senior management personnel from business units and corporate resources, external and internal auditors attend the AC meetings to brief and provide clarification to the AC on their areas of responsibility.

The external auditors were present during deliberations at all AC meetings on matters relating to external audit and internal audit. Time was also set aside for both the external and internal auditors to have private discussions with the AC in the absence of Executive Director and Management or employees of the Company.

Besides the external and internal auditors, Management presented their reports on the financial results and other matters that required the AC's approval. At the Board meeting, the Chairman of the AC presented the recommendations of the AC and highlighted the relevant findings and issues.

The AC meetings were conducted in accordance with the requisite quorum as stipulated in the Terms of Reference of the AC, which requires at least two (2) members to be present and majority of the members present to be Independent Directors. In addition to the AC meetings, certain AC members have pre-AC meetings with Management and discussions with external auditors on the quarterly and annual results prior to the AC meetings to enable early escalation of any significant issues to the AC with a view to a timely resolution. The Company Secretary is the Secretary of the AC who keeps records of the minutes of the AC meetings. Minutes of the AC meetings are circulated to the AC members after the meetings for review and comments before confirmation at the next AC meeting.

# Audit Committee Report

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## (III) SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the AC's key focus areas were as follows:

- Quarterly and annual financial results and annual reporting;
- External audit;
- Internal audit; and
- Related party transactions.

### 1. Financial Results and Annual Reporting

- (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.

The reviews included detailed discussions with the Group Managing Director, Group Chief Financial Officer and senior Finance personnel as well as external auditors. In doing so, there was focus on changes in major accounting policies and practices as well as adjustments/ issues affecting the audit to ascertain compliance with applicable financial reporting standards, Listing Requirements and other statutory requirements. The Group Managing Director provided input in the reviews of business strategies and the economic outlook and review of business continuity for certain subsidiaries. The external auditors' audit reports together with Management's responses were also presented to the AC for review as part of their oversight over the accounting, auditing and financial reporting practices and procedures of the Group.

- (b) Reviewed the annual consolidated audited financial statements for the year under review before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were updated and 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.

- (c) Reviewed the Statement on 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.

### 2. External Audit

- (a) Reviewed the external auditors' scope of work, audit plan and audit strategy for FY2015 to ensure appropriate focus on the key risk areas.
- (b) Reviewed the external auditors' report to the AC in relation to the reviews of the quarterly results and announcements along with resolution of issues highlighted in their report to the AC.
- (c) Reviewed the external auditors' report to the AC for the year under review in relation to the audit and accounting issues arising from the audit and Management's responses.
- (d) Reviewed the internal control findings, system of internal control, discussed the impact on the overall soundness of the internal control procedures and processes which included a review of the existing Enterprise Resource Planning (ERP) system with recommendation for further improvement.
- (e) Reviewed other matters relating to accounting, auditing, financial reporting practices and processes, legal, regulatory and taxation matters of the Group.
- (f) Reviewed the independence and objectivity of the external auditors.
- (g) Monitored the non-audit related fees paid to the external auditors, Messrs PricewaterhouseCoopers (PwC) so that the services provided did not affect the objectivity and independence of the external auditors. The fees paid to PwC in FY2015 in relation to non-audit services were RM184,800 compared to the fees paid in relation to the statutory audit and other audit related fees of RM509,700.
- (h) Reviewed the performance and effectiveness of the external auditors and recommended to the Board their remuneration and fees for statutory audit.

# Audit Committee Report

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- (i) Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements and the extent of compliance.

During the financial year, the AC was briefed on the new and revised International Standards on Auditing (ISA) released by the International Auditing and Assurance Standards Board (IAASB), which will be effective for audit reports for financial statements with a financial year/ period ending on or after 15 December 2016. The new and revised ISAs were designed to enhance the auditors' report for investors and other users of financial statements. The most significant change is the inclusion of ISA701 - Communicating Key Audit Matters in the Independent Auditors' Report. ISA701 deals with auditors' responsibility to communicate key audit matters in the auditors' report which will provide more insight on matters that, in the auditors' judgment, were of the most significance in the audit of the financial statements of the current period.

- (j) Held two (2) private meetings with the external auditors without the presence of the Executive Director and Management or employees of the Company. The matters discussed included the performance of the Finance function, accessibility to information and explanation and scope restriction and any other areas of concern.
- (k) Carried out evaluation of the external auditors and internal auditors, the details of which are in Section (V) of this Report.

### 3. 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 and assessed 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, amongst others, covering the following areas:
- contract compliance review on the Long-Term Service Agreement entered into by Turboservices Sdn. Bhd. for the provision of turbomachinery maintenance services of gas turbine;

- contract compliance review on the contract entered into by Deleum Chemicals Sdn. Bhd. for the provision of technical services, associated equipment and supply of blended chemicals for Solid Deposition Treatment (SolidClenz™) application;
- status of the equipment and slickline operator competency at Deleum Oilfield Services Sdn. Bhd. (DOSSB), with respect to contract compliance of the Pan Malaysia Slickline Contracts;
- post implementation review of the ERP system to assess the extent to which the intended improvements to the Group's control environment have been achieved through the implementation of the system and also to ascertain whether the staff are well-prepared and had sufficient knowledge or clarity on the processes;
- review of the inventory management and facilities/ fixed assets management for Deleum Integrated Workshop Facility located at Teluk Kalong, Kemaman to ensure compliance with the Group's policies as well as relevant regulations, adequacy of insurance policies, security measures and safeguarding of the assets; and
- review of the inventory management systems for DOSSB at the Miri and Labuan facilities.

- (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. Their findings included a review of the existing ERP system with recommendation for further improvement.
- (e) Reviewed the Statement on Risk Management and Internal Control to ensure that it is consistent with their understanding of the state of internal controls of the Group.
- (f) Held one private meeting with the internal auditors without the presence of Executive Director and Management or employees of the Company to discuss any areas of concern.

### 4. Related Party Transactions

- (a) Apprised of the recurrent related party transactions to ensure that the amounts transacted were within the approved shareholders' mandate obtained.

# Audit Committee Report

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- (b) Reviewed the related party transactions of the Group to ensure that they are based on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.
- (c) Reviewed the adequacy of procedures and processes in identifying, monitoring, reviewing and reporting of related party transactions.
- (d) Reviewed the circular to shareholders in respect of the annual shareholders' mandate for recurrent related party transactions prior to the recommendation to the Board for consideration and approval.
- (e) Reviewed the related party transaction on the acquisition by Deleum Services Sdn. Bhd., a wholly-owned subsidiary of the Company, of the remaining 20% equity interest in Delcom Holdings Sdn. Bhd. from Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz, a former director of Deleum who retired from the Board on 29 April 2015. The AC was of the opinion that the transaction was in the best interest of Deleum, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders of Deleum and recommended to the Board for consideration and approval. The transaction was announced to Bursa Securities on 19 August 2015 pursuant to the Listing Requirements upon the Board's approval.

## 5. Others

The AC together with the Joint Remuneration and Nomination Committee (JRNC) had reviewed the allocation of shares to the selected eligible employees under the Long-Term Incentive Plan (LTIP) for FY2015 implemented in compliance with the By-Laws of the LTIP approved by the Board and shareholders of the Company on 27 May 2014.

## 6. Training

Members of the AC are encouraged to stay abreast of developments in accounting, finance and relevant regulatory matters in order to discharge their duties effectively. During the financial year, the AC members attended seminars, training sessions offered by regulators and other appropriate bodies. They were also briefed by Management, external and internal auditors on corporate governance practices, changes to accounting, taxation, auditing and reporting requirements as well as Listing Requirements.

On 18 November 2015, the AC was briefed by the Company's tax agent on the 2016 National Budget, particularly on the areas applicable to the Group.

The AC also assessed the applicable training needs and had requested that training sessions be conducted for the Directors and Senior Management on the revised ISA by the external auditors and "Cyber Security Threat" by the internal auditors. The sessions are planned to be conducted in the financial year 2016.

## (IV) INTERNAL AUDIT FUNCTION

The AC is supported by BDO Governance Advisory Sdn. Bhd. as the Internal Audit Function (IAF) of the Group. The IAF's primary role is to assist the AC in reviewing the state of the systems of internal control maintained by Management and provide assurance to the AC on the adequacy and integrity of the internal control and governance framework of the Group. The IAF reviews and assesses whether the systems of internal control procedures are effective, and provide recommendations to strengthen the internal control procedures and processes.

The IAF functions independently of the activities it audits and reports directly to the AC. The AC reviews and approves the internal auditors' annual audit plan. The IAF also works closely with the external auditors to avoid any activities overlap and on the sharing of their findings.

During the financial year, the internal auditors had attended all four (4) AC meetings and the cost incurred for the outsourced IAF in respect of FY2015 amounted to RM96,618. 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 AC. The work performed included financial and operational reviews across the three (3) main business segments, with emphasis on contract compliance and project management. Their findings together with the recommendations and Management's responses were reported to the AC 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 resources; and
  - compliance with laws, regulations and contractual obligations within the Company's governance, operations and information systems.
- (c) Conducted follow up reviews on actions taken by Management in implementing their recommendations within the agreed timelines.

# Audit Committee Report

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## **(V) EVALUATION**

### **1. External Auditors**

At the AC meeting held on 23 February 2016, the AC reviewed and evaluated the suitability and independence of external auditors with feedback obtained from the AC members and Management. Self-assessment by the external auditors, PwC was also carried out for this purpose. Summary of the results of the assessment were tabled to the AC for deliberation at the meeting. The evaluation of the external auditors covered the areas of governance and independence, communication and interaction with the AC in relation to their audit planning/ audit strategy, audit findings/ audit finalization & completion, quality of services and sufficiency of resources as well as the audit fee.

As part of the annual audit exercise, the Company also obtained assurance from PwC confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. PwC was appointed as the external auditors of Deleum since its inception in 2005. PwC has complied with the requirement of the MIA and the firm's Guidelines in rotating audit partners every five (5) years with 2016 being the last year of the current engaging partner. The Group also restricted the employment of former employees of the external auditors to ensure independence of the external auditors and for avoidance of any conflict of interest. During FY2015, there was no employment of former employees of the external auditors reported to the AC.

The non-audit services conducted during FY2015 included implementation of Goods and Services Tax advisory services, tax compliance which is recurring, and review of information technology controls of the existing ERP system. As a policy, the engagement of PwC to carry out non-audit services were with the prior deliberations of either the AC or the Board. The provision of non-audit services by PwC during FY2015 did not compromise its independence and objectivity as the non-audit services was conducted by different teams from the statutory audit team of PwC.

The Board on the recommendation of the AC, is satisfied that PwC remains suitable and independent in carrying out its role as external auditors of the Company and has at the Board meeting held on 15 March 2016 approved the recommendation of the AC for the re-appointment of PwC for the ensuing year to be tabled at the forthcoming Eleventh Annual General Meeting for shareholders' approval.

### **2. Internal Auditors**

The AC had reviewed and evaluated the suitability, adequacy of scope, competency, quality of services and sufficiency of resources of the IAF in respect of FY2015 with feedback obtained from the AC members, Management and external auditors as well as self-assessment by the internal auditors prior to the meeting. Summary of results of the assessment were tabled to the AC for deliberation at the meeting.

The AC was satisfied with the performance and suitability of the IAF and approved the renewal of the outsourced IAF for the ensuing year.

### **3. Audit Committee**

The Board through the JRNC had conducted annual evaluation and assessment on the performance of the AC and its members in respect of FY2015. The AC members had also carried out self-assessment on an annual basis to monitor their overall effectiveness in meeting their responsibilities.

The evaluation focused on the structure and process including the composition and level of accountability and responsibility demonstrated. The Board was satisfied that the AC had carried out its duties and responsibilities effectively as per its Terms of Reference and had demonstrated a high level of diligence, independence and commitment in discharging its responsibilities.





# FINANCIAL STATEMENTS

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# 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 2015.

## PRINCIPAL ACTIVITIES

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

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

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

## FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year attributable to		
- Equity holders of the Company	45,407,801	23,889,211
- Non-controlling interest	10,131,529	0
Profit for the financial year	<u>55,539,330</u>	<u>23,889,211</u>

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2014 were as follows:

	RM
In respect of the financial year ended 31 December 2014, as shown in the Directors' report of that year, a second interim single tier dividend of 5 sen per share on 400,000,000 ordinary shares, paid on 26 March 2015	20,000,000
In respect of the financial year ended 31 December 2015, first interim single tier dividend of 2 sen per share on 400,000,000 ordinary shares, paid on 25 September 2015	8,000,000
	<u>28,000,000</u>

The Directors, had on 23 February 2016 declared a second interim single tier dividend of 3.5 sen per share of RM0.50 each in respect of the financial year ended 31 December 2015 totalling RM14,000,000, payable on 25 March 2016.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2015.

# Directors' Report

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## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

## SHARE CAPITAL AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

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

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 27 May 2014 and is administered by the Plan Committee which is appointed by the Board of Directors, in accordance with the By-Laws. The LTIP shall be in force for a period of 10 years commencing from 10 October 2014. The salient features, terms and details of the LTIP are disclosed in Note 29 to the financial statements.

During the financial year, the Company made the first grant of 2,396,500 ordinary shares of RM0.50 each under the LTIP to selected eligible employees of the Group. The first grant comprises the Restricted Share Incentive Plan ("RS Award") of 1,254,300 shares and Performance Share Incentive Plan ("PS Award") of 1,142,200 shares ("1<sup>st</sup> Grant").

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

<b>Date of 1<sup>st</sup> Grant</b>	<b>Type of Grant</b>	<b>At 1.1.2015</b>	<b>Granted</b>	<b>Forfeited</b>	<b>At 31.12.2015</b>
2 March 2015	RS Award	0	1,254,300	(150,300)	1,104,000
	PS Award	0	1,142,200	(101,200)	1,041,000

The shares granted will be vested only upon fulfilment of vesting conditions which include achievement of service period and performance targets.

# Directors' Report

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## 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**  
**Datuk Chin Kwai Yoong**  
**Nan Yusri bin Nan Rahimy**  
**Datuk Ir (Dr) Abdul Rahim bin Hashim**  
**Datuk Noor Azian binti Shaari**  
**Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz (Retired on 29 April 2015)**

In accordance with Article 78 of the Company's Articles of Association, Datuk Chin Kwai Yoong retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Dato' Izham bin Mahmud, Datuk Vivekananthan a/l M.V. Nathan and Datuk Ishak bin Imam Abas, 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

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

# Directors' Report

## DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.50 each in the Company			
	At 1.1.2015	Acquired	Sold	At 31.12.2015
<b>Direct interest</b>				
Dato' Izham bin Mahmud	11,200,000	0	0	11,200,000
Datuk Vivekananthan a/l M.V. Nathan	42,669,300	30,000	0	42,699,300
Datuk Ishak bin Imam Abas	2,550,998	112,000	(270,000)	2,392,998
Datuk Chin Kwai Yoong	750,000	0	0	750,000
Nan Yusri bin Nan Rahimy	387,332	10,000	0	397,332
<b>Indirect interest</b>				
Dato' Izham bin Mahmud	138,264,398	0	0	138,264,398
Datuk Vivekananthan a/l M. V. Nathan	81,718,800	0	0	81,718,800
Datuk Chin Kwai Yoong	0	50,000	0	50,000
Nan Yusri bin Nan Rahimy	76,332	0	0	76,332

	Number of ordinary shares of RM1.00 each in a subsidiary, VSM Technology Sdn. Bhd.			
	At 1.1.2015	Acquired	Sold	At 31.12.2015
<b>Direct interest</b>				
Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400

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

# Directors' Report

## DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

	Date of Grant	Type of Grant	Number of ordinary shares of RM0.50 each granted under LTIP			
			At 1.1.2015	Granted	Forfeited	At 31.12.2015
Nan Yusri bin Nan Rahimy	2 March 2015	RS Award	0	145,800	0	145,800
		PS Award	0	226,200	0	226,200

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

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

## 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.

# Directors' Report

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

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

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

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

In the opinion of the Directors:

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

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events are disclosed in Notes 38 and 39 to the financial statements.

## **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 23 February 2016.

**DATO' IZHAM BIN MAHMUD**  
*DIRECTOR*

**NAN YUSRI BIN NAN RAHIMY**  
*DIRECTOR*

# Statements of Comprehensive Income

For the Financial Year Ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
Continuing operations					
Revenue	5	<b>649,397,527</b>	657,273,046	<b>42,789,555</b>	55,061,805
Cost of sales		<b>(500,221,541)</b>	(499,303,834)	<b>(12,831,300)</b>	(13,241,152)
Gross profit		<b>149,175,986</b>	157,969,212	<b>29,958,255</b>	41,820,653
Other operating income		<b>2,192,153</b>	1,973,866	<b>1,739,847</b>	1,066,000
Selling and distribution costs		<b>(31,684,785)</b>	(33,668,552)	<b>0</b>	0
Administrative expenses		<b>(49,662,762)</b>	(45,754,908)	<b>(7,088,144)</b>	(6,633,609)
Other operating gains/(losses)		<b>2,147,573</b>	1,721,395	<b>(24,421)</b>	(8,054,308)
Operating profit		<b>72,168,165</b>	82,241,013	<b>24,585,537</b>	28,198,736
Finance cost	8	<b>(7,433,136)</b>	(3,974,805)	<b>(1,555,537)</b>	(768,590)
Share of results of a joint venture (net of tax)	16	<b>774,888</b>	0	<b>0</b>	0
Share of results of associates (net of tax)	17	<b>5,642,114</b>	13,727,331	<b>0</b>	0
Profit before tax	6	<b>71,152,031</b>	91,993,539	<b>23,030,000</b>	27,430,146
Tax expense	9	<b>(16,653,413)</b>	(21,359,076)	<b>859,211</b>	7,456
Profit from continuing operations		<b>54,498,618</b>	70,634,463	<b>23,889,211</b>	27,437,602
Discontinued operation					
Profit from discontinued operation (net of tax)	38	<b>1,040,712</b>	16,758	<b>0</b>	0
Profit for the year		<b>55,539,330</b>	70,651,221	<b>23,889,211</b>	27,437,602
Other comprehensive income:					
Item that may be subsequently reclassified to profit or loss					
Currency translation differences		<b>1,110,952</b>	301,671	<b>0</b>	0
Share based payment		<b>0</b>	(42,888)	<b>0</b>	0
Other comprehensive income (net of tax)		<b>1,110,952</b>	258,783	<b>0</b>	0
Total comprehensive income for the financial year		<b>56,650,282</b>	70,910,004	<b>23,889,211</b>	27,437,602



# Statements of Comprehensive Income

For the Financial Year Ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
Profit attributable to:					
Equity holders of the Company		<b>45,407,801</b>	59,324,189	<b>23,889,211</b>	27,437,602
Non-controlling interest		<b>10,131,529</b>	11,327,032	<b>0</b>	0
		<b>55,539,330</b>	70,651,221	<b>23,889,211</b>	27,437,602
Total comprehensive income attributable to:					
Equity holders of the Company		<b>45,722,023</b>	59,373,612	<b>23,889,211</b>	27,437,602
Non-controlling interest		<b>10,928,259</b>	11,536,392	<b>0</b>	0
		<b>56,650,282</b>	70,910,004	<b>23,889,211</b>	27,437,602
Earnings per share (sen)					
- Basic	10				
- From continuing operations		<b>11.09</b>	14.83		
- From discontinued operation		<b>0.26</b>	0.00		
		<b>11.35</b>	14.83		
- Diluted	10				
- From continuing operations		<b>11.04</b>	14.76		
- From discontinued operation		<b>0.26</b>	0.00		
		<b>11.30</b>	14.76		

The above statements of comprehensive income are to be read in conjunction with the significant accounting policies and notes 1 to 41 to the Financial Statements.

# Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	<b>226,786,470</b>	229,723,129	<b>3,799,227</b>	4,332,071
Investment properties	13	<b>865,150</b>	888,036	<b>0</b>	0
Intangible assets	14	<b>3,091,447</b>	3,234,863	<b>211,790</b>	184,965
Subsidiaries	15	<b>0</b>	0	<b>135,095,308</b>	165,740,455
Joint venture	16	<b>27,022,189</b>	0	<b>29,375,937</b>	0
Associates	17	<b>44,750,474</b>	40,644,930	<b>0</b>	0
Deferred tax assets	27	<b>6,305,754</b>	2,839,249	<b>1,024,829</b>	165,618
		<b>308,821,484</b>	277,330,207	<b>169,507,091</b>	170,423,109
<b>CURRENT ASSETS</b>					
Amounts due from subsidiaries	18	<b>0</b>	0	<b>97,848,456</b>	85,627,754
Tax recoverable		<b>3,656,701</b>	4,409,967	<b>27,437</b>	27,437
Inventories	19	<b>20,440,414</b>	28,302,353	<b>0</b>	0
Trade and other receivables	20	<b>194,118,139</b>	244,360,595	<b>2,496,945</b>	626,041
Deferred cost		<b>9,226,198</b>	8,392,993	<b>0</b>	0
Amounts due from associates	21	<b>1,615,602</b>	4,334,709	<b>2,341</b>	2,341
Amounts due from a joint venture	22	<b>177,221</b>	0	<b>162,165</b>	0
Cash and bank balances	23	<b>134,712,278</b>	75,738,796	<b>4,454,000</b>	9,637,256
		<b>363,946,553</b>	365,539,413	<b>104,991,344</b>	95,920,829
Assets classified as held for sale	38	<b>0</b>	27,266,013	<b>0</b>	0
		<b>363,946,553</b>	392,805,426	<b>104,991,344</b>	95,920,829

# Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
<b>LESS: CURRENT LIABILITIES</b>					
Amounts due to subsidiaries	18	0	0	22,461,856	15,667,841
Amounts due to an associate	21	7,517,125	0	0	0
Amounts due to a joint venture	22	299,050	0	0	0
Borrowings	24	57,425,513	50,784,444	30,800,000	26,300,000
Taxation		2,945,804	815,841	0	0
Dividends payable		343,250	529,510	74,008	33,291
Deferred revenue		8,883,125	8,244,694	0	0
Trade and other payables	25	177,715,103	182,378,417	4,421,676	3,676,278
Financial guarantee liabilities	26	26,779	0	26,779	47,946
		<b>255,155,749</b>	242,752,906	<b>57,784,319</b>	45,725,356
Liabilities classified as held for sale	38	0	1,984,939	0	0
		<b>255,155,749</b>	244,737,845	<b>57,784,319</b>	45,725,356
<b>NET CURRENT ASSETS</b>		<b>108,790,804</b>	148,067,581	<b>47,207,025</b>	50,195,473
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	27	18,662,483	15,888,113	0	0
Borrowings	24	79,960,337	104,585,998	0	0
		<b>98,622,820</b>	120,474,111	<b>0</b>	0
		<b>318,989,468</b>	304,923,677	<b>216,714,116</b>	220,618,582

# Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Ordinary shares	28	<b>200,000,000</b>	200,000,000	<b>200,000,000</b>	200,000,000
Share based payment	29	<b>206,323</b>	0	<b>206,323</b>	0
Retained earnings		<b>145,256,123</b>	127,843,825	<b>16,507,793</b>	20,618,582
Merger deficit	30	<b>(50,000,000)</b>	(50,000,000)	<b>0</b>	0
Foreign currency translation		<b>(2,735,491)</b>	(3,049,713)	<b>0</b>	0
Shareholders' equity		<b>292,726,955</b>	274,794,112	<b>216,714,116</b>	220,618,582
<b>NON-CONTROLLING INTEREST</b>		<b>26,262,513</b>	30,129,565	<b>0</b>	0
<b>TOTAL EQUITY</b>		<b>318,989,468</b>	304,923,677	<b>216,714,116</b>	220,618,582

The above statements of financial position are to be read in conjunction with the significant accounting policies and notes 1 to 41 to the Financial Statements.

# Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2015

Group	Note	Attributable to equity holders of the Company								Total equity RM
		Issued and fully paid ordinary shares of RM0.50 each		Share based payment RM	Foreign currency translation RM	Non- distributable Merger deficit RM	Distributable Retained earnings RM	Total RM	Non- controlling interest RM	
		Number of shares	Nominal value RM							
<b>At 1 January 2015</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>0</b>	<b>(3,049,713)</b>	<b>(50,000,000)</b>	<b>127,843,825</b>	<b>274,794,112</b>	<b>30,129,565</b>	<b>304,923,677</b>
Profit for the financial year		0	0	0	0	0	45,407,801	45,407,801	10,131,529	55,539,330
Other comprehensive income for the financial year		0	0	0	314,222	0	0	314,222	796,730	1,110,952
Total comprehensive income for the financial year		0	0	0	314,222	0	45,407,801	45,722,023	10,928,259	56,650,282
Share based payment	29	0	0	206,323	0	0	0	206,323	0	206,323
Change in ownership interest in a subsidiary	39	0	0	0	0	0	4,497	4,497	(3,173,497)	(3,169,000)
Dividends	11	0	0	0	0	0	(28,000,000)	(28,000,000)	(11,621,814)	(39,621,814)
<b>At 31 December 2015</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>206,323</b>	<b>(2,735,491)</b>	<b>(50,000,000)</b>	<b>145,256,123</b>	<b>292,726,955</b>	<b>26,262,513</b>	<b>318,989,468</b>
<b>At 1 January 2014</b>		<b>150,000,000</b>	<b>150,000,000</b>	<b>42,888</b>	<b>(3,142,024)</b>	<b>(50,000,000)</b>	<b>145,019,636</b>	<b>241,920,500</b>	<b>29,325,821</b>	<b>271,246,321</b>
Profit for the financial year		0	0	0	0	0	59,324,189	59,324,189	11,327,032	70,651,221
Other comprehensive income for the financial year		0	0	(42,888)	92,311	0	0	49,423	209,360	258,783
Total comprehensive income for the financial year		0	0	(42,888)	92,311	0	59,324,189	59,373,612	11,536,392	70,910,004
Bonus issue	28	50,000,000	50,000,000	0	0	0	(50,000,000)	0	0	0
Share split	28	200,000,000	0	0	0	0	0	0	0	0
Dividends	11	0	0	0	0	0	(26,500,000)	(26,500,000)	(10,732,648)	(37,232,648)
<b>At 31 December 2014</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>0</b>	<b>(3,049,713)</b>	<b>(50,000,000)</b>	<b>127,843,825</b>	<b>274,794,112</b>	<b>30,129,565</b>	<b>304,923,677</b>

The above consolidated statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 41 to the Financial Statements.

# Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2015

Company	Note	Issued and fully paid ordinary shares of RM0.50 each		Non- distributable	Distributable	Total RM
		Number of shares	Nominal value RM	Share based payment RM	Retained earnings RM	
<b>At 1 January 2015</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>0</b>	<b>20,618,582</b>	<b>220,618,582</b>
Total comprehensive income for the financial year		<b>0</b>	<b>0</b>	<b>0</b>	<b>23,889,211</b>	<b>23,889,211</b>
Share based payment	29	<b>0</b>	<b>0</b>	<b>206,323</b>	<b>0</b>	<b>206,323</b>
Dividends	11	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,000,000)</b>	<b>(28,000,000)</b>
At 31 December 2015		<b>400,000,000</b>	<b>200,000,000</b>	<b>206,323</b>	<b>16,507,793</b>	<b>216,714,116</b>
<b>At 1 January 2014</b>		150,000,000	150,000,000	0	69,680,980	219,680,980
Total comprehensive income for the financial year		0	0	0	27,437,602	27,437,602
Bonus issue	28	50,000,000	50,000,000	0	(50,000,000)	0
Share split	28	200,000,000	0	0	0	0
Dividends	11	0	0	0	(26,500,000)	(26,500,000)
At 31 December 2014		400,000,000	200,000,000	0	20,618,582	220,618,582

The above statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 41 to the Financial Statements.

# Statements of Cash Flows

For the Financial Year Ended 31 December 2015

Note	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	Restated RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the financial year	<b>55,539,330</b>	70,651,221	<b>23,889,211</b>	27,437,602
<b>Adjustments for:</b>				
Impairment loss on investment in subsidiaries	<b>0</b>	0	<b>1,400,000</b>	8,000,000
Impairment for doubtful debts				
- Trade receivables				
- impairment made	<b>636,273</b>	928,646	<b>0</b>	0
- write back of impairment	<b>(300,927)</b>	(496,803)	<b>0</b>	0
Impairment for doubtful debts				
- Other receivables				
- write back of impairment	<b>(1,500,000)</b>	0	<b>(1,500,000)</b>	0
Allowance for slow moving inventories				
- allowance made	<b>219,760</b>	147,038	<b>0</b>	0
- write back of allowance made	<b>(49,364)</b>	(92,440)	<b>0</b>	0
Amortisation of intangible assets	<b>903,933</b>	690,880	<b>41,540</b>	28,244
Amortisation cost on financial liabilities	<b>(68)</b>	8,513	<b>0</b>	0
Depreciation				
- property, plant and equipment	<b>28,879,528</b>	21,152,040	<b>829,370</b>	692,167
- investment properties	<b>22,886</b>	23,576	<b>0</b>	0
Bad debts written off				
- trade receivables	<b>114,394</b>	0	<b>0</b>	0
- other receivables	<b>102,334</b>	0	<b>0</b>	0
Provision for liquidated damages				
- provision made	<b>1,535</b>	151,465	<b>0</b>	0
Gains on disposal of property, plant and equipment	<b>(161,840)</b>	(16,670)	<b>0</b>	0

# Statements of Cash Flows

For the Financial Year Ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>(CONTINUED)</b>					
<b>Adjustments for: (continued)</b>					
Write-off					
- property, plant and equipment		242,970	55,210	1,784	1,060
- inventories		0	17,937	0	0
Interest income		(1,163,901)	(1,156,804)	(1,621,879)	(904,496)
Amortisation of financial guarantee liabilities		(15,876)	0	(21,167)	(25,733)
Dividend income		0	0	(29,316,655)	(41,154,205)
Inter-company interest income		0	0	(96,800)	(96,800)
Finance cost		7,461,213	4,112,736	1,555,537	768,590
Share based payment expense		206,323	(42,888)	75,533	0
Share of results of associates		(5,642,114)	(13,727,331)	0	0
Share of results of a joint venture		(774,888)	0	0	0
Tax expense		16,631,702	21,378,873	(859,211)	(7,456)
Unrealised foreign exchange gains		(5,560,322)	(3,121,441)	0	0
Gain from sale of discontinued operation	38	(1,126,885)	0	0	0
Operating profit before working capital changes		94,665,996	100,663,758	(5,622,737)	(5,261,027)
<b>Changes in working capital</b>					
Amounts due from subsidiaries		0	0	(11,082,300)	(7,598,900)
Inventories		7,691,543	(7,737,205)	0	0
Trade and other receivables		53,499,560	(39,406,493)	(369,838)	(163,084)
Deferred cost		(833,205)	5,436,363	0	0
Amounts due from a joint venture		(145,300)	0	(145,300)	0
Amounts due to subsidiaries		0	0	6,794,015	2,080,907
Trade and other payables		(5,803,372)	6,331,246	684,768	1,183,207
Deferred revenue		638,431	(11,791,396)	0	0
Cash generated from/(used in) operation		149,713,653	53,496,273	(9,741,392)	(9,758,897)
Tax (paid)/refunded		(14,477,651)	(15,835,890)	0	2,962,696
Interest paid		(7,374,672)	(4,112,736)	(1,494,907)	(768,590)
Net cash generated from/(used in) operating activities		127,861,330	33,547,647	(11,236,299)	(7,564,791)



# Statements of Cash Flows

For the Financial Year Ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		<b>1,154,435</b>	1,156,804	<b>561,775</b>	904,496
Purchase of property, plant and equipment	12	<b>(26,295,541)</b>	(131,594,925)	<b>(298,310)</b>	(369,734)
Proceeds from disposal of property, plant and equipment		<b>496,266</b>	18,304	<b>0</b>	0
Purchase of intangible assets	14	<b>(758,997)</b>	(1,108,165)	<b>(822,958)</b>	(909,601)
Amounts due from associates		<b>(13,111)</b>	3,459	<b>0</b>	212
Amounts due to associates		<b>7,517,125</b>	0	<b>0</b>	0
Amounts due from a joint venture		<b>(290,226)</b>	0	<b>47,095</b>	0
Amounts due to a joint venture		<b>393,603</b>	0	<b>0</b>	0
Dividends received from subsidiaries		<b>0</b>	0	<b>32,216,655</b>	19,654,205
Dividends received from associates		<b>5,528,092</b>	14,555,979	<b>0</b>	0
Advances to subsidiaries		<b>0</b>	0	<b>(2,191,931)</b>	(492,187)
Net cash (used in)/generated from investing activities		<b>(12,268,354)</b>	(116,968,544)	<b>29,512,326</b>	18,787,391
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Term loan:					
- drawn down		<b>0</b>	113,002,855	<b>0</b>	0
- repayments		<b>(18,598,645)</b>	(2,091,879)	<b>0</b>	0
Revolving credit:					
- drawn down		<b>7,500,000</b>	16,500,000	<b>4,500,000</b>	16,500,000
- repayments		<b>(7,000,000)</b>	0	<b>0</b>	0
Loans against import					
- drawn down		<b>6,595,828</b>	0	<b>0</b>	0
- repayments		<b>(6,595,828)</b>	0	<b>0</b>	0
Finance lease liabilities					
- repayments		<b>(34,573)</b>	(32,883)	<b>0</b>	0
Dividends paid to:					
- shareholders		<b>(27,959,283)</b>	(26,500,000)	<b>(27,959,283)</b>	(26,500,000)
- non-controlling interest		<b>(11,848,791)</b>	(10,722,815)	<b>0</b>	0
Acquisition of non-controlling interest	39	<b>(3,169,000)</b>	0	<b>0</b>	0
Increase in restricted cash		<b>(10,158,754)</b>	(197,001)	<b>(40,717)</b>	0
Net cash (used in)/generated from financing activities		<b>(71,269,046)</b>	89,958,277	<b>(23,500,000)</b>	(10,000,000)

# Statements of Cash Flows

For the Financial Year Ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	Restated RM
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>44,323,930</b>	6,537,380	<b>(5,223,973)</b>	1,222,600
<b>FOREIGN CURRENCY TRANSLATION</b>		<b>4,667,420</b>	981,809	<b>0</b>	0
<b>DISPOSAL OF DISCONTINUED OPERATION</b>	38	<b>(5,877,480)</b>	0	<b>0</b>	0
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>80,716,825</b>	73,197,636	<b>9,603,965</b>	8,381,365
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>		<b>123,830,695</b>	80,716,825	<b>4,379,992</b>	9,603,965
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR FROM CONTINUING OPERATIONS</b>	23	<b>123,830,695</b>	75,015,967	<b>4,379,992</b>	9,603,965
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR FROM DISCONTINUED OPERATION</b>		<b>0</b>	5,700,858	<b>0</b>	0
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>		<b>123,830,695</b>	80,716,825	<b>4,379,992</b>	9,603,965

The above statements of cash flows are to be read in conjunction with the significant accounting policies and notes 1 to 41 to the Financial Statements.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where estimates 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 amendments to published standards that are effective for the Group's and the Company's financial year beginning on or after 1 January 2015 are as follows:

- Annual Improvements to MFRSs 2010 – 2012 Cycle (Amendments to MFRS 2 Share Based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures and MFRS 138 Intangible Assets)
- Annual Improvements to MFRSs 2011 – 2013 Cycle (Amendments to MFRS 3 Business Combination, MFRS 13 Fair Value Measurement and MFRS 140 Investment Property)
- Amendments to MFRS 119 Defined Benefit Plans: Employees Contributions

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

### (b) 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 periods:

#### (i) Financial year beginning on or after 1 January 2016

- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates/Joint Ventures
- Amendments to MFRS 127 Separate Financial Statements – Equity Accounting in Separate Financial Statements
- Annual improvements to MFRS 2012 – 2014 cycle (Amendments to MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, MFRS 7 Financial Instruments: Disclosures, MFRS 119 Employee Benefits and MFRS 134 Interim Financial Reporting)

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## A BASIS OF PREPARATION (CONTINUED)

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

The Group and the Company will apply the new standards and amendments to published standards in the following periods (continued):

(i) Financial year beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101 Presentation of Financial Statements – Disclosure Initiatives

(ii) Financial year beginning on or after 1 January 2018

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers

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.

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

### MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue and MFRS 111 Construction contracts and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

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

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## 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 a business combination which was 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.

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **B CONSOLIDATION (CONTINUED)**

### (a) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

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

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 capital reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised, 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 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.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **B CONSOLIDATION (CONTINUED)**

### (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.

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

### (d) Joint Ventures

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

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

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## B CONSOLIDATION (CONTINUED)

### (e) Associates

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

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

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

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

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

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

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

### (f) Transactions with non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and 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.



# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **C INTANGIBLE ASSETS**

### (a) Goodwill

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

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

### (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 using the straight line basis over their estimated useful lives, which does not exceed five years.

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

## D INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

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

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

## E PROPERTY, PLANT AND EQUIPMENT

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

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 each 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.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **F INVESTMENT PROPERTIES**

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

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

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

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

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

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

Useful lives of investment properties are reviewed, and are adjusted 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 weighted average method. Cost of purchased inventories for resale purpose is determined after deducting discounts and rebates. For other inventories, the cost comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs.

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## H LEASES

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

### Accounting by lessee

#### Finance leases

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

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

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

#### 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 comprises cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments (less than 3 months maturity) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **J IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

## **K FINANCIAL ASSETS**

### (a) Classification

The Group 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', 'amounts due from a joint venture' and 'cash and bank balances' in the statements of financial position (Notes 18, 20, 21, 22 and 23).

### (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 that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss.

### (c) Subsequent measurement – gains and losses

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## K FINANCIAL ASSETS (CONTINUED)

### (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.

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group 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 2015

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## **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 positions 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 'amounts due to subsidiaries', 'amounts due to associates', 'amounts due to a joint venture', 'borrowings', 'trade and other payables (excluding statutory obligations)' and 'financial guarantee liabilities' in the statements of financial position (Notes 18, 21, 22, 24, 25 and 26).

### (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.

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 statements of comprehensive income.

## **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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **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 equity.

### (b) Share issue costs

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

### (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 AND OTHER RECEIVABLES**

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see accounting policy Note K on impairment of financial assets).



# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **Q PAYABLES**

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

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.

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 end of the reporting period.

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

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

## **S REVENUE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and 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 below are not met, the marketing fee earned on the sale is recognised as revenue:

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **S REVENUE RECOGNITION (CONTINUED)**

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.

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.

Dividend income earned by the Company is classified as revenue.

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

## **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 and the Company.

- (b) Defined contribution plans

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

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

- (c) Share based payment transactions

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **T EMPLOYEE BENEFITS (CONTINUED)**

### (c) Share based payment transactions (continued)

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

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

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

## **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, joint venture and associates operate and generate taxable income.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. 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. On the statement of financial position, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is recognised for deductible temporary differences and unutilised tax losses only to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and tax losses can be utilised.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is 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 joint venture and associates are included in the Group's share of results of joint venture and associates.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## V FOREIGN CURRENCIES

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities and Company 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 bank balances are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'other (losses)/gains – net'.

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.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2015

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## **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.

## **Y NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE / DISCONTINUED OPERATIONS**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

When the Group is committed to a sale plan involving loss of control of a subsidiary, it shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out below had been met.

- Asset available for immediate sale in its present condition;
- Sale is highly probable to occur within one year;
- Management commits to a plan to sell.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

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## 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 and hedging instruments, where appropriate.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 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:

	2015		Group 2014	
	Assets	Liabilities	Assets	Liabilities
	RM	RM	RM	RM
US Dollar	<b>147,550,508</b>	<b>111,035,287</b>	174,386,118	116,506,010
Others	<b>112,281</b>	<b>153,794</b>	96,419	333,231
	<b>147,662,789</b>	<b>111,189,081</b>	174,482,537	116,839,241

### 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:

	Group	
	2015 RM	2014 RM
<u>Weaken by 10% impact to profit or loss</u>		
US Dollar	<b>(3,651,522)</b>	(5,788,011)
<u>Strengthen by 10% impact to profit or loss</u>		
US Dollar	<b>3,651,522</b>	5,788,011

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

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## 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 the 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 RM1,373,491 (2014: RM1,552,991). 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.

#### (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.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

#### (i) Receivables (continued)

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

	<b>2015</b>	<b>Group</b>
	<b>RM</b>	<b>2014</b>
		<b>RM</b>
Neither past due nor impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>5,888,569</b>	5,457,360
- Existing customers with no defaults in the past	<b>149,481,052</b>	190,886,300
Total unimpaired trade receivables	<b>155,369,621</b>	196,343,660
Past due but not impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>858,590</b>	1,032,132
- Existing customers with no defaults in the past	<b>19,238,649</b>	31,130,580
Total past due but not impaired trade receivables	<b>20,097,239</b>	32,162,712
Past due and impaired:		
Counterparties without external credit rating		
- Existing customers	<b>2,217,364</b>	1,922,108
Total past due and impaired trade receivables	<b>2,217,364</b>	1,922,108

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

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

The Company provides unsecured loans and advances to subsidiaries and a joint venture. The amounts due from associates are in relation to dividends receivable and operating expenses. The Company monitors the results of the subsidiaries, associates and joint venture regularly. As at 31 December 2015, 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 subsidiaries, associates and a joint venture are stated at the realisable values. As at 31 December 2015, there was no indication that the loans and advances extended to the subsidiaries and a joint venture and amounts due from associates are not recoverable.

#### (iii) Bank balances

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

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:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
AAA	<b>134,617,272</b>	81,369,054	<b>4,329,558</b>	9,582,649
AA	<b>61,358</b>	31,959	<b>50,434</b>	21,120

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 for the Company amounts to RM1,106,423 (2014: RM1,653,879), representing the outstanding banking facilities of a joint venture (2014: a subsidiary) as at end of reporting period. As at the end of the reporting period, there was no indication that the joint venture would default on repayment.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 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.

					2015
	On demand or within one year	One to two years	Two to five years	More than five years	Total
	RM	RM	RM	RM	RM
<b>Group</b>					
<u>Financial liabilities</u>					
Trade and other payables (excluding statutory obligations)	171,366,567	0	0	0	171,366,567
Borrowings	62,014,611	27,989,657	58,526,682	0	148,530,950
Total undiscounted financial liabilities	233,381,178	27,989,657	58,526,682	0	319,897,517
<b>Company</b>					
<u>Financial liabilities</u>					
Amounts due to subsidiaries	22,461,856	0	0	0	22,461,856
Borrowings	30,800,000	0	0	0	30,800,000
Other payables and accruals (excluding statutory obligations)	4,293,420	0	0	0	4,293,420
Total undiscounted financial liabilities	57,555,276	0	0	0	57,555,276

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (continued)

					<b>2014</b>
	<b>On demand or within one year</b>	<b>One to two years</b>	<b>Two to five years</b>	<b>More than five years</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Group</b>					
<u>Financial liabilities</u>					
Trade and other payables (excluding statutory obligations)	179,533,842	0	0	0	179,533,842
Borrowings	56,140,912	30,369,429	81,348,879	6,205,307	174,064,527
Total undiscounted financial liabilities	235,674,754	30,369,429	81,348,879	6,205,307	353,598,369
<b>Company</b>					
<u>Financial liabilities</u>					
Amounts due to subsidiaries	15,667,841	0	0	0	15,667,841
Borrowings	26,300,000	0	0	0	26,300,000
Other payables and accruals (excluding statutory obligations)	3,411,931	0	0	0	3,411,931
Total undiscounted financial liabilities	45,379,772	0	0	0	45,379,772

The maximum exposure to the Company in relation to the financial guarantee contracts amounts to RM1,106,423 (2014: RM1,653,879), representing the outstanding banking facilities of a joint venture (2014: a subsidiary) at the end of the reporting period. At the reporting date, the counterparty to the financial guarantees has no right to demand cash as no default has occurred.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

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## 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

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

#### (i) Deferred tax assets

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

#### (ii) Impairment of non-financial assets

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value in use. The value in use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

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

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. There are no critical judgment which may materially affect the reported results and financial position of the Group.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

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## 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. During the financial year, Maintenance, Repair and Overhaul segment was renamed to Integrated Corrosion Solution and the results of Deleum Rotary Services Sdn. Bhd. ("DRSSB") was reclassified to Power and Machinery ("P&M") segment. Management believes the integration of DRSSB into P&M segment will create more synergy as DRSSB can look into providing inter function support especially in the area of maintenance and repair of generator sets and compressor. Accordingly, prior period segment information had been restated to reflect the change.

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, including complete installation turnkey for new installations, package renewal and retrofit;
  - Supply and commission of combined heat and power plants;
  - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
  - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.
- Oilfield Services ("OS") – Mainly consists of:-
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of oilfield chemicals, and
  - Provision of drilling equipment and services and other oilfield products and technical services.
- Integrated Corrosion Solution ("ICS") – Mainly consists of:-
  - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for reporting segment in 2015.

The P&M and OS segments are being managed by four different operating segments within the Group. These operating segments are aggregated to form a reportable segment due to the similar nature and economic characteristics of the products and services.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

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## 4 SEGMENTAL REPORTING (CONTINUED)

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

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

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

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

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
<b>Financial year ended 31 December 2015</b>				
<b>SEGMENT REVENUE</b>				
External revenue	465,939,018	137,941,432	45,243,477	649,123,927
Other non-reportable segment				273,600
				<u>649,397,527</u>
<b>SEGMENT RESULTS</b>				
Segment operating profit	63,810,985	8,292,322	961,936	73,065,243
Other non-reportable segment				13,200
				<u>73,078,443</u>
Profit from operations				73,078,443
Unallocated income				95,444
Unallocated corporate expenses				(8,438,858)
Share of results of a joint venture, net of tax				774,888
Share of results of associates, net of tax				5,642,114
Profit before tax				<u>71,152,031</u>
Tax expense				(16,653,413)
Profit from continuing operations				<u>54,498,618</u>
Profit from discontinued operation (net of tax)				1,040,712
Profit for the year				<u>55,539,330</u>



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
<b>Financial year ended 31 December 2015</b>				
Other information:				
Depreciation and amortisation	1,718,903	23,800,962	1,584,778	27,104,643
Other material non-cash items				
Impairment for doubtful debts	43,144	60,552	532,577	636,273
Write back of impairment for doubtful debts	(23,700)	0	(277,227)	(300,927)
Allowance for slow moving inventories	219,760	0	0	219,760
Reversal of allowance for slow moving inventories	(49,364)	0	0	(49,364)
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(158,474,322)	(52,913,233)	(32,620,425)	(244,007,980)
- Customer B	(51,715,913)	(39,263,308)	0	(90,979,221)
- Customer C	(79,975,180)	(1,736,676)	0	(81,711,856)
- Customer D	(12,577,881)	(16,009,319)	0	(28,587,200)
Segment assets	253,817,625	280,930,838	33,038,873	567,787,336
Unallocated corporate assets				104,980,701
Total assets				672,768,037
Segment liabilities	142,812,999	155,911,521	20,736,696	319,461,216
Unallocated corporate liabilities				34,317,353
Total liabilities				353,778,569

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery	Oilfield services	Integrated corrosion solution	Group
	Restated		Restated	
	RM	RM	RM	RM
<b>Financial year ended 31 December 2014</b>				
<b>SEGMENT REVENUE</b>				
External revenue	493,066,510	146,472,807	17,733,729	657,273,046
<b>SEGMENT RESULTS</b>				
Segment operating profit/(loss)	64,611,724	28,300,787	(2,028,156)	90,884,355
Profit from operations				90,884,355
Unallocated income				175,003
Unallocated corporate expenses				(12,793,150)
Share of results of associates, net of tax				13,727,331
Profit before tax				91,993,539
Tax expense				(21,359,076)
Profit from continuing operations				70,634,463
Profit from discontinued operation (net of tax)				16,758
Profit for the year				70,651,221

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery	Oilfield services	Integrated corrosion solution	Group
	Restated		Restated	
	RM	RM	RM	RM
<b>Financial year ended 31 December 2014</b>				
Other information:				
Depreciation and amortisation	1,342,015	14,926,259	1,004,852	17,273,126
Other material non-cash items				
Impairment for doubtful debts	359,737	0	568,909	928,646
Write back of impairment for doubtful debts	(306,143)	0	(190,660)	(496,803)
Allowance for slow moving inventories	147,038	0	0	147,038
Reversal of allowance for slow moving inventories	(92,440)	0	0	(92,440)
Provision for liquidated damages	151,465	0	0	151,465
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(198,133,630)	(61,599,434)	0	(259,733,064)
- Customer B	(68,894,314)	(2,100,858)	0	(70,995,172)
- Customer C	(19,661,275)	(48,010,610)	0	(67,671,885)
- Customer D	(23,621,262)	0	0	(23,621,262)

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

	Power and machinery	Oilfield services	Maintenance, repair and overhaul	Group
	Restated		Restated	
	RM	RM	RM	RM
<b>Financial year ended 31 December 2014</b>				
Segment assets	250,273,971	303,991,217	14,098,195	568,363,383
Unallocated corporate assets				74,506,237
Assets classified as held for sale				27,266,013
Total assets				670,135,633
Segment liabilities	135,619,736	201,573,198	5,001,412	342,194,346
Unallocated corporate liabilities				21,032,671
Liabilities classified as held for sale				1,984,939
Total liabilities				365,211,956

(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.

## 5 REVENUE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Sale of equipment	<b>195,563,139</b>	182,013,636	<b>0</b>	0
Rendering of services	<b>444,160,673</b>	459,937,867	<b>0</b>	0
Marketing fee	<b>9,400,115</b>	15,321,543	<b>0</b>	0
Dividend income	<b>0</b>	0	<b>29,316,655</b>	41,154,205
Management fee	<b>273,600</b>	0	<b>13,472,900</b>	13,907,600
	<b>649,397,527</b>	657,273,046	<b>42,789,555</b>	55,061,805

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 6 PROFIT BEFORE TAX

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
The following items have been charged/(credited) in arriving at profit before tax:				
Purchase of products, parts and consumables	<b>301,418,712</b>	296,369,829	<b>0</b>	0
Cost of services purchased	<b>97,625,616</b>	113,911,994	<b>0</b>	0
Inter-company interest income	<b>0</b>	0	<b>(96,800)</b>	(96,800)
Impairment for doubtful debts:				
- Trade receivables				
- impairment made	<b>636,273</b>	928,646	<b>0</b>	0
- write back of impairment	<b>(300,927)</b>	(496,803)	<b>0</b>	0
- Other receivables				
- write back of impairment	<b>(1,500,000)</b>	0	<b>(1,500,000)</b>	0
Amortisation of intangible assets	<b>903,933</b>	690,880	<b>41,540</b>	28,244
Depreciation:				
- property, plant and equipment	<b>28,879,528</b>	21,152,040	<b>829,370</b>	692,167
- investment properties	<b>22,886</b>	23,576	<b>0</b>	0
Fees to PricewaterhouseCoopers Malaysia:				
- statutory audit services				
- current year	<b>349,920</b>	374,920	<b>118,490</b>	121,100
- under provision in prior year	<b>0</b>	5,270	<b>0</b>	0
- audit related services	<b>142,850</b>	142,930	<b>142,850</b>	142,930
- non-audit related services	<b>184,800</b>	331,331	<b>20,300</b>	51,350
Statutory audit fees to other auditors				
- current year	<b>76,043</b>	64,300	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>(161,840)</b>	(16,670)	<b>0</b>	0

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 6 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	Restated RM
The following items have been charged/(credited) in arriving at profit before tax (continued):				
Impairment loss on investment in subsidiaries	0	0	1,400,000	8,000,000
Loss/(gain) on foreign exchange:				
- realised	2,234,325	(414,172)	58,458	(3,639)
- unrealised	(5,560,322)	(3,121,441)	0	0
Allowance for slow moving inventories	219,760	147,038	0	0
Reversal of allowance for slow moving inventories	(49,364)	(92,440)	0	0
Write off:				
- property, plant and equipment	242,970	55,210	1,784	1,060
- trade receivables	114,394	0	0	0
- other receivables	102,334	0	0	0
Provision for liquidated damages	1,535	151,465	0	0
Interest income	(1,163,901)	(1,156,804)	(1,621,879)	(904,496)
Rental income	(524,538)	(647,391)	0	0
Rental expense:				
- business premises	3,596,231	3,071,617	0	0
- equipment	22,330,481	6,932,382	0	0
Staff cost (including executive directors' remuneration as disclosed in Note 7)				
- Wages, salaries and others	76,962,144	75,190,712	11,626,697	11,471,165
- Retirement gratuity	100,000	0	0	0
- Defined contribution plan	7,010,553	8,006,138	1,090,180	1,277,259

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 7 DIRECTORS' REMUNERATION

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

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Executive Directors:				
- salaries and bonuses	1,665,000	2,255,000	1,595,000	1,590,000
- defined contribution plan	253,880	372,834	239,250	238,500
- retirement gratuity	100,000	0	0	0
- other emoluments	11,417	66,183	4,314	23,563
- estimated monetary value of benefits-in-kind	31,150	31,150	31,150	31,150
Non-executive Directors:				
- fees	962,000	930,000	962,000	930,000
- other emoluments	102,736	144,642	102,736	144,642
- estimated monetary value of benefits-in-kind	70,400	70,400	70,400	70,400
	<b>3,196,583</b>	3,870,209	<b>3,004,850</b>	3,028,255

## 8 FINANCE COST

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	Restated RM
Interest on revolving credit facility	1,700,142	768,590	1,555,537	768,590
Interest on term loans	5,730,355	3,193,374	0	0
Interest on finance lease	2,639	4,328	0	0
Amortisation cost on financial liabilities	0	8,513	0	0
	<b>7,433,136</b>	3,974,805	<b>1,555,537</b>	768,590

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 9 TAX EXPENSE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Income tax expense on continuing operations				
Current tax:				
- Malaysian tax	17,346,326	13,339,207	0	0
(Over)/Under provision in prior years:				
- Malaysian tax	(778)	(7,898)	0	23,928
Deferred tax (Note 27):				
- Origination and reversal of temporary differences	(692,135)	8,027,767	(859,211)	(31,384)
	<b>16,653,413</b>	21,359,076	<b>(859,211)</b>	(7,456)

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 2014 and 2015 has reflected this change.

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

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
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	1	2	3	10
- joint venture and associates results reported net of tax	(3)	(4)	0	0
- income not subject to tax	0	0	(32)	(35)
Effective tax rate	<b>23</b>	23	<b>(4)</b>	0



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 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.

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Profit from continuing operations attributable to equity holders of the Company	<b>44,367,089</b>	59,307,431
Profit from discontinued operation attributable to equity holders of the Company	<b>1,040,712</b>	16,758
Profit for the financial year attributable to equity holders of the Company	<b>45,407,801</b>	59,324,189
Number of ordinary shares at the beginning of the year	<b>400,000,000</b>	150,000,000
Effect of bonus issue	<b>0</b>	50,000,000
Effect of share split	<b>0</b>	200,000,000
Adjusted weighted average number of ordinary shares	<b>400,000,000</b>	400,000,000
Basic earnings per share (sen)		
- From continuing operations	<b>11.09</b>	14.83
- From discontinued operation	<b>0.26</b>	0.00
	<b>11.35</b>	14.83

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 10 EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

Diluted earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year after adjustments for the effects of all dilutive potential ordinary shares.

	<b>2015</b>	<b>Group</b>
	<b>RM</b>	<b>2014</b>
		<b>RM</b>
Profit from continuing operations attributable to equity holders of the Company	<b>44,367,089</b>	59,307,431
Profit from discontinued operation attributable to equity holders of the Company	<b>1,040,712</b>	16,758
Profit for the financial year attributable to equity holders of the Company	<b>45,407,801</b>	59,324,189
Adjusted weighted average number of ordinary shares as per basic earnings per share	<b>400,000,000</b>	400,000,000
Effect of potential vesting of LTIP	<b>2,002,555</b>	2,002,555
Adjusted weighted average number of ordinary shares	<b>402,002,555</b>	402,002,555
Diluted earnings per share (sen)		
- From continuing operations	<b>11.04</b>	14.76
- From discontinued operation	<b>0.26</b>	0.00
	<b>11.30</b>	14.76

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 11 DIVIDENDS

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

	2015		2014	
	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 2013</u>				
Second interim single tier dividend, on 150,000,000 ordinary shares, paid on 26 March 2014	0	0	11.0	16,500,000
<u>In respect of the financial year ended 31 December 2014</u>				
First interim single tier dividend, on 400,000,000 ordinary shares, paid on 25 September 2014	0	0	2.5	10,000,000
Second interim single tier dividend, on 400,000,000 ordinary shares, paid on 26 March 2015	5.0	20,000,000	0	0
<u>In respect of the financial year ended 31 December 2015</u>				
First interim single tier dividend, on 400,000,000 ordinary shares, paid on 25 September 2015	2.0	8,000,000	0	0
		<b>28,000,000</b>		<b>26,500,000</b>

The Directors had on 23 February 2016 declared a second interim single tier dividend of 3.5 sen per share of RM0.50 each in respect of the financial year ended 31 December 2015, totaling RM14,000,000, payable on 25 March 2016.

Total dividend for the financial year ended 31 December 2015 is 5.5 sen (2014: 7.5 sen) based on ordinary shares of 400,000,000 (2014: 400,000,000).

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2015.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold building	Long term leasehold land	Long term leasehold buildings	Office equipment, furniture & fittings and renovations	Plant, machinery and other equipment	Motor vehicles	Assets under construction	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>									
<u>Year ended 31 December 2015</u>									
<u>Net book value</u>									
At 1 January 2015	0	0	3,466,913	4,016,176	6,615,854	169,713,610	1,989,991	43,920,585	229,723,129
Additions	0	0	0	0	2,868,976	8,863,502	83,500	14,240,843	26,056,821
Written off	0	0	0	0	(35,873)	(207,097)	0	0	(242,970)
Transfer	0	0	0	0	4,418,710	53,608,964	0	(58,027,674)	0
Disposals	0	0	0	0	0	(39,257)	(295,169)	0	(334,426)
Depreciation charge	0	0	(87,758)	(180,906)	(2,904,449)	(24,306,093)	(936,878)	0	(28,416,084)
At 31 December 2015	0	0	3,379,155	3,835,270	10,963,218	207,633,629	841,444	133,754	226,786,470
<u>At 31 December 2015</u>									
Cost	0	0	4,387,284	6,152,947	29,277,063	293,262,912	4,385,557	133,754	337,599,517
Accumulated depreciation	0	0	(1,008,129)	(2,317,677)	(18,313,845)	(85,629,283)	(3,544,113)	0	(110,813,047)
Net book value	0	0	3,379,155	3,835,270	10,963,218	207,633,629	841,444	133,754	226,786,470
<u>At 31 December 2014</u>									
Cost	0	0	4,387,284	6,152,947	21,831,047	231,570,185	5,377,926	43,920,585	313,239,974
Accumulated depreciation	0	0	(920,371)	(2,136,771)	(15,215,193)	(61,856,575)	(3,387,935)	0	(83,516,845)
Net book value	0	0	3,466,913	4,016,176	6,615,854	169,713,610	1,989,991	43,920,585	229,723,129

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
<b>Group</b>									
<u>Year ended 31</u>									
<u>December 2014</u>									
<u>Net book value</u>									
At 1 January 2014	1,040,000	8,271,145	3,554,671	4,197,082	8,693,831	79,554,293	2,667,852	24,779,474	132,758,348
Additions	0	0	0	0	2,827,721	52,446,665	339,850	81,866,445	137,480,681
Written off	0	0	0	0	(21,462)	(33,748)	0	0	(55,210)
Transfer	0	0	0	0	742,894	61,982,440	0	(62,725,334)	0
Disposals	0	0	0	0	(434)	(1,200)	0	0	(1,634)
Depreciation charge	0	(183,625)	(87,758)	(180,906)	(2,695,991)	(16,986,049)	(1,017,711)	0	(21,152,040)
Transfer to assets held for sale (Note 37)	(1,040,000)	(8,087,520)	0	0	(2,930,705)	(7,248,791)	0	0	(19,307,016)
At 31 December 2014	0	0	3,466,913	4,016,176	6,615,854	169,713,610	1,989,991	43,920,585	229,723,129
<u>At 31 December 2014</u>									
Cost	0	0	4,387,284	6,152,947	21,831,047	231,570,185	5,377,926	43,920,585	313,239,974
Accumulated depreciation	0	0	(920,371)	(2,136,771)	(15,215,193)	(61,856,575)	(3,387,935)	0	(83,516,845)
Net book value	0	0	3,466,913	4,016,176	6,615,854	169,713,610	1,989,991	43,920,585	229,723,129
<u>At 31 December 2013</u>									
Cost	1,040,000	9,240,008	4,387,284	6,152,947	28,243,972	133,249,801	5,133,692	24,779,474	212,227,178
Accumulated depreciation	0	(968,863)	(832,613)	(1,955,865)	(19,550,141)	(53,695,508)	(2,465,840)	0	(79,468,830)
Net book value	1,040,000	8,271,145	3,554,671	4,197,082	8,693,831	79,554,293	2,667,852	24,779,474	132,758,348

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
<b>Company</b>						
<u>Year ended 31 December 2015</u>						
<u>Net book value</u>						
At 1 January 2015	2,155,338	1,126,170	503,911	546,652	0	4,332,071
Additions	0	0	298,310	0	0	298,310
Written off	0	0	(1,784)	0	0	(1,784)
Depreciation charge	(48,892)	(26,190)	(308,771)	(445,517)	0	(829,370)
At 31 December 2015	2,106,446	1,099,980	491,666	101,135	0	3,799,227
<u>At 31 December 2015</u>						
Cost	2,444,000	1,309,500	5,352,061	2,227,587	0	11,333,148
Accumulated depreciation	(337,554)	(209,520)	(4,860,395)	(2,126,452)	0	(7,533,921)
Net book value	2,106,446	1,099,980	491,666	101,135	0	3,799,227
<u>At 31 December 2014</u>						
Cost	2,444,000	1,309,500	5,068,730	2,227,587	0	11,049,817
Accumulated depreciation	(288,662)	(183,330)	(4,564,819)	(1,680,935)	0	(6,717,746)
Net book value	2,155,338	1,126,170	503,911	546,652	0	4,332,071

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
<b>Company</b>						
<u>Year ended 31 December 2014</u>						
<u>Net book value</u>						
At 1 January 2014	2,204,230	1,152,360	293,051	992,169	13,754	4,655,564
Additions	0	0	369,734	0	0	369,734
Transfer	0	0	13,754	0	(13,754)	0
Written off	0	0	(1,060)	0	0	(1,060)
Depreciation charge	(48,892)	(26,190)	(171,568)	(445,517)	0	(692,167)
At 31 December 2014	2,155,338	1,126,170	503,911	546,652	0	4,332,071
<u>At 31 December 2014</u>						
Cost	2,444,000	1,309,500	5,068,730	2,227,587	0	11,049,817
Accumulated depreciation	(288,662)	(183,330)	(4,564,819)	(1,680,935)	0	(6,717,746)
Net book value	2,155,338	1,126,170	503,911	546,652	0	4,332,071
<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	2,204,230	1,152,360	293,051	992,169	13,754	4,655,564

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Net book value of property, plant and equipment of the Group pledged as security:		
- freehold land	<b>0</b>	1,040,000
- freehold building	<b>0</b>	8,087,520
- long term leasehold land	<b>1,272,711</b>	1,311,577
- long term leasehold buildings	<b>1,563,875</b>	1,687,610
- office equipment, furniture & fittings and renovations	<b>2,168,481</b>	1,648,503
- plant, machinery and other equipment	<b>195,084,495</b>	159,867,211
- motor vehicles	<b>279,398</b>	449,671
- assets under construction	<b>0</b>	40,912,522
	<b>200,368,960</b>	215,004,614
Classified under assets held for sale	<b>0</b>	(9,509,476)
	<b>200,368,960</b>	205,495,138

The property, plant and equipment above have been pledged as security for borrowings as disclosed in Note 24 and the unutilised banking facilities as at financial year end.

The net book value of motor vehicles acquired under hire purchase arrangement amounted to RM49,650 (2014: RM83,922).

In the previous financial year, the Group acquired plant and equipment amounting to RM137,480,681 of which RM5,885,756 had been paid upfront in the previous financial year.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 13 INVESTMENT PROPERTIES

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<u>Net book value</u>		
At 1 January	<b>888,036</b>	911,612
Depreciation charge	<b>(22,886)</b>	(23,576)
At 31 December	<b>865,150</b>	888,036
Cost	<b>1,178,764</b>	1,178,764
Accumulated depreciation	<b>(282,151)</b>	(259,265)
Accumulated impairment loss	<b>(31,463)</b>	(31,463)
	<b>865,150</b>	888,036
Fair value of investment properties	<b>1,156,875</b>	1,079,750

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Rental income	<b>85,152</b>	85,152

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

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

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

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

<b>Description</b>	<b>Valuation technique</b>	<b>Unobservable input</b>	<b>Unobservable input</b>	<b>Relationships of unobservable inputs to fair value</b>
Office lot – Mutiara Bangsar	Sales comparison approach	Price per square metre	RM375	The higher the price per square metre, the higher fair value

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 14 INTANGIBLE ASSETS

	Goodwill	Contracts	Software costs	Software costs for assets in progress	Total
	RM	RM	RM	RM	RM
<b>Group</b>					
<u>2015</u>					
At 1 January	108,997	860,420	1,285,595	979,851	3,234,863
Additions	0	0	0	822,958	822,958
Transfer	0	0	1,021,932	(1,021,932)	0
Re-charge to a joint venture	0	0	0	(70,564)	(70,564)
Amortisation	0	(430,210)	(465,600)	0	(895,810)
At 31 December	108,997	430,210	1,841,927	710,313	3,091,447
Cost	108,997	3,953,810	2,546,286	710,313	7,319,406
Accumulated Amortisation	0	(3,523,600)	(704,359)	0	(4,227,959)
At 31 December	108,997	430,210	1,841,927	710,313	3,091,447
<u>2014</u>					
At 1 January	108,997	1,290,630	137,381	1,428,235	2,965,243
Additions	0	0	198,564	909,601	1,108,165
Transfer	0	0	1,345,815	(1,345,815)	0
Amortisation	0	(430,210)	(260,670)	0	(690,880)
Transfer to assets held for sale (Note 38)	0	0	(135,495)	(12,170)	(147,665)
At 31 December	108,997	860,420	1,285,595	979,851	3,234,863
Cost	108,997	3,953,810	1,524,354	979,851	6,567,012
Accumulated amortisation	0	(3,093,390)	(238,759)	0	(3,332,149)
At 31 December	108,997	860,420	1,285,595	979,851	3,234,863

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 14 INTANGIBLE ASSETS (CONTINUED)

	Software costs RM	Software costs for assets in progress RM	Total RM
<b>Company</b>			
<u>2015</u>			
At 1 January	116,966	67,999	184,965
Additions	0	822,958	822,958
Transfer	99,333	(99,333)	0
Re-charge to subsidiaries	0	(684,029)	(684,029)
Re-charge to a joint venture	0	(70,564)	(70,564)
Amortisation	(41,540)	0	(41,540)
At 31 December	<u>174,759</u>	<u>37,031</u>	<u>211,790</u>
Cost	244,543	37,031	281,574
Accumulated amortisation	(69,784)	0	(69,784)
	<u>174,759</u>	<u>37,031</u>	<u>211,790</u>
<u>2014</u>			
At 1 January	0	271,333	271,333
Additions	0	909,601	909,601
Transfer	271,930	(271,930)	0
Re-charge to subsidiaries	(126,720)	(841,005)	(967,725)
Amortisation	(28,244)	0	(28,244)
At 31 December	<u>116,966</u>	<u>67,999</u>	<u>184,965</u>
Cost	145,210	67,999	213,209
Accumulated amortisation	(28,244)	0	(28,244)
	<u>116,966</u>	<u>67,999</u>	<u>184,965</u>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 15 SUBSIDIARIES

	Company	
	2015 RM	2014 RM
Unquoted shares at cost	144,495,308	173,740,455
Less: Impairment loss	(9,400,000)	(8,000,000)
	<b>135,095,308</b>	165,740,455

During the financial year, the Company increased its investment in its subsidiaries by RM130,790 through grant of shares to selected eligible employees of subsidiaries in the Group under the LTIP.

Details of subsidiaries, the Company's effective interest, principal activities and place of business/country of incorporation are set out in Note 33 to the financial statements.

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

	Penaga Dresser Sdn. Bhd.	Delcom Utilities (Cambodia) Limited	Turboservices Sdn. Bhd.	Other individually immaterial subsidiaries	Total
<b>In RM</b>					
<b>Year ended 31 December 2015</b>					
NCI percentage of ownership interest and voting interest	49%	40%	26%		
Carrying amount of NCI	14,350,242	5,521,475	4,267,813	2,122,983	26,262,513
<b>Year ended 31 December 2014</b>					
NCI percentage of ownership interest and voting interest	49%	40%	26%		
Carrying amount of NCI	15,047,627	5,660,525	4,357,526	5,063,887	30,129,565

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 15 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material NCI

Summarised statements of comprehensive income

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Revenue	<b>66,086,003</b>	52,294,207	<b>1,197,781</b>	13,974,747	<b>380,797,651</b>	406,118,749
Profit before tax	<b>21,587,586</b>	18,847,082	<b>1,179,763</b>	13,973,231	<b>370,410</b>	3,510,014
Tax expense	<b>(5,510,823)</b>	(4,767,501)	<b>0</b>	0	<b>514,364</b>	(820,113)
Profit for the year	<b>16,076,763</b>	14,079,581	<b>1,179,763</b>	13,973,231	<b>884,774</b>	2,689,901
Other comprehensive income						
Currency translation differences	<b>0</b>	0	<b>732,523</b>	248,472	<b>0</b>	0
Total comprehensive income for the financial year	<b>16,076,763</b>	14,079,581	<b>1,912,286</b>	14,221,703	<b>884,774</b>	2,689,901
Total comprehensive income allocated to NCI	<b>7,877,614</b>	6,898,995	<b>764,914</b>	5,688,681	<b>230,041</b>	699,374
Dividends paid to NCI	<b>8,575,000</b>	2,940,000	<b>1,817,854</b>	7,180,648	<b>310,960</b>	0

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of financial position

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.	
	As at 31 December		As at 31 December		As at 31 December	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
<u>Current</u>						
Assets	<b>45,866,171</b>	37,759,131	<b>4,503,935</b>	1,506,912	<b>169,809,188</b>	163,420,947
Liabilities	<b>(18,765,555)</b>	(8,991,579)	<b>(7,812,128)</b>	(1,212,124)	<b>(156,886,170)</b>	(148,439,618)
Total current net assets/(liabilities)	<b>27,100,616</b>	28,767,552	<b>(3,308,193)</b>	294,788	<b>12,923,018</b>	14,981,329
<u>Non-current</u>						
Assets	<b>2,218,595</b>	1,978,621	<b>5,187,780</b>	4,217,148	<b>3,491,655</b>	1,778,388
Liabilities	<b>(11,042)</b>	(36,727)	<b>0</b>	0	<b>0</b>	0
Total non-current net assets	<b>2,207,553</b>	1,941,894	<b>5,187,780</b>	4,217,148	<b>3,491,655</b>	1,778,388
Net assets	<b>29,308,169</b>	30,709,446	<b>1,879,587</b>	4,511,936	<b>16,414,673</b>	16,759,717

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of cash flows

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Cash flows from operating activities						
Cash generated from/(used in) operations	<b>17,325,796</b>	21,655,019	<b>183,323</b>	(449,698)	<b>41,650,639</b>	3,447,962
Tax paid	<b>(5,014,409)</b>	(4,371,493)	<b>0</b>	0	<b>(556,250)</b>	(1,537,875)
Interest (paid)/received	<b>(2,639)</b>	(4,328)	<b>0</b>	0	<b>517,099</b>	331,565
Net cash generated from/(used in) operating activities	<b>12,308,748</b>	17,279,198	<b>183,323</b>	(449,698)	<b>41,611,488</b>	2,241,652
Net cash (used in)/generated from investing activities	<b>(583,877)</b>	(314,184)	<b>1,197,781</b>	13,974,747	<b>(1,219,377)</b>	(130,370)
Net cash (used in)/generated from financing activities	<b>(17,534,573)</b>	(6,032,884)	<b>2,972,489</b>	(17,951,621)	<b>1,380,727</b>	(1,275,546)
Net (decrease)/increase in cash and bank balances	<b>(5,809,702)</b>	10,932,130	<b>4,353,593</b>	(4,426,572)	<b>41,772,838</b>	835,736
Foreign currency translation	<b>0</b>	170,790	<b>(238,110)</b>	900	<b>3,722,509</b>	474,629
Cash and bank balances at beginning of the financial year	<b>24,503,139</b>	13,400,219	<b>314,922</b>	4,740,594	<b>11,258,925</b>	9,948,560
Cash and bank balances at end of the financial year	<b>18,693,437</b>	24,503,139	<b>4,430,405</b>	314,922	<b>56,754,272</b>	11,258,925

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 16 JOINT VENTURE

	<b>Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	<b>29,375,937</b>	0
	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Group's share of net assets of joint venture	<b>27,022,189</b>	0

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

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

Summarised statement of comprehensive income

	<b>TOSB</b>	
	<b>For the financial year ended</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Revenue	<b>3,929,150</b>	0
Depreciation	<b>(1,660,618)</b>	0
Interest expense	<b>(70,568)</b>	0
Interest income	<b>91,794</b>	0
Profit before tax	<b>1,319,283</b>	0
Tax expense	<b>(357,286)</b>	0
Profit for the year/Total comprehensive income for the financial year	<b>961,997</b>	0
Interest in joint venture (80.55%)		
Share of results	<b>774,888</b>	0



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 16 JOINT VENTURE (CONTINUED)

Summarised statement of financial position

	<b>TOSB</b>	
	<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<u>Current</u>		
Cash and bank balances	5,204,464	0
Other current assets (excluding cash)	5,076,029	0
Total current assets	<u>10,280,493</u>	<u>0</u>
Financial liabilities (excluding trade payables)	(1,570,424)	0
Other current liabilities (including trade payables)	(272,870)	0
Total current liabilities	<u>(1,843,294)</u>	<u>0</u>
<u>Non-current</u>		
Assets	<u>25,288,629</u>	<u>0</u>
Financial liabilities	(379,669)	0
Other liabilities	(263,749)	0
Total non-current liabilities	<u>(643,418)</u>	<u>0</u>
Net assets	<u>33,082,410</u>	<u>0</u>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 16 JOINT VENTURE (CONTINUED)

Reconciliation of summarised financial information

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

	2015 RM	TOSB 2014 RM
Opening net assets		
1 January	0	0
Investment during the year	26,247,301	0
Profit for the year	774,888	0
Closing net assets	27,022,189	0
Interest in joint venture (80.55%)	27,022,189	0
Carrying value	27,022,189	0

## 17 ASSOCIATES

	2015 RM	Group 2014 RM
Group's share of net assets of associates	44,750,474	40,644,930

In the opinion of the Directors, Malaysian Mud and Chemicals Sdn. Bhd. ("MMC") and Cambodia Utilities Pte Ltd ("CUPL") are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship and place of business/country of incorporation are set out in Note 33 to the financial statements. The associates have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

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

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

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired in May 2015. Upon its expiration, the Group will continue to equity account for the results of CUPL until it ceases to be an associate. The share of results from this associate and its contribution to the profit attributable to the shareholders of the Company in the financial year ended 31 December 2015 amounted to RM2,221,293 (2014: RM6,946,848) and RM1,332,776 (2014: RM4,168,109) respectively.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 17 ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income

	MMC		CUPL		Total	
	For the financial year ended		For the financial year ended		For the financial year ended	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Revenue	<b>51,123,087</b>	73,845,734	<b>27,412,722</b>	76,078,281	<b>78,535,809</b>	149,924,015
Depreciation	<b>(17,874,115)</b>	(16,522,400)	<b>(159,126)</b>	(159,639)	<b>(18,033,241)</b>	(16,682,039)
Interest expense	<b>(838,654)</b>	(1,114,525)	<b>(5,707)</b>	(13,362)	<b>(844,361)</b>	(1,127,887)
Interest income	<b>0</b>	0	<b>125,571</b>	772,379	<b>125,571</b>	772,379
Profit before tax	<b>14,030,965</b>	28,398,732	<b>12,683,405</b>	38,169,495	<b>26,714,370</b>	66,568,227
Tax expense	<b>(3,340,898)</b>	(7,209,722)	<b>(1,576,941)</b>	(3,435,254)	<b>(4,917,839)</b>	(10,644,976)
Profit for the year	<b>10,690,067</b>	21,189,010	<b>11,106,464</b>	34,734,241	<b>21,796,531</b>	55,923,251
Other comprehensive income						
Currency translation differences	<b>0</b>	0	<b>1,259,303</b>	274,926	<b>1,259,303</b>	274,926
Total comprehensive income for the financial year	<b>10,690,067</b>	21,189,010	<b>12,365,767</b>	35,009,167	<b>23,055,834</b>	56,198,177
Interest in associates (32%; 20%) Share of results	<b>3,420,821</b>	6,780,483	<b>2,221,293</b>	6,946,848	<b>5,642,114</b>	13,727,331
Dividends received from associate	<b>3,200,000</b>	1,708,160	<b>2,328,092</b>	12,847,819	<b>5,528,092</b>	14,555,979

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 17 ASSOCIATES (CONTINUED)

Summarised statements of financial position

	MMC		CUPL		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
<u>Current</u>						
Cash and bank balances	<b>3,551,820</b>	4,602,369	<b>6,797,628</b>	20,844,457	<b>10,349,448</b>	25,446,826
Other current assets (excluding cash)	<b>45,292,031</b>	52,992,781	<b>37,895,861</b>	14,397,011	<b>83,187,892</b>	67,389,792
Total current assets	<b>48,843,851</b>	57,595,150	<b>44,693,489</b>	35,241,468	<b>93,537,340</b>	92,836,618
Financial liabilities (excluding trade payables)	<b>(11,441,440)</b>	(9,707,729)	<b>(3,029,976)</b>	(3,191,827)	<b>(14,471,416)</b>	(12,899,556)
Other current liabilities (including trade payables)	<b>(9,608,113)</b>	(30,134,851)	<b>(4,843,016)</b>	(7,756,594)	<b>(14,451,129)</b>	(37,891,445)
Total current liabilities	<b>(21,049,553)</b>	(39,842,580)	<b>(7,872,992)</b>	(10,948,421)	<b>(28,922,545)</b>	(50,791,001)
<u>Non-current</u>						
Assets	<b>101,121,776</b>	113,685,279	<b>0</b>	1,226,831	<b>101,121,776</b>	114,912,110
Financial liabilities	<b>0</b>	(7,850,000)	<b>0</b>	(122,995)	<b>0</b>	(7,972,995)
Other liabilities	<b>(12,083,651)</b>	(12,445,493)	<b>0</b>	0	<b>(12,083,651)</b>	(12,445,493)
Total non-current liabilities	<b>(12,083,651)</b>	(20,295,493)	<b>0</b>	(122,995)	<b>(12,083,651)</b>	(20,418,488)
Net assets	<b>116,832,423</b>	111,142,356	<b>36,820,497</b>	25,396,883	<b>153,652,920</b>	136,539,239

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 17 ASSOCIATES (CONTINUED)

Reconciliation of summarised financial information

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

	MMC		CUPL		Total	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Opening net assets						
1 January	<b>111,142,356</b>	99,953,346	<b>25,396,883</b>	59,188,200	<b>136,539,239</b>	159,141,546
Profit for the year	<b>10,690,067</b>	21,189,010	<b>11,106,465</b>	34,734,241	<b>21,796,532</b>	55,923,251
Other comprehensive income	<b>0</b>	0	<b>1,259,303</b>	274,926	<b>1,259,303</b>	274,926
Foreign exchange differences	<b>0</b>	0	<b>5,037,214</b>	1,099,704	<b>5,037,214</b>	1,099,704
Dividends	<b>(5,000,000)</b>	(10,000,000)	<b>(5,979,368)</b>	(69,900,188)	<b>(10,979,368)</b>	(79,900,188)
Closing net assets	<b>116,832,423</b>	111,142,356	<b>36,820,497</b>	25,396,883	<b>153,652,920</b>	136,539,239
Interest in associates (32%; 20%)	<b>37,386,375</b>	35,565,554	<b>7,364,099</b>	5,079,376	<b>44,750,474</b>	40,644,930
Carrying value	<b>37,386,375</b>	35,565,554	<b>7,364,099</b>	5,079,376	<b>44,750,474</b>	40,644,930

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2015 RM	2014 RM
Amounts due from subsidiaries	<b>97,848,456</b>	85,627,754
Amounts due to subsidiaries	<b>(22,461,856)</b>	(15,667,841)

Included in amounts due from subsidiaries are amounts due from a subsidiary amounting to RM2,200,000 (2014: RM2,200,000) in relation to finance the purchase of equipment. These amounts are unsecured, charged interest at 4.4% per annum (2014: 4.4% per annum) and are repayable on demand.

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 19 INVENTORIES

	Group	
	2015 RM	2014 RM
At cost:		
Raw materials	1,308,727	1,214,942
Finished goods	19,614,862	27,400,190
	<b>20,923,589</b>	28,615,132
Less: Allowance for slow moving inventories	(679,009)	(459,249)
Add: Reversal of allowance for slow moving inventories	195,834	146,470
	<b>20,440,414</b>	28,302,353

## 20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Retention sum	2,239,307	69,564	0	0
Accrued revenue	69,630,014	96,385,269	0	0
Trade receivables	105,814,903	132,134,526	0	0
	<b>177,684,224</b>	228,589,359	0	0
Less: Impairment for doubtful debts	(2,217,364)	(1,922,108)	0	0
Trade receivables, net	<b>175,466,860</b>	226,667,251	0	0
Other receivables	13,838,662	15,868,714	3,946,946	3,817,056
Less: Impairment for doubtful debts	(2,300,000)	(3,800,000)	(2,300,000)	(3,800,000)
	<b>11,538,662</b>	12,068,714	1,646,946	17,056
Deposits	1,696,786	1,260,096	87,250	31,447
Prepayments	5,415,831	4,364,534	762,749	577,538
	<b>18,651,279</b>	17,693,344	2,496,945	626,041
	<b>194,118,139</b>	244,360,595	2,496,945	626,041

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency profile of trade receivables is as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
- Ringgit Malaysia	<b>84,273,233</b>	68,570,650
- US Dollar	<b>91,193,627</b>	158,096,601
	<b>175,466,860</b>	226,667,251

Credit terms of trade receivables range from 30 to 60 days (2014: 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.

71% of the Group's trade receivables as at 31 December 2015 (2014: 62%) relates to 6 (2014: 6) main customers while the remaining balance is spread over a large number of customers. The major customers are primarily players in the oil and gas industry.

### Ageing Analysis of trade receivables

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	<b>155,369,621</b>	194,504,538
1 to 30 days past due not impaired	<b>10,985,840</b>	13,126,631
31 to 60 days past due not impaired	<b>2,663,727</b>	8,532,427
61 to 90 days past due not impaired	<b>2,232,569</b>	3,731,557
91 to 120 days past due not impaired	<b>3,278,442</b>	5,917,020
More than 121 days past due not impaired	<b>936,661</b>	855,078
Past due and impaired:		
61 to 90 days past due and impaired	<b>60,552</b>	0
More than 121 days	<b>2,156,812</b>	1,922,108
	<b>177,684,224</b>	228,589,359
Less: Impairment for doubtful debts	<b>(2,217,364)</b>	(1,922,108)
	<b>175,466,860</b>	226,667,251

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

### 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 RM20,097,239 (2014: RM32,162,713) 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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<u>Trade receivables</u>		
At 1 January	<b>1,922,108</b>	1,490,265
Impairment made during the year	<b>636,273</b>	928,646
Written off during the year	<b>(40,090)</b>	0
Reversal of impairment losses	<b>(300,927)</b>	(496,803)
At 31 December	<b>2,217,364</b>	1,922,108
<u>Other receivables</u>		
At 1 January	<b>3,800,000</b>	3,800,000
Reversal of impairment losses	<b>(1,500,000)</b>	0
At 31 December	<b>2,300,000</b>	3,800,000

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.

In the previous financial year, the trade receivables of subsidiaries totalling RM80,930,926 had been pledged as security for borrowings as disclosed in Note 24 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 previous financial year. The entire sum of the earnest deposit was impaired in view of the uncertainty on the collectability of the amount. On the hearing of the Winding Up Petition on 12 February 2016, the Company received RM1,500,000 out of the entire earnest deposit and such amount was reversed from the impairment losses. The Court on the aforesaid hearing date had directed that unless the balance of the Judgement Sum together with interest and costs (which is to be agreed by the parties) is settled before or at the adjourned hearing which is fixed on 25 April 2016, the Court will proceed with the hearing of the Winding Up Petition.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 21 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Amounts due from associates	<b>1,615,602</b>	4,334,709	<b>2,341</b>	2,341
Amounts due to an associate	<b>(7,517,125)</b>	0	<b>0</b>	0

The amounts due from/(to) associates are non-trade in nature, unsecured, interest free, repayable/payable on demand.

The amounts due from associates are in relation to payments made on behalf for operating expenses. As at the financial year ended 31 December 2015, the amount includes dividend receivable of RM1,600,000 (2014: RM4,323,218).

The amounts due to an associate are in relation to advances received.

## 22 AMOUNTS DUE FROM/(TO) A JOINT VENTURE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Amounts due from a joint venture	<b>177,221</b>	0	<b>162,165</b>	0
Amounts due to a joint venture	<b>(299,050)</b>	0	<b>0</b>	0

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 23 CASH AND BANK BALANCES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	Restated RM
Cash and cash equivalents	<b>123,830,695</b>	75,015,967	<b>4,379,992</b>	9,603,965
Add:				
Cash held in trust for dividends	<b>74,008</b>	33,291	<b>74,008</b>	33,291
Cash held in a designated account	<b>5,307,575</b>	689,538	<b>0</b>	0
Deposits pledged as security	<b>5,500,000</b>	0	<b>0</b>	0
Total cash and bank balances	<b>134,712,278</b>	75,738,796	<b>4,454,000</b>	9,637,256
Represented by:				
Deposits with licensed banks	<b>96,909,786</b>	57,098,543	<b>3,950,000</b>	9,400,000
Cash and bank balances	<b>37,802,492</b>	18,640,253	<b>504,000</b>	237,256
Total cash and bank balances	<b>134,712,278</b>	75,738,796	<b>4,454,000</b>	9,637,256

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

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	Restated RM
- Ringgit Malaysia	<b>78,243,116</b>	59,352,860	<b>4,454,000</b>	9,637,256
- US Dollar	<b>56,356,881</b>	16,289,517	<b>0</b>	0
- Euro	<b>932</b>	879	<b>0</b>	0
- Singapore Dollar	<b>90,333</b>	78,846	<b>0</b>	0
- Hong Kong Dollar	<b>21,016</b>	16,694	<b>0</b>	0
	<b>134,712,278</b>	75,738,796	<b>4,454,000</b>	9,637,256

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

	Group		Company	
	2015	2014	2015	2014
Interest rate (%)	<b>0.06 – 2.91</b>	0.07 – 3.00	<b>2.40 – 2.91</b>	2.00 – 3.00
Maturities (days)	<b>1 – 31</b>	1 – 44	<b>1 – 30</b>	1 – 30

Cash held in a designated account is required by the terms of the term loans undertaken by a subsidiary company (Note 24).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 24 BORROWINGS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Revolving credits	<b>32,800,000</b>	32,300,000	<b>30,800,000</b>	26,300,000
Finance lease liabilities	<b>36,727</b>	71,300	<b>0</b>	0
Term loan	<b>104,549,123</b>	122,999,142	<b>0</b>	0
Islamic term financing long term non-interest bearing facilities (Note 26)	<b>0</b>	0	<b>0</b>	0
	<b>137,385,850</b>	155,370,442	<b>30,800,000</b>	26,300,000
<u>Less: amount repayable within 12 months</u>				
Revolving credits	<b>(32,800,000)</b>	(32,300,000)	<b>(30,800,000)</b>	(26,300,000)
Finance lease liabilities	<b>(25,685)</b>	(34,573)	<b>0</b>	0
Term loan	<b>(24,599,828)</b>	(18,449,871)	<b>0</b>	0
Islamic term financing long term non-interest bearing facilities (Note 26)	<b>0</b>	0	<b>0</b>	0
	<b>(57,425,513)</b>	(50,784,444)	<b>(30,800,000)</b>	(26,300,000)
Amount repayable after 12 months	<b>79,960,337</b>	104,585,998	<b>0</b>	0

(a) Term loan (secured)

The above term loan was structured as follows:

	Group	
	2015 RM	2014 RM
Term loan	<b>104,549,123</b>	122,999,142

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

The tenure of the term loan is 5 years and it carries an interest of 4.92% per annum (0.85% per annum above the bank's cost of funds of 4.07%) (2014: 5.03%). The loan is repayable by way of 60 monthly principal instalments of RM2,049,986. 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 first instalment payment was made in April 2015.

The fair value of the term loan approximates its carrying amount due to floating rate instruments.

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2015 was RM5,307,575 (2014: RM689,538) (Note 23).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 24 BORROWINGS (CONTINUED)

### (a) Term loan (secured) (continued)

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

	2015 RM	Group 2014 RM
Not later than 1 year	<b>24,599,828</b>	18,449,871
Later than 1 year but not later than 2 years	<b>24,599,828</b>	24,599,828
Later than 2 years but not later than 5 years	<b>55,349,467</b>	73,799,485
Later than 5 years	<b>0</b>	6,149,958
	<b>104,549,123</b>	122,999,142

### (b) Revolving credit (unsecured)

The revolving credit facility was draw down to part finance the purchase of additional slickline equipment and tools and for working capital requirements. The amount was rolled-over on a monthly basis at an average rate of 4.82% (1.20% 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. No securities have been pledged under this facility.

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

### (c) Loans against import (unsecured)

The loans against import facility was draw down to finance the import of inventories. The facility carry an interest rate of 5.53% (1.15% per annum above the bank's cost of fund). No securities have been pledged under this facility. The loans against import were fully settled as at the financial year end.

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 24 BORROWINGS (CONTINUED)

### (d) Finance lease liabilities

	Group	
	2015 RM	2014 RM
<u>Future minimum lease payments</u>		
Not later than 1 year	26,753	37,212
Later than 1 year but not later than 2 years	11,212	26,753
Later than 2 years but not later than 5 years	0	11,212
	<b>37,965</b>	75,177
Less: Future finance charges	<b>(1,238)</b>	(3,877)
Present value of finance lease liabilities	<b>36,727</b>	71,300
<u>Analysis of present value of finance lease liabilities</u>		
Not later than 1 year	25,685	34,573
Later than 1 year but not later than 2 years	11,042	25,685
Later than 2 years but not later than 5 years	0	11,042
	<b>36,727</b>	71,300

The finance lease liabilities bear interests of 2.55% to 2.56% per annum (2014: 2.55% to 2.56% per annum).

## 25 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables	144,471,099	135,440,908	0	0
Other payables	16,681,714	22,460,563	1,085,461	948,100
Staff related accruals	9,042,097	13,301,296	1,792,695	2,243,735
Other accruals	7,520,193	11,175,650	1,543,520	484,443
	<b>16,562,290</b>	24,476,946	<b>3,336,215</b>	2,728,178
	<b>33,244,004</b>	46,937,509	<b>4,421,676</b>	3,676,278
	<b>177,715,103</b>	182,378,417	<b>4,421,676</b>	3,676,278

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 25 TRADE AND OTHER PAYABLES (CONTINUED)

The currency profile of trade payables is as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
- Ringgit Malaysia	<b>33,282,018</b>	18,601,667
- US Dollar	<b>111,035,287</b>	116,506,010
- Singapore Dollar	<b>7,300</b>	280,999
- Euro	<b>146,494</b>	52,232
	<b>144,471,099</b>	135,440,908

Credit terms of payment granted by the suppliers of the Group are 30 to 45 days (2014: 30 to 45 days).

## 26 FINANCIAL GUARANTEE LIABILITIES

	<b>Group and Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Financial guarantee contracts	<b>26,779</b>	47,946

The financial guarantee amount relates to corporate guarantees provided by the Company to a bank for Islamic term financing long term non-interest bearing facilities taken by a joint venture (2014: subsidiary) (Note 24).

The Islamic term financing long term non-interest bearing facilities balances are as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	<b>0</b>	610,675
Later than 1 year but not later than 2 years	<b>0</b>	610,675
Later than 2 years but not later than 5 years	<b>0</b>	432,529
	<b>0</b>	1,653,879
Transfer to liabilities held for sale	<b>0</b>	(1,653,879)
	<b>0</b>	0

In the previous financial year, the facilities bear profit sharing margins of 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 Notes 12 and 38 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 previous reporting date was RM1,648,136.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 27 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority.

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

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax assets	<b>6,305,754</b>	2,839,249	<b>1,024,829</b>	165,618
Deferred tax liabilities	<b>(18,662,483)</b>	(15,888,113)	<b>0</b>	0
	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	<b>(13,048,864)</b>	(5,005,429)	<b>165,618</b>	134,234
(Charged)/credited to profit or loss (Note 9)				
- property, plant and equipment	<b>(3,304,317)</b>	(6,842,813)	<b>72,001</b>	28,550
- unutilised tax losses	<b>2,036,784</b>	1,277,533	<b>239,839</b>	0
- deferred cost	<b>193,711</b>	1,250,867	<b>0</b>	0
- deferred revenue	<b>(248,209)</b>	(2,955,968)	<b>0</b>	0
- intangible assets*	<b>106,928</b>	106,914	<b>0</b>	0
- accruals	<b>1,815,819</b>	0	<b>545,200</b>	0
- others	<b>91,419</b>	(864,300)	<b>2,171</b>	2,834
	<b>692,135</b>	(8,027,767)	<b>859,211</b>	31,384
Included in discontinued operation and disposal group held for sale				
- property, plant and equipment	<b>0</b>	639,571	<b>0</b>	0
- unutilised tax losses	<b>0</b>	(655,239)	<b>0</b>	0
At 31 December	<b>(12,356,729)</b>	(13,048,864)	<b>1,024,829</b>	165,618

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 27 DEFERRED TAX (CONTINUED)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<u>Deferred tax assets (before offsetting)</u>				
Property, plant and equipment	<b>4,375,514</b>	3,866,093	<b>224,723</b>	213,319
Unutilised tax losses	<b>4,383,324</b>	2,346,540	<b>239,839</b>	0
Deferred revenue	<b>2,193,550</b>	2,441,759	<b>0</b>	0
Accruals	<b>1,815,819</b>	0	<b>545,200</b>	0
Others	<b>1,233,756</b>	2,649,119	<b>15,067</b>	12,896
	<b>14,001,963</b>	11,303,511	<b>1,024,829</b>	226,215
Less: Offsetting	<b>(7,696,209)</b>	(8,464,262)	<b>0</b>	(60,597)
Deferred tax assets (after offsetting)	<b>6,305,754</b>	2,839,249	<b>1,024,829</b>	165,618
<u>Deferred tax liabilities (before offsetting)</u>				
Property, plant and equipment	<b>(22,750,702)</b>	(18,936,964)	<b>0</b>	60,597
Deferred cost	<b>(2,285,123)</b>	(2,478,834)	<b>0</b>	0
Intangible assets*	<b>(106,952)</b>	(213,880)	<b>0</b>	0
Others	<b>(1,215,915)</b>	(2,722,697)	<b>0</b>	0
	<b>(26,358,692)</b>	(24,352,375)	<b>0</b>	60,597
Less: Offsetting	<b>7,696,209</b>	8,464,262	<b>0</b>	(60,597)
Deferred tax liabilities (after offsetting)	<b>(18,662,483)</b>	(15,888,113)	<b>0</b>	0

\* This includes intangible assets arising from acquisition of subsidiary.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 28 SHARE CAPITAL

	Group and Company	
	2015 RM	2014 RM
<u>Authorised ordinary shares of RM0.50 each:</u>		
At 1 January/31 December	<b>500,000,000</b>	500,000,000
<u>Issued and fully paid ordinary shares of RM0.50 each:</u>		
At 1 January	<b>200,000,000</b>	150,000,000
Bonus issue	<b>0</b>	50,000,000
At 31 December	<b>200,000,000</b>	200,000,000

On 17 June 2014, the issued and paid-up share capital of the Company was increased by RM50,000,000 from RM150,000,000 to RM200,000,000 by way of bonus issue of 50,000,000 new ordinary shares of RM1.00 each in the Company, credited as fully paid-up, on the basis of one (1) new ordinary share of RM1.00 each for every three (3) existing ordinary shares of RM1.00 each held by shareholders of the Company.

On the same day, the issued and paid-up share capital of every one (1) existing ordinary share of RM1.00 each was subdivided into two (2) new ordinary shares of RM0.50 each. Pursuant to the subdivision, 200,000,000 ordinary shares of RM1.00 each of the Company were subdivided into 400,000,000 ordinary shares of RM0.50 each.

The new ordinary shares allotted and issued, rank pari passu in all respects with the existing ordinary shares of the Company except that they were not entitled to participate in any dividends, rights, allotments and/or any other distributions whose entitlement date preceded the allotment date the of bonus issue and share split.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

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## 29 SHARE BASED PAYMENT

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

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 29 SHARE BASED PAYMENT (CONTINUED)

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

Date of 1 <sup>st</sup> Grant	Type of Grant	At 1.1.2015	Granted	Forfeited	At 31.12.2015
2 March 2015	RS Award	0	1,254,300	(150,300)	1,104,000
	PS Award	0	1,142,200	(101,200)	1,041,000

The vesting period for the 1<sup>st</sup> Grant is as follows:

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

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

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

	1 <sup>st</sup> Grant
Date of grant	2 March 2015
Fair value at grant date	RM1.51
Vesting period	3 years
Weighted average share price at grant date	RM1.72
Expected dividend yield	4.70%
Risk free interest rates	3.51%
Expected volatility	41.83%

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 30 MERGER DEFICIT

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Arising from the Company's business combination with Deleum Services Sdn. Bhd.	<b>50,000,000</b>	50,000,000

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

## 31 FINANCIAL INSTRUMENTS

Financial instruments by category

Year ended 31 December 2015

	<b>Loans and receivables</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Group</b>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	<b>188,455,184</b>	<b>0</b>	<b>188,455,184</b>
Amounts due from associates	<b>1,615,602</b>	<b>0</b>	<b>1,615,602</b>
Amounts due from a joint venture	<b>177,221</b>	<b>0</b>	<b>177,221</b>
Cash and bank balances	<b>134,712,278</b>	<b>0</b>	<b>134,712,278</b>
	<b>324,960,285</b>	<b>0</b>	<b>324,960,285</b>
<u>Liabilities</u>			
Trade and other payables (excluding statutory obligations)	<b>0</b>	<b>171,366,567</b>	<b>171,366,567</b>
Amounts due to associates	<b>0</b>	<b>7,517,125</b>	<b>7,517,125</b>
Amounts due to a joint venture	<b>0</b>	<b>299,050</b>	<b>299,050</b>
Borrowings	<b>0</b>	<b>137,385,850</b>	<b>137,385,850</b>
Financial guarantee liabilities	<b>0</b>	<b>26,779</b>	<b>26,779</b>
	<b>0</b>	<b>316,595,371</b>	<b>316,595,371</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2015

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>Company</b>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	1,614,173	0	1,614,173
Amounts due from subsidiaries	97,848,456	0	97,848,456
Amounts due from associates	2,341	0	2,341
Amounts due from a joint venture	162,165	0	162,165
Cash and bank balances	4,379,992	0	4,379,992
	<b>104,007,127</b>	<b>0</b>	<b>104,007,127</b>
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations)	0	4,293,420	4,293,420
Amounts due to subsidiaries	0	22,461,856	22,461,856
Borrowings	0	30,800,000	30,800,000
Financial guarantee liabilities	0	26,779	26,779
	<b>0</b>	<b>57,582,055</b>	<b>57,582,055</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2014

	<b>Loans and receivables</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Group</b>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments)	242,038,018	0	242,038,018
Amounts due from associates	4,334,709	0	4,334,709
Cash and bank balances	81,439,654	0	81,439,654
	<u>327,812,381</u>	<u>0</u>	<u>327,812,381</u>
<u>Liabilities</u>			
Trade and other payables (excluding statutory obligations)	0	179,533,842	179,533,842
Borrowings	0	157,024,321	157,024,321
	<u>0</u>	<u>336,558,163</u>	<u>336,558,163</u>
<b>Company</b>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments)	48,503	0	48,503
Amounts due from subsidiaries	85,627,754	0	85,627,754
Amounts due from associates	2,341	0	2,341
Cash and bank balances	9,603,965	0	9,603,965
	<u>95,282,563</u>	<u>0</u>	<u>95,282,563</u>
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations)	0	3,411,931	3,411,931
Amounts due to subsidiaries	0	15,667,841	15,667,841
Borrowings	0	26,300,000	26,300,000
Financial guarantee liabilities	0	47,946	47,946
	<u>0</u>	<u>45,427,718</u>	<u>45,427,718</u>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 32 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

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

	<b>Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
- Management fees	<b>13,472,900</b>	13,907,600
- Dividend income	<b>29,316,655</b>	41,154,205
- Inter-company interest income	<b>96,800</b>	96,800
- Re-charge of expenses	<b>6,759,278</b>	4,537,820

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Solar Turbines International Company		
- Purchases	<b>276,523,051</b>	319,743,818
- Technical fees	<b>1,056,410</b>	1,782,282

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Amount due to Solar Turbines International Company	<b>83,365,232</b>	48,040,188

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 32 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (c) 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.

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Purchases from Dresser Italia S.R.L	<b>16,366</b>	128,884
Purchases from related parties of Dresser Italia S.R.L	<b>29,948,874</b>	19,144,667
	<b>29,965,240</b>	19,273,551

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Amount due to related parties of Dresser Italia S.R.L	<b>7,903,052</b>	3,555,414

- (d) The following transaction is with Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz, a former director of the Company and the subsidiaries of the Group, Delcom Holdings Sdn. Bhd. and Penaga Dresser Sdn. Bhd.

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Purchase of shares in Delcom Holdings Sdn. Bhd.	<b>3,169,000</b>	0



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 32 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group	
	2015 RM	2014 RM
Sales to STICO	4,915,366	0
Rental income from affiliate company of STICO	620,676	0
	<b>5,536,042</b>	<b>0</b>

	Company	
	2015 RM	2014 RM
Management fees	273,600	0
Re-charge of expenses	176,070	0

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

	Group	
	2015 RM	2014 RM
Amount due from STICO	1,062,435	0

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors' fees	962,000	930,000	962,000	930,000
Salaries and bonuses	7,380,593	10,763,214	1,928,400	1,571,000
Defined contribution plans	983,706	1,385,255	268,734	224,298
Retirement gratuity	100,000	0	0	0
Other remuneration	804,189	720,153	83,079	170,760
Share based payment	206,323	0	75,530	0
Estimated monetary value of benefits-in-kind	495,065	497,577	221,877	192,195
	<b>10,931,876</b>	<b>14,296,199</b>	<b>3,539,620</b>	<b>3,088,253</b>

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 2015

## 33 CORPORATIONS IN THE GROUP

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

Name of Company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2015 %	2014 %	
<b>SUBSIDIARIES:</b>				
Deleum Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry.
Deleum Services Holdings Limited *	Hong Kong	<b>100</b>	100	Investment holding.
Turboservices Overhaul Sdn. Bhd. #	Malaysia	<b>0</b>	100	Provision of gas turbine overhaul and maintenance services.
Delflow Solutions Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.
<u>Subsidiaries of Deleum Services Sdn. Bhd.</u>				
Deleum Oilfield Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Provision of slickline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield related products and services for the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	<b>74</b>	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry.
VSM Technology Sdn. Bhd.	Malaysia	<b>90</b>	90	Dormant.
Deleum Chemicals Sdn. Bhd.	Malaysia	<b>100</b>	100	Development and provision of solid deposit removal solutions for enhancement of crude oil production and the supply of oilfield chemicals and services to the oil and gas industry.
Wisteria Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.
Delcom Holdings Sdn. Bhd. +	Malaysia	<b>100</b>	80	Investment holding.
Deleum Rotary Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Servicing, repair and maintenance of motors, generators, transformers, pumps and valves.
Sledgehammer Malaysia Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.
Deleum Primera Sdn. Bhd.	Malaysia	<b>60</b>	60	Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 33 CORPORATIONS IN THE GROUP (CONTINUED)

Name of Company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2015	2014	
		%	%	
<b>SUBSIDIARIES (CONTINUED):</b>				
<u>Subsidiaries of Delcom Holdings Sdn. Bhd.</u>				
Penaga Dresser Sdn. Bhd. *	Malaysia	51	41	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.
<u>Subsidiaries of Delcom Services Holdings Limited</u>				
Delcom Utilities (Cambodia) Limited *	British Virgin Islands	60	60	Investment holding.
Delcom Power (Cambodia) Limited *	British Virgin Islands	60	60	Dormant.

Name of Company	Place of business/ Country of incorporation	Group's effective equity interest		Nature of the relationship
		2015	2014	
		%	%	
<b>JOINT VENTURE</b>				
<u>Joint venture of Deleum Berhad</u>				
Turboservices Overhaul Sdn. Bhd. #	Malaysia	80.55	0	Overhaul of gas turbine and maintenance services to oil and gas companies.
<b>ASSOCIATES</b>				
<u>Associate of Deleum Services Sdn. Bhd.</u>				
Malaysian Mud and Chemicals Sdn. Bhd.*	Malaysia	32	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil and gas companies.
<u>Associate of Delcom Utilities (Cambodia) Limited</u>				
Cambodia Utilities Pte Ltd ^	Cambodia	12 <sup>@</sup>	12 <sup>@</sup>	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.

@ 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.

# On 30 March 2015, the Group entered into a Subscription Agreement with STICO which resulted in Turboservices Overhaul Sdn. Bhd. becoming a joint venture of the Group.

+ On 1 September 2015, the Group acquired an additional 20% interest in Delcom Holdings Sdn. Bhd., increasing its ownership from 80% to 100%.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 34 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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Within one year	<b>667,208</b>	660,028
Between two to five years	<b>771,300</b>	432,000
More than five years	<b>9,000</b>	117,000

## 35 CAPITAL COMMITMENTS

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Authorised and contracted for at the end of the reporting period but not yet incurred				
- Plant and machinery	<b>433,142</b>	14,180,638	<b>0</b>	0
- Others	<b>471,851</b>	464,785	<b>205,900</b>	0
Authorised but not contracted for at the end of the reporting period				
- Plant and machinery	<b>18,011,873</b>	37,812,600	<b>0</b>	0
- Land and building	<b>0</b>	10,800,000	<b>0</b>	9,000,000
- Others	<b>6,367,895</b>	9,949,326	<b>3,708,600</b>	8,130,326
	<b>25,284,761</b>	73,207,349	<b>3,914,500</b>	17,130,326
Share of capital commitment of a joint venture	<b>1,420,347</b>	0	<b>0</b>	0
	<b>26,705,108</b>	73,207,349	<b>3,914,500</b>	17,130,326

## 36 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM30,729,080 (2014: RM26,149,073) to third parties in respect of operational requirements, utilities and maintenance contracts.

In addition, the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a joint venture (2014: a subsidiary) which amounts to RM1,016,423 (2014: RM1,653,879), representing the outstanding banking facilities of the subsidiaries as at end of reporting period.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 37 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 and cash and bank balances and total equity, comprising issued share capital as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	<b>123,830,695</b>	75,015,967	<b>4,379,992</b>	9,603,965
Less: Total borrowings	<b>(137,385,850)</b>	(155,370,442)	<b>(30,800,000)</b>	(26,300,000)
	<b>(13,555,155)</b>	(80,354,475)	<b>(26,420,008)</b>	(16,696,035)
Total equity	<b>318,989,468</b>	304,923,677	<b>216,714,116</b>	220,618,582

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

## 38 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE

On 24 March 2015, the Company and TOSB, a wholly owned subsidiary of the Company, entered into a Subscription Agreement with STICO in which STICO agreed to subscribe for 3,440,000 ordinary shares of RM1.00 each and 2 redeemable convertible preferences shares of RM0.01 each, representing 19.45% of the total enlarged issued and paid-up capital of TOSB ("Proposed Subscription"). Upon completion of the Proposed Subscription on 30 March 2015, TOSB became a joint venture of the Company and STICO. The segment was a discontinued operation and classified as held for sale as at 31 December 2014.

Profit attributable to the discontinued operation was as follows:

	2015 RM	2014 RM
Revenue	<b>787,132</b>	4,558,953
Expenses	<b>(895,016)</b>	(4,522,398)
(Loss)/profit before tax	<b>(107,884)</b>	36,555
Tax expense	<b>21,711</b>	(19,797)
Results from operating activities, net of tax	<b>(86,173)</b>	16,758
Gain on disposal of discontinued operation	<b>1,126,885</b>	0
	<b>1,040,712</b>	16,758

The loss from discontinued operation of RM86,173 (2014: profit of RM16,758) is attributable entirely to the owners of the Company.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 38 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE (CONTINUED)

	2015 RM	2014 RM
Net cash generated from operating activities	564,041	2,528,631
Net cash used in investing activities	(238,722)	(1,175,134)
Net cash used in financing activities	(148,696)	(810,535)
Effect on cash flows	<u>176,623</u>	<u>542,962</u>
		<b>2015 RM</b>
Effect of disposal on the financial position of the Group		
Property, plant and equipment		19,082,292
Intangible assets		146,145
Deferred tax assets		70,588
Trade and other receivables		1,982,137
Cash and bank balances		5,877,480
Taxation		(4,694)
Trade and other payables		(528,347)
Borrowings		(1,505,185)
Net assets		<u>25,120,416</u>
Gain on disposal of discontinued operation		1,126,885
Investment in a joint venture		<u>26,247,301</u>
Consideration received, satisfied in kind		0
Cash and bank balances, disposed of		(5,877,480)
Net cash outflow		<u>(5,877,480)</u>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 39 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR ACQUISITION OF NON-CONTROLLING INTERESTS

On 1 September 2015, the Group acquired an additional 20% interest in Delcom Holdings Sdn. Bhd. ("DHSB") for RM3,169,000 in cash, increasing its ownership from 80% to 100%. The carrying amount of DHSB's net assets in the Group's financial statements on the date of the acquisition was RM12,693,988. The Group recognised a decrease in non-controlling interest of RM3,173,497 and an increase in retained earnings of RM4,497.

The following summarises the effect of changes in the equity interest in DHSB that is attributable to the owners of the Company:

	<b>Group 2015 RM</b>
Equity interest at 1 January 2015	<b>12,807,052</b>
Effect of increase in Company's ownership interest	<b>3,173,497</b>
Share of comprehensive income	<b>7,289,651</b>
Share based payment	<b>21,960</b>
Dividend	<b>(8,007,000)</b>
Equity interest at 31 December 2015	<b>15,285,160</b>

## 40 COMPARATIVES

Certain comparative figures have been reclassified to conform with current year's presentation.

- (i) Impact on the statement of comprehensive income

	<b>For the financial year ended 31 December 2014</b>		
	<b>As previously reported RM</b>	<b>Reclassification RM</b>	<b>As restated RM</b>
<b>Company</b>			
Other operating income	<b>297,410</b>	<b>768,590</b>	<b>1,066,000</b>
Finance cost	<b>0</b>	<b>(768,590)</b>	<b>(768,590)</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 40 COMPARATIVES (CONTINUED)

Certain comparative figures have been reclassified to conform with current year's presentation (continued).

(ii) Impact on the statement of financial position

	As at 31 December 2014		
	As previously reported	Reclassification	As restated
	RM	RM	RM
<b>Company</b>			
Cash and bank balances	9,603,965	33,291	9,637,256
Dividends payable	0	(33,291)	(33,291)

(iii) Impact on the statement of cash flows

	For the financial year ended 31 December 2014		
	As previously reported	Reclassification	As restated
	RM	RM	RM
<b>Company</b>			
Interest paid	0	(768,590)	(768,590)
Interest received	135,906	768,590	904,496

## 41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 February 2016.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 42 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:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained profits of the Group and its subsidiaries:				
Realised	<b>115,243,718</b>	125,592,863	<b>15,482,964</b>	20,452,964
Unrealised	<b>(7,550,572)</b>	(11,313,190)	<b>1,024,829</b>	165,618
	<b>107,693,146</b>	114,279,673	<b>16,507,793</b>	20,618,582
Total share of retained profits from associate companies:				
Realised	<b>45,200,227</b>	42,458,379	<b>0</b>	0
Unrealised	<b>(3,917,145)</b>	(4,021,537)	<b>0</b>	0
	<b>41,283,082</b>	38,436,842	<b>0</b>	0
Total share of retained profits from a joint venture:				
Realised	<b>987,338</b>	0	<b>0</b>	0
Unrealised	<b>(212,450)</b>	0	<b>0</b>	0
	<b>774,888</b>	0	<b>0</b>	0
Less: Consolidation adjustments				
	<b>(4,494,993)</b>	(24,872,690)	<b>0</b>	0
	<b>37,562,977</b>	13,564,152	<b>0</b>	0
Total Group’s and Company’s retained profits	<b>145,256,123</b>	127,843,825	<b>16,507,793</b>	20,618,582

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

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We, Dato' Izhah 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 70 to 166 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 2015 and of its financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 42 on page 167 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 23 February 2016.

**DATO' IZHAM BIN MAHMUD**  
*DIRECTOR*

**NAN YUSRI BIN NAN RAHIMY**  
*DIRECTOR*

# Statutory Declaration

Pursuant To Section 169(16) of the Companies Act, 1965

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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 70 to 166 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 : 23 February 2016

Before me:

*COMMISSIONER FOR OATHS*

# Independent Auditors' Report

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

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## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Deleum Berhad on pages 70 to 166 which comprise the statements of financial position as at 31 December 2015 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 41.

### 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.

### 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 2015 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.

# Independent Auditors' Report

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

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## 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 financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 33 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 42 on page 167 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. I, 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*

### SUBATHRA A/P GANESAN

(No. 3020/08/16 (J))

*Chartered Accountant*

Kuala Lumpur  
23 February 2016

# Notice of Annual General Meeting

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**NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of DELEUM BERHAD (the Company) will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 24 May 2016 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 2015 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note (i)).
2. To re-elect Datuk Chin Kwai Yoong who retires by rotation pursuant to Article 78 of the Company's Articles of Association and being eligible, offers himself for re-election. **Ordinary Resolution 1**
3. To approve the payment of Directors' fees of RM962,000 in respect of the financial year ended 31 December 2015. **Ordinary Resolution 2**  
[2014: RM930,000]
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 3**
5. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129 of the Companies Act, 1965:
  - "**THAT** Dato' Izhah 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 4**
  - "**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 5**
  - "**THAT** Datuk Ishak bin Imam Abas, 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**

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## AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Resolutions, with or without modifications:

### 6. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** **Ordinary Resolution 7**

**“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.”

### 7. **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 29 APRIL 2016** **Ordinary Resolution 8**

**“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 29 April 2016 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 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.”

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## 8. 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 29 APRIL 2016

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(2) of the Circular to Shareholders dated 29 April 2016 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 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.”

## 9. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Ordinary Resolution 10

“**THAT** subject to the passing of Ordinary Resolution 6, approval be and is hereby given to Datuk Ishak bin Imam Abas, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

## 10. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Ordinary Resolution 11

“**THAT** subject to the passing of Ordinary Resolution 1, approval be and is hereby given to Datuk Chin Kwai Yoong, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

## BY ORDER OF THE BOARD

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

29 April 2016



# Notice of Annual General Meeting

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## **Notes on Proxy**

1. A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 (the Act) shall not apply.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. 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.
3. 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.
4. 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.

## **Explanatory Notes to the Agenda**

### **(i) For Agenda Item 1**

#### **To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon**

The Agenda Item 1 is meant for discussion only. The provisions of Section 169 of 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 AGM. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

### **(ii) For Agenda Item 6**

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

The Company had at the Tenth AGM held on 29 April 2015, 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 7 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.

# Notice of Annual General Meeting

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## **(iii) For Agenda Items 7 and 8**

### **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(1) and 2.5(2) of the Circular to Shareholders dated 29 April 2016**

Please refer to the Circular to Shareholders dated 29 April 2016 accompanying the Company's Annual Report for the financial year ended 31 December 2015 for detailed information. The Ordinary Resolutions proposed under Agenda Items 7 and 8, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

## **(iv) For Agenda Items 9 and 10**

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

The Joint Remuneration and Nomination Committee and the Board of Directors have assessed the independence of Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong, who have each served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. Based on the assessment, the Board is satisfied that Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong continue to be independent and the Board recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

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

The proposed Ordinary Resolutions which are in line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, will enable Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong to hold office as Independent Non-Executive Directors until the conclusion of the next AGM of the Company.

## **Members Entitled to Attend**

For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 17 May 2016 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote on his/her stead.

# Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

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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 2015 (FY2015), 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 FY2015.

## 3. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during FY2015.

## 4. LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan (LTIP) implemented on 10 October 2014 is the only share scheme of the Company in existence during FY2015. The details of the LTIP are as follows:

- (a) The total number of shares granted, vested, forfeited and outstanding under the LTIP since its commencement on 10 October 2014 up to FY2015 are set out below:

Description	Number of Shares Granted	
	Grand Total	Executive Director
Granted		
- Restricted Share Incentive Plan	1,254,300	145,800
- Performance Share Incentive Plan	1,142,200	226,200
Vested		
- Restricted Share Incentive Plan	-	-
- Performance Share Incentive Plan	-	-
Forfeited		
- Restricted Share Incentive Plan	150,300	-
- Performance Share Incentive Plan	101,200	-
Outstanding		
- Restricted Share Incentive Plan	1,104,000	145,800
- Performance Share Incentive Plan	1,041,000	226,200

- (b) Percentages of shares granted to Executive Director and selected eligible senior management and key employees under the LTIP during the financial year and since its commencement up to FY2015 are set out below:

Executive Director and Senior Management and key employees	Percentage	
	During the financial year	Since commencement up to 31 December 2015
(i) Aggregate maximum allocation	100	100
(ii) Actual shares granted	6	6

- (c) No shares were granted to the Non-Executive Directors under the LTIP since its commencement up to FY2015.

## 5. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during FY2015.

# Additional Compliance Information

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## 6. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by relevant regulatory bodies during FY2015.

## 7. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group for FY2015 was RM184,800 which consisted of professional fees in connection with the review of quarterly announcements to Bursa Malaysia Securities Berhad, taxation and other advisory services.

## 8. VARIATION IN RESULTS

The Company did not release any profit estimate, forecast or projection for FY2015. There was no significant variance between results for the financial year and the unaudited results previously released by the Company.

## 9. PROFIT GUARANTEE

The Company did not receive any profit guarantee during FY2015.

## 10. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Save as disclosed below, 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 FY2015:

- (i) On 24 March 2015, Turboservices Overhaul Sdn. Bhd. (TOSB), a wholly-owned subsidiary of the Company then, entered into the following agreements:
  - (a) Subscription Agreement with the Company and Solar Turbines International Company (STICO), a major shareholder of a subsidiary of the Company, whereby STICO had agreed to subscribe for 3,440,000 ordinary shares of RM1.00 each (Ordinary Shares) and 2 redeemable convertible preference shares of RM0.01 each (RCPS), representing 19.45% of the total enlarged issued and paid-up capital of TOSB, for a consideration of RM7,000,000 (Consideration) to be satisfied by the delivery of one (1) Test Skid (a universal test skid capable of running full performance test on certain STICO's contract products) by STICO to TOSB (Subscription). The 2 RCPS carry a total issued price of RM3,560,000 which translates to a nominal value of RM0.01 with a share premium of RM1,779,999.99 each.
  - (b) Test Skid Agreement with STICO whereby TOSB agreed to accept and STICO agreed to deliver one (1) Test Skid as payment in kind for the subscription of shares by STICO in satisfaction of the Consideration pursuant to the Subscription.

(collectively referred to as the Transactions)

The Transactions were completed on 30 March 2015 whereby TOSB became a joint venture of the Company and STICO. Upon which, the Company is holding 14,250,000 Ordinary Shares and 2 RCPS, representing 80.55% of the total enlarged issued and paid-up capital of TOSB whereas STICO is holding 3,440,000 Ordinary Shares and 2 RCPS, representing 19.45% of the total enlarged issued and paid-up capital of TOSB.

- (c) Shareholders Agreement with the Company and STICO to regulate the relationship of the Company and STICO as shareholders of TOSB effective upon completion of the Transactions on 30 March 2015.
- (ii) On 19 August 2015, Deleum Services Sdn. Bhd. (DSSB), a wholly-owned subsidiary of the Company, entered into a Share Sale Agreement with Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz (Tan Sri), a former director of the Company who retired from the Board on 29 April 2015, for the acquisition of 20,000 ordinary shares of RM1.00 each in Delcom Holdings Sdn. Bhd. (DHSB), representing 20% equity interest of DHSB from Tan Sri, for a total cash consideration of RM3,169,000 (Acquisition).

The Acquisition was completed on 1 September 2015 whereby DHSB became a wholly-owned subsidiary of the Company via DSSB.

# 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 @ 31/12/15	Revaluation, if any	Date of Acquisition
1	Deleum Berhad (Corporate Head Office)	No. 2, Jalan Bangsar Utama 9 Bangsar Utama, 59000 Kuala Lumpur, Malaysia	6 storey corner shop office	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 03/12/2085	17 years	3,206,426		02/05/2006
2	Deleum Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1 Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey corner shop office	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 03/12/2085	27 years	483,589		19/09/1988
3	Deleum Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1 Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey shop office	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 03/12/2085	27 years	490,044		28/09/1988
4	Deleum Services Sdn. Bhd.	Unit No. 8-11-3 Menara Mutiara Bangsar Jalan Liku, Off Jalan Bangsar 59100 Kuala Lumpur, Malaysia	Office Lot	Office	141.00 sq metres/ 141.00 sq metres	Freehold	13 years	422,025		03/02/1997
5	Deleum Services Sdn. Bhd.	Unit No. 8-11-4 Menara Mutiara Bangsar Jalan Liku, Off Jalan Bangsar 59100 Kuala Lumpur, Malaysia	Office Lot	Office	147.00 sq metres/ 147.00 sq metres	Freehold	13 years	443,912		03/02/1997
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 shop office	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/09/2066	11 years	912,000		20/08/2004
7	Deleum Services Sdn. Bhd. (Operations)	Asian Supply Base Ranca Ranca Industrial Estate P.O. Box 81730, 87027 Labuan Federal Territory, Malaysia	Warehouse	Warehouse	5,700.00 sq metres/ 1,776.43 sq metres	On Lease/ 30/09/2024	15 years	800,001		-
8	Deleum Services Sdn. Bhd. (Operations)	Kemaman Supply Base Warehouse 28, 24007 Kemaman Terengganu Darul Iman, Malaysia	Warehouse	Warehouse	4,134.00 sq metres/ 1,456.00 sq metres	On Lease/ 31/03/2017	7 years	13,418		-
9	Penaga Dresser Sdn. Bhd. (Operations)	No. A1-A2, Kawasan MIEL Jakar Phase II, 24000 Kemaman Terengganu Darul Iman, Malaysia	2 units of semi-detached factory	Assembly Plant	A1-1723 sq metres A2-1229 sq metres	Leasehold/ 19/04/2053	23 years	993,570	4/11/2009	12/04/2004
10	Deleum Services Sdn. Bhd.	Unit E-P-17, Bayu Beach Resort Port Dickson, 71050 Negeri Sembilan Darul Khusus Malaysia	Apartment		143.53 sq metres/ 143.53 sq metres	Leasehold/ 12/06/2092	21 years	149,632		24/02/1992

# Analysis of Shareholdings

as at 31 March 2016

Authorised share capital	: RM500,000,000
Issued and paid-up capital	: RM200,000,000
No. of shareholders	: 4,687
Class of shares	: Ordinary shares of RM0.50 each
Voting rights	: One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	% of Holdings
less than 100 shares	187	5,932	0.00
100 to 1,000 shares	545	372,204	0.09
1,001 to 10,000 shares	2,666	13,823,063	3.46
10,001 to 100,000 shares	1,093	33,279,215	8.32
100,001 to less than 5% of issued shares	192	155,745,368	38.94
5% and above of issued shares	4	196,774,218	49.19
<b>Total</b>	<b>4,687</b>	<b>400,000,000</b>	<b>100.00</b>

## 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.	81,718,800	20.43
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	48,165,418	12.04
3.	Datuk Vivekananthan a/l M.V. Nathan	42,530,000	10.63
4.	IM Holdings Sdn. Bhd.	24,360,000	6.09
5.	Datin Che Bashah @ Zaiton binti Mustaffa	19,024,000	4.76
6.	Dato' Izham bin Mahmud	11,200,000	2.80
7.	Salient Lifestyle Sdn. Bhd.	10,000,000	2.50
8.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (Margin)	8,666,998	2.17
9.	Datin Che Bashah @ Zaiton binti Mustaffa	7,741,600	1.94
10.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	3,333,000	0.83

# Analysis of Shareholdings

as at 31 March 2016

## 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 (%)
11.	Goh Thong Beng	3,220,000	0.81
12.	Dilip Manharlal Gathani	2,936,800	0.73
13.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	2,901,066	0.73
14.	Neoh Choo Ee & Company, Sdn. Berhad	2,749,332	0.69
15.	Hj. Abd Razak bin Abu Hurairah	2,691,946	0.67
16.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Credit Suisse (SG BR-TST-ASING)	2,689,100	0.67
17.	Lee Sew Bee	2,560,000	0.64
18.	Saudah binti Hashim	2,500,000	0.63
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	2,294,500	0.57
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Vcam Equity FD)	2,220,800	0.56
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0239)	2,050,000	0.51
22.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Chandran Aloysius Rajadurai (PB)	2,000,000	0.50
23.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Cheu Leong	1,951,400	0.49
24.	Datuk Ishak bin Imam Abas	1,796,332	0.45
25.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB)	1,700,000	0.43
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Swee Leong (PBCL-0G0165)	1,660,000	0.42
27.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0054)	1,650,000	0.41
28.	Celine D'Cruz a/p Francis D'Cruz	1,630,000	0.41
29.	Amanahraya Trustees Berhad Affin Hwang Growth Fund	1,624,800	0.41
30.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Affin HWNG SM CF)	1,623,800	0.41



# Analysis of Shareholdings

as at 31 March 2016

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Lantas Mutiara Sdn. Bhd.	81,718,800	20.43	0	0
Hartapac Sdn. Bhd.	48,165,418	12.04	0	0
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.70	81,718,800 <sup>(1)</sup>	20.43
Datin Che Bashah @ Zaiton binti Mustaffa	32,185,598	8.05	0	0
IM Holdings Sdn. Bhd.	24,360,000	6.09	0	0
Dato' Izham bin Mahmud	11,200,000	2.80	138,264,398 <sup>(2)</sup>	34.57
Datin Sian Rahimah Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.04
Faye Miriam Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.04
Hugh Idris Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.04
Farid Riza Izham	0	0	24,360,000 <sup>(4)</sup>	6.09
Faidz Raziff Izham	0	0	24,360,000 <sup>(4)</sup>	6.09
Hana Sakina Izham	0	0	24,360,000 <sup>(4)</sup>	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	11,200,000	2.80	138,264,398 <sup>(1)</sup>	34.57
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.70	81,718,800 <sup>(2)</sup>	20.43
Datuk Ishak bin Imam Abas	1,912,998	0.48	0	0
Datuk Chin Kwai Yoong	750,000	0.19	50,000 <sup>(3)</sup>	0.01
Nan Yusri bin Nan Rahimy	397,332	0.10	76,332 <sup>(3)</sup>	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

## BRANCH OFFICE

### **Miri**

Lot 1315, Miri Waterfront  
Commercial Centre  
98008 Miri  
Sarawak, Malaysia  
Tel : +6085-413528/417 020  
Fax : +6085-418 037  
Email : info@deleum.com

### **Kota Kinabalu**

Unit No. J-55-3A, 4th Floor  
Block J KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : info@deleum.com

## SUBSIDIARIES

### **Deleum Rotary Services Sdn. Bhd.**

No. 3, Jalan P4/8, Seksyen 4  
Bandar Teknologi Kajang  
43500 Kajang  
Selangor Darul Ehsan, Malaysia  
Tel : +603-8723 7070  
Fax : +603-8723 3070  
Email : info@deleum.com

### **Turboservices Sdn. Bhd.**

Unit No. B-23-1, Level 23, Tower B  
Menara UOA Bangsar  
No.5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur, Malaysia  
Tel : +603-2280 2200  
Fax : +603-2280 2249/2250

### **Deleum Primera Sdn. Bhd.**

No. 1-2, Jalan Tasik Utama 8  
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.**

Business Suite, 19A-9-1  
Level 9 UOA Centre, No. 19  
Jalan Pinang, 50450  
Kuala Lumpur, Malaysia  
Tel : +603-2163 2322  
Fax : +603-2161 8312  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd**

(Kota Kinabalu Sales Office)  
Unit No. J-55-3A, 4th Floor  
Block J KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : sales@penagadresser.com

## OPERATIONS AND SUPPLY BASES

### **Kemaman**

Kemaman Supply Base  
Warehouse 28, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-863 1407/1408  
Fax : +609-863 1379  
Email : info@deleum.com

### **Labuan**

Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-413 935/583 205  
Fax : +6087-425 694  
Email : info@deleum.com

## SERVICE CENTRE/ FACILITY

### **Miri**

(Miri Service Facility)  
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

### **Deleum Rotary Services Sdn. Bhd.**

(Bintulu Service Facility)  
Lot 3955, Block 32  
Jalan Sungai Nyigou  
97000 Bintulu, Sarawak, Malaysia  
Tel : +6086-339 964  
Fax : +6086-339 984  
Email : info@deleum.com

### **Deleum Rotary Services Sdn. Bhd.**

(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

### **Penaga Dresser Sdn. Bhd.**

(Terengganu Engineering Centre)  
Lot A1-A2, Kawasan Miel  
Jakar Phase III, 24000 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-868 6799  
Fax : +609-868 3453  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Sabah Sarawak Engineering Centre)  
Lot 3326 & 3327, Piasau Industrial  
Shophouse, Off Jalan Piasau Utara  
98000 Miri, Sarawak, Malaysia  
Tel : +6085-419 126  
Fax : +6085-412 127  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Labuan Engineering Service Centre)  
Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Email : sales@penagadresser.com

## OTHER FACILITIES

### **Research & Development Facility**

No. 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

### **Integrated Workshop Facility**

Lot 4019, Kawasan Industri Teluk  
Kalong, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-8634 588  
Fax : +609-8632 588  
Email : info@deleum.com

## JOINT VENTURE

### **Turboservices Overhaul Sdn. Bhd.**

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

## ASSOCIATES

### **Malaysian Mud And Chemicals Sdn. Bhd.**

Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-415 922  
Fax : +6087-415 921  
Email : mc2@tm.net.my

### **Cambodia Utilities Pte. Ltd.**

Power Plant #2, Road #2  
Sangkat Chak Angre Leu  
Khan Meanchey, Phnom Penh  
Kingdom of Cambodia  
Tel : +855-23 425 592  
Fax : +855-23 425 050  
Email : adminisrationcupl@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 \_\_\_\_\_ (Full name in block letters)

I.C./Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address in full)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Eleventh 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, 24 May 2016 at 10:00 a.m.** and at any adjournment thereof.

No.	Resolutions	For	Against
<b>Ordinary Business</b>			
1.	To re-elect Datuk Chin Kwai Yoong as Director.		
2.	To approve the payment of Directors' fees of RM962,000 in respect of the financial year ended 31 December 2015. (2014: RM930,000)		
3.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
4.	To re-appoint Dato' Izham bin Mahmud as Director.		
5.	To re-appoint Datuk Vivekananthan a/l M.V. Nathan as Director.		
6.	To re-appoint Datuk Ishak bin Imam Abas as Director.		
<b>Special Business</b>			
7.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
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 29 April 2016.		
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 29 April 2016.		
10.	Retention of Datuk Ishak bin Imam Abas as an Independent Non-Executive Director of the Company.		
11.	Retention of Datuk Chin Kwai Yoong as an Independent Non-Executive Director of the Company.		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

Signature/ Common Seal of Shareholder(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:		
	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

**Notes:**

- A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company 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 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 a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 17 May 2016 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote on his/her stead.

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AFFIX  
STAMP

The Company Secretary  
**DELEUM BERHAD**  
(Co. No. 715640-T)  
(Incorporated in Malaysia)

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

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**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](http://www.deleum.com)**