DELEUM

# Building Resilience

## During Transition

ANNUAL REPORT 2021

# Our
# Core Business

### POWER AND MACHINERY

- Provision of gas turbine packages, aftersales support and services.
- Provision of printed circuit heat exchanger and operational spares.
- Provision of multi-phase pump solutions, after sales and spares.
- Provision of submersible motors & pumps, after sales and spares.
- Provision of thermal engineering products and solutions.
- Supply, installation, repair and maintenance of valves and flow regulators.

### OILFIELD SERVICES

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

### INTEGRATED CORROSION SOLUTION

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

## OUR MISSION

To Provide Sustainable Growth and Enhance Stakeholders' Value

## OUR VISION

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

## OUR CORE VALUES

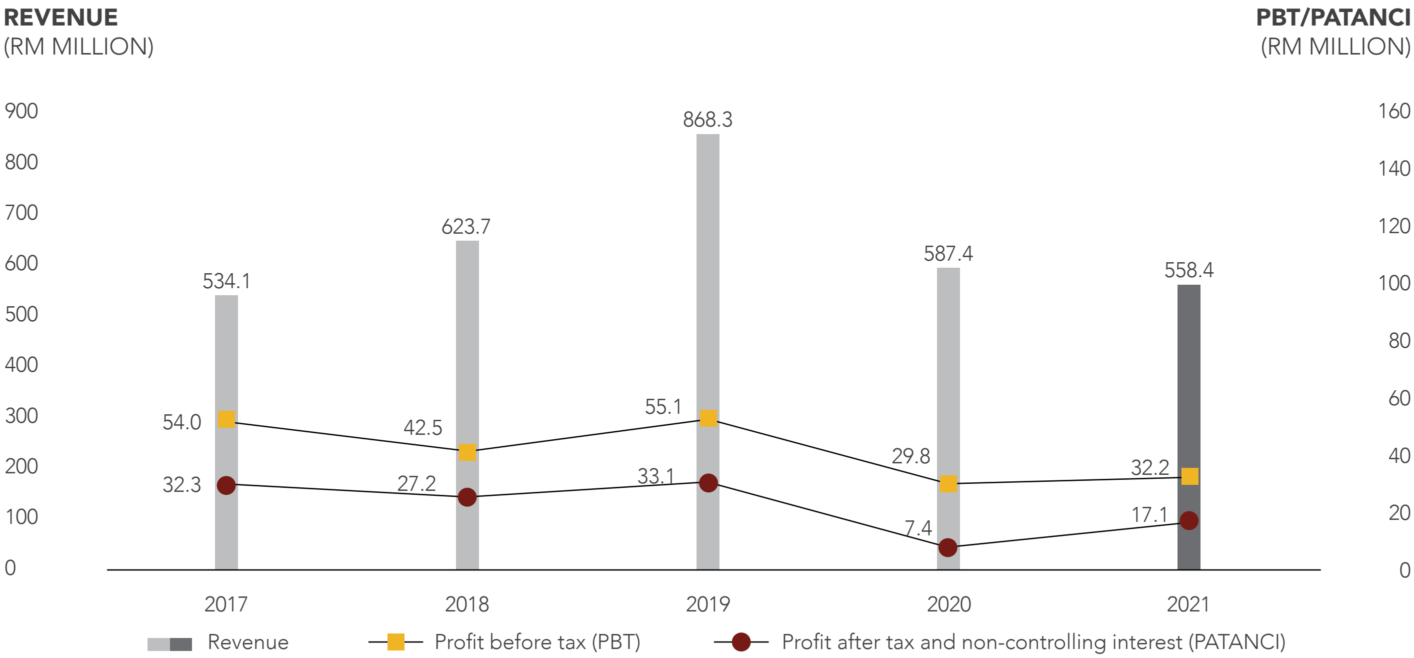
- Integrity
- Professionalism
- Sustainability
- Excellence

# Table of Contents

# Financial Highlights

**For the Financial Years Ended 31 December 2017-2021**

| | 2017 (RM'000) | 2018 (RM'000) | 2019 (RM'000) | 2020 (RM'000) (Restated) | **2021 (RM'000)** |
|---|---|---|---|---|---|
| Revenue | 534,058 | 623,685 | 868,299 | 587,424 | 558,367 |
| Gross profit | 139,868 | 124,451 | 143,616 | 110.145 | 107,388 |
| Earnings before interest, tax, depreciation and amortisation | 87,119 | 73,889 | 89,970 | 66,715 | 66,405 |
| Share of associates' results | (385) | 2,275 | 4,757 | 5,007 | 5,633 |
| Share of joint venture's results | 857 | 1,139 | 1,374 | 512 | 1,345 |
| Profit before tax | 54,025 | 42,548 | 55,073 | 29,756 | 32,152 |
| Profit after tax | 39,261 | 29,829 | 44,004 | 15,362 | 23,767 |
| Non-controlling interest | (6,983) | (2,660) | (10,856) | (7,933) | (6,699) |
| Profit after tax and non-controlling interest | 32,277 | 27,169 | 33,148 | 7,429 | 17,068 |
| Number of shares ('000) | 401,195 | 401,126 | 401,554 | 401,554 | 401,554 |

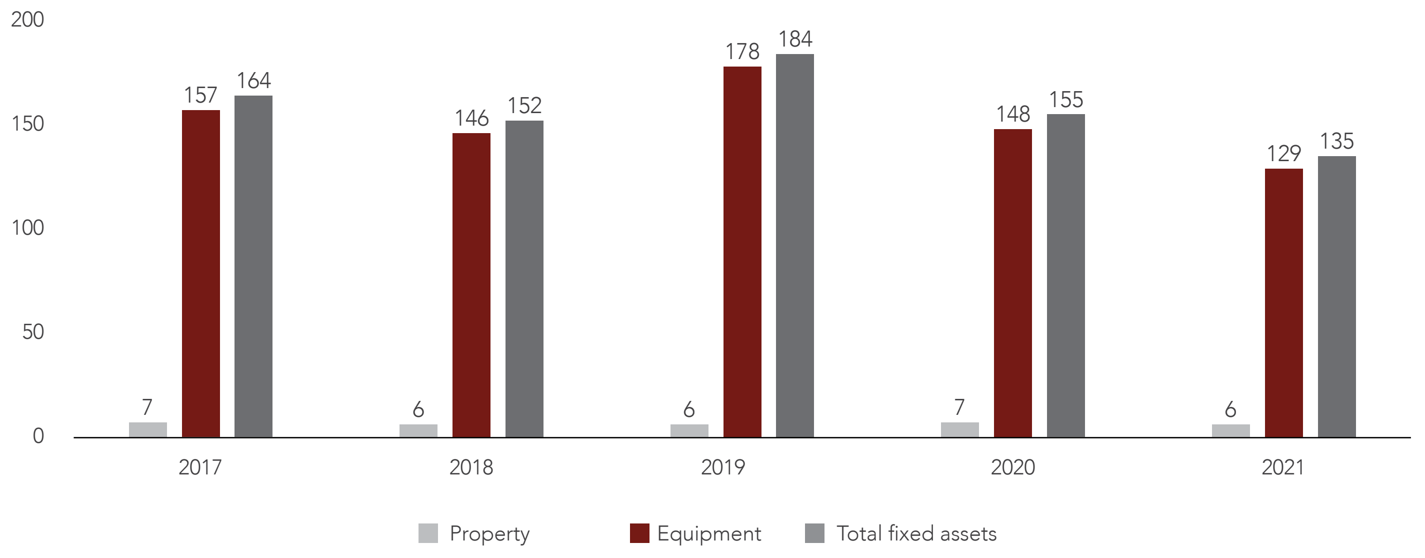



| FINANCIAL RATIOS | 2017 | 2018 | 2019 | 2020 | **2021** |
|---|---|---|---|---|---|
| Return on equity (%) | 10.0 | 8.2 | 9.5 | 2.1 | 4.8 |
| Return on total assets (%) | 5.3 | 4.1 | 4.4 | 1.1 | 2.8 |
| Gearing ratio (%) | 23.6 | 19.1 | 25.4 | 22.5 | 8.5 |
| Net asset per share (RM) | 0.80 | 0.83 | 0.87 | 0.87 | 0.89 |
| Dividend per share (Sen) | 4.24 | 3.50 | 4.40 | 1.00 | 2.20 |
| Dividend yield (%) | 4.5 | 3.6 | 4.6 | 1.6 | 4.4 |

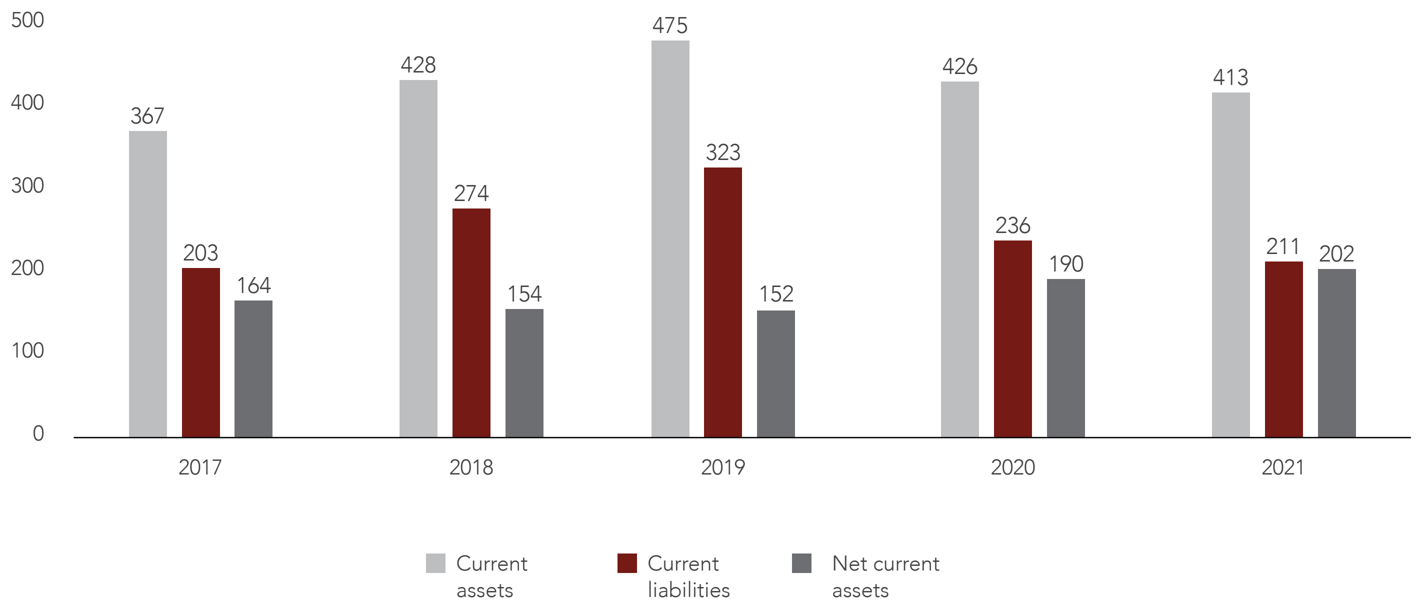
# Financial Highlights

**For the Financial Years Ended 31 December 2017-2021**

**PROPERTY, PLANT AND EQUIPMENT**
(RM MILLION)



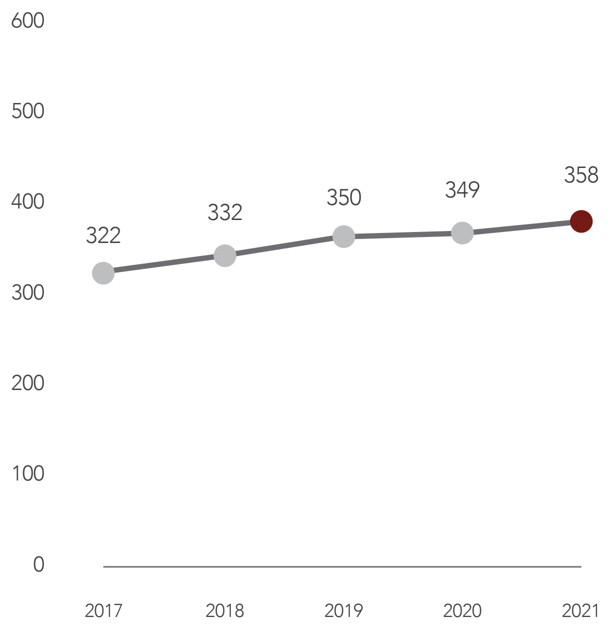

**NET CURRENT ASSETS**
(RM MILLION)



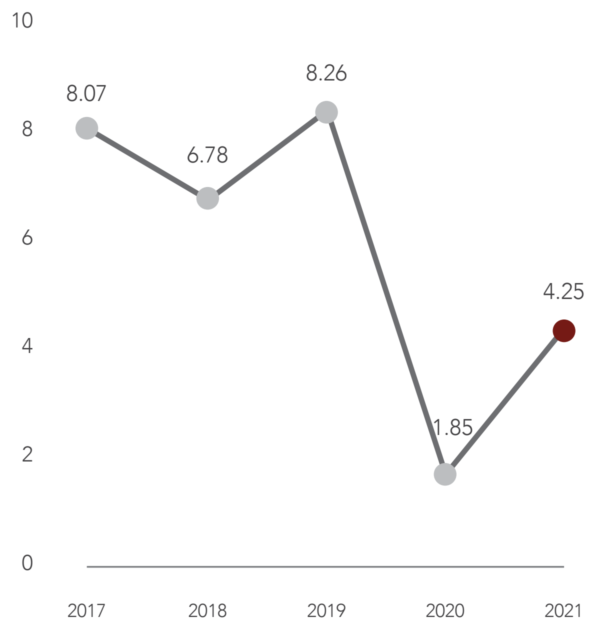
# Financial Highlights

For the Financial Years Ended 31 December 2017-2021

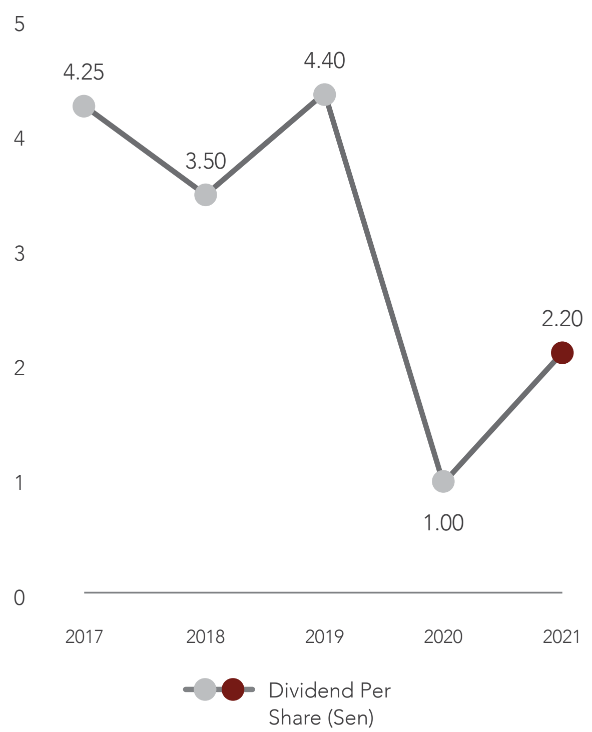
**SHAREHOLDERS' EQUITY**
(RM MILLION)

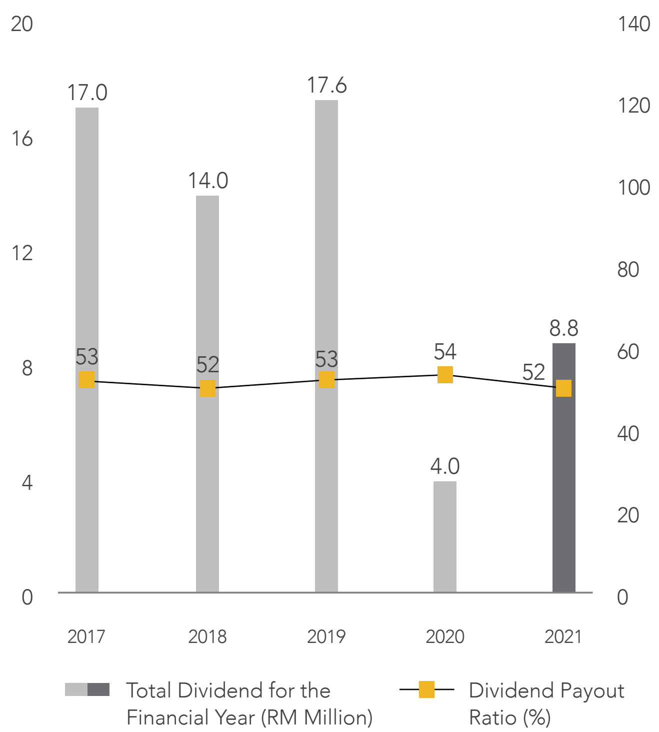



**EARNINGS PER SHARE**
(SEN)




**DIVIDEND**



# Corporate Information

**As At 31 March 2022**

## Board of Directors

**Dato' Izham bin Mahmud**
Non-Independent
Non-Executive Chairman

**Datuk Vivekananthan a/l M.V. Nathan**
Non-Independent
Non-Executive Deputy Chairman

**Ramanrao bin Abdullah**
Group Chief Executive Officer

**Datuk Ishak bin Imam Abas**
Independent Non-Executive Director

**Datuk Noor Azian binti Shaari**
Independent Non-Executive Director

**Lee Yoke Khai**
Independent Non-Executive Director

**Datuk Manharlal a/l Ratilal**
Senior Independent Non-Executive Director

## Joint Remuneration and Nomination Committee

**Datuk Manharlal a/l Ratilal**
(Chairman)
**Datuk Vivekananthan a/l M.V. Nathan**
**Datuk Ishak bin Imam Abas**
**Datuk Noor Azian binti Shaari**
**Lee Yoke Khai**

## Share Registrar

**Boardroom Share Registrars Sdn. Bhd.**
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-7890 4700
Fax : 603-7890 4670

## Board Risk Committee

**Lee Yoke Khai**
(Chairman)
**Datuk Vivekananthan a/l M.V. Nathan**
**Datuk Noor Azian binti Shaari**

## Stock Exchange Listing

**Bursa Malaysia Securities Berhad**
Main Market
Stock Code: 5132

## Audit Committee

**Datuk Manharlal a/l Ratilal**
(Chairman)
**Datuk Ishak bin Imam Abas**
**Lee Yoke Khai**

## Company Secretaries

**Lee Sew Bee**
(SSM PC No. 201908002727)
(MAICSA 0791319)

**Lim Hooi Mooi**
(SSM PC No. 201908000134)
(MAICSA 0799764)

## Auditors

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

## 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

## Principal Bankers

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

# Group Corporate Structure

**As At 31 March 2022**

## DELEUM BERHAD

**100%**
**DELEUM SERVICES SDN. BHD.**

- 100% Deleum Oilfield Services Sdn. Bhd.
- 100% Deleum Chemicals Sdn. Bhd.
- 100% Deleum Rotary Services Sdn. Bhd.
- 100% Delcom Holdings Sdn. Bhd.
- 90% VSM Technology Sdn. Bhd.
- 74% Turboservices Sdn. Bhd.
- 60% Deleum Primera Sdn. Bhd.
- 51% Penaga Dresser Sdn. Bhd.
- 32% Malaysian Mud And Chemicals Sdn. Bhd.

**100%**
**DELEUM SERVICES HOLDINGS LIMITED**

- 60% Delcom Utilities (Cambodia) Limited

**100%**
**DELFLOW SOLUTIONS SDN. BHD.**

**80.55%**
**TURBOSERVICES OVERHAUL SDN. BHD.**

- ● Subsidiary
- ● Associate
- ● Joint Venture

Note: Wisteria Sdn. Bhd., a wholly-owned subsidiary of Deleum Services Sdn. Bhd., has completed the members' voluntary winding up on 25 January 2022 pursuant to Section 439(1)(b) of the Companies Act 2016.

# Profiles of Directors

## DATO' IZHAM BIN MAHMUD

*Non-Independent Non-Executive Chairman*

| **Nationality** | **Age** |
|---|---|
| Malaysian | 81 |

**Gender**
Male

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

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

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

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

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

*Non-Independent Non-Executive Deputy Chairman*

| **Nationality** | **Age** |
|---|---|
| Malaysian | 80 |

**Gender**
Male

**Board Committees**
- Joint Remuneration and Nomination Committee
- Board Risk Committee

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

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

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

He is an Honorary Member of the Malaysian Gas Association since May 2016 after having served as its Council Member from 2004 until May 2016. Datuk Vivekananthan is a Director of Malaysian Philharmonic Orchestra and a member of the Board of Trustees of Dewan Filharmonik PETRONAS since November 2014.

# Profiles of Directors

## RAMANRAO BIN ABDULLAH

*Group Chief Executive Officer*

**Nationality** Malaysian

**Age** 58

**Gender** Male

Mr Ramanrao bin Abdullah was appointed as Group Chief Executive Officer of Deleum on 1 July 2021 and appointed as Director to the Board on 8 July 2021.

He holds a Bachelor of Accounting from University of Malaya and a Master in Business Administration from University of Leicester, United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Mr Ramanrao has built a career in the oil and gas industry spanning more than 26 years, all of which have been with Halliburton. His various roles in the company included those in the Finance, Business Development and Operation workstreams before assuming the position of Chief Executive Officer of Halliburton Asia Pacific in 2014. Following this, he was appointed to a newly created role as Vice President of Business Development for Asia Pacific and Asian National Oil Companies for their Global Operations in 2018.

Prior to his career in the energy sector, he was a practicing accountant in an audit firm in Bath, England for six years.

A leading figure in the industry, Mr Ramanrao previously served on the Research Advisory Council (RAC) of Universiti Teknologi PETRONAS (UTP) and continues his association with the university as an adjunct lecturer since 2019. He previously also served as a member of the Advisory Council for Society of Petroleum Engineers (SPE) Asia Pacific.

Mr Ramanrao's extensive experience in both the corporate and regulatory framework of the oil and gas industry, not just in Malaysia and regionally but also globally, as well as his training as a chartered accountant, has equipped him with a comprehensive range of diverse competencies relevant to this sector.

## DATUK ISHAK BIN IMAM ABAS

*Independent Non-Executive Director*

**Nationality** Malaysian

**Age** 76

**Gender** Male

**Board Committees**
- Audit Committee
- Joint Remuneration and Nomination Committee

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

He was an Accountant in Pernas International Holdings Berhad, Finance Director of Western Digital (M) Sdn. Bhd., Bursar of Universiti Kebangsaan Malaysia and Finance Director of Pfizer (M) Sdn. Bhd. prior to joining Petroliam Nasional Berhad ("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. He also served on the Boards of KLCC Property Holdings Berhad, Kuala Lumpur City Park Berhad, KLCC REIT Management Sdn. Bhd., and Putrajaya Holdings Sdn. Bhd. until his retirement on 1 January 2020.

He is currently a Non-Executive Director of Integrated Petroleum Services Sdn. Bhd.

# Profiles of Directors

**Nationality** Malaysian

**Age** 73

**Gender**
Female

**Board Committees**
- Joint Remuneration and Nomination Committee
- Board Risk Committee

## DATUK NOOR AZIAN BINTI SHAARI

*Independent Non-Executive Director*

Datuk Noor Azian binti Shaari was appointed to the Board as an Independent Non-Executive Director on 1 January 2015.

Datuk Noor Azian is a Barrister at Law. She was called to the Bar at the Honourable Society of Lincoln's Inn, London in July, 1971.

Upon her return to Malaysia, she joined the Judicial and Legal Service in November, 1971. Whilst in the said service she held various positions amongst them Magistrate, President Sessions Court, Senior Assistant Registrar High Court Malaya, Registrar High Court Malaya, Treasury Solicitor, Official Assignee Malaysia, Deputy Parliamentary Draftsman, Deputy Head of Civil Division, Chairman of the Special Commissioners for Income Tax and Chairman of Tribunal for Consumer Claims.

In September 2005, Datuk Noor Azian was appointed as a High Court Judge of Malaya. As a High Court Judge, she presided over Criminal, Civil and Commercial cases. She retired in July 2014.

Datuk Noor Azian is also an Independent Non-Executive Director of Affin Hwang Investment Bank Berhad since September 2016. As a Board member of the Bank she is also a member of the Group Board Compliance Committee, Board Audit Committee and Board Risk Committee. Since May 2021 she has been the Interim Chairman of the Bank.

As of 1 July 2019, Datuk Noor Azian has been an Independent Non-Executive Director of Mesiniaga Berhad where she is a member of the Board Joint Audit and Risk Management Committee.

Datuk Noor Azian is also a Registered Arbitrator of the Asian International Arbitration Centre (AIAC) Kuala Lumpur.

In 1984, Datuk Noor Azian was admitted as an Advocate and Solicitor of the High Court Malaya.

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**Nationality** Malaysian

**Age** 64

**Gender**
Male

**Board Committees**
- Board Risk Committee (Chairman)
- Audit Committee
- Joint Remuneration and Nomination Committee

## LEE YOKE KHAI

*Independent Non-Executive Director*

Mr Lee Yoke Khai was appointed to the Board on 15 March 2019. He is a Fellow of the Institute of Chartered Accountants Australia and a member of the Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants.

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

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

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

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

Currently, he is also an Independent Non-Executive Director of Cycle & Carriage Bintang Berhad.

# Profiles of Directors

**Nationality** Malaysian

**Age** 62

**Gender**
Male

**Board Committees**
- Audit Committee (Chairman)
- Joint Remuneration and Nomination Committee (Chairman)

## DATUK MANHARLAL A/L RATILAL

*Senior Independent Non-Executive Director*

Datuk Manharlal a/l Ratilal was appointed to the Board on 1 October 2020. He was redesignated as Senior Independent Non-Executive Director on 10 March 2022.

He holds a Master in Business Administration from Aston University in Birmingham, United Kingdom and a Bachelor of Arts (Honours) in Accountancy from the City of Birmingham Polytechnic (now known as Birmingham City University).

Datuk Manharlal was the Executive Vice President and Group Chief Financial Officer of PETRONAS, a member of the Board and Executive Leadership Team of PETRONAS and sat on the boards of several subsidiaries of PETRONAS until his retirement in late 2018. Prior to joining PETRONAS in 2003, he was attached with RHB Investment Bank Berhad for 18 years, concentrating in corporate finance where he was involved in advisory work in mergers and acquisitions, and the capital markets.

Currently, he is an Independent Non-Executive Director of Hong Leong Investment Bank Berhad and Genting Berhad.

# Profiles of Key Senior Management

**JAYANTHI A/P GUNARATNAM**
*Group Chief Financial Officer*

**Nationality**
Malaysian

**Age**
49

**Gender**
Female

**Date of Appointment**
1 January 2015

**Academic/Professional Qualifications**
- Bachelor of Accountancy (Honours) Universiti Utara Malaysia
- Member of Malaysian Institute of Accountants (MIA)

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

**LEE SEW BEE**
*Senior General Manager - Group Corporate Services/Company Secretary*

**Nationality**
Malaysian

**Age**
60

**Gender**
Female

**Date of Appointment**
1 May 2013 and re-employed effective from 8 November 2021 on contract basis upon retirement

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

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

**HENG PHOK WEE**
*Chief Executive Officer*
*Deleum Services Sdn. Bhd.*

**Nationality**
Malaysian

**Age**
50

**Gender**
Male

**Date of Appointment**
1 April 2018

**Academic/Professional Qualifications**
- Bachelor of Chemical Engineering (Honours), Universiti Teknologi Malaysia
- Master of Business Administration (MBA), Universiti Malaya

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

# Profiles of Key Senior Management

**AZMAN BIN JEMAAT**
*Chief Executive Officer*
*Penaga Dresser Sdn. Bhd.*

**Nationality**
Malaysian

**Age**
54

**Gender**
Male

**Date of Appointment**
1 March 2018

**Academic/Professional Qualifications**
- Bachelor of Mechanical Engineering, University of Wollongong, Australia

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

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**IMRAN HAKIM BIN ABDUL AZIZ**
*Chief Executive Officer*
*Deleum Oilfield Services Sdn. Bhd.*

**Nationality**
Malaysian

**Age**
47

**Gender**
Male

**Date of Appointment**
20 September 2021

**Academic/Professional Qualifications**
- Bachelor of Engineering, Manufacturing Engineering, Leeds Metropolitan University, UK

**Working Experience**
- Joined Deleum Oilfield Services Sdn. Bhd. in 2021 as Chief Executive Officer
- Prior to joining Deleum Oilfield Services Sdn. Bhd., he worked as the Technical Sales Manager SEA at Halliburton Energy Services

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None of the Key Senior Management members above have:
- Any directorship in public companies and listed issuers in Malaysia.
- Any family relationship with any Director and/or major shareholder of Deleum Berhad.
- Any conflict of interest with Deleum Berhad.
- Any conviction for offences within the past five (5) years other than traffic offences.
- Any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2021.

# Message from the Chairman

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present this Annual Report for Deleum Berhad ("Deleum" or "the Group") for the financial year ended 31 December 2021 ("FY2021").

## ADAPTING TO A CHALLENGING ENVIRONMENT

The financial year under review continued to be affected by the COVID-19 pandemic, notably with the imposition of full lockdowns, restrictions on business activities and strict standard operating procedures. Such measures, necessary though to contain the spread of infection, continued to impact business and operational activities of almost all industries and economic sectors within the country. The "new normal" requirements had caused many economic sectors to be under lockdown or having to operate at a reduced capacity.

The lessons learnt from FY2020 were well applied across the Group, including finding solutions to the many difficulties posed by COVID-19 related restrictions. Initiatives such as working from home, use of online platforms, testing for infections, social distancing, minimising physical contact wherever possible and adhering to travel restrictions for offshore personnel as prescribed by the relevant stakeholders were basic precautionary measures implemented.

Various cost and cash management measures such as optimising costs, preserving free cash and managing our working capital utilisation, amongst others continued being practised in FY2021. This approach, guided by our Strategic Plan, helped to offset the myriad of challenges faced in FY2021, resulting in Deleum's achievement of a improved profit despite the low asset utilisation and higher provisions and write-offs made on slow-moving and obsolete stocks.

Deleum will continue to explore avenues to further strengthen its operations to meet the evolving demands of the future.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

In FY2021, Deleum registered a profit after tax from continuing operations of RM25.7 million, representing an increase of 44.4% or RM7.9 million, compared with RM17.8 million achieved in FY2020. The profit after tax and non-controlling interest amounting to RM17.1 million, represented an increase of 131.1% against FY2020's RM7.4 million. The improvement in results was primarily due to the increase in the total segment results, lower impairment charges on its operating assets as compared to previous year and higher share of results of a joint venture.

The Group generated a positive cash inflow of RM57.5 million from its operating activities, resulting in a strong cash balance of RM192.7 million at the end of the financial year under review. This ensures that we are aptly poised to capitalise on opportunities in light of the gradual economic recovery. The Group's borrowings decreased significantly by 61.4% to RM30.3 million from RM78.4 million in FY2020 as we continued to pare down our debts over the course of our normal business.

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

## SHAREHOLDERS' RETURNS

We reiterate our commitment to drive performance for shareholders' benefit and to enable strong returns via our dividend policy of a pay-out ratio of at least 50% of attributable earnings for the financial year. In line with this, Deleum paid a first interim single-tier dividend of 1.00 sen per ordinary share amounting to RM4.0 million on 30 September 2021 and a second interim single tier dividend of 1.20 sen per ordinary share amounting to RM4.8 million on 30 March 2022. This brought the total dividend in respect of FY2021 to 2.20 sen per ordinary share or RM8.8 million representing a dividend pay-out of 51.5%.

Overall, Deleum has cumulatively made payments of RM236.1 million in dividends since the Group's listing on Bursa Malaysia Securities Berhad ("Bursa Securities") in 2007. The Group's market capitalisation has stood between RM244.9 million to RM349.4 million in these past three years.

# Message from the Chairman

## SUSTAINABLE BUSINESS OPERATIONS

Throughout FY2021, Deleum faced challenges to ensure sustainability of operations which were aptly dealt with under the Group's key strategic plan built on three pillars of Health, Safety and Environment, Service Quality and Governance.

Business sustainability measures initiated in FY2021 included strengthening of our risk framework with risk-related assessments and revising our Business Continuity Plan and Risk Register to further enhance our level of preparedness to overcome the challenges.

On the premise that strong governance drives sustained business, the Group is steadfast in its commitment to uphold transparency and ethical business practices throughout all levels of the organisation. To support this commitment and to set a high moral business compass, the Group has in place a robust governance structure with comprehensive policies.

The Anti-Bribery and Corruption Policy, rolled out in FY2020, has gained momentum, with the Group instituting a series of talks in which relevant public figures were invited to engage with our personnel to further reinforce the importance of governance and compliance. We remain resolute of the Group's zero-tolerance approach to all forms of bribery and corruption.

The Group acknowledges the importance of value creation for long-term business sustainability and the need to balance our financial performance with our corporate obligation for the environment and community. The details of the Group's sustainability performance can be found in the Sustainability Statement of this Annual Report.

## OUTLOOK AND PROSPECTS

Geopolitics impact commodities and the global economy. The recent Russian military invasion into Ukraine in February 2022, has triggered a sharp increase in prices of oil and gas, with both major oil benchmarks trading at above USD100 per barrel.

Given the high uptake of the national COVID-19 vaccination programme and the Malaysian government's recent announcement of "Transition to Endemic" phase of COVID-19 on 1 April 2022, economic activities are expected to gain momentum with the opening up of business sectors, relaxation on travel restrictions and easing of quarantine requirements, in addition to the forecasted sustainability of the high crude oil price level in the industry.

This augurs well for the planned activities over FY2022, in which the Group will be actively identifying and pursuing new business opportunities to enable us to capitalise them in a timely manner when the market fully recovers.

## A NOTE OF THANKS

On behalf of the Board, I wish to record our sincere appreciation to Datuk Ir (Dr) Abdul Rahim bin Hashim, our Senior Independent Director who resigned from the Board on 20 December 2021. His dedication and invaluable business insights is deeply valued by the Group.

In the same vein, the Group wishes to acknowledge Datuk Ishak bin Imam Abas who will be retiring from the Board as an Independent Director upon the conclusion of the Company's forthcoming 17th Annual General Meeting on 19 May 2022. Datuk Ishak is a long-serving director, having joined Deleum at its debut on the Main Board of Bursa Securities in 2007. He was also the Chairman of the Audit Committee for 14 years and has been instrumental in setting the tone and guiding the progress of the Group.

Alongside our thanks to Datuk Ir (Dr) Abdul Rahim and Datuk Ishak, we wish them good health and every success in their future endeavours.

We warmly welcome Mr Ramanrao bin Abdullah who joined us as the Group Chief Executive Officer on 1 July 2021. He brings with him a wealth of industry experience and established credentials to add further value to our Group.

I extend my utmost gratitude and thank my fellow Board members for their wise counsel and good stewardship and the Management team for their valuable contributions, which provided the stability and confidence to navigate the Group through challenges in the financial year under review and emerge stronger.

I am humbled by our employees on their high level of commitment, resilience and professionalism displayed in the face of this ongoing pandemic. Their personal sacrifices and dedication to their respective work areas were the reason for our Group's business continuity and service to the business community. On behalf of the Board and Management, I thank them for their strong efforts.

Last but not least, I would like to express my sincere gratitude to our valued shareholders, customers, suppliers, business partners, financiers and other stakeholders for their unwavering support and trust in the Group.

Against this backdrop of collective strength, expertise and experience, I am indeed confident that Deleum will continue our upward performance trajectory to chart further milestones in the upcoming financial year and beyond.

**DATO' IZHAM BIN MAHMUD**
Chairman
31 March 2022

# Management Discussion and Analysis

The financial year ended 31 December 2021 ("FY2021") witnessed the world reopening and economic activities resuming, following the unprecedented impact of the COVID-19 pandemic. The global economy is staging its most robust post-recession rebound with measured recovery seen across countries and sectors, boosted by a concerted roll-out of vaccines to curb the spread of the virus.

The crude oil price was approximately USD65 per barrel in December 2021 but rose steadily to above USD80 per barrel in February 2022. This was attributable to rising consumer demand as the world moves on from the COVID-19 pandemic, talks of inflation and a weak supply from the leading oil producing nations. The start of the war between Russia and Ukraine in February 2022 saw the oil price rising rapidly, reaching a peak of USD122 per barrel for crude and above USD130 per barrel for Brent.

The recovery of the oil and gas sector and the increasing demand for the commodity with the capital discipline exercised by oil producers is expected to keep the commodity price at a stable level. The increase in global rig count is expected to cascade to Asia including Malaysia.

Deleum expects to see stability within the Group for the financial year ending 31 December 2022 as business activities increase gradually since the start of the year. With the business environment slowly recovering, Deleum will seek opportunities to identify and establish new business prospects to further strengthen the performance of the Group as the market fully recovers and to promote long term sustainability.

The Group continues to uphold the strong commitment to strengthen corporate governance across the length and breadth of the organisation. Such policies adopted within the Group include the Anti-Bribery and Corruption Policy ("ABC Policy"), Code of Business Conduct, Whistleblowing Policy and Investigation Procedure. The ABC Policy was instituted in 2020 and is aligned with the Group's Anti-Bribery and Anti-Corruption Management System in accordance with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on Corporate Liability. Further details of corporate governance practices are outlined in the Group's Corporate Governance Overview Statement in this Annual Report.

## OVERVIEW OF OPERATIONS

Deleum's core business operations revolve around the upstream of the oil and gas sector, particularly the exploration and production fronts. Our four decades of extensive experience has firmly established the Group as a recognised integrated service provider, offering a diverse range of specialised products and support services for the oil and gas industry.

Our key areas of business operations remain in Power and Machinery ("P&M"), Oilfield Services ("OS") and Integrated Corrosion Solution ("ICS"), details of which are outlined in the 'Performance by Business Segments' section of this report.

## STRATEGIC FOCUS: BUILDING RESILIENCE DURING TRANSITION

The ongoing pandemic severely impacted businesses and people in an unprecedented scale and was responsible for shifts within the sector as well as the global economy. This has served to enhance the Group's ability to withstand the challenges of an unpredictable business landscape.

The Group will continue to build upon resilience in our core business, leveraging on our competitive strengths and capabilities to transform itself and capitalise on opportunities available. To materialise this would not only require upgrading of our businesses and operations with enhanced processes and efficiency improvements but putting an equal emphasis in deploying the right people and teams into place to deliver quality products and services.

During the course of the year, the Group had several changes in the Management team and commenced instituting several key initiatives to strengthen the Group to ride through the transition period amidst these unprecedented times.

# Management Discussion and Analysis

This transformational journey requires strong governance, continuous investment in talent development and integration of sustainable practices into our operations, hence the focus on:

1

**Compliance/ Governance:**
Adopting best practices at the Group level, firmly advocating business ethics and compliance to ensure ethical, transparent and responsible governance.

2

**Health, Safety and Environment:**
Ensuring a high and consistent standard of safety for operational performance. Managing safety and health in operations secures our license to operate.

3

**Service Quality:**
Doing things right the first time and to perform services in a safe and reliable manner, so that the customers' expectations are satisfied.

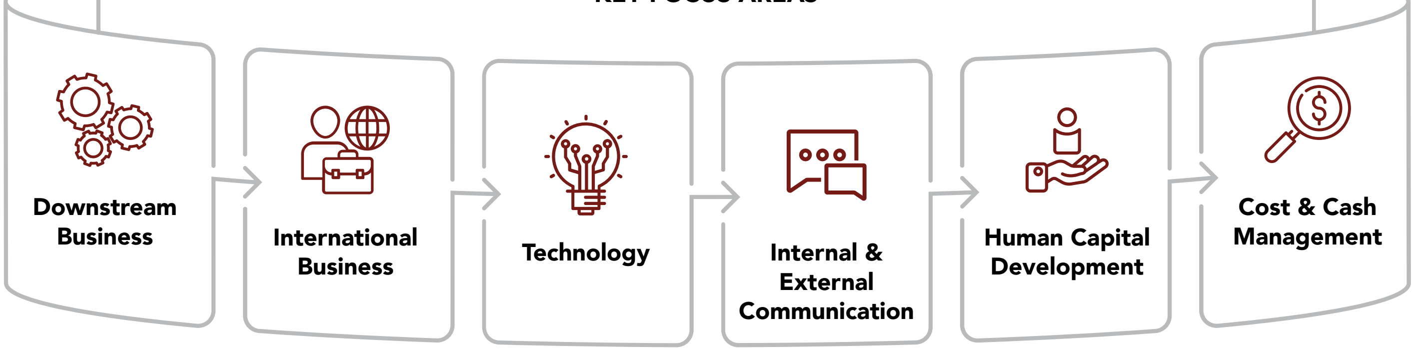
4

**Operational Excellence:**
Adopting agility for business sustainability, ensuring a pipeline of talent and bench strengths and having a highly engaged and scalable workforce to deliver beyond expectations for business sustainability.

5

**Market Growth:**
Pursuing new products, services and exploring innovative technology.

**KEY FOCUS AREAS**



# Management Discussion and Analysis

## FINANCIAL HIGHLIGHTS

The Group's revenue for FY2021 was RM558.4 million, lower by 4.9% or RM29.0 million against the corresponding year of RM587.4 million. This was due to lower revenue reported from both the OS and ICS segments but mitigated by stronger revenue contribution from the P&M segment.

The Group's profit attributable to equity holders of the Company improved by RM9.7 million or 131.1% to RM17.1 million against the corresponding year of RM7.4 million notwithstanding the Group's lower revenue reported. The improvement in results was attributable to lower impairment charges on its reportable segments' operating assets by RM27.1 million as compared with the previous financial year. However, the Group's results were partially offset by the weaker performance recorded in both the P&M and ICS segments, coupled with the low asset utilisation and higher provisions and write-offs made on slow-moving and obsolete stocks held totalling RM10.3 million compared to RM3.2 million in the corresponding year.

Contribution from a joint venture involved in the overhaul and repairs of gas turbines was higher by 162.7% in FY2021 at RM1.3 million compared to FY2020's RM0.5 million. The higher share of results was due to lower direct operating expenditure incurred and higher revenue from engine disassembly despite a decline in revenue from space rental.

Share of results of associates of RM5.6 million was RM0.6 million higher than FY2020, due to the higher throughput achieved from Malaysian Mud and Chemicals Sdn. Bhd.'s ("2MC") liquid mud and dry bulk businesses.

With the P&M segment being the most significant revenue contributor to the Group, efforts will still be focused on improving contributions from the OS and ICS segments, exploring group-wide measures to reduce overall costs and improve profitability.

### Liquidity and Capital Resources

The Group generated positive cash inflow of RM57.5 million from its operating activities, resulting in a strong cash balance of RM192.7 million as at 31 December 2021. Although the cash and bank balances position at the end of the year under review was lower than the previous year of RM219.6 million, it is worth noting that the change was due to the net repayment on borrowings, dividends paid to shareholders and non-controlling interest and capital expenditure paid.

### Gearing Ratio

The gearing ratio of the Group as at 31 December 2021 was 8.5%, dropping from 22.5% in the previous financial year as we pared down our borrowings and lease liabilities during the financial year.

Details of the borrowings and maturity profile of such borrowings are disclosed accordingly in the Financial Statements for FY2021.

### Contingent Liabilities

As at 31 December 2021, the Group did not have any contingent liabilities or assets except for guarantees given to third parties in relation to operating requirements, utilities and maintenance contracts of RM51.5 million (FY2020: RM44.3 million).

### Capital Management

The Group's capital management objective is to achieve an optimal capital structure that offers high shareholder value whilst ensuring the sustainability of the Group. In this regard, the debt financing, quantum of dividends, issue of new shares as well as the return of capital to shareholders are adjusted to maintain this optimal capital structure.

### Capital Commitments and Funding Sources

The Group's total capital commitments authorised for property, plant and equipment amounted to RM16.6 million as at 31 December 2021 (FY2020: RM30.5 million), of which RM0.8 million (FY2020: 3.7 million) of capital commitments have been contracted for but not incurred.

The remaining capital commitments of RM15.3 million (FY2020: RM26.0 million) relate to capital expenditure that have been authorised but not contracted for and share of capital commitment of a joint venture of RM0.5 million (FY2020: RM0.8 million). The capital commitments that have been authorised and contracted for relate to general contractual requirements and the purchase of equipment for current operations.

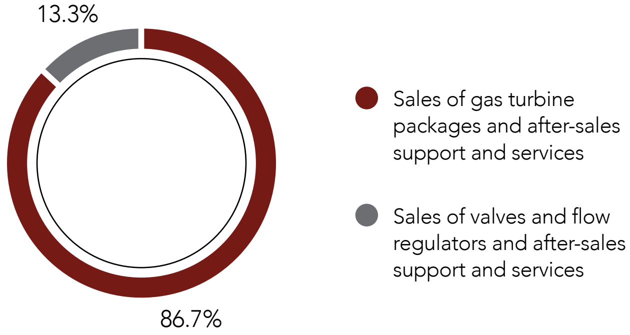
# Management Discussion and Analysis

## PERFORMANCE BY BUSINESS SEGMENTS

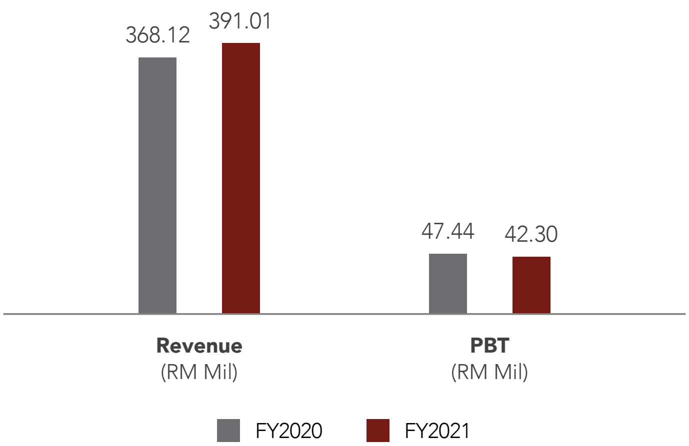
### Power and Machinery ("P&M")

The P&M segment operates primarily via Deleum Services Sdn. Bhd. ("DSSB"), Turboservices Sdn. Bhd. ("TSSB"), Deleum Rotary Services Sdn. Bhd. ("DRSSB") and Penaga Dresser Sdn. Bhd. ("PDSB").

**FY2021 Revenue Breakdown**




**Performance Highlights**




In FY2021, the P&M segment's revenue increased by 6.2% or RM22.9 million to RM391.0 million against the corresponding year of RM368.1 million. This was mainly attributed to the increase in business activities in higher gas turbine sales, exchange engine deliveries, control retrofit jobs and local field service representatives.

In contrast, profit before tax ("PBT") fell by RM5.1 million or 10.8%, due to lower contribution from valves and flow regulators services, third party sales and other ancillary services. Higher losses incurred in the forward foreign currency exchange contracts differences on MYR against USD also contributed to the declined PBT with a loss of RM0.8 million.

Despite the ongoing recovery in the oil price, the market and operating environment in 2021 remained challenging due to the impact of the COVID-19 pandemic affecting business operations in logistics, compliance with the standard operating procedures, on top of the deferments of new projects and maintenance programmes by customers. Nonetheless, the P&M segment continued to strengthen its products and services, working in partnership with potential principals and customers to deliver innovative solutions and to optimise equipment efficiency.

With a strong customer centric approach, DSSB supported our principal in securing an order for three new gas turbine generator packages. This was in addition to another two orders for printed circuit heat exchangers. DSSB also added two new products and service representations in FY2021 involving submersible pumps and motors as well as mercury/sulfur removal absorbents.

The demand for turbomachinery maintenance services provided by TSSB remained consistent throughout FY2021 with improvement in earnings as compared to FY2020.

Despite the decline in its control and safety valves business under PDSB, its service facility in Miri was kept fully operational throughout 2021, indicative of its strong after-sales commitment to customers. Plans for a permanent service workshop in Pengerang was deferred, pending the restart of PETRONAS' Refinery and Petrochemical Integrated Development ("RAPID") operations.

It is also worth noting that PDSB charted another milestone in FY2021 by securing an order for the MERO3 Floating Production, Storage and Offloading project in Brazil, a clear measure of international recognition of its capability.

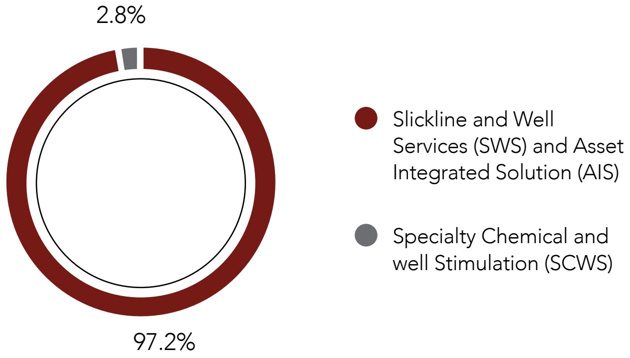
DRSSB's business rationalisation exercise to exit from the motor/generator maintenance, repair and overhaul business was completed in FY2021 with the closure of facilities in Kajang and Bintulu. This exercise will result in a positive impact on DRSSB's financials due to lower operating costs. DRSSB will continue to focus in the areas of project management, installation and commissioning manpower support services, whilst looking for new business opportunities for other relevant on-site maintenance services.

# Management Discussion and Analysis

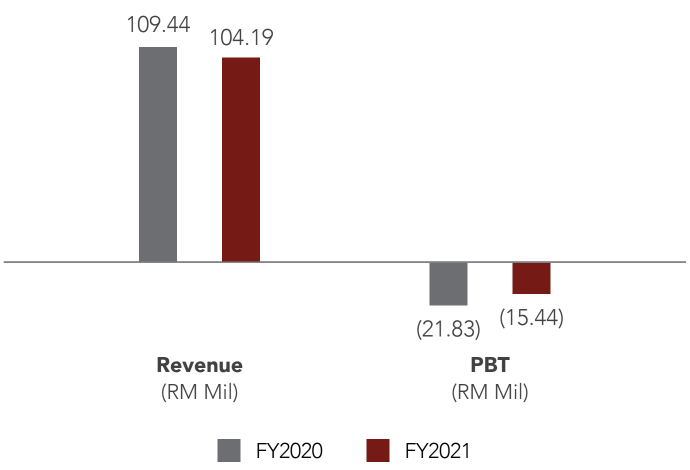
## Oilfield Services ("OS")

The OS segment operates primarily via Deleum Oilfield Services Sdn. Bhd. ("DOSSB") and Deleum Chemicals Sdn. Bhd. ("DCSB").

### FY2021 Revenue Breakdown




### Performance Highlights




The OS segment's revenue decreased by 4.8% or RM5.2 million to RM104.2 million against the previous year's revenue of RM109.4 million. This was mainly attributed to the challenges posed by the COVID-19 pandemic, resulting in reduction and deferment in activities.

The segment registered a lower loss before tax ("LBT") of RM15.4 million in FY2021 as it recorded lower impairment charges on its operating assets of RM3.2 million as compared to FY2020's LBT of RM21.8 million that was impacted by RM15.1 million impairment charges. The financial result for FY2021 was also affected by the additional provisions made for and write-off of its slow moving and obsolete stocks and doubtful debts on trade receivables.

The OS segment via its Slickline and Well Services ("SWS") unit, is the largest service provider of slickline packages in Malaysia, supplying more than half of the country's total slickline requirements in FY2021. Owing to its excellent track record, the unit secured several contract extensions with prominent oil and gas companies namely Petronas Carigali Sdn. Bhd. and ExxonMobil Exploration and Production Malaysia Inc during the year under review. These contract extensions, ranging between one to two years, involved the provision of slickline equipment and services, gas lift valve, and insert string equipment, accessories and services.

The Asset Integrated Solutions ("AIS") unit is an integrated services and solutions provider offering cased-hole logging, well intervention, drilling and completion services, and sub-surface engineering solutions. It continues to deliver comprehensive, high-quality, customised and cost-effective solutions to its customers in FY2021. It is also currently exploring opportunities to expand its services with electro-mechanical tool and set & retrieve wellbore devices without explosives.

The Specialty Chemical and Well Stimulation ("SCWS") unit provides specialty chemicals and well stimulations services, offering all-inclusive chemical solutions for production enhancement, flow assurance, integrated pipeline cleaning, tank cleaning, well pumping services, well analysis and consultation. The Group's in-house research and development facility carries out the development of chemical solutions.

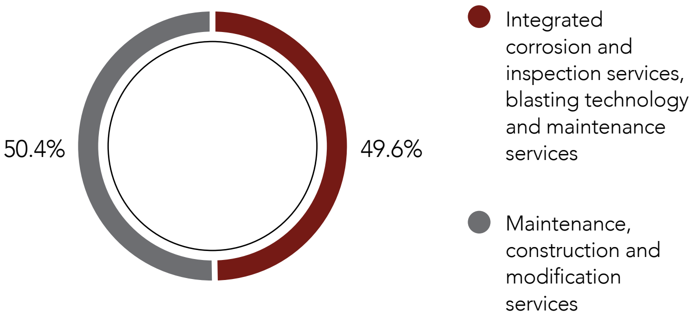
In FY2021, some of the team's notable achievements included the first successful rig-less through-tubing gravel pack, first successful application of mini-triplex pump and first trading supply of lubricant to Kuantan Port. Innovative products such as specialty desludging and demulsifying chemicals, foam sticks and heavy-duty degreaser were successfully developed in-house.

# Management Discussion and Analysis

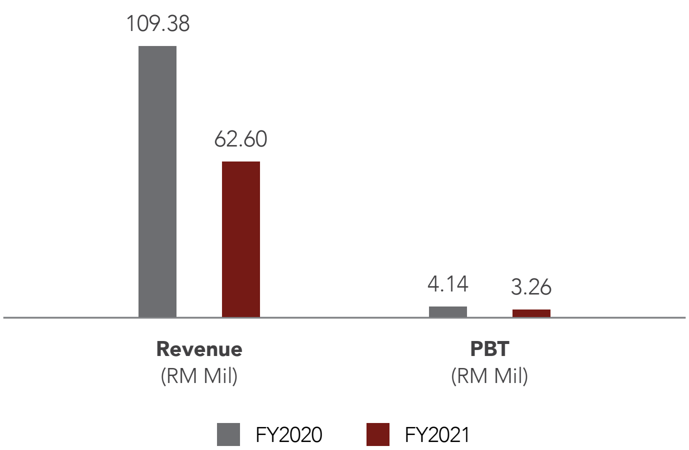
### Integrated Corrosion Solution ("ICS")

The ICS segment operates via Deleum Primera Sdn. Bhd. ("DPSB").

### FY2021 Revenue Breakdown




### Performance Highlights




The ICS segment's revenue declined to RM62.6 million, representing a decrease of RM46.8 million or 42.8% compared with the previous year of RM109.4 million following a decrease in the maintenance service activity levels for its Maintenance, Construction and Modification Services operations.

Notwithstanding that the previous year's result was affected by a one-off impairment charge of RM15.2 million which did not recur during the current year, the segment reported a RM0.9 million decline in PBT. This was mainly attributable to the adverse change in sales mix with downward pressure on its project margins, provisions and write-offs made on its slow-moving and obsolete stocks held of RM5.3 million, higher legal and professional costs incurred and higher foreseeable losses recognised. This was however cushioned by the stronger margins earned from its Sponge-jet operations in Indonesia. Looking to expand business operations beyond Malaysia, DPSB has set up a Representative Office in Indonesia as a base for its operations.

Given customers' compressed business, DPSB has adopted a more streamlined focus, including centralisation of the corporate resources functions, to ensure alignment with the Group's established processes and procedures to enhance efficiency and effectiveness.

### Joint Venture and Associate Company

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

2MC, a 32% owned associate company of the Group, is involved in the operations of bulking installation in Labuan, offering dry and liquid bulking services to offshore oil and gas companies.

## MITIGATING BUSINESS RISKS

Deleum is cognisant of the fast-paced business environment it operates in and constantly monitors the business risks and steps taken to mitigate its impact within the Group.

Through a structured Enterprise Risk Management Framework, the Group assessed the business risks against the backdrop of the 2021's business, operating environment, and its outlook. The underlying business risks include the adaptation of the new normal following the COVID-19 pandemic, slow recovery of energy demand, and market shift towards more sustainable ways of doing business.

# Management Discussion and Analysis

The Group's key and emerging risks and its mitigation measures in no order of priority are as follows:

## Strategic

| Description | Mitigation Measures |
| --- | --- |
| Strategic performance is impacted by the volatility of commodity prices, change of customers' requirements, foreign exchange rates exposures, economic outlook including customers' budget and pandemic conundrum. | • Navigate the challenging environment and to drive performance levels across the business, we are continually guided by the key focus areas in our strategic plan:<br>1. Cost and cash management<br>2. Human capital development<br>3. Internal and external communication<br>4. Downstream business<br>5. International business<br>6. Technology<br>• Continue to pursue business development initiatives, exploring opportunities into new scope of services and markets including deepening our existing footprints. We are being prudent and selective in repositioning our business portfolios.<br>• Continually assessing the markets and underlying macroeconomic and remaining focused on actions and capabilities to create and sustain competitive advantage. Aiming to maintain a sustainable financial position to provide resilience against weak markets. |

## Project and Operational

| Description | Mitigation Measures |
| --- | --- |
| Deleum's operations are dependent on our capabilities, processes, people, and systems in delivering the commitments to customers. We strive in managing our cost stewardship and service excellence. | • Strategies based on our key focus areas in managing our cost and cash flows against the backdrop of economic and commodity prices uncertainty. We ensure close monitoring and review of operational expenses and working capital as well as cash flows to meet scheduled commitments.<br>• Maintain close and transparent regular engagements with existing key principals and customers to align mutual business goals and to maximise value.<br>• Maintain constant communication of allowable working practices throughout the ongoing COVID-19 pandemic, and to ensure compliance with government authorities and customers' requirements and meeting operational excellence.<br>• Actively seeking ways to strengthen the third parties (i.e. subcontractor and suppliers') deliverable commitments towards our customers via various programmes which include a stringent procurement vendor management system.<br>• Performed the Business Continuity Management readiness test on selected sites i.e. Kemaman operations to ensure operational resiliency. |

## Financial

| Description | Mitigation Measures |
| --- | --- |
| Financial performance may be exposed to loss in demand for assets and services, asset impairment, going concern, cash flows, and profitability that may be affected by costs and volatility in the foreign exchange rate. | • Diversify our products/services and aggressively market for potential projects to mitigate the financial risks.<br>• Monitor currency fluctuations and foreign currency-denominated business transactions in line with the hedging policy and procedures.<br>• Stringent operational and administrative cost management, strict compliance with Credit Control policy, and a continuous reminder on cost savings to our people to ensure business sustainability. |

# Management Discussion and Analysis

## Health, Safety and Environment

**Description**

The nature of our operations exposes our people and the environment in which we operate in a wide range of health, safety, and environmental incidents. Any incident could result in regulatory action, operations disruption, increased costs, and impaired reputation. The prolonged COVID-19 pandemic presents significant mental and health risks to our people.

Rising concerns on the environmental footprint, including impact on climate change and waste management which may lead to additional legal and/or regulatory measures.

**Mitigation Measures**

Maintain a safe and healthy work environment to protect our people, business partners and contractors through the following:

- Strictly adapt, embed, and continuously monitor implementation of safety and health policies and procedures (including COVID19 pandemic related health risks).
- Continuous HSE campaigns via various activities (i.e., Adverse Weather Safety Campaign, the effective toolbox talk campaign, behavioural safety workshops conducted internally and externally by customers, etc.).
- Continuously review COVID-19 pandemic HSE standard operating procedures and guidelines with relevant references from the Ministry of Health Malaysia and customers' requirement.
- Conduct periodic audits of HSE procedures and practices, drills and exercises, and implementation of initiatives to comply with the requirements and standards by regulatory bodies and customers.

We are focused and committed to protect the environment in business activities through:

- Adopting best practices based on industry standards and guidelines and ensuring our established policies are being always adhered to. Our Environmental Management System (EMS) is ISO 14001:2015 certified by a certification body and helps ensure we meet legal requirements and other environmental requirements to which we subscribe to.
- Committed to minimise our impact on the environment and to continuously improve our sustainability performance, especially in relation to greenhouse gas (GHG) emissions.
- All hazardous waste is managed by our own Certified Schedule Waste Competent Person registered and recognised by the Department of Environment. Our commitment for the protection is guided by Environmental Quality Act 1974 and ISO 14001: 2015.

## Corruption

**Description**

Non-compliance and violation of any laws related to Anti-Bribery and Corruption in business dealings that may adversely impact meeting business objectives, regulatory compliance, and impairs Group's reputation. It may lead to material adverse impact on our brand and ability to secure new contracts and licence to operate.

**Mitigation Measures**

We make a concerted effort to mitigate the corruption and bribery risk through:

- Strict adoption and adherence to laws and related policies and procedures and guidelines endorsed by the Board such as Code of Business Conduct ("COBC") and ABC policy.
- Identify and implement continuous improvement in enhancing the anti-bribery and corruption and related policies and procedures by performing a gap analysis and risk assessment.
- Instil integrity and speak-up culture within the organisation with group-wide progressive activities and communications.
- Maintain close collaboration with regulatory bodies on emerging legal and regulatory requirements.
- Active engagement with oil and gas regulators for a continuous business dealing and licence to operate.

## Human Capital

**Description**

Common challenges are upskilling and reskilling of our people and the inability to attract/acquire and retain the right talent to deliver value to our stakeholders.

**Mitigation Measures**

- Identification of high potential positions throughout the Group to ensure that a sustainable pipeline of qualified and competent talents is available.
- Focus on people management in the areas of multitasking, creativity, and evolving mindsets, culture, and behaviour within the organisation.
- Hire the right talent and retain the best talent by continuously benchmarking against competitive industry practices.
- Building future-ready workforce as we are well-positioned to upskill and reskill our people by equipping them with new knowledge and skills.

# Management Discussion and Analysis

## Digital/Cyber security

| Description | Mitigation Measures |
|---|---|
| Accelerate digitalisation and automation of our systems and processes, we may be exposed to potential digital or cybersecurity threats. | • Ensure strict adoption of policies such as ICT Policy and Cybersecurity Policy.<br>• Continually monitoring, upgrading, and strengthening cybersecurity controls throughout the group-wide's IT landscape.<br>• Constantly providing education and training as part of our efforts to instil the digital-savvy culture amongst our people.<br>• Periodically undertaking self-assessments (i.e. Data Recovery testing) in identifying vulnerabilities and closing the identified gaps. |

## Compliance/Regulatory

| Description | Mitigation Measures |
|---|---|
| Compliance/regulatory risk may pose a potential exposure to legal penalties, perceived weakness in internal governance, financial/contract forfeiture, and material loss due to failure to comply with industry laws and regulations, internal policies, or prescribed best practices. | • Dedicated Corporate Resources functions such as Corporate Compliance & Risk, QHSE, Corporate Services (Secretarial and Legal), Human Resources and Finance to monitor regulatory and policy developments and liaise with relevant governing authorities to keep ourselves abreast of the regulatory changes.<br>• Embarked on structured compliance initiatives and launched the Anti-Corruption Compliance Journey to create an ethical culture and integrate compliance to support business objectives.<br>• Conducted an extensive audit and review of internal controls, strengthening and making appropriate changes to ensure alignment with the Group's established policies, procedures, guidelines and prescribed standards.<br>• Keeping abreast of changes in laws and regulations, we conducted periodic engagements with authorities, service providers and customers. |

## MOVING FORWARD

The P&M segment will continue to focus on the aftermarket and new equipment sales whilst exploring new opportunities for new products/service representations, market/segment and geographical expansion. It will also explore rationalisation and consolidation exercises for its operations and resources to support business sustainability. As the price of crude oil has recovered, PDSB foresees improved business transactions and financial performance as a result of relaxation of customers' operating expenditure budget and spending.

The OS segment will continue to reinforce its position as the market leader for slickline services in Malaysia by retaining all the existing work and competitively bidding on the new markets and tenders. It will also be pursuing opportunities in the upstream and downstream sectors, driving research activities and forging new partnerships with multinational companies in the region to expand its product and service offerings.

The ICS segment will continue its focus on its operations and performance with stringent cost management to improve its overall margins. In pursuing an appeal to PETRONAS to uplift the suspension of its licence, DPSB remains committed to complete its existing and ongoing contracts. It also continues exploring other business opportunities outside Malaysia.

With the encouraging progress of the nation's vaccination programme, the country is slowly embracing the notion of living with COVID-19 under the new normal as we transition into the endemic phase. All sectors within the Malaysian economy are operating at almost similar pre-COVID-19 conditions albeit with strict adherence to the Standard Operating Procedures set by the authorities.

The recovery of the oil and gas sector is more visible now and the increasing demand for the commodity with the capital discipline exercised by oil producers is expected to keep the commodity price at a stable level. We will continue to explore new business opportunities to ensure Deleum is uniquely positioned, ready to meet the challenges ahead. We will do this by investing into developing cross-trained personnel, uphold the highest health, safety and environment standards, and continue our quest for innovation.

The evolving environment appears to be stabilising, given the relaxation of pandemic restrictions and the strengthening oil price. Coupled with the combined strength of our capable management team and employees, established operations and the support of our loyal stakeholders, we are confident of seeing heightened stability within the Group for the FY2022.

Deleum shall continue to further strengthen the performance of the Group as the market fully recovers and to promote long term sustainability.

# Sustainability Statement

## ABOUT THIS REPORT

### Introduction

Deleum Berhad ("Deleum") is pleased to present its Sustainability Statement for the financial year ended 31 December 2021 ("FY2021").

This statement provides a comprehensive narrative of Deleum's sustainability initiatives, performances as well as future plans for material environmental, social and governance ("ESG") topics.

For a more comprehensive perspective of Deleum's sustainability initiatives, it is recommended that this statement be read together with the Chairman's Message, Management Discussion & Analysis and Corporate Governance Overview Statement within this Annual Report.

### Frameworks Applied

This statement has been prepared in reference to the Global Reporting Initiative ("GRI") and also in accordance with the following:
- Bursa Malaysia Sustainability Reporting Guide Second Edition
- FTSE4Good Bursa Malaysia Index
- United Nations Sustainability Development Goals ("UNSDGs")

### Reporting Period, Boundary and Scope

This Sustainability Statement has been prepared for FY2021, which covers Deleum and its group of companies from 1 January 2021 to 31 December 2021.

The boundary of this report is set to Deleum's operations in Malaysia and specifically over which Deleum has controlling interests/management control. This includes all of the Group's subsidiaries and its joint venture entity.

The scope is limited to all principal operating activities of Deleum, which is in the oil and gas industry.

### Content Quality

Content for inclusion has been further determined based on the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness, as well as the GRI content principles of stakeholder inclusiveness, sustainability context, materiality and completeness.

All data and information have been sourced and verified internally by the respective business units and/or Senior Management. Financial data has been reviewed by the Group's external auditor, PricewaterhouseCoopers PLT.

### Forward Looking Statement

Any forward-looking statements such as targets, future plans, operations and forecast figures are based on reasonable current assumptions. Readers are advised not to place undue reliance on such statements as our business is subject to risks and uncertainties beyond Deleum's control. Actual results may differ.

### Board of Directors' Approval

This Sustainability Statement has been reviewed and approved by the Board of Directors of Deleum on 16 March 2022.

# Sustainability Statement

## DELEUM'S APPROACH TO SUSTAINABILITY

Deleum has progressively aimed to align its approach to sustainability to the UNSDGs.

The alignment is achieved through the identification of material ESG topics and linking these topics to the UNSDGs. In this regard, Deleum's approach to sustainability becomes inclusive and the Group will be able to contribute to larger, global based sustainability goals and aspirations where appropriate and practical.

| ESG PILLARS | | | |
|---|---|---|---|
| **Direct And Indirect Economic Values** | **Environmental Performance** | **Social Performance** | **Governance Performance** |
| **LINKAGE TO UNSDGs** | | | |
| 8 DECENT WORK AND ECONOMIC GROWTH<br>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>13 CLIMATE ACTION | 8 DECENT WORK AND ECONOMIC GROWTH<br>11 SUSTAINABLE CITIES AND COMMUNITIES | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| **LINKAGE TO MATERIAL TOPICS** | | | |
| • Remaining resilient<br>• Leveraging on digitalisation<br>• Good procurement practices<br>• Customer engagement and product responsibility | Environmental impact | • Human capital management<br>• Employee engagement<br>• Health and Safety<br>• Community outreach | Established key policies and practices which are continuously communicated across our operations through engagement channels i.e. talks, posters, communications and training sessions in continuous efforts to promote our core values. |

## GOVERNANCE OF SUSTAINABILITY

**Sustainability Governance Structure**

Deleum's governance structure begins with the Board of Directors, which is the highest decision-making body of the Group. This governance structure provides Board and Senior Management oversight on the impact, risks and opportunities arising from material topics.

Specifically, oversight on ESG matters comes under the purview of the Board Risk Committee. This enables ESG risks to be brought into the overall risk management and enables linkages between ESG matters and financial and operational performance.

This includes how matters such as climate change, anti-corruption, labour and human rights, and human capital management that will impact business goals and objectives going forward and what necessary mitigation measures are required.

The sustainability governance structure in Deleum establishes a clear tone from the top approach to drive sustainability across the organisation. Ultimately, it allows effective oversight on ESG matters, business and operational risks and enables the integration of the sustainability agenda into daily business operations.

# Sustainability Statement

**BOARD OF DIRECTORS**

- Assumes ultimate responsibility
- Ensures business strategies consider sustainability

**BOARD RISK COMMITTEE**

- Provides oversight and guidance on the Group's sustainability strategies and initiatives

**GROUP CHIEF EXECUTIVE OFFICER**

- Approves targets and market disclosures (as delegated by the Board)
- Oversees overall implementation of sustainability strategies

**MANAGEMENT COMPLIANCE AND RISK COMMITTEE**

- Review and recommend the sustainability strategies and initiatives to Board Risk Committee and Board of Directors
- Evaluate overall sustainability risks and opportunities
- Oversees departments/functions in ensuring the robustness of systems of sustainability management and implementation of strategies

**HEAD OF BUSINESS UNITS & CORPORATE RESOURCES**

- Supports the implementation of sustainability strategies
- Reports on the performance of processes and controls
- Reports management targets
- Develops the plan and timeline for disclosure

In addition, Deleum also aligns itself with the corporate governance practices of the Malaysian Code on Corporate Governance ("MCCG"), where appropriate.

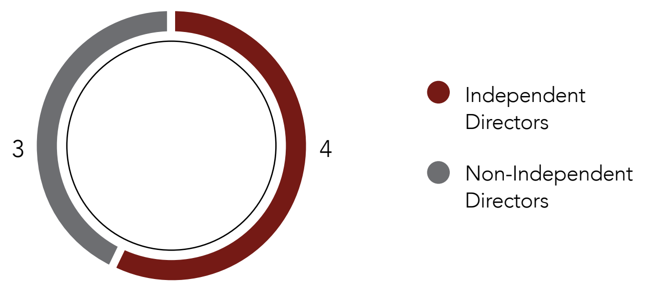
Please refer to the Corporate Governance Overview Statement of this Annual Report, which provides detailed information on the roles of the Board and Senior Management, separation of responsibilities between the Board and the Group Chief Executive Officer, the achievement of independence at Board level and other related matters.

Also available is the Corporate Governance Report ("CG Report') at: https://www.deleum.com/corporate-profile/governance. The CG Report demonstrates how Deleum has complied with the stipulated practices of the MCCG, where appropriate.

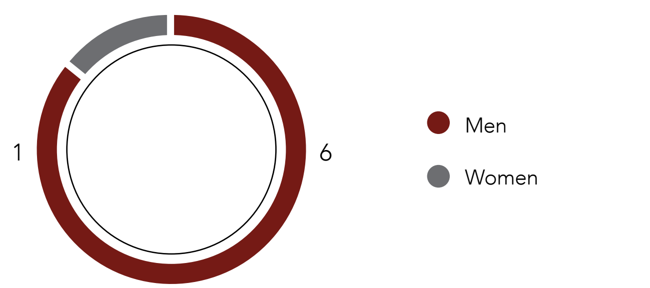
**Diversity and Independence of Board Composition**

Deleum continues to have a Board where majority of the directors are independent directors. As independent directors, they have a fiduciary duty in ensuring independent views are expressed and deliberated in all Board discussions. The independent directors continue to fulfil their roles as prescribed in the Board Charter.

**Directors Composition**




**Directors Composition (Gender)**




**Managing Risks**

The Board Risk Committee ("BRC") assists the Board to oversee the implementation of the Group's risk management framework. The BRC ensures that the Group maintains comprehensive oversight on key risks and that effective internal controls have been implemented for both operational and compliance matters.

The Management Compliance & Risk Committee ("MCRC") functions as Deleum's primary champion for risk management, compliance, and sustainability matters at both the strategic and operational levels. The MCRC meets periodically based on a structured agenda, which includes identification of key risks and mitigation plans.

In essence, Deleum remains vigilant in managing its risks by continually identifying, prioritising and responding to risks through its MCRC and BRC.

In addition, the Heads of Business Units and Corporate Resources functions provide an additional level of support and oversight through the implementation of sustainability strategies, and also reports on the performance of processes, controls, and its achieved targets.

Increasingly, risks associated with ESG practices, including management approach to material concerns is also being duly considered. This is due to the possibility of such factors having a significant impact on financial and business performance of Deleum, as well as its brand reputation.

The linkage between ESG risks and business impacts will be further assessed, strengthened, and translated into KPIs and targets to mitigate/manage risks in FY2022.

Specific information on Deleum's risk management framework including mechanisms implemented to identify and mitigate risks at all levels of the Group is provided in the Statement of Risk Management and Internal Control of this Annual Report.

**Governance Through Regulatory Compliance and Operational Site Certification**

Good governance in Deleum is also reinforced by ensuring continued regulatory compliance. All Deleum operating sites and assets have attained the necessary certifications as follows:

| Certification | Primary Objectives | Companies with Accreditation |
|---|---|---|
| ISO 9001:2015<br>Quality Management System | • Ensures continual improvements are made to the Group's management systems.<br>• Provides guidance on improving the quality of products and services. | Deleum Services Sdn. Bhd. is the holding company for the subsidiaries involved in the provision of the following products and services related to oil and gas exploration and production activities:<br>a) primarily wireline, wellhead and oilfield services (Deleum Oilfield Services Sdn. Bhd. or "DOSSB");<br>b) assembly and supply of centraliser (DOSSB);<br>c) chemicals supply and services (Deleum Chemicals Sdn. Bhd. or "DCSB");<br>d) repair and overhaul of electrical and mechanical equipment including site work; (Deleum Rotary Services Sdn. Bhd. or "DRSSB")<br>e) integrated corrosion, inspection and mitigation for surface preparation industry (Deleum Primera Sdn. Bhd. or "DPSB").<br><br>Turboservices Sdn. Bhd. ("TSSB") – for the provision of turbomachinery sales and services. |
| ISO 14001:2015<br>Environmental Management System | • Enables identification and control over the environmental impact of the Group's activities, products and services.<br>• Ensures continual improvements are made in relation to the Group's environmental performance. | DCSB for the provision of products and services for the exploration and production of oil and gas;<br><br>Chemicals supply and services. |
| American Petroleum Institute ("API") Specifications Q2 (Specification for Quality Management System Requirements for Service Supply Organizations for the Petroleum and Natural Gas Industries) | • Helps to minimise the likelihood of non-conformity when executing a service. | DOSSB (Kemaman, Terengganu) for the provision of wireline services for oil and gas industry. |

# Sustainability Statement

The Group is committed to delivering quality products and services to customers and this commitment is reflected in its ISO 9001:2015 Quality Management System ("QMS") and ISO 14001:2015 Environmental Management System ("EMS").

DOSSB complies with the API Specifications Q2 certification criteria and has been successfully audited by API in September 2021.

DCSB successfully obtained the latest ISO 14001:2015 EMS certification for specialty chemical supply and services. This certificate attests to the best practices that the Group is implementing in relation to its research and development laboratory as well as its blending, storage, transfer, chemicals handling, and scheduled waste management activities.

**Established Policies for Good Governance**

Deleum has established the following policies to strengthen corporate governance across the Group. These include the anti-corruption, business ethics and occupational safety and health ("OSH") and are applicable to both internal and external stakeholders of the Group where relevant.

- HSE
- Anti-Bribery and Corruption Policy
- Universal Declaration of Human Rights
- Stop Work Policy
- Whistleblowing Policy and Investigation Procedure
- Code of Business Conduct
- Quality Policy
- Substance Misuse Policy
- Environmental Policy
- Human Rights and Labour Standard

**Code of Business Conduct ("COBC")**

Deleum's COBC sets the tone for the expected corporate behaviour for all within the Group and applies to the Board of Directors, all levels of Management and employees. It is also applicable to contractors, sub-contractors, consultants, agents and other service providers.

A review and enhancement exercise of the COBC was conducted in FY2021 to strengthen the existing provisions and stipulations, whilst adding new statutes and requirements in response to the existing operating environment. The revised COBC was approved by the Board.

In essence, the COBC defines what are the norms for conducting oneself with integrity and professionalism and to always exemplify ethical conduct. The COBC addresses a wide range of aspects such as meritorious performance, anti-corruption and anti-bribery, anti-money laundering, non-discrimination, accountability and transparency, conflicts of interest situations, sexual harassment, bullying and more.

During the year, COBC Campaign 2021 was rolled out to all Board of Directors and employees of Deleum to provide awareness on the commitment to the ethical behaviour standard in our business activities via a digital platform.

Following the awareness sessions, all employees were assessed on their understanding of the COBC through an online test. New joiners were briefed on the COBC during their induction to better understand the Company's core values and organisational culture and standards.

The COBC is available in both English and Bahasa Malaysia at: https://deleum.com/corporate-profile/governance/code-of-business-conduct.

**Zero Tolerance Stance On Corruption**

Pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on Corporate Liability, Deleum has established its Anti-Bribery and Corruption ("ABC") Policy and required policies, procedures, and guidelines, which cover Gift, Hospitality, Donation and Sponsorship Policy and Procedures, Conflict of Interest Guidelines, Third Party Anti-Bribery & Corruption Guidelines, and Anti-Money Laundering and Counter Financing of Terrorism Guidelines.

The ABC Policy applies to the Board of Directors, employees and any third parties performing work or services for or on behalf of Deleum.

Deleum adopts a zero-tolerance approach against all forms of bribery and corruption. Refusal to engage in bribery, refusal to participate in acts of corruption, actively raising concerns, or the reporting of possible wrongdoing, will not be penalised even if such actions may result in Deleum losing business, not meeting its targets, or suffering disadvantage.

Deleum is apolitical and prohibits any forms of contributions to political parties, organisations, or their representatives.

The policy can be viewed here: https://deleum.com/governance/anti-bribery-corruption-abc-policy.

**Board Oversight on Anti-Corruption**

The Board of Directors place high emphasis on anti-bribery and corruption related matters as reflected in the Group's existing policies and procedures, awareness, and training programmes, which are aimed at strengthening internal processes and practices as per the Guidelines on Adequate Procedures – T.R.U.S.T principles.

**Whistleblowing Policy and Investigation Procedure**

The objective of this Policy & Procedure is to provide an avenue for all employees of Deleum, third parties engaged by Deleum, and members of the public to disclose any wrongdoing and provide assurance of protection in accordance with this Policy & Procedure via the dedicated whistleblowing reporting channel.

At Deleum, we are committed to identify, deal with, and rectify any improper conduct that can potentially harm the Group including its employees and reputation. We want to embed a culture across the Group where wrongdoing is not tolerated and when reported, will be quickly and efficaciously addressed.

The Policy & Procedure can be viewed at https://deleum.com/corporate-profile/governance/whistleblowing.

**Adherence To The Personal Data Protection Act 2010 ("PDPA")**

Deleum subscribes to the PDPA in keeping all pertinent data, including personal data safe.

The Group has designated a PDPA Compliance Officer and Designated Compliance Officers from the respective business units and functions to ensure personal data integrity. It has also established a dedicated Privacy Policy which is available on Deleum's website.

Personal data is only collected and shared with the permission of the data owner. Access to personal data is also carefully guarded with restricted levels of access.

In FY2021, there were unreported cases of personal data breach, theft or loss.

## STAKEHOLDER ENGAGEMENT

FY2021 has seen Deleum continue to engage with its diverse range of stakeholders through a wide range of channels. Despite the effects of the COVID-19 pandemic, the Group has continued to ensure a high level of engagement by utilising virtual/digital communication mediums.

The continued engagements with stakeholders provided useful insights that will further reinforce our assessment of ESG material topics.

Stakeholders are defined as individuals, groups or entities that have actual or potential impact on Deleum's business model and its business operations, as well as individuals, groups or entities who could be impacted by the Group's business operations and activities.

# Sustainability Statement

Following is a snapshot of stakeholder engagement conducted and topics/concerns discussed and addressed in FY2021:

| Stakeholder Groups | Engagement Platforms | Frequency | Topic Discussed | Material Sustainability Matters |
|---|---|---|---|---|
| **Customers** | • Meetings and engagement session<br>• Virtual networking events<br>• Corporate website | Ad hoc | Products and services information, performances feedback and complaints | Customer engagement |
| **Employees** | • Group CEO briefings | Quarterly | Group's performance | Sustainable business performance and business opportunities |
| | • Quality, Health, Safety and Environment (QHSE) updates | Monthly | QHSE matters | • Environmental management<br>• Human capital management<br>• Safety |
| | • Enterprise Social Networking Service (Yammer) | Frequently | Internal and external activities or update | Good governance and best practice |
| | • Physical and virtual meetings and engagement sessions | Frequently | • Day-to-day activities/ meetings<br>• Staff performance reviews | Human capital management |
| | • Intranet | Frequently | Group's policies and procedures | Good governance and best practices |
| **Suppliers and Contractors** | • Physical and virtual meeting and engagement sessions<br>• Physical and virtual joint workshops and training sessions<br>• Supplier performance review<br>• Corporate website | Frequently<br>Annually<br>Ad hoc | Products and services information and performance | Procurement practices |
| **Shareholders and Investors** | • Group analyst briefings<br>• Annual Report/Annual General Meeting<br>• Press release<br>• Corporate website | Annually<br>Ad hoc | Group's operational and financial performance, and dividend payments | Sustainable business performance and business opportunities |
| **Financial Institutions** | • Meeting and engagement session<br>• Corporate website | Ad hoc | Group's operational and financial performance, and dividend payments | Sustainable business performance and business opportunities |
| **Local Communities** | • Community engagement sessions<br>• Corporate social responsibility events<br>• Corporate website | Ad hoc | Community initiatives | Community outreach |

| Stakeholder Groups | Engagement Platforms | Frequency | Topic Discussed | Material Sustainability Matters |
|---|---|---|---|---|
| **Government and Regulators** | • Virtual meetings and engagement sessions<br>• Corporate website | Ad hoc | Corporate governance, compliance and regulations | Good governance and best practices |
| **Partners and Principals** | • Virtual meetings and engagement sessions<br>• Virtual joint workshops and training sessions<br>• Corporate website | Ad hoc | Business performance, planning and other commercial matters | • Sustainable business performance and business opportunities<br>• Customers engagement |

## MATERIAL MATTERS

The Board and Management have placed added emphasis on ESG to demonstrate Deleum's commitment to sustainability. As such, the materiality assessment for FY2021 comprised a review and selection of a universe of ESG topics as referenced against various sustainability reporting frameworks:

| ESG Pillars | Themes | Material Topics |
|---|---|---|
| **Financial (Economic Values)** | **Economic Performance and Impact**<br>How economic performance is balanced out against environmental and social considerations. | • Remaining resilient<br>• Leveraging on digitalisation<br>• Good procurement practices<br>• Customer engagement and product responsibility |
| **Environmental** | **Environment**<br>How Deleum manages its environmental footprint and its commitment towards addressing existential issues such as climate change. | Environmental impact |
| **Social** | **Talent Management**<br>How Deleum manages its workforce and the cultivation of desired organisational culture.<br><br>**Occupational Health and Safety**<br>Deleum's continued commitment to maintaining a safe working environment.<br><br>**Corporate Social Responsibility**<br>How Deleum serves as a force of good, delivering positive impacts to local communities. | • Human capital management<br>• Employee engagement<br>• Health and Safety<br>• Community outreach |
| **Governance** | **Corporate Governance**<br>The practice of good conduct, ethics and corporate integrity in the management and operations of the Group. | Established key policies and practices which are continuously communicated across our operations through engagement channels i.e. talks, posters, communications and training sessions in continuous efforts to promote our core values. |

# Sustainability Statement

## KEY THEME: ECONOMIC PERFORMANCE AND IMPACT

The continued generation of financial values is essential to sustain the business operations of any for-profit entity. Continued growth in revenues and earnings is necessary in driving business and operational sustainability and also in providing financial impetus in driving the ESG agenda.

Robust financial performance is also vital for the generation of various indirect economic values for stakeholders. Through improving financial and business performance, an organisation is able to provide shareholder returns, repay financiers, make tax payments which support socio-economic and infrastructure development and also make donations and contributions to the community.

Details of Deleum's financial and business performance for FY2021 are provided in the Financial Highlights section and narratives discussing the results achieved are provided in the Management Discussion and Analysis section of this Annual Report.

### Local Procurement and Local Supply Chain

Deleum's preference is for local procurement and local supply chain unless such product or services is unavailable locally or cannot be procured locally at competitive prices. The Group defines local as to areas in which it operates.

The preference for local procurement is driven by the various multiplier effects created. Local procurement also enables knowledge and skills transfer and reduces environmental footprint (when compared to importing goods or services from abroad). This is due to local procurement typically having shorter supply lines and thus lesser resources consumed to produce and supply the goods or services.

The scale of business activity created through local procurement stimulates business activity within the local vicinity, which benefits the surrounding communities.

In FY2021, more than 90% of Deleum's suppliers were local suppliers. Given the large number of local suppliers, a significant portion of procurement spend was on local suppliers.

Interested vendors may bid under an open tender system where contracts are awarded based on the best value proposition offered, in terms of cost, quality of goods and services and other criteria.

### Supplier Quality Assessment

The oil and gas industry has exacting specifications and high technical requirements for work. Products and services provided must be fit for purpose, failing which, there can be incidents or serious disruptions to operations that could incur considerable financial losses.

Hence, Deleum has also set high standards and benchmarks to assess the quality of suppliers. Our activities are guided by our Group Procurement Policy and Vendor's Code of Conduct. These policies shape the Group's dealings with local and foreign vendors, contractors and subcontractors, ensuring that the best products and services are obtained in a practical, ethical, and sustainable manner.

### Product Quality and Customer Satisfaction

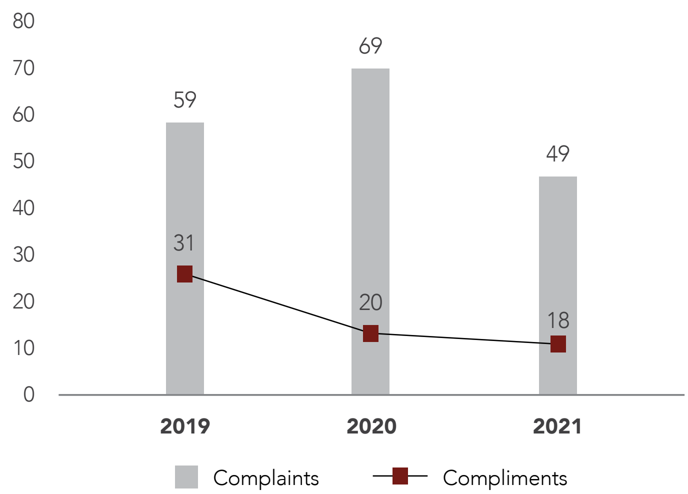
Deleum has established a Service Quality Plan ("SQP") involving our customers to ensure project details are defined and communicated with all stakeholders to minimise risk, eliminate operational downtime and continuously improve the relevant business standards that directly impact business continuity.

A Customer Feedback Log is used to monitor customer compliments and complaints received through meetings, emails and verbal communications, as well as the conventional communication channels such as customer satisfaction survey forms and Non-Compliance Report. These compliments and complaints are recorded, compiled and analysed to enable Deleum to demonstrate improvement in the service quality.

Customer-focused programmes have been conducted in the following areas:

- Service Quality Meetings – Face to face interactions with customers on regular basis to discuss QHSE and Operational performances in order to implement preventative measures, as well as discussions about new business proposals which include new technology of our products and services.
- Customer Ratings – Our customers have created a programme in which they interact with us and rate our performance.

**Customer Feedback**



# Sustainability Statement

In FY2021, we received 18 compliments and 49 complaints from customers. All complaints were fully resolved. Customer feedback is presented to the Senior Management team during management review meetings and is also sighted by external auditors during their periodical audits.

## KEY THEME: ENVIRONMENT

The increasing concern on climate change and global warming, notably post-Conference of the Parties-26, necessitates a continued concerted effort by all stakeholders, particularly businesses to play a greater role in addressing the environmental impact.

Being a responsible corporate citizen, Deleum seeks to minimise its environmental footprint and commits to operate responsibly, taking into consideration its energy consumption, greenhouse gas ("GHG") emissions, , water consumption, waste management and prevention of pollution. We will also advocate for the preservation of biodiversity.

As such, Deleum continues to prioritise its environmental performance, with the Board and Senior Management maintaining oversight on the aforementioned topics.

### Management Approach to Environmental Performance

Deleum's management systems and policies provide the necessary strategic framework to minimise environmental impact arising from the Group's projects and operations. These management systems promote a no-harm environmental impact approach that serves as the basis for all business operations and process.

Each business unit focuses on key environmental areas relevant to their operations, to set environmental performance objectives and to continuously improve our protection of the environment.

In FY2021, the Group QHSE together with the operations team, focused on strengthening Group-wide environmental management by conducting and reviewing Environmental Aspect Impact Assessments for our chemical operational activities, as well as identifying specific actions that could be implemented to address existing gaps.

The Group's Environmental Policy demonstrates Deleum's commitment towards environmental management via timely, adequate, corrective and protective measures. The policy can be viewed here: https://deleum.com/corporate-profile/qhse/environmental.

Deleum continues to adopt best practices with regard to HSE, in compliance with regulatory requirements and with requirements set by our customers. Our compliance is monitored via a HSE Legal Register and is subject to periodical audit by Det Norske Veritas – Germanischer (DNV-GL) as shown in the table below:

| Acts, Regulations & Orders | Compliance | |
|---|---|---|
| | Yes | No |
| Environmental Quality Act 1974 (Act127) & Regulations | ✓ | |
| (Clean Air) Regulations 2014 | ✓ | |
| (Industrial Effluents) Regulations 2009 | ✓ | |
| (Refrigerant Management) Regulations 1999 | ✓ | |
| (Motor Vehicle Noise) Regulations 1987 | ✓ | |
| (Control of Emission from Petrol Engines) Regulation 1996 | ✓ | |
| (Scheduled Wastes) Regulations 2005 | ✓ | |

For FY2021, Deleum incurred one fine by the local regulatory authority for a labelling error on scheduled waste and the error was immediately rectified.

### Climate Change and Emissions

Deleum's focus is to support the nation's ambition of becoming a carbon-neutral nation by 2050 guided by our short and long-term targets for reduction in emissions.

Deleum's strategies in addressing emissions are primarily centred on managing its energy consumption. The Group continues to adopt industry best practices in managing and reducing emissions as much as possible.

Given that carbon emissions that contribute to climate change primarily are derived from energy consumption, Deleum in FY2021, continued to pursue efficiency in consumption of direct and indirect energy sources.

Deleum's commitment to energy management (to address carbon emissions and to derive operational and cost efficiencies) is driven by both commercial and ESG aspirations. Energy efficiency will support reduced operational expenditures whilst supporting reductions in carbon and also other GHG emissions.

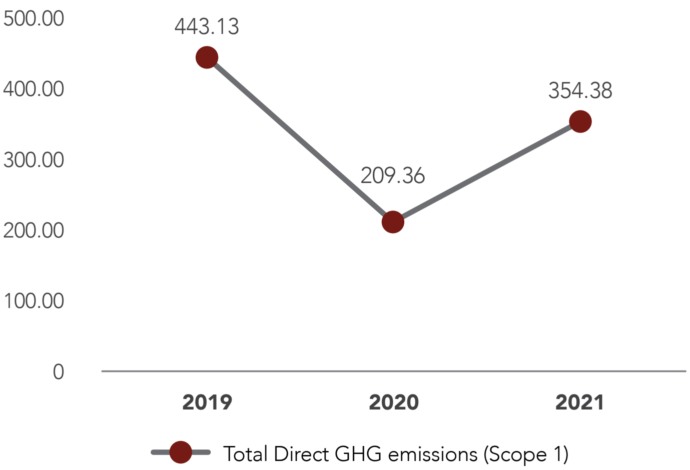
At present, the Group has reduced total emissions by more than 10% within three years (2019-2021) and comply with the basis of calculation by National Energy Balance 2016 issued by the Energy Commission.

# Sustainability Statement

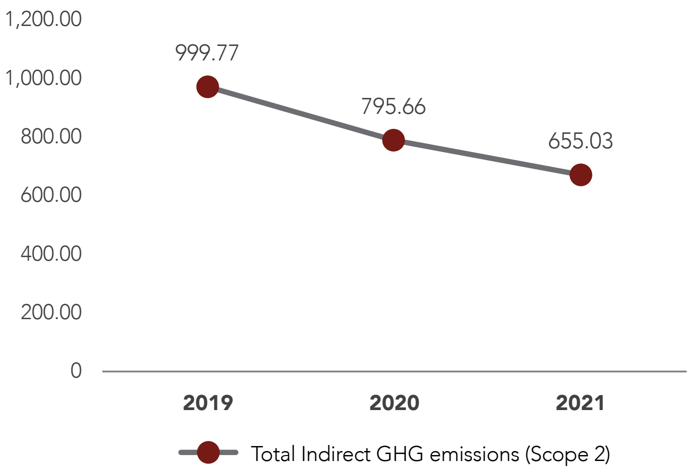
In Deleum, direct energy typically comprises diesel and petrol. Diesel and petrol are used to power machinery and generator sets as well as vehicles. Indirect energy comprises mainly electricity sourced from the local grid.

Following are the Group's total emissions based on Scope 1 and 2 emissions in metric ton of carbon dioxide equivalent ($tCO_2e$):

**Total Direct GHG emissions (Scope 1)**




**Total Indirect GHG emissions (Scope 2)**

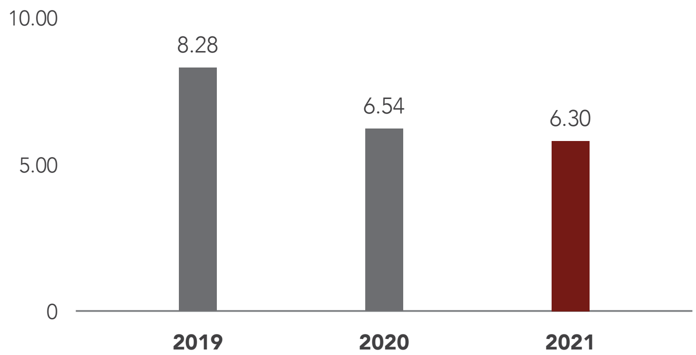



*Note: Scope 1 covers direct emissions from owned or by Deleum Scope 2 covers indirect emissions from the generation of purchased energy.*

| Financial Year | FY2019 | FY2020 | FY2021 |
|---|---|---|---|
| Total (Scope 1 and 2) Carbon Emissions ($tCO_2e$) | 1,442.90 | 1,005.20 | 1,009.41 |

For the second consecutive year, Deleum has registered a decline in Scope 2 emissions with FY2021 seeing a 17.67% reduction year-on-year. The reduction is attributed to both lower business activities due to the pandemic as well as continued measures to cut emissions across operations.

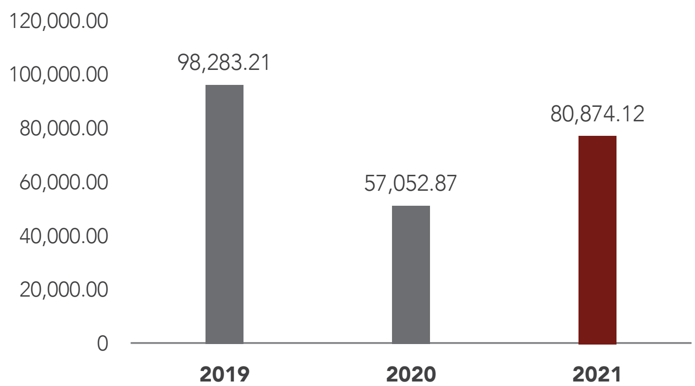
**Energy Consumption (TJ)**




| Financial Year | FY2019 | FY2020 | FY2021 |
|---|---|---|---|
| Electricity Consumption (MWH) | 351,005 | 285,531 | 275,634 |

Deleum has registered a decline in electricity consumption, with FY2021 seeing a 3.47% reduction year-on-year and against the FY2019 baseline, electricity consumption has decreased by 21.47%.

**Diesel Consumption (litres)**



Total energy consumption has decreased 3.67% year-on-year and 23.91% against the FY2019 baseline. The reduction was achieved on the back of ongoing efforts to reduce electricity consumption including continuous reminders to employees towards adopting the recommended energy saving measures and initiatives throughout the year. Such initiatives include lighting schedules in key areas of our facilities to turn off lights when not in use and the installation of Light Emitting Diode (LED).

In addition, due to the pandemic, the Group has implemented temporary rotating work-from-home plan as recommended by the Government and this too resulted in savings in electricity consumption.

Electricity consumption is based on consumption in Deleum's head office in Kuala Lumpur and all operation sites in Kemaman, Labuan, Miri, Senawang and Kajang. Deleum used 80,874.12 litres of diesel in FY2021, primarily for the equipment used in oilfield operations, such as power pack, air pack and generator set, which had the highest consumption.

**Water Management**

Deleum does not operate in any water stressed areas nor does it face water supply challenges.

Water consumption is scoped to water used in operations. Water consumed is mainly fresh-water from municipal sources, as well as rainwater, harvested at the Teluk Kalong Facility.

In FY2021, 69m$^3$ of rainwater was harvested from the rainwater harvesting installation at the Teluk Kalong Facility. As rainwater harvesting is costly on a big scale, Deleum's plan is to progressively implement rainwater harvesting systems at other operating bases over the next few years. In promoting water management efficiency, we have taken the following steps to control the amount of water used:

- Slowing the flow and adjusting water pressure/outflow for toilets, washbasins, and pantries throughout our facilities.
- Seeking out water leaks and conducting checks and leak repairs immediately, where possible.

**Waste Management**

In the course of its operations as a service provider in the oil and gas sector, Deleum produces both non-hazardous and hazardous waste. The latter, also known as scheduled waste, is managed according to the First Schedule of the Environmental Quality Act 1974.

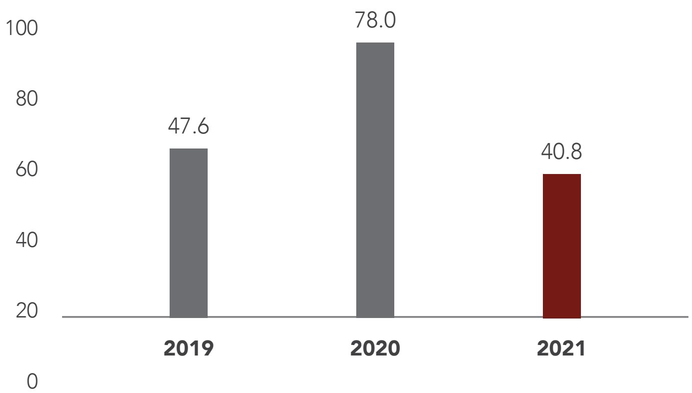
Deleum's approach to waste is also provided for on its QHSE Policy which can be found here: https://www.deleum.com/corporate-profile/qhse.

We promote the efficient use of resources in all our facilities by reducing the use of hazardous materials and products whilst practicing effective waste management and recycling initiatives.

Our waste inventory is in line with the Environmental Quality (Scheduled Wastes) Regulations set by the Department of Environment and shall be stored for a maximum of 180 days from the date of generation, provided the quantity accumulated does not exceed 20 metric tonnes.

Frequent briefings and discussions on scheduled waste matters also take place between the Specialty Chemicals Well Stimulation ("SCWS") Management team and operations personnel during the daily morning meetings.

**Total Waste Disposed (Tonnes)**




*Note: The total amount of waste disposed calculated included waste from operations, supply bases and services facilities.*

Deleum has commenced measuring its non-scheduled (domestic) waste in FY2021 which recorded at 1 metric tonne.

# Sustainability Statement

### Enabling Customers to Improve their Environmental Performance

Beyond its own operations, Deleum increasingly looks to reducing environmental impacts across the supply chain. This includes enabling customers to reduce their footprint.

Since 2012, DPSB has been providing its customers a low-pollution approach in surface preparation with the use of sponge media abrasive technology.

The result is an eco-friendly and safer approach that employs dustless blasting. Dustless blasting reduces air emissions and is thus safer as workers are not exposed to dust particles.

Deleum continues to combine Sponge-Jet technology and rust and paint removal technology for our tank cleaning services.

Deleum has also implemented a programme for the storage and collection of waste and recyclables. The initiative includes providing dedicated areas and storage for the collection and recycling of non-hazardous material such as reused hand gloves, recycled drums and recycled paper stations.

### Biodiversity

Though biodiversity may not be directly material to Deleum's operations, the Group believes that it should contribute to biodiversity conservation and preservation, given the significance of the topic when viewed from a macro context.

Biodiversity preservation goes beyond the conservation of flora and fauna but is vital for food security, tourism, safeguarding traditional way of life and livelihood and maintaining healthy eco-systems. This includes its ongoing efforts to combat climate change and to reduce environmental footprint.

To the best of its knowledge, Deleum does not operate in locations or locations adjacent to sites deemed to be high in biodiversity value, or sites which contain flora and fauna species deemed to be on the International Union for Conservation of Nature Red List.

Deleum is exploring possibilities of working with non-governmental organisations and other bodies towards providing support for their environmental related activities.

## KEY THEME: SOCIAL

Deleum places equal emphasis on addressing social impact as much as it looks to address environmental impact.

Given its operations in the oil and gas industry, Deleum's primary material social topics revolve around its employees, third party workers, customers and the local community.

Thus, the Group's key social topics are labour and human rights, talent management, development and retention, OSH and community development.

Deleum is governed by the Malaysian Employment Act 1955 and all other relevant laws and regulations of Malaysia. These are in line with the fundamentals stipulated by the International Labour Organisation and the Universal Declaration of Human Rights.

In FY2021, Deleum continues to uphold its track record for zero reported incidents of infringements of the rights of any persons, adult or child, nor any incidence of forced or compulsory labour. There has been no violation of human rights involving the rights of indigenous people at any time in the Group's history. Also, there was zero incidence of non-compliance to labour standards reported in FY2021.

Specific information on the Group's approach to upholding labour and human rights is given in the Deleum Human Rights and Labour Standard which can be found here: https://www.deleum.com/corporate-profile/governance/human-rights-and-labour-standard.

### Committed to Human and Workers' Rights

The Board and Senior Management continue to have oversight on all matters pertaining to human and workers' rights given its impact on business operations as well as on stakeholders.

Deleum has also stated in its Equal Opportunity Policy that as part of safeguarding human rights, there should be no discrimination. No one in the Group should be discriminated or censured based on their ethnicity, religion, political background, marital status and other socio-demographic factors.

**Talent Management**

One of Deleum's most important resources is the collective skills, capabilities, and experiences of its workforce. High calibre, professional talent is essential in driving higher productivity and ensuring operational excellence across the Group.

In many ways, the Group's ability to sustain financial and non-financial values is dependent on the recruitment, retention, and development of a competent, capable and experienced workforce.

Hence, the Board and Senior Management continue to prioritise human resources management and development. In all aspects, the Equal Opportunity Policy stipulates that all employees are to be treated fairly and without any form of discrimination. Deleum continues to prioritise the cultivation of a high-performance work culture.

Equality and Diversity

The Group is of the view that diversity in professional background and experiences as well as gender, ethnicity and culture promote a richness of ideas and perspectives which supports innovative thinking and creativity.

Diversity is achieved by developing talent management policies based purely on the criterion of merit; that is the talent's professional qualifications, competencies and related experiences as well as job performance should be the determinants in any decision to recruit, reward, retain and compensate employees.

In particular, Deleum has focused on gender diversity as well as provision of opportunities for minority and local communities. Our workforce composition comprises more males, reflective of the industrial nature of our offshore-centric operations in the oil and gas industry.

However, the disparity between men and women composition is significantly reduced at office locations.

| General Workforce Data | FY2020 | FY2021 |
|---|---|---|
| Total workforce | 743 | 795 |
| Total permanent workforce | 639 | 588 |
| Permanent employee voluntary turnover rate | 4.63% | 7.54% |
| Total contract employees | 54 | 49 |
| Total casual employees | 50 | 158 |
| Percentage of non-permanent employees | 14.00% | 26.04% |
| Percentage of disabled employees | 0.0% | 0.0% |
| Male employees | 547 | 608 |
| Female employees | 196 | 187 |
| Malay employees | 496 | 551 |
| Chinese employees | 63 | 63 |
| Indian employees | 35 | 32 |
| Others (Sabah, Sarawak Ethnicities, Punjabi, Foreign) | 149 | 149 |
| Senior management | 39 | 36 |
| Management | 61 | 68 |
| Executives | 246 | 232 |
| Non-executives | 397 | 459 |

| Gender Breakdown based on Employment Position | FY2020 | FY2021 |
|---|---|---|
| Number of female managerial employees | 39 | 43 |
| Number of male managerial employees | 61 | 61 |
| Number of female executive employees | 110 | 106 |
| Number of male executive employees | 136 | 126 |

**Board of Directors Breakdown**

| Board of Directors Gender Breakdown | FY2020 | FY2021 |
|---|---|---|
| % Female | 12.5% | 14.3% |
| % Male | 87.5% | 85.7% |

Note: All Board of Directors are Malaysians.

# Sustainability Statement

Employee Remuneration and Employment Benefits

Deleum continues to offer competitive compensation to all employees towards attracting and retaining its talent. Remuneration comprising both financial and non-financial compensation, commensurate with the professional qualifications, experience and seniority as well as the job performance/responsibilities of the individual talent.

All compensations provided are comparative to market benchmarks towards attracting and retaining talents across the Group and premised on the belief of all employees are treated fairly and on an equal basis.

Annually, employees are assessed, and their compensation packages are determined based on their individual performance as assessed during the appraisal review.

Minimum Wage

Deleum complies with the Malaysian government's minimum wage policy. The Group will continue to ensure that it complies with the minimum wage policy.

Freedom of Association and Collective Bargaining

Deleum is in compliance with local labour laws pertaining to freedom of association. Deleum is not a unionised organisation but respects the legal rights of employees to become members of a labour union in accordance with statutory regulations.

Ensuring Workers' Rights and Welfare

As part of its approach in ensuring good labour practices, especially in its supply chain, Deleum continues to monitor the labour conditions of all employees working on its business locations.

The Group continues to ensure that workers do not work more than the set time as per labour regulations, including overtime.

Deleum does not employ illegal workers or those working under forced labour or modern slavery conditions.

Grievance Mechanism

Employees have multiple avenues to voice grievances. These avenues include reporting grievances to their immediate superiors and Human Resources department.

All reported grievances will be handled in accordance with the Grievances policy with the strictest of care until full settlement after necessary investigation. The Group recognises all forms of grievances. These include complaints on sexual harassment, discrimination in any form, abuse, violence, coercion and human rights violations or hazardous work environments. In FY2021, no employee grievances were recorded.

**Employee Training and Development**

The continued upskilling of employees through training and development is a fundamental aspect of the Group's approach to talent management. This is achieved through the provision of internal and external training programmes.

Training is based on the individual employee's training plan which outlines gaps in skills, which the employee, with the support of his/her superior and Management, is required to address. Training can also be requested by employees on an as and when basis.

Training is provided across the organisation to all levels and covers technical competencies, professional education, development of soft skills, leadership skills and other areas as deemed necessary by Management.

All training costs are borne by Deleum. Where applicable, funds contributed to the Human Resource Development Fund ("HRDF") is utilised to encourage and support staff training annually.

| | FY2019 | FY2020 | FY2021 |
|---|---|---|---|
| Total training hours as a Group | 29,117.00 | 12,271.00 | 9,386.00 |
| Average training hours per employee | 13.27 | 16.9 | 14.8 |
| Average training days per employee | 1.5 days | 2.4 days | 2.5 days |
| Average training spend per employee | RM1,093.55 | RM1,741.36 | RM1,519.72 |

The decline in training expenditure and hours in FY2021 was mainly attributable to cost management and reduction in training fees as most trainings were conducted virtually during the pandemic. The Group intends to ramp up training to pre-pandemic levels going forward.

# Sustainability Statement

## Occupational Safety and Health

In the oil and gas industry, health, safety, and environmental performance is equivalent to one's licence to operate. Hence, the Group's no-compromise stance on OSH.

Any OSH incident will disrupt operations and may lead to temporary shutdown of sites and commercial losses. Incidents would also impact the Group's reputation and branding as a safe and reliable operator. This would affect the ability to tender for contracts going forward as an impeccable OSH track record is often a pre-requisite criterion for pre-screening bidders.

The concern for OSH is also driven by the Board and Senior Management's concern for stakeholders, in particular, customers and employees.

A strong OSH management system drives down compliance costs and reduces risks. A good OSH track record will ultimately translate into higher productivity, higher employee morale, stronger brand reputation, increased competitiveness when bidding for contracts, higher productivity and project completion efficiency.

Deleum's corporate slogan for OSH is Collective Responsibility Towards HSE Excellence with the aim to instil ownership and collective involvement of all employees towards achieving the Group's HSE objectives.

All employees and suppliers are accountable for their individual actions and behaviours, which collectively enables a safe work environment.

Health and Safety is one of the key deliverables of our sustainability framework and the risks associated with these are managed through strict adherence to prevailing regulatory and industry requirements.

In 2021, the focus was on ensuring a high level of compliance in accordance with government mandated Standard Operating Procedures ("SOPs") and industry standards (as well as standards set by the customers) in view of the COVID-19 pandemic.

The Group has complied with all SOPs and requirements which include social distancing and where necessary, quarantine protocols, reduced physical manpower, work rotation schedule to reduce disruption and more. Other measures introduced include frequent testing of employees, implementation of work from home or remote location procedures.

Group QHSE, together with the QHSE coordinators continuously conduct intervention and awareness programmes to prevent and address any unsafe acts and conditions at the worksites.

The QHSE team communicates with all employees through toolbox meetings, safety meetings, trainings, and awareness sessions to ensure employees are informed and kept up to date of the latest HSE matters and best practices.

HSE assurance programmes, such as inspections and audits are conducted periodically as per the Annual Plan to identify non-conformance practices and take necessary corrective actions to prevent recurrence and promote positive proactive practices amongst the Group's employees.

The Group continues to adhere to its 10 Life Saving Rules in our daily operations, which are also shared with suppliers and vendors, in order to prevent any injurious incident and property damage.

The Chemical Hazards Risk Assessment forms part of the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulations 2000, which the Group is in full compliance with.

<u>HSE Awards and Accolades</u>

| No. | Date | Customer | Award |
|---|---|---|---|
| **DOSSB** | | | |
| 1. | February 2021 | SKO | Appreciation note Job well done for TK-9L by SKO |
| 2. | February 2021 | EMEPMI | Catch of the week "Bronze Medal" at TaA to Shahrulnizam |
| 3. | March 2021 | SSPC | Appreciation note Job well done MLK 107 DXT Port Diagnostic Test |
| 4. | March 2021 | EMEPMI | Recognition on successful job for Lawit-A campaign |
| 5. | March 2021 | EMEPMI | STAR Rating - 3 |
| 6. | April 2021 | EMEPM | Catch of the week "Silver Medal" at TaC to Shahidi Saroyo |
| 7. | May 2021 | EMEPMI | Catch of the week "Bronze Medal" at GuF to Wakidi |

# Sustainability Statement

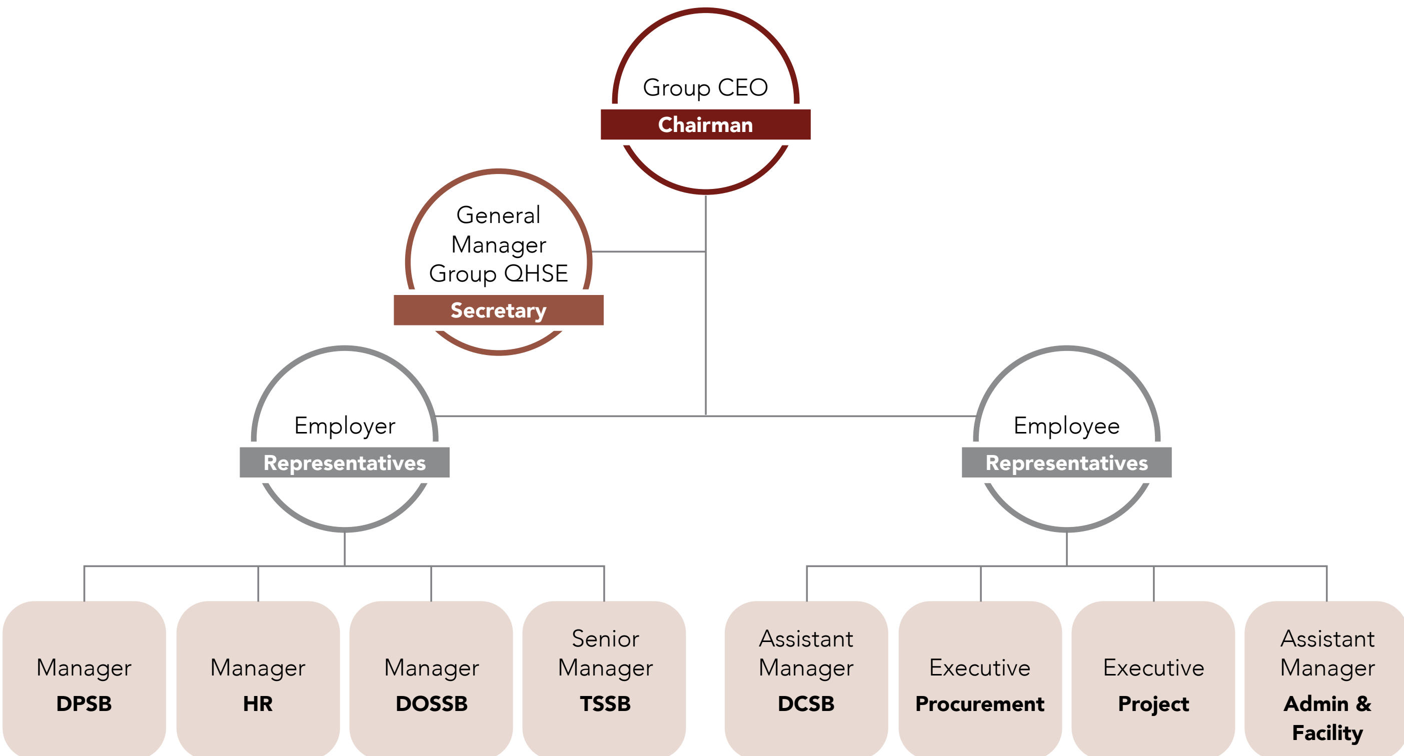
| No. | Date | Customer | Award |
|---|---|---|---|
| **DOSSB** | | | |
| 8. | June 2021 | EMEPMI | Catch of the week "Silver Medal" at SmB to Mohd Azimi |
| 9. | August 2021 | EMEPMI | Catch of the week "Gold Winner" at PaA to Tuan Mohd Anuar |
| 10. | September 2021 | HLB | Compliment Feedback to DOSSB SCWS<br><br>"Job done with a good safety manner from Field Engineer and satisfied with the pump and performance throughout the well operation". |
| 11. | November 2021 | EMEPMI | Catch of the week "The Best Harms Wells" (Week 48) to Zul Hassan |
| 12. | December 2021 | Jadestone | Recognition to DOSSB Kemaman "Highest UCUA Contribution" |
| **DPSB** | | | |
| 15. | 26th July 2021 | PMA | Recognition to Deleum Primera Sdn Bhd Graduated Mentorship Programme in Collaboration with DOSH Malaysia |

Deleum incorporates OSH processes through the Group Wide HSE Management System ("HSEMS"). The HSEMS provides a structured management approach to control and reduce OSH risks in the workplace.

All related policies are available in English and Bahasa Malaysia here: https://www.deleum.com/corporate-profile/qhse.

<u>QHSE Committee</u>

All QHSE matters come under the supervision of Deleum's HSE Committee, comprising 10 members representing the respective Business Units and Corporate Resources functions, with the Group Chief Executive Officer as the Chairman. The Group's QHSE Committee meets quarterly to discuss HSE-related matters such as HSE performance, plans and policies.



# Sustainability Statement

<u>Job Hazard Analysis ("JHA")</u>

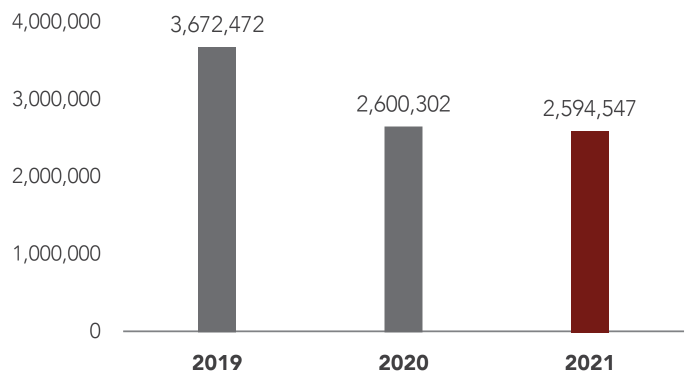
The JHA is used to identify any hazards associated with the job tasks and controls to eliminate or mitigate the risks. The supervisor in charge conducts the evaluations, which are then reviewed and approved by the Head of Departments or Project Manager. The exercises are carried out on a regular basis to identify and evaluate OSH hazards and risks in the Job Hazard Analysis.

<u>Stop Work Policy</u>

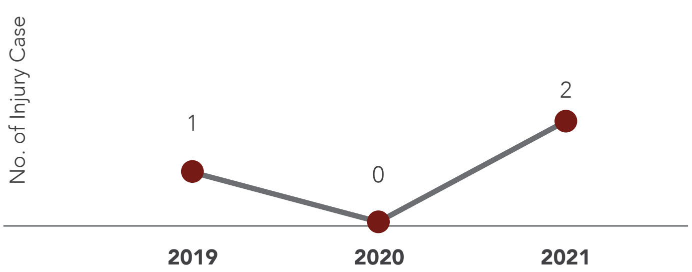
Deleum has established a Stop Work Policy which provides when and how an employee can decide to cease work when facing an unsafe situation. This enables employees to take charge of their own personal safety and their work environment. It also enables a swifter preventive response and reduces the possibility of OSH incidents from escalating.

**OSH Performance Data**

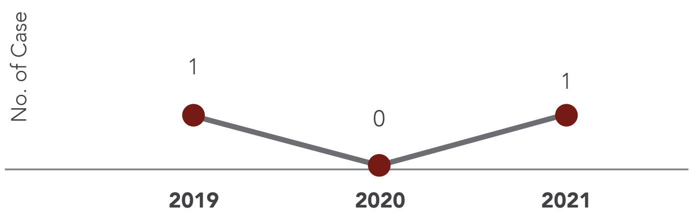
**Manhours Worked**



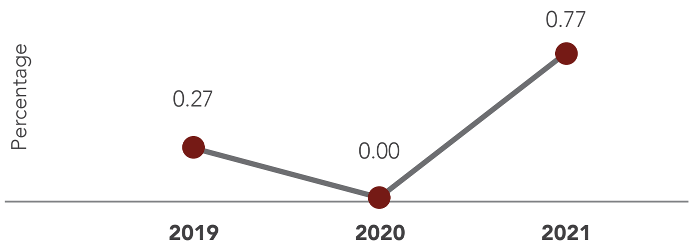

**Total Recordable Cases (TRC)**



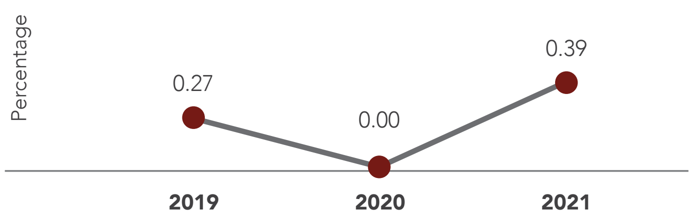

**Lost Time Injury (LTI)**



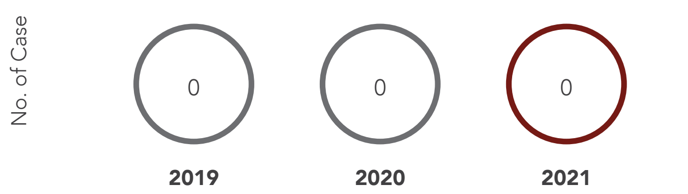

**Total Recordable Case Frequency (TRCF)**




**Lost Time Incident Frequency (LTIF)**




**Fatality (FAT)**




In FY2021, our LTIF & TRCF increased from 0 to 0.39% and 0.77% respectively. We have recorded one LTI case during the year and identified the underlying causes. Accordingly, the lessons learnt were shared group wide and necessary actions were taken to prevent the recurrence of the incident.

# Sustainability Statement

HSE Assurance

HSE Assurance is carried out with the objective to verify, evaluate, and review the HSE operational activities to ensure their integrity and reliability are always maintained, consistent with local and international regulations, HSE controls and internal policies.

Group QHSE reviews the adequacy and effectiveness of HSE controls, assessment on compliance with regulatory requirements and HSE procedures.

**HSE Assurance Conducted for 2021**

| Description of Programme | 2021 Initiatives |
|---|---|
| HSE Assurance on subsidiaries' initiative towards improving HSE Performance | 1. Supplier/Subcontractor QHSE Compliance Audit<br>a. 4 Virtual Visits conducted during MCO<br><br>2. HSE Inspection and Audits<br>a. 16 Virtual Visits conducted during MCO<br>b. 5 Physical Visits (Site visits after the lifting of MCO and domestic travel when domestic travel was allowed with strict adherence to the SOP) |

Throughout the year, we have conducted a number of HSE Programmes and courses for various groups at different levels of personnel to improve awareness, skills and knowledge throughout the organisation.

The Programmes conducted in 2021 were as follows:

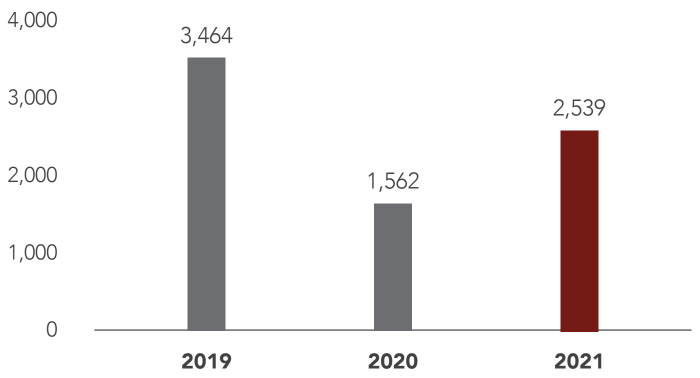
- HSE performance and HSE Programmes
- Legal compliance and HSE contractual requirements
- HSE training
- Virtual HSE campaigns
- Behavioural Based Programme
- Fatigue management
- Mental health management "DASS Survey"
- Job enlargement of HSE Executives
- Emergency and crisis response
- Personal protective equipment for work and for COVID-19 prevention
- COVID-19 awareness campaign
- Employees quarantine measures
- HSE Inspection and Audit

Occupational Safety and Health Training

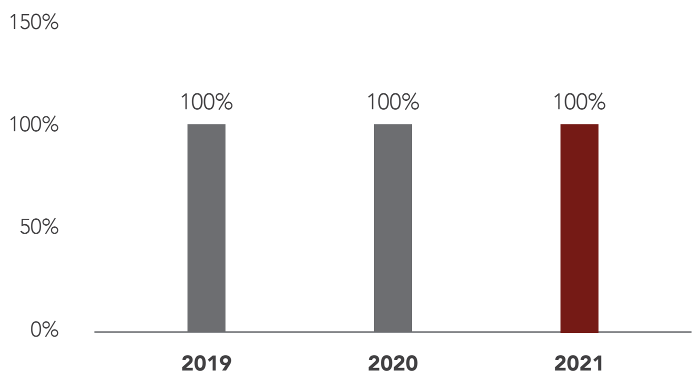
Deleum Group has a comprehensive HSE training regime for all the employees throughout the year. Apart from statutory requirements as per the job requirement, additional training is conducted regularly. Various trainings and events were conducted virtually during the year under review which include:

- Management of Change Briefing
- Hearing Conservation Programme
- Drops Object Awareness
- Mental Health Awareness Programme
- Vaccination Awareness Talk
- Environmental Compliance Programme (Storage/Packaging & Labelling)
- Radiation Awareness

**OSH Staff Training (Hours)**




**OSH Staff Training Rate (%)**



# Sustainability Statement

**Community Outreach**

Deleum continues to support a range of societal causes as part of the Group's approach in creating positive community impacts as a responsible corporate citizen.

The Group firmly believes in giving back to the community and managing our environmental footprint in the areas we operate in based on three focal areas, namely Education, Community and the Environment.

The various initiatives undertaken by Deleum include the following:

Webinar for employees
- Energy Efficiency at Home & Office
- Awareness Talk by Malaysian Anti-Corruption Commission on Anti-Bribery and Anti-Corruption
- Integrity Experience Sharing Session; Tumbuk Rusuk - Pengkisahan dari Tirai Besi
- Integrity Experience Sharing Session; Tumbuk Rusuk 2.0 - Pengkisahan dari Tirai Besi
- Mental & Health Talk – How Online Dangers Can Affect You
- Mental Halth Awareness Programme

Collaboration with EcoCare, Kerteh
- Jetty Refurbishment
- Paint Job and Mangrove Planting

School Adoption Programme – SK Kampung Bakam
- Sponsor for Reading Programme

Due to the large number of COVID-19 cases for the better part of FY2021, CSR activities involving employee volunteers were kept to a minimum. However, employee volunteer participation is anticipated to resume as the nation transitions into the endemic phase.

Deleum remains committed to progressing on its journey of sustainability. The Group remains cognisant that in ensuring long term value creation, it shall continue to focus on its ESG initiatives, which will serve to mitigate existing and emerging risks, strengthening business resilience and in serving stakeholders as a responsible corporate citizen.

# Corporate Governance Overview Statement

The Board of Directors ("the Board") of Deleum Berhad ("Deleum" or "the Company") remains steadfast in its commitment in ensuring that 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 is mindful of its responsibilities to the shareholders and the other stakeholders and shall continue to uphold good corporate governance which is essential for sustainable long-term performance and value creation.

This Statement, as at 16 March 2022, provides an overview of the Group's application of the principles set out in the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 31 December 2021 ("FY2021"). The details of the application of each practice set out in the MCCG is disclosed in the Corporate Governance Report for FY2021 which is available on Deleum's corporate website at www.deleum.com.

## PRINCIPLE A
## BOARD LEADERSHIP AND EFFECTIVENESS

### I. Roles and Responsibilities of the Board

The Board has collective responsibility and accountability for the overall management, direction and performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed.

It has the ultimate and overall responsibility for the entire affairs of the Group and the proper and effective conduct of its business including establishing the vision and strategic objectives of the Group, directing and providing effective oversight of Management and stewardship of the Group's resources towards realising the vision of the Group.

The Board Charter provides guidance to the Board in discharging its duties and responsibilities. The Board assumes, amongst others, the following principal duties and responsibilities in discharging its fiduciary and leadership functions and to promote and protect the interests of shareholders and other stakeholders of the Company:

i. Reviewing and approving corporate strategies, business plans, budget and key policies whereby Management presents to the Board its recommended strategies and budget annually together with its proposed business plans for the ensuing year, for the Board's review and endorsement.

   The Board plays a pivotal role in reviewing the Group's strategic direction and approving strategic plan of the Group to ensure that the strategic plan supports business sustainability and long-term value creation. The Board held a pre-budget meeting in October 2021 to engage with the Group Chief Executive Officer and Key Senior Management to discourse on the business strategies and plans for 2022 and beyond, focusing on business plans and budget for 2022 within the Group's risk tolerance levels amidst the challenging operating and trading environment.

ii. Reviewing, adopting and approving the Group's 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.

iii. Overseeing the conduct of the Group's businesses whereby the Group Chief Executive Officer is responsible for the day-to-day management of the business and operations of the Group and implementation of the Group strategies and policies as approved by the Board. He is well supported by the management team.

   The Board is well informed of the overall performance of the Group. The Group Chief Executive Officer apprises the Board on a quarterly basis on the industry, business, prospects and issues faced by the Group.

iv. Reviewing the risk management processes, internal control and management information system, ensuring the implementation of appropriate internal controls and mitigating measures to address such risks.

   Through the Board Risk Committee ("BRC"), the Board oversees the risk management framework and compliance matters of the Group. The BRC advises and updates the Board on areas of risks and the adequacy of compliance and control procedures throughout the Group.

   Details of the Group's risk management framework and Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

v. Maintaining a constructive and effective shareholder and investor relations whereby the Group strives to maintain an open and transparent channel of communication with its shareholders, investors, analysts and the public at large with the objective of providing a clear and complete picture of the Group's performance and financial position. Further details on the shareholder and investor relations are set out in Principle C - "Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders" of this Statement.

The Board not only sets the strategic direction but also oversees and ensures that the conduct of the businesses of the Group is in compliance with relevant laws, policies, standards and guidelines applicable to the Group. During the year, the following matters, amongst others, were also tabled by Management to the Board for discussion, consideration and approval:

- approved the annual and quarterly financial results and annual report;
- reviewed the effectiveness of the external and internal auditors and their independence including the approval of new outsourced internal auditors;
- reviewed and approved the revisions of the relevant human resource policies;
- reviewed and approved the appointment of the new Group Chief Executive Officer and his appointment to the Board;
- reviewed the material litigations and issues of Deleum Primera Sdn Bhd;
- reviewed the updates and enhancements relating to the MCCG; and
- reviewed and approved the revisions to the Board Charter and Terms of Reference of the Board Committees.

**Board Delegation**

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.

All matters not specifically reserved to the Board and which are necessary for the day-to-day operations of the Group are delegated to Management to operate within the Delegation of Authority Guidelines ("DAG"). The Group Chief Executive Officer is delegated the limits of authority as specified in the DAG on corporate and operational matters. The DAG sets out the specific approval thresholds for the Group Chief Executive Officer who further delegates the authorities granted to him to the operational management team and other executives on operation matters including sales, procurement and capital expenditure.

**Chairman, Group Chief Executive Officer and Independent Directors**

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 Chief Executive Officer are held by separate persons and the clear separation of powers, roles and responsibilities that ensures a balance of power and authority. There is no family relationship between the Chairman, Deputy Chairman and Group Chief Executive Officer.

**Chairman**

The Chairman leads the Board and is responsible for instilling good governance practices and leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. He presides over Board meetings and encourages positive contributions of all Directors at Board meetings and promotes an environment for open, robust and effective debate between all Board members and allows for constructive and dissenting views to be freely expressed. 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.

**Deputy Chairman**

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

**Group Chief Executive Officer**

The Group Chief Executive Officer leads the management of the Group and oversees the day-to-day running and management of the business and operations of the Group, advancing long-term shareholders' value and implementation of the Board's policies and decisions.

**Independent Non-Executive Directors**

The Independent Non-Executive Directors are actively involved in various Board Committees. They contribute significantly to areas such as performance monitoring, enhancement of corporate governance and controls, and risk management and oversight. They provide independent and objective views, advice and judgement on management proposals to ensure that the interests of the Group and stakeholders are well taken into account.

# Corporate Governance Overview Statement

**Senior Independent Non-Executive Director**

The Senior Independent Non-Executive Director serves as the point of contact between the Independent Directors and the Chairman of the Board on sensitive issues and act as a designated contact to whom shareholders' concerns or queries may be raised. Following the resignation of Datuk Ir (Dr) Abdul Rahim bin Hashim as Director of the Company with effect from 20 December 2021, the Company has on 10 March 2022 appointed Datuk Manharlal a/l Ratilal as the Senior Independent Non-Executive Director.

**Company Secretaries**

The Board is supported by suitably qualified, experienced 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 qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 ("CA 2016") and are members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretaries play an advisory and consultancy role to the Board in relation to its roles and responsibilities, the Company's Constitution, Board's policies and procedures, and compliance with corporate governance matters and relevant regulatory and disclosure requirements, codes, guidelines and legislations. They are responsible for organising and facilitating Board and Board Committee meetings and the preparation and circulation of notices, agendas and Board papers. The agendas for the meetings are established prior to the meetings in consultation with the respective Chairs. At the meetings, the Company Secretaries are responsible for ensuring that all relevant rules and procedures are complied with, advocating adoption of corporate governance best practices. The Company Secretaries ensure that the 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 personnel.

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

**Information provided to Directors**

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.

The Board is updated with the overview of the Group's financial performance and business activities at quarterly meetings. The financial performance is measured against the approved budget and the corresponding periods. Directors regularly receive additional information or updates on relevant matters from the Company between Board meetings.

The minutes of each Board and Board Committee 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 Senior Management personnel. The relevant Senior Management personnel are invited to attend meetings of the Board and Board Committees 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. External advisers may also be invited to relevant Board or Board Committee meetings, if necessary. No Director had sought the services of any professional advisor during the year in the discharge of his/her duties.

The Directors were briefed on relevant correspondences/communications from Bursa Malaysia Securities Berhad ("Bursa Securities") and the Securities Commission from time to time and at quarterly meetings. The Directors are apprised of all the Company's announcements to Bursa Securities and close period on restriction in dealing with the securities of the Company.

**Board Charter**

The Board Charter as adopted by the Board, sets out, amongst others, the duties and responsibilities of the Directors including guidelines on matters reserved for the Board's collective decision making.

The Board Charter was last reviewed and revised in November 2021 and is available on the Company's corporate website.

# Corporate Governance Overview Statement

### Directors' Code of Ethics

The Directors' Code of Ethics ("Code") outlines certain standards of business conduct and ethical behaviour to be observed by all Directors in discharging their duties and responsibilities to the highest standards of personal integrity and professionalism. The Code sets out, amongst others, the Directors' obligations in observing high standards of corporate governance, compliance with legal and statutory requirements, adherence to and upholding the principles of integrity, objectivity, accountability, openness, honesty and leadership and acting in good faith in the best interest of the Group. The Company communicates the Code to all Directors upon their appointment.

The Code is available on the Company's corporate website.

### Code of Business Conduct

The corporate culture of integrity and honesty is applicable across the Group. 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 third party 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. They are refrained from all improper conduct and dishonest or unethical behavior in their performance of work and business dealings with the Group.

The COBC covered the areas of, amongst others, conflict of interest, anti-bribery and corruption, gifts, hospitality, donation and sponsorship, health, safety and environment, confidentiality, harassment, substance misuse policy and consequences of violation of the COBC.

During FY2021, the Group has further enhanced the Anti-Bribery and Corruption Policy and Procedure and the associated policies and guidelines in line with the requirement of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act") on corporate liability. There were a series of anti-bribery and corruption awareness sessions conducted including talks relating to Section17A Corporate Liability by the MACC to further educate directors and employees on ways to eradicate corruption. The detailed disclosure can be referred in the Statement on Risk Management and Internal Control of this Annual Report.

The COBC and the Anti-Bribery and Corruption Policy and Procedure are made available on the Company's corporate website and intranet.

### Whistleblowing Policy and Investigation Procedure

The Board has established a Whistleblowing Policy to provide an avenue and an independent feedback channel through which employees, customers, suppliers, professional advisers, contractors, subcontractors and any other third parties providing services to the Group may, in good faith and have reasonable grounds, report any wrongdoings in accordance with the procedure in the policy without fear of reprisal.

The Whistleblowing Policy was last reviewed and updated in 2020 and is available on the Company's corporate website and intranet.

There was one case reported in 2021 via the Whistleblowing reporting channel. The case was resolved without prejudice.

### II. Board Composition

The Board, as at the date of this Statement, comprises seven Directors with one Executive Director and six Non-Executive Directors, as follows:

| Name | Designation |
|---|---|
| **Dato' Izham bin Mahmud** | Non-Independent Non-Executive Chairman |
| **Datuk Vivekananthan a/l M.V. Nathan** | Non-Independent Non-Executive Deputy Chairman |
| **Ramanrao bin Abdullah** *(appointed w.e.f. 9 July 2021)* | Executive Director/Group Chief Executive Officer |
| **Datuk Ishak bin Imam Abas** | Independent Non-Executive Director |
| **Datuk Noor Azian binti Shaari** | Independent Non-Executive Director |
| **Lee Yoke Khai** | Independent Non-Executive Director |
| **Datuk Manharlal a/l Ratilal** *(redesignated as Senior Independent Non-Executive Director w.e.f. 10 March 2022)* | Senior Independent Non-Executive Director |
| **Nan Yusri bin Nan Rahimy** *(retired w.e.f. 23 June 2021)* | Group Managing Director |
| **Datuk Ir (Dr) Abdul Rahim bin Hashim** *(resigned w.e.f. 20 December 2021)* | Senior Independent Non-Executive Director |

# Corporate Governance Overview Statement

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 Board is appropriately structured to provide the required leadership and governance to realise the Company's mission, objectives and business strategies for the benefit of all stakeholders, in particular shareholders' interest. The Independent Directors make up more than half of the Board which exceeds the minimum as mandated by the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities which stipulates that at least two Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The Independent Directors bring a wide range of experience and expertise to the Board and carry significant weight in the Board's decision on matters relating to the Group's affairs.

The members of the Board are selected based on objective criteria of proven skills, merit and abilities in their particular field of endeavour with due regard for diversity in expertise, experience, age, cultural background, gender and outlook which benefits the operation of the Board as a custodian of the business. It provides an effective blend of entrepreneurship, business and professional expertise.

The Board Charter on gender diversity policy is to have at least one female Director. As at the date of this Statement, the Board has one female Director. The Board will endeavour to have greater women representation on the Board based on effective blend of required skills, experience and knowledge in areas identified and the needs of the Group.

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.

The profiles of each Director are presented on pages 7 to 10 of this Annual Report.

**Tenure of Independent Directors**

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 insight and in-depth knowledge of the Group's business and affairs.

The Board may, upon assessment and recommendation by the Joint Remuneration and Nomination Committee ("JRNC") with justification, seek shareholders' approval at general meeting for the retention of an Independent Director who has served a cumulative term of or more than nine (9) years as an Independent Director of the Company.

Datuk Ishak bin Imam Abas, the Independent Director, having served on the Board for more than nine (9) years has decided to retire from the Board after the conclusion of the forthcoming 17th Annual General Meeting ("AGM") of the Company.

**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 Constitution and upon the recommendation by the JRNC.

The JRNC in recommending new appointments to the Board will assess the suitability of an individual to be appointed to the Board by giving due consideration to the individual's skills, industry experience and knowledge, character, integrity and time to effectively discharge his or her role and responsibilities. In respect of Independent Directors, the JRNC will assess whether the individual is able to exercise independent judgement and to demonstrate the values and principles associated with independence.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, major shareholders, Management and independent advisors and networks from various parties. During FY2021, Mr Ramanrao bin Abdullah was appointed to the Board on 9 July 2021 after being appointed the Group Chief Executive Officer on 1 July 2021. Mr Ramanrao brought with him a wealth of industry experience, having served for more than 26 years in an international service company and his appointment was sourced through the industry network.

In accordance with the Company's Constitution, at each AGM, one-third (1/3) of the Directors for the time being, or if their number is not three or multiple of three, then the number nearest to one-third (1/3), shall retire from office and be eligible for re-election. All Directors including the Director holding the office of Managing Director, shall retire from office once at least in every three years but shall be eligible for re-election. Directors who are appointed by the Board during a financial year are subjected to re-election by the shareholders at the next AGM to be held following their appointments.

Dato' Izham bin Mahmud and Mr Lee Yoke Khai retire by rotation pursuant to Clause 88 of the Company's Constitution

# Corporate Governance Overview Statement

and Mr Ramanrao bin Abdullah, who was appointed as a Director during FY2021, is required to retire at the forthcoming AGM pursuant to Clause 86 of the Company's Constitution. Three of them are eligible and have offered themselves for re-election at the forthcoming AGM. Their profiles can be found on pages 7 to 9 of this Annual Report.

The Board, at the recommendation of the JRNC, supported the re-elections of Dato' Izham bin Mahmud, Mr Lee Yoke Khai and Mr Ramanrao bin Abdullah as Directors of the Company.

**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 and fit the year's meetings into their schedules.

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

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 and do not detrimentally affect his performance as a director. 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 shall seek guidance from the Chairman of the Board if there is any potential conflict of interest and shall, upon appointment, notify the Company Secretaries 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 as evidenced by their attendance at the Board and Board Committee meetings and the AGM as follows:

**Attendance of Directors at the meetings held during FY2021**

| Name of Directors | Board Meetings | AGM | Board Committees | | |
|---|---|---|---|---|---|
| | | | Audit Committee (AC) | JRNC | BRC |
| **Dato' Izham bin Mahmud** | 13/13 | 1/1 | - | 3/3 | - |
| **Datuk Vivekananthan a/l M.V. Nathan** | 13/13 | 1/1 | - | 4/4 | 4/4 |
| **Ramanrao bin Abdullah** *(appointed w.e.f. 9 July 2021)* | 6/6 | - | - | - | - |
| **Datuk Ishak bin Imam Abas** | 12/13 | 1/1 | 5/5 | 4/4 | - |
| **Datuk Noor Azian binti Shaari** | 13/13 | 1/1 | - | 4/4 | 4/4 |
| **Lee Yoke Khai** | 13/13 | 1/1 | 5/5 | 4/4 | 4/4 |
| **Datuk Manharlal a/l Ratilal** | 13/13 | 1/1 | 5/5 | 4/4 | - |
| **Datuk Ir (Dr) Abdul Rahim bin Hashim** *(resigned w.e.f. 20 December 2021)* | 13/13 | 1/1 | - | 4/4 | - |
| **Nan Yusri bin Nan Rahimy** *(retired w.e.f. 23 June 2021)* | 7/7 | 1/1 | - | - | - |
| **Total number of Meetings held during FY2021** | 13 | 1 | 5 | 4 | 4 |

# Corporate Governance Overview Statement

**Directors' Training and Induction**

The Directors regularly attend various seminars, training programmes, briefings and conferences including those organised by the relevant regulatory authorities to be apprised, updated on changes and developments in the market place, state of economy, business environment and corporate regulatory framework and governance.

On a quarterly basis, the Directors are briefed and updated on any relevant amendments to the Listing Requirements as well as applicable new statutory and regulatory requirements, corporate governance, accounting standards and taxation. Induction/ familiarisation programme and management briefings relating to the Group's structure, business and operations are organised for newly appointed Directors.

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Company Secretaries keep the Directors informed of relevant external training programmes. The training programmes attended by Directors are recorded and maintained by the Company Secretaries.

The seminars, workshops and conferences participated by Directors during FY2021 are summarised as follows:

| | | | |
|---|---|---|---|
| **1.** | **Dato' Izham bin Mahmud** | 30 July 2021 | • In-house training – Awareness Talk by MACC on Anti-Bribery and Anti-Corruption |
| | | 8 September 2021 | • In-house training – Integrity Experience Sharing Session – Tumbuk Rusuk: Break the Silent |
| | | 30 November 2021 | • In-house training – Briefing by PwC on Understanding of Financial Statements |
| **2.** | **Datuk Vivekananthan a/l M.V. Nathan** | 25 March 2021 | • Webinar Energy Efficiency at Home & Office |
| | | 2 July 2021 | • Vaccine Awareness |
| | | 30 July 2021 | • In-house training – Awareness Talk by MACC on Anti-Bribery and Anti-Corruption |
| | | 16 August 2021 | • Mental & Health Programme – The Carnival – Healthy Minds |
| | | 8 September 2021 | • In-house training – Integrity Experience Sharing Session – Tumbuk Rusuk: Break the Silent |
| | | 14 September 2021 | • Mental & Health Talk – How Online Dangers Can Affect You |
| | | 29 September 2021 | • Mental Awareness Programme |
| | | 30 November 2021 | • In-house training – Briefing by PwC on Understanding of Financial Statements |
| | | 8 December 2021 | • In-house training – Integrity Experience Sharing Session; Tumbuk Rusuk 2.0 - Pengkisahan dari Tirai Besi |
| **3.** | **Ramanrao bin Abdullah** | 29 July 2021 | • In-house training – Procurement Awareness Programme 2021 |
| | | 30 July 2021 | • In-house training – Awareness Talk by MACC on Anti-Bribery and Anti-Corruption |
| | | 8 September 2021 | • In-house training – Integrity Experience Sharing Session – Tumbuk Rusuk: Break the Silent |
| | | 28 September 2021 | • MGA My WiE CEO Roundtable Discussion Attracting, Developing & Retaining Women in the Energy Sector |
| | | 30 September 2021 | • MGA Webinar on Spotlight on OGSE Players in the Malaysian Gas Value Chain as Panelist |
| | | 10 October 2021 – 13 October 2021 | • Mandatory Accreditation Programme (MAP) |
| | | 8 December 2021 | • In-house training – Integrity Experience Sharing Session; Tumbuk Rusuk 2.0 - Pengkisahan dari Tirai Besi |

# Corporate Governance Overview Statement

| | | | |
|---|---|---|---|
| **4.** | **Datuk Ishak bin Imam Abas** | 30 July 2021 | • In-house training – Awareness Talk by MACC on Anti-Bribery and Anti-Corruption |
| | | 8 September 2021 | • In-house training – Integrity Experience Sharing Session – Tumbuk Rusuk: Break the Silent |
| | | 30 November 2021 | • In-house training – Briefing by PwC on Understanding of Financial Statements |
| **5.** | **Datuk Noor Azian binti Shaari** | 30 July 2021 | • In-house training – Awareness Talk by MACC on Anti-Bribery and Anti-Corruption |
| | | 8 September 2021 | • In-house training – Integrity Experience Sharing Session – Tumbuk Rusuk: Break the Silent |
| | | 30 November 2021 | • In-house training – Briefing by PwC on Understanding of Financial Statements |
| | | 8 December 2021 | • Environmental, Social and Governance Awareness |
| **6.** | **Lee Yoke Khai** | 12 January 2021 | • Risk, Strategy and Governance – How Integrated thinking can support Boards in creating long term value |
| | | 15 January 2021 | • Primer on Climate Governance |
| | | 24 March 2021 | • Realising the value of Corporate Governance in Asean |
| | | 8 June 2021 | • Navigating & Sustainability Future with Agility with Resilience |
| | | 30 July 2021 | • In-house training – Awareness Talk by MACC on Anti-Bribery and Anti-Corruption |
| | | 8 September 2021 | • In-house training – Integrity Experience Sharing Session - Tumbuk Rusuk: Break the Silent |
| | | 9 September 2021 | • Impact of 2021 MCG on Board structure and performance |
| | | 15 November 2021 | • PwC Tax Seminar Budget 2022 |
| | | 30 November 2021 | • In-house training – Briefing by PwC on understanding of Financial Statements |
| | | 5 December 2021 | • Audit Oversight Board Conversation with Audit Committees |
| **7.** | **Datuk Manharlal a/l Ratilal** | 11 January 2021 | • Current and Emerging with Audit Committee |
| | | 12 January 2021 | • Directors' Duties & Liabilities |
| | | 18, 20, 21, 25, 26 January 2021 | • 2021 FIDE Core Programme relating to governance framework, risk taking, risk mitigation and management, capital management strategies, board challenges in risk management |
| | | 1, 2, 3, 4, 5, 8, 9, 10 March 2021 | • 2021 FIDE Core Programme relating to Board dynamics in controlled companies, governance culture vs compliance, board effectiveness and compensation, return on compliance, emerging risk & future Boards, Digital Bank |
| | | 3 May 2021 | • Capital Market Director Programme: Module 1 - Directors as Gatekeepers of Market Participants |
| | | 8 September 2021 | • In-house training – Integrity Experience Sharing Session - Tumbuk Rusuk: Break the Silent |
| | | 28 September 2021 | • Rising to Challenge to COVID-19 and Re-Designing Cyber Security |
| | | 30 November 2021 | • In-house training – Briefing by PwC on understanding of Financial Statements |
| | | 6 December 2021 | • Audit Oversight Board Conversation with Audit Committees |
| | | 13 December 2021 | • Briefing on Environmental, Social and Governance in the Introduction to Sustainability and the Necessity for Good ESG Disclosure, Managing ESG Concerns from an Investment Holding Perspective |

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 FY2021.

## III. Board Committees

The Board has established three Board Committees namely the AC, the JRNC, and the BRC. The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, and operate within their own clearly defined Terms of Reference. 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 presentations made by the Chairman of the respective Board Committees at Board meetings.

**Joint Remuneration and Nomination Committee**

The JRNC comprises all Non-Executive Directors, a majority of whom are Independent Directors. The Chairman of the JRNC is the Senior Independent Non-Executive Director of the Company.

The JRNC, as at the date of this Statement, comprises the following:

| Name | Designation |
|---|---|
| **Datuk Manharlal a/l Ratilal** *(redesignated as Chairman of JRNC w.e.f.10 March 2022)* | Chairman of JRNC/ Senior Independent Non-Executive Director |
| **Datuk Vivekananthan a/l M.V. Nathan** | Member/ Non-Independent Non-Executive Deputy Chairman |
| **Datuk Ishak bin Imam Abas** | Member/Independent Non-Executive Director |
| **Datuk Noor Azian binti Shaari** | Member/Independent Non-Executive Director |
| **Lee Yoke Khai** | Member/Independent Non-Executive Director |
| **Datuk Ir (Dr) Abdul Rahim bin Hashim** *(resigned w.e.f. 20 December 2021)* | Chairman of JRNC/ Senior Independent Non-Executive Director |
| **Dato' Izham bin Mahmud** *(resigned w.e.f. 25 August 2021)* | Member/ Non-Independent Non-Executive Chairman |

In discharging its duties and responsibilities, the JRNC is guided by the Terms of Reference which was last reviewed in November 2021 and is available on the Company's corporate website.

During FY2021, four meetings of the JRNC were held with the full attendance of members of the JRNC as reflected on page 49 of this Annual Report.

During FY2021, the following activities undertaken by the JRNC included the following:

(i) discussed and reviewed the annual bonus in respect of FY2020 for the employees and management and made recommendation for the Board's approval;
(ii) discussed and reviewed salary increment for senior management;
(iii) conducted annual evaluation of the Board's effectiveness and performance covering the assessment of the Board, each individual Director, each Board Committee, and independence of the Independent Directors;
(iv) reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
(v) reviewed and recommended the appointment of the Group Chief Executive Officer and his nomination as a member of the Board;
(vi) reviewed the training courses attended by the Directors; and
(vii) reviewed the Directors who are due for re-election at the Company's 16th AGM and recommended their re-election.

**Audit Committee**

The AC has responsibility for oversight of the Company's financial statements, related party transactions, system of internal control, the Company's relationship with its external auditors and effectiveness of internal audit procedures. In discharging its duties and responsibilities, the AC is guided by the Terms of Reference which was last reviewed in November 2021 and is available on the Company's corporate website.

A full AC Report enumerating its membership and a summary of its activities during the financial year is set out in this Annual Report.

# Corporate Governance Overview Statement

**Board Risk Committee**

The BRC assists the Board to oversee the implementation of the Group's risk management and compliance. It ensures the Group has in place a sound enterprise risk management framework, business continuity management framework and relevant anti-bribery and corruption related policies, procedures and guidelines. The BRC oversees and provides recommendation on the risk management, business continuity management and compliance (integrity & ethics) activities to enhance the Group's ability to achieve its strategic objectives through structured and systematic processes and controls.

During the year, the Management Risk Committee's ("MRC") scope was expanded to cover compliance function (integrity & ethics) and the MRC was renamed as Management Compliance & Risk Committee ("MCRC") with the approval of the BRC on 23 August 2021. The MCRC acts as primary champion of risk management, compliance, and sustainability on strategic and operational levels. It holds its quarterly meeting with structured agenda.

The BRC is tasked with overseeing the sustainability framework and initiatives of the Company in accordance with its revised Terms of Reference. A comprehensive narrative of the Company's sustainability initiatives, performances and future plans for material Environmental, Social and Governance matters is set out in the Sustainability Statement of this Annual Report.

The composition of the BRC and a summary of its activities during the financial year are set out in Section B II - "Risk Management and Internal Control Framework" of this Statement.

**Annual Assessment of Board, Board Committees, Individual Directors and Independence of the Independent Directors**

The Board through the JRNC and facilitated by the Company Secretaries, annually assesses the effectiveness of the Board, Board Committees, the contribution of each individual Director including assessment of the independence of each of the Independent Directors to a set of criteria as prescribed by the Listing Requirements by way of a set of customised questionnaires. 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. For FY2021, the assessment was conducted online in line with the Group's digitalisation efforts.

Based on the evaluation, the JRNC and the Board concluded that all the Independent Directors of the Company continued to demonstrate conduct and behaviour 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 is satisfied that the Independent Directors continue to exercise independent and objective judgement and act in the interest of the Company and its stakeholders. None of the Independent Directors have any interests in the Company other than shares held amounting to less than 1% and there are no other areas of business conflicts.

Summary of results of the annual assessment are tabled to the JRNC for deliberation and reported to the Board.

The outcome of the evaluation for FY2021 highlighted certain key focus areas and future priorities for the Board's consideration.

**IV. Remuneration of Directors and Key Senior Management**

The objective of the Group's remuneration policies is to provide fair and competitive remuneration to its Board and Senior Management for retaining a high-quality team for the Group. The Remuneration Framework for Executive Directors and Key Senior Management is available on the Company's corporate website.

The details of Directors' and Key Senior Management's remuneration received for FY2021 (both from the Company and the Group) are as follows:

**a) <u>Remuneration of Executive Directors</u>**

The Group Chief Executive Officer received the remuneration from the Company in accordance with the contract of employment. He did not receive any remuneration from the subsidiaries of the Group. Annual discretionary bonus of the Group Chief Executive Officer is based on the Group's performance and recommendation of the JRNC and approval of the Board.

During FY2021, the respective total remunerations of the Group Chief Executive Officer who was appointed on 1 July 2021 and the former Group Managing Director who retired on 23 June 2021 received from the Company were as follows:

| Executive Directors | Remuneration (RM) Fees | Salaries | Defined contribution plan | *Fixed allowance | **Estimated monetary value of benefits-in-kind | LTIP | #Other emoluments | Total |
|---|---|---|---|---|---|---|---|---|
| **Ramanrao bin Abdullah** *(appointed as Group Chief Executive Officer w.e.f. 1 July 2021)* | - | 570,000 | 96,300 | 72,000 | 12,470 | - | 462 | 751,232 |
| **Nan Yusri bin Nan Rahimy** *(retired as Group Managing Director w.e.f. 23 June 2021)* | - | 519,000 | 84,600 | - | 18,050 | - | 462 | 622,112 |

* Comprised car allowance.
** Comprised prescribed value of company car and driver and club subscription fees.
\# Comprised contribution to Social Security Organisation (SOCSO) and Employment Insurance Scheme (EIS).

The Group Chief Executive Officer's remuneration package is structured so as to link to corporate and individual performance, aligned with the corporate objectives, and approved by the Board. He is not entitled to any Director's fee from the Group nor is he entitled to receive any meeting allowances for Board or Board Committee meetings.

Termination of the contract of the Group Chief Executive Officer may be exercised by either party by giving three months' notice in writing.

**b) Remuneration of Non-Executive Directors**

The payment of Directors' fees and meeting allowances for Non-Executive Directors are based on the Non-Executive Directors' Remuneration Framework. The framework was last reviewed in February 2019 and took effect from 1 June 2019. The framework is available on the Company's corporate website.

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. 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 who are each provided a car, a driver and club subscriptions.

The Non-Executive Directors' fees and meeting allowances are in accordance with the Non-Executive Directors' Remuneration Framework, as follows:

| Designation | Fixed fee per month (RM) |
|---|---|
| Chairman | 28,750 |
| Deputy Chairman | 28,750 |
| Members of the Board | 4,600 |

Board Committees' Fees:

| Designation | AC (Fixed fee per month) (RM) | JRNC (Fixed fee per month) (RM) | BRC (Fixed fee per month) (RM) |
|---|---|---|---|
| Chairman | 2,875 | 1,150 | 1,150 |
| Members of the Committee | 2,300 | 1,150 | 1,150 |

# Corporate Governance Overview Statement

The Board as a whole determines the remuneration of Non-Executive Directors which is subject to the approval of the shareholders at the AGM. The fees and meeting allowances paid to the Non-Executive Directors during FY2021 were in line with their duties and responsibilities and time commitment required to discharge their duties.

The total remuneration for the Non-Executive Directors individually from the Company in respect of FY2021 are set out below. They did not receive any remuneration from the subsidiaries of the Group:

| Directors | Fees (RM) | Salaries and bonuses (RM) | Defined contribution plan (RM) | *Estimated monetary value of benefits–in–kind (RM) | Meeting Allowances (RM) | #Other emoluments (RM) | Total (RM) |
|---|---|---|---|---|---|---|---|
| **Dato' Izham bin Mahmud** *(Chairman of Board)* | 345,000 | - | - | 31,150 | - | 6,167 | 382,317 |
| **Datuk Vivekananthan a/l M.V. Nathan** *(Deputy Chairman of Board)* | 345,000 | - | - | 31,150 | - | 20,834 | 396,984 |
| **Datuk Ishak bin Imam Abas** *(Chairman of AC until 1 July 2021)* | 100,050 | - | - | - | 39,225 | - | 139,275 |
| **Datuk Noor Azian binti Shaari** | 82,800 | - | - | - | 34,125 | - | 116,925 |
| **Lee Yoke Khai** *(Chairman of BRC)* | 110,400 | - | - | - | 44,475 | - | 154,875 |
| **Datuk Manharlal a/l Ratilal** *(Chairman of AC w.e.f. 1 July 2021)* | 100,050 | - | - | - | 38,725 | - | 138,775 |
| **Datuk Ir (Dr) Abdul Rahim bin Hashim** *(resigned w.e.f. 20 December 2021)* | 96,600 | - | - | - | 40,875 | - | 137,475 |
| **Total (RM)** | 1,179,900 | - | - | 62,300 | 197,425 | 27,001 | 1,466,626 |

* Comprised prescribed value of company car and driver.
# Comprised club subscription fees.

# Corporate Governance Overview Statement

**c) Remuneration of Senior Management**

For FY2021, the aggregate total remuneration paid to Deleum Group's top five Key Senior Management personnel, who are not Directors, comprising the five C-Level officers of the Group is RM4,052,426 as follows:

| Remuneration (RM) | | | | | | |
|---|---|---|---|---|---|---|
| Salaries and bonuses | Defined contribution plan | *Fixed allowances | **Estimated monetary value of benefits-in-kind | LTIP | #Other emoluments | Total |
| 2,723,611 | 382,344 | 393,377 | 48,934 | 0 | 504,160 | 4,052,426 |

* Comprised car allowance.
** Comprised prescribed value of company car and driver, petrol consumption and mobile expenses.
\# Comprised contribution to SOCSO and EIS, gratuity, retirement bonus, notice in lieu, and annual leave encashment.

In addition, they are covered under the Group insurance policies for Term Life, Hospitalisation and Personal Accident. The annual discretionary bonus is based on the individual's and the Group's performance as recommended by the JRNC and approved by the Board.

The top five Key Senior Management personnel's remuneration received during the financial year is categorised within the disclosure band as follows:

| Remuneration Band (RM) | Number of Key Senior Management personnel |
|---|---|
| 550,001 – 600,000 | 1 |
| 650,001 – 700,000 | 1 |
| 800,001 – 850,000 | 2 |
| 900,001 – 950,000 | 1 |

The Board is of the view that the disclosure in the above manner is appropriate.

Directors and Officers of the Group are covered under a Directors and Officers Liability Insurance Policy against any liability incurred by them in their discharge of duties whilst in office. However, they are not indemnified if any intentional act on fraud, breach of duty or trust is proven against them.

No Director or Key Senior Management personnel is involved in deciding his/her own remuneration.

# Corporate Governance Overview Statement

**PRINCIPLE B**
**EFFECTIVE AUDIT AND RISK MANAGEMENT**

## I. Audit Committee and Financial Reporting

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 CA 2016. The accounting policies, once adopted, are consistently applied and supported by reasonable judgments and estimates.

The Group Chief Executive Officer and the Group Chief Financial Officer provide assurance in writing to the AC that adequate processes and controls are in place, that appropriate accounting policies have been adopted and applied consistently, and that the relevant financial statements give a true and fair view of the state of affairs of the Company and the Group.

**Statement of Directors' Responsibilities in Relation to Audited Financial Statements**

The Directors are required by the CA 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable MFRS, IFRS and the requirements of the CA 2016. The Board is responsible for presenting 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.

In preparing the financial statements of the Group for FY2021, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the MFRS, IFRS, CA 2016 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 and give a true and fair view of the state of affairs of the Company and the Group.

The Directors have inquired of Management and the Auditors in respect of any fraud or irregularities impacting the Group. The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.

**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 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 recommendation 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.

The external auditors also submitted their independence statement to the Board as part of their audit process. In order to further maintain independence of the external auditors, the audit partner-in-charge is rotated every seven years with the last rotation in FY2016. Assessment of the external auditors is disclosed in the AC Report.

## II. Risk Management and Internal Control Framework

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. The Company has the Enterprise Risk Management ("ERM") Framework to ensure proper and structured enterprise risk management processes for the identification, assessment, response, monitoring and reporting of risks on an enterprise wide basis. The BRC reviewed the ERM Framework as and when it is necessary.

**Board Risk Committee**

The BRC comprises a majority of independent directors to oversee the Company's risk management framework and policies.

# Corporate Governance Overview Statement

As at the date of this Statement, the members of the BRC are as follows:

| Name | Designation |
|---|---|
| **Lee Yoke Khai** | Chairman/Independent Non-Executive Director |
| **Datuk Vivekananthan a/l M.V. Nathan** | Member/Non-Independent Non-Executive Deputy Chairman |
| **Datuk Noor Azian binti Shaari** | Member/Independent Non-Executive Director |

In discharging its duties and responsibilities, the BRC is guided by the Terms of Reference which was last reviewed in November 2021. The scope of the BRC has been expanded with oversight of the compliance function as well as sustainability matters, and the revised Terms are available on the Company's corporate website.

During FY2021, four meetings of the BRC were held with the full attendance of members of the BRC as reflected on page 49 of this Annual Report.

The following activities were undertaken by the BRC:
(i) Reviewed the Corporate Compliance & Risk Plan for FY2021/2022;
(ii) reviewed the revision of Group's Key Risk Profile comprising Strategic, Operational, Financial, Major Contract, Safety, Corruption risks and its status of the implementation of mitigation action plans;
(iii) reviewed the Group's Risk Impact perimeters;
(iv) reviewed the revision of the Group's COBC;
(v) notation on the COBC progress implementation and completion;
(vi) notation on the completion of Conflict of Interest and Anti-Bribery and Corruption declarations by directors and employees;
(vii) reviewed the assessment performed on Preliminary Project Risk Assessment for Invitation To Bid;
(viii) reviewed the gap analysis on adequate procedures;
(ix) reviewed the revision of Whistleblowing Policy and Investigation Procedure;
(x) reviewed of a whistleblowing case;
(xi) reviewed the Group's Business Continuity Management involving the testing and exercise phase via simulation of test scenarios at operational facilities;
(xii) notation of the minutes of the MCRC Meetings; and
(xiii) notation of Quarterly HSE Performance of the Group.

More comprehensive information is set out in the Statement on Risk Management and Internal Control.

**Internal Audit Function**

Deleum engaged the services of Baker Tilly Monteiro Heng Governance as the new outsourced Internal Audit Function ("IAF") in respect of FY2021. The IAF reports directly to the AC and is independent from Management. It has full access to the Group's entities records and personnel.

A summary of the IAF's responsibilities and activities is set out in the AC Report.

## PRINCIPLE C
## INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

The Board recognises the importance of an effective open dialogue with the shareholders and investment community. In this respect, the Group has established processes to ensure disclosures made are clear, accurate, relevant and timely for the shareholders and investment community to make informed investment decisions and enjoy equal access to the information.

The Group continued to engage with the analysts and fund managers on investor relations. Amidst the fallout from the COVID-19 pandemic, the Group managed to hold one analyst briefing besides private meetings, teleconferences and e-mail-based communications as and when required, in FY2021 to provide updates to the investment community. Presentation materials of the analyst briefings are posted on the Company's corporate website to ensure universal access to the same. These investor relations initiatives provide an avenue for dialogue between institutional investors, fund managers and analysts with the Senior Management. It also serves as a 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 facing the Group.

Information on the Group's business operations and financial performance is also 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 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. Deleum's corporate website at www.deleum.com provides

# Corporate Governance Overview Statement

quick access to Deleum's corporate information, financial results, governance information, statutory announcements, stock information, press releases and corporate related activities and is regularly updated to incorporate the latest development of the Group.

The website also has an e-mail alert service where shareholders and anyone who are interested may register to receive the latest announcements of the Company via e-mail. Shareholders' and other stakeholders' queries and concerns affecting the Group can be conveyed to Datuk Manharlal a/l Ratilal, the Senior Independent Non-Executive Director of Deleum who can be reached as follows:

Datuk Manharlal a/l Ratilal
c/o Company Secretary
No. 2, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Tel : +603-2295 7788 | Fax : +603-2295 7777
Email : gratilal@deleum.com

Shareholders and investors' queries relating to financial performance or company developments can be directed to Ms Lee Hooi Woen (Tel: +603 2295 7788 or Email: Investor.Relations@deleum.com) and other company related queries can be directed to Ms Lee Sew Bee, Company Secretary (Tel: +603 2295 7788 or Email: SewBee.Lee@deleum.com).

**II. Conduct of General Meetings**

AGM is an important channel as it is the principal forum for dialogue and interaction amongst shareholders, the Board and Management and for receiving constructive feedback from shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

In light of the COVID-19 pandemic and for safety measure, the 16th AGM of the Company was convened fully virtually in line with the Securities Commission Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers. The Company appointed Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") as the Poll Administrator for the 16th AGM to facilitate the Remote Participation and Voting ("RPV") via its TIIH Online website at https://tiih.online.

In line with best Corporate Governance practice, the notice of the 16th AGM held on 23 June 2021 was sent to shareholders at least 28 days ahead of the meeting. The Annual Report 2020 comprising the Audited Financial Statements for the financial year ended 31 December 2020 were issued on 21 May 2021. At the 16th AGM, the then Group Managing Director presented the Group's financial highlights and business updates to the shareholders.

Shareholders were invited to send questions before the meeting via Tricor's TIIH Online website in relation to the agenda items for the 16th AGM to further encourage engagement between the Directors and shareholders. Besides this, the Chairman also invited shareholders to use the query box facility to submit questions (real time) during live streaming of the AGM. All relevant questions raised by shareholders were addressed during the Questions and Answers session. Suggestions and comments communicated by shareholders were taken into careful consideration and well noted by the Board and Management. Minutes of the AGM was posted on the Company's corporate website

Poll voting for all resolutions as set out in the notice of the AGM was conducted online via RPV facilities. An independent scrutineer was appointed to validate the votes cast for each resolution. The outcomes of voting were announced to the shareholders at the AGM upon which the Chairman declared all the resolutions were carried, and to Bursa Securities after the AGM and posted on the Company's corporate website.

**III. Dividends**

Deleum continues to commit to its dividend policy of distributing 50% of the Group's annual profit attributable to the equity holders of the Company, subject to the availability of adequate distributable reserves, operating cash flow, financial commitments and expansion plans.

For FY2021, the Company declared two dividend payments amounting to 2.20 sen per share with the first payment made on 30 September 2021 and the second payment on 30 March 2022.

## COMPLIANCE STATEMENT

The Board recognises and subscribes to the importance of the principles and best practices set out in the MCCG. In this respect, where practical and appropriate, the Board has applied the principles and recommendations under the MCCG for FY2021.

The application of each practice set out in the MCCG during FY2021 and the explanation for departure is disclosed in the Corporate Governance Report which is available on the Company's corporate website.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors passed on 16 March 2022.

# Statement on Risk Management and Internal Control

The Statement on Risk Management and Internal Control is made in accordance with paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and is in line with the Malaysian Code on Corporate Governance.

## BOARD RESPONSIBILITIES

The Board of Directors ("the Board") of Deleum Berhad ("Deleum" or "the Company") affirms its overall responsibility for reviewing the adequacy and effectiveness of the Company and its subsidiaries ("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 in line with changes to the 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, misstatements, fraud, or occurrences of unforeseeable circumstances.

## RISK MANAGEMENT

### Board Risk Committee

The Board Risk Committee ("BRC") is chaired by an Independent Non-Executive Director. The BRC meets on a quarterly basis to review the effectiveness of the risk management process, to discuss matters relating to corporate compliance and risk management activities and reports produced therein. During the year, BRC's activities included the following:

- Evaluating new and emerging risks together with the mitigation plans of the identified risks;
- Overseeing and evaluating the business continuity management activities; and
- Reviewing and recommending compliance related matters mainly focusing on integrity and ethics and overseeing the complaint management process.

The duties and responsibilities of the BRC are guided by the Terms of Reference ("TOR") which are accessible on the Company's corporate website.

### Management Compliance & Risk Committee

During the year, the Management Risk Committee's ("MRC") scope was expanded to cover compliance functions mainly focusing on integrity and ethics and the committee was then renamed to Management Compliance & Risk Committee ("MCRC") with the approval by the BRC on 23 August 2021.

The MCRC was established to ensure sound implementation of the Corporate Compliance & Risk practices within the Group.

The MCRC which is governed by its TOR, is chaired by the Group Chief Executive Officer ("GCEO") and meets on a quarterly basis and reports to BRC in the same quarter.

The MCRC comprises of the GCEO, Group Chief Financial Officer ("GCFO"), Head of Business Units, Group Corporate Services, Group QHSE, and Group Human Resources.

The following are the key duties and responsibilities of the MCRC:

a. Risk Management
   i. Acts as the primary champion for risk management (including business continuity management) at strategic and operational levels;
   ii. Deliberates the Group's key risks and ensures they are taken into consideration in the Group's business strategies;
   iii. Ensures the process of risk identification up to the mitigation plans are appropriately considered;
   iv. Reviews the risk management framework including the strategies, policies, and action plans for effective implementation; and
   v. Monitors and reports to the BRC and eventually to the Board on the risk activities undertaken on a quarterly basis.

b. Corporate Compliance
   i. Reviews and recommends the Group Compliance related policies and procedures for the BRC and Board's approval to inculcate an ethical environment and promulgate good governance practices consistent with the Board's appetite.
   ii. Reviews the adequacy and effectiveness of the compliance programme for the Group and the relevant anti-bribery and corruption control measures, including but not limited to the due diligence process, compliance assessment, monitoring of compliance risk areas, training and awareness sessions for directors and employees as part of its continuous education programme.

Collectively, the MCRC members within their respective areas of responsibilities are accountable for providing reasonable assurance to the BRC that all identified risks at the Group's business units are managed within tolerable levels.

The GCEO is responsible for the day-to-day management of risks whereas the Head of Business Units are responsible in representing the GCEO's obligations to all business units. The Senior Management team, assisted by the Corporate Compliance & Risk function continuously supports the GCEO in:

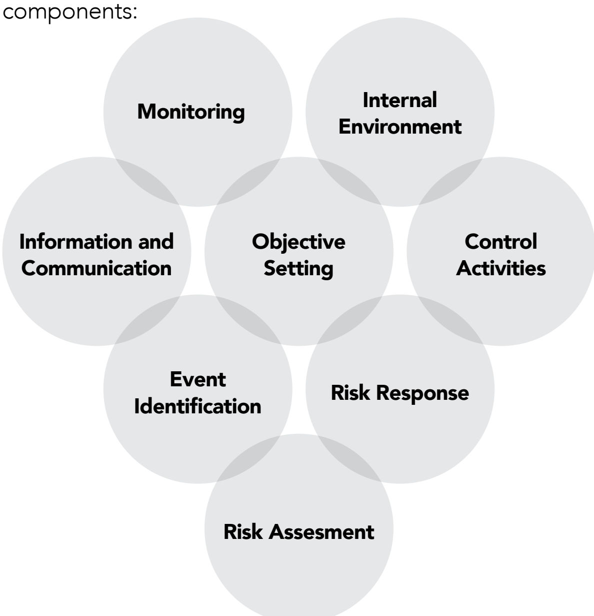
- Risk Management (inclusive of Business Continuity Management) and Sustainability matters
- Corporate Compliance focusing on integrity and ethics

# Statement on Risk Management and Internal Control

**Enterprise Risk Management Framework and Approach**

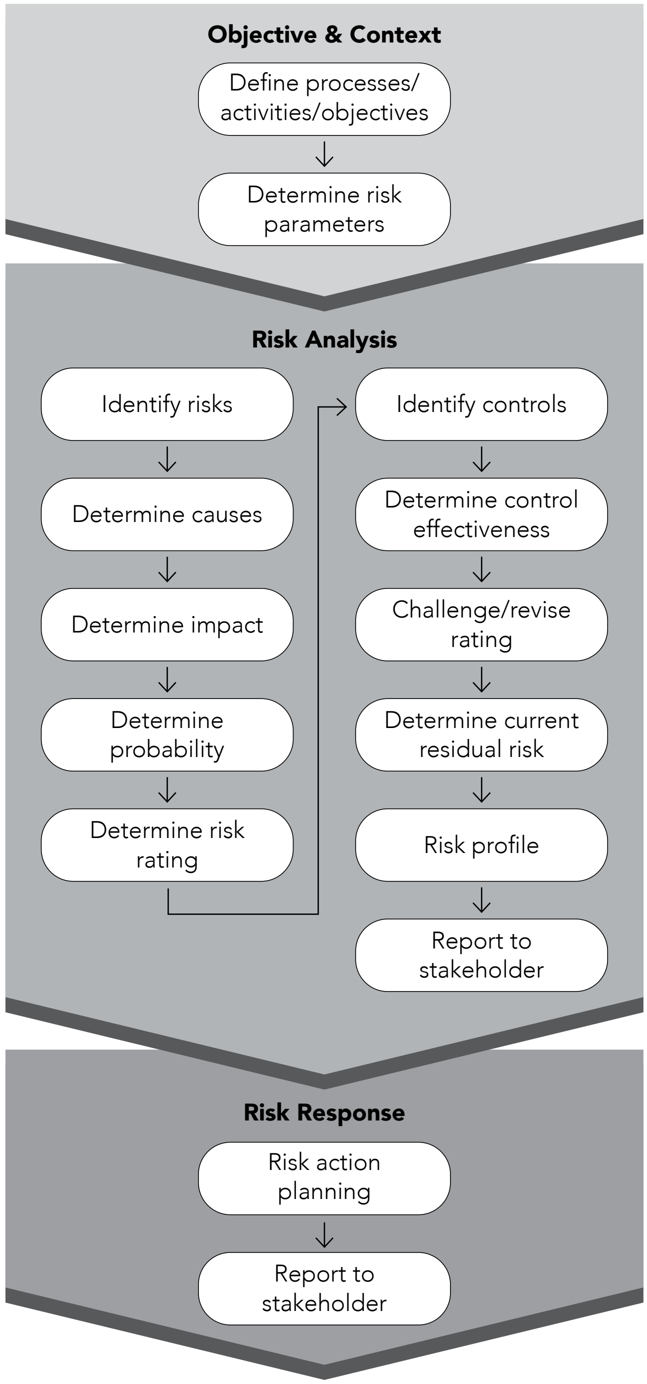
The Enterprise Risk Management Framework

- Deleum's Enterprise Risk Management Framework ("ERM Framework") is a structured and disciplined approach in aligning strategy, processes, people, technology, and knowledge with the purpose of evaluating the risks Deleum faces as it seeks to create value.
- Principally aligned and consistent with the Enterprise Risk Management - Integrated Framework by The Committee of Sponsoring Organisations of the Treadway Commission, Deleum's ERM Framework is emphasised at establishing a robust risk management process and approach across the Group and to ensure that all business risks are prudently identified, analysed, and effectively managed to safeguard Deleum's interests.
- Deleum's ERM Framework enables the Management to effectively deal with uncertainties and associated risks and opportunities, enhancing the capacity to build value to stakeholders. The framework encompasses the following:
  - Aligning risk appetite and strategies
  - Enhancing risk response decisions
  - Reducing operational surprises and losses
  - Identifying and managing multiple and cross-enterprise risks and its impact, including financial, economic, environmental, social and governance ("ESG")
  - Seizing opportunities and considering a full range of potential events including strategies, operations, financial and ESG
  - Improving deployment of capital to allow the Management to effectively assess overall capital needs and to enhance capital allocation
- Deleum's ERM Framework consists of eight (8) interrelated components:




Risk Management Approach

- A structured risk management approach is adopted to guide Deleum to identify, analyse, evaluate, and mitigate risks. The business entities apply the process on a systematic, iterative manner with collaboration from the respective stakeholders, as depicted in the following diagram:



# Statement on Risk Management and Internal Control

1. Objective and context
   - Defining the Group's objectives and processes.
   - Determining risk parameters which are used to estimate the impact of risks based on the Group's risk appetite.

2. Risk analysis
   - Identifying key risks associated with the strategies, operations, financial, ESG and aligning them to the Group's objectives.
   - Identifying the controls and determining its effectiveness in relation to the risks identified. Assessment of the control effectiveness uses the following ratings:

| Satisfactory | Some weaknesses | Weak |
|---|---|---|
| Controls are strong and operating properly, providing reasonable assurance that the objectives are being achieved. | Some control weaknesses/ inefficiencies have been identified. Improvement are required to provide reasonable assurance that the objectives will be achieved. | Controls do not meet acceptable standards and many weaknesses and inefficiencies exists. Controls do not provide reasonable assurance that the objectives will be achieved. |

   - Risk measurement enables risks to be categorised and graded in relation to the potential impact and probability of occurrence. Impact and probability are then combined to produce a risk rating.

   Deleum adopts the following risk rating matrix to articulate the relationship between risk impact and probability:

| Risk Heat Map/Matrix | | Impact (I) | | | |
|---|---|---|---|---|---|
| | | Low (1) | Moderate (2) | Major (3) | Critical (4) |
| Probability (P) | Almost Certain (4) | Significant | High | High | High |
| | Likely (3) | Significant | Significant | High | High |
| | Moderate (2) | Medium | Significant | Significant | High |
| | Unlikely (1) | Low | Medium | Significant | Significant |

# Statement on Risk Management and Internal Control

3. Risk Response
    - Deleum adopts the following risk response strategies in responding to the identified risks and categorises them according to the acceptable levels:

**Avoidance**

Exiting the activities giving rise to risk (e.g. exiting a product line, declining expansion to new geographical market or selling a division).

**Reduction**

Action is taken to reduce the risk probability or impact, or both.

**Sharing**

Reducing risk probability or impact by transferring or otherwise sharing a portion of the risk.

**Acceptance**

No action is taken to affect risk probability or impact.

- Continuous communication is practised within the Group for an effective risk management programme. Frequent and explicit discussions about risks with our stakeholders are imperative to maintain awareness and management of key risks and their respective action plans.

**Summary of Risk Management and Sustainability Activities**

To inculcate a proactive risk management culture and ownership, various risk management and sustainability activities are conducted:

1. The Group's Key Risk Profile is updated every quarter, emphasising on the key risk highlights, emerging risks, and its mitigation action progress. The profile is presented to the MCRC and BRC for deliberation and the Board for approval.
2. Risk assessments are performed on identified risks, risk controls, risk responses and risk priorities as part of the review and monitoring process to determine the impact on the Group's objectives.
3. Quarterly reviews and monitoring of implementation of risk action plans.
4. Identification and reporting of emerging risks and its action plans to the MCRC, BRC and Board for deliberation and approval.
5. Provision of project risk identification and assessment for invitation-to-bids including potential overseas business leads.
6. Facilitation of risk management activities including reviews and workshops for business units, the operations, and projects team.
7. Provide sustainability awareness, encompassing environmental, social, and economic dimensions as part of efforts to instil the sustainability culture amongst employees.

**Control Self-Assessment Checklist**

A Control Self-Assessment ("CSA") checklist is an internal tool developed to assess the adequacy of processes and controls within all business units and corporate resources functions.

The CSA comprises of a set of questionnaires developed from respective risk categories that have been collated by all risk owners, indicating controls measures that they have implemented. The CSA enables Management to track the processes and controls to mitigate risks and acts as a check and balance mechanism to ensure that effective action plans, processes, and controls are in place.

Guided by the 2021 Group's Key Risks, the CSA validation process was conducted with all key process owners, risk owners, business units and corporate resources functions. The BRC was provided with reasonable assurance by the relevant stakeholders with the completion of the control self-assessment exercise.

**BUSINESS CONTINUITY MANAGEMENT**

With the completion of Business Continuity Plan ("BCP") development and improvements in 2020, the Group continues to oversee the effectiveness of the BCP implementation in 2021 through the Testing and Exercise ("T&E") phase via simulation of test scenarios at operational facilities.

# Statement on Risk Management and Internal Control

The first T&E Structured Walkthrough Programme ("T&E Programme") named "Exercise Kalong", a COVID-19 pandemic response exercise, was carried out at Kemaman Supply Base for Deleum Oilfield Services Sdn. Bhd. ("DOSSB") and Teluk Kalong Base for Deleum Primera Sdn. Bhd. ("DPSB"). It was conducted virtually in view of the ongoing COVID-19 pandemic.

Exercise Kalong incorporated the simulation exercises of test scenarios with guided responses that validate the effectiveness of the response system, recovery strategies, level of competence, and readiness, and promoted continuous improvement as identified in the Business Continuity Management ("BCM") Framework and BCP.

The T&E programme has provided improvements identified in the initial post-mortem reports done in 2020. As a result, the Group initiated the Contingency Planning Revision initiative to close the gaps. This will be concluded as part of 2022 risk management initiatives with the primary objective of improving existing emergency response teams' effectiveness.

For 2022, the Group will continue to oversee the improvement and implementation of the BCM Framework and BCP that focuses on risk response and resilience management.

**CORPORATE COMPLIANCE**

The Corporate Compliance function was established effective 1 July 2021 to oversee the compliance initiatives, compliance monitoring reviews and reports to the BRC and Board of Directors.

Deleum has the following existing compliance related policies, procedures, and guidelines to strengthen our commitment towards anti-bribery and corruption:

- **Code of Business Conduct ("COBC")**
  Deleum is committed to maintaining high values of integrity in its business dealings and conduct premised on its core values of Integrity, Professionalism, Sustainability and Excellence. Through these core values, Deleum is steadfast in promoting transparency and openness in communications, encouraging respect among individuals, instilling a high standard for a safe and healthy environment, and embracing excellence whilst striving for continuous improvements.

- **Anti-Bribery and Corruption ("ABC") Policy**
  The ABC Policy sets out Deleum's position on bribery in all forms of corruption issues that may be faced in its operations.

- **Anti-Money Laundering and Counter Financing of Terrorism Guidelines**
  Deleum Group is committed to combat money laundering and terrorism financing to protect the Group from exposure to financial crime and reputational risks.

- **Conflict of Interest ("COI") Guidelines**
  The COI Guidelines outlines a guidance on how to recognise and deal with conflicts of interest within Deleum.

- **Gift, Hospitality, Donation and Sponsorship Policy & Procedure**
  This policy & procedure provides guidance on acceptable practices for offering, giving or receiving gifts and hospitality, as well as donations and sponsorships, aiming to optimise compliance with applicable anti-bribery and corruption laws and regulations.

- **Third Party Anti-Bribery & Corruption Management Guidelines**
  The Guidelines are to safeguard the interests of stakeholders by ensuring that third-party risks are adequately and properly managed to mitigate the impact on reputation, operations, and the financials of Deleum.

- **Whistleblowing Policy and Investigation Procedure**
  This policy is to provide an avenue for all employees of Deleum and members of the public to disclose any improper conduct or unethical behaviour, actual or suspected fraud and/or abuse and to provide protection for those who report such allegations.

As a continuity from 2020, concentrated efforts were undertaken in tightening the Group's business integrity and ethics in managing corruption risk by introducing a group-wide Anti-Corruption Compliance Journey in 2021 anchoring on the theme "Educate, Comply & Sustain" through progressive execution of a series of programmes focused on providing sufficient education/awareness and upholding governance.

Key programmes/activities conducted were:

- Develop, distribute and communicate to instil awareness through materials in physical and digital forms, i.e., posters, buntings, infographics series, promotional wallpaper, and email signature;
- Awareness sessions and trainings related to anti-corruption compliance, i.e., webinar sessions and digital briefings conducted by external subject matter experts;

# Statement on Risk Management and Internal Control

- COBC Awareness Campaign and mandatory assessments for new joiners and existing employees;
- Whistleblowing Perception Survey and speak-up awareness programmes;
- Adequate Procedures Health Check Self-Assessment based on Guidelines on Adequate Procedure issued pursuant to subsection (5) of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018;
- Mandatory self-declaration for Anti-Bribery and Corruption, Conflict of Interest;
- Internal audit review on the compliance of the Anti-Bribery and Corruption Policies; and
- Deleum's Integrity Day and signing of a Corruption Free Pledge in collaboration with the Malaysian Anti-Corruption Commission on 25 January 2022.

The group-wide risk management on corruption focused on all business units and third parties with compliance review activities to ensure compliance with established policies, standards, and procedures.

For 2022, the Group will continue to oversee the improvement and implementation of the Anti-Corruption Compliance Journey as a mitigation to this risk.

**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 Audit Committee ("AC"), Joint Remuneration and Nomination Committee ("JRNC") and BRC. Their TOR and responsibilities are defined, and together with the Board Charter are available for reference on the Company's corporate website.

- **Strategic Business Planning, Budget, and Reporting**
  Budgets are prepared by the respective business units and corporate resources functions and submitted to the Group Finance function which then consolidates this information into a Group Budget. Meetings were held between the Board, GCEO, Heads of Business Units and relevant stakeholders during the year to give the Board an avenue to further discuss and deliberate business strategies of the Group for the upcoming year.

  The strategic plan covers the Group's strategy for the upcoming year including the operating and financial performance, service excellence, regional and international expansion plans, key focus areas, corporate compliance, QHSE, resource utilisation, capital expenditure, cash flow projections, and human capital development.

  The Group's and business unit's performances against the budget are reported to the GCEO by the respective business units. The monitoring of actual results and projections are tracked and deliberated during the monthly operational meetings.

  The Board reviews the quarterly results against the budget and historical results prior to the quarterly announcement made to Bursa Securities. Concurrently, Management provides an outlook of the business, and changes in the business plans are deliberated and sanctioned by the Board accordingly. A dashboard reporting which entails further details on the Group's financial performance comparing against corresponding and preceding quarters is prepared by the Management for the AC's notation. The report also consists of summary of key issues and its updates for the three segments of the Group.

- **Audit Committee**
  The AC evaluates the adequacy and integrity of the Group's internal control systems. The AC reviews the Group's internal control, audit process, compliance, and governance. In addition, the AC monitors the independence and effectiveness of the external auditors; and receives Internal Auditor reports from the outsourced internal auditors relating to the internal control review. 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 set out in the AC Report.

- **Internal Audit**
  In 2021, Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly") was engaged to carry out the internal audit reviews of the Group.

  Baker Tilly's primary role is to review the state of internal controls maintained by the Group based on the annual audit plan approved by the AC, and report on the adequacy and integrity of the internal controls and governance framework of the Group in relation to the audit scope. They provide an independent and objective assessment on the adequacy and effectiveness of the risk management, internal control, and governance processes.

  Internal control weaknesses and areas for improvement regarding risk management and governance identified during the financial period under review have been or are being addressed by the Management.

# Statement on Risk Management and Internal Control

- **Group Core Values and Code of Business Conduct**
  The Group's core values namely Integrity, Professionalism, Sustainability and Excellence are constantly communicated to employees through the Group's corporate statement and GCEO's quarterly townhall briefing. The Group's core values and COBC are available on the Company's corporate website and intranet.

  In line with good corporate governance practices, the Board, Management, and employees of the Group are committed to a corporate culture which supports the operations of its businesses in an ethical manner and upholds high standards of professionalism and exemplary corporate conduct at the workplace.

  Furthermore, updates on COBC and/or business policies and principles from business partners and customers are communicated to all employees. For contractors, subcontractors, vendors, and other service providers, the COBC is directly communicated via the Group's business terms and conditions.

  To promote further awareness amongst the employees and visitors, posters covering key critical COBC points such as safety, anti-bribery, substance misuse, cyber security and whistleblowing are placed at common areas such as walkways, pantries, elevators, and notice boards at the Group's offices as well as operating sites.

  During the year, COBC Campaign 2021 was rolled out to the Board of Directors and employees of Deleum to provide awareness on the commitment to the ethical behaviour standards in our business activities.

  The employees also completed the annual COI Declaration whereby all employees are required to declare their shareholding, business activities, relationship with specific parties or vendors, if any. This is an important declaration exercise to uphold our integrity and professionalism to support the Group's core values and COBC.

  Deleum remains committed to comply with the Universal Declaration of Human Rights and has included it as part of its Human Resources Policies and on-boarding induction by the Human Resources function.

  The Universal Declaration of Human Rights is published on Deleum's corporate website. Suppliers and subcontractors have been informed to refer to Deleum's corporate website and reminders of the Declaration are also mentioned in the Group's purchase orders.

- **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, treasury 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 during the year and updated regularly to reflect the business environment, operational and structural changes.

  The specific lines of responsibility, accountability, and delegation of authority, as approved by the Board, are to facilitate the Group's daily operations and is vested with the GCEO and the Senior Management team accordingly.

- **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 auditors to ensure that gaps in policies and controls are addressed and where required, policies and procedures are augmented and revised to meet with the changing business dynamics. The Process Improvement function within the Group reviews the efficiency and effectiveness of the processes and procedures to meet the Group's business goals.

- **Quality Management System ("QMS") and Environmental Management System ("EMS") Audit**
  The Group QHSE function is responsible for the Group's QMS and EMS certification and audits. The Group successfully maintained its ISO 9001:2015 certifications under:

  - Deleum Services Sdn. Bhd. with the provision of products and services for the exploration and production of oil and gas which covers the following:
    1. Slickline, wellhead maintenance and oilfield services;
    2. Specialty chemicals and well stimulation;
    3. The repair and overhaul of electrical and mechanical equipment including the site work; and
    4. Integrated corrosion, inspection, and mitigation for surface preparation industry.
  - Turboservices Sdn. Bhd. with the Provision of Turbomachinery Sales and Services.

  The Group also maintained its ISO 14001:2015 EMS certification for DCSB. These certifications provide assurance to customers on the delivery of quality products and services and compliance with regulatory requirements.

# Statement on Risk Management and Internal Control

Besides ISO9001:2015 and ISO 14001:2015 certification, DOSSB Kemaman received their American Petroleum Institute ("API") Specification Q2 certification on 10 December 2021 to fulfil requirements from ExxonMobil Exploration and Production Malaysia Inc.

Internal audits are carried out by competent certified Lead Auditors. The internal audits performed in 2021 were as follows:

- ISO 14001:2015 Environmental Management System
- ISO 9001:2015 Quality Management System
- API Specification Q2
- 2021 Subcontractor/Supplier QHSE Compliance Audits

- **Corporate Secretariat**
  The Company Secretarial function is under the stewardship of the Company Secretaries whose roles and responsibilities are stated in the Corporate Governance Overview Statement of this Annual Report.

- **Centralised Functions**
  The Corporate Resources functions of Finance, Human Resources and Procurement being centralised at the Group level provides higher independence from the business units and inculcates a more structured process together with the standardised procedures to enhance efficiency and effectiveness across the Group.

**ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

The Board had reviewed the effectiveness of the Group's risk management and internal control systems for the year under review and up to the date of approval of this Statement for inclusion in this Annual Report.

The Board is satisfied with the Group's ongoing process for identifying, evaluating, managing, and monitoring the risks of the business, including the scope and frequency of reports on both risk management and internal controls. Based on the litigation case at DPSB in the previous financial year, the Board has promptly responded by giving greater emphasis on risk management and internal control systems and worked with Management to ensure that necessary improvements have been addressed.

The Board is of the opinion that there are sufficient controls and appropriate management action plans in place to meet the business objectives and strategies of the Group. No weaknesses in internal control that have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report were noted. Management is continuously reviewing the processes and procedures within the Group to further enhance the internal control systems.

Deleum's internal control systems are not extended to the associate companies in which the Group's interests are monitored through board representation.

**CONCLUSION**

The external and internal auditors, in the course of executing their work based on the pre-approved review plans had highlighted their findings and recommendations for addressing the deficiencies and lapses in controls noted during their work. Management have considered their recommendations and implemented appropriate action plans on their findings and in line with this Management is of the view the internal control systems are adequate.

For the financial year under review, the Board had received representations from the GCEO and GCFO, that the risk management and internal control processes were adequate to safeguard shareholders' investments and the Group's assets.

**REVIEW OF THIS STATEMENT**

As required by paragraph 15.23 of the Bursa Securities Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in this Annual Report, issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement on Risk Management and Internal Control Report are made in accordance with a resolution of the Board of Directors passed on 10 March 2022.

# Audit Committee Report

The Board of Directors of Deleum Berhad ("Deleum" or "the Company") presents the Audit Committee Report which provides insights into the manner in which the Audit Committee ("AC") discharged its functions for Deleum and its subsidiaries ("the Group") for the financial year ended 31 December 2021 ("FY2021").

The AC reviews the Group's system of internal control, audit process, compliance and governance. In addition, the AC monitors the independence and effectiveness of the external auditors, and receives reports and presentations from internal auditors relating to their internal control review. The management of risks is the responsibility of the Board Risk Committee ("BRC") which reports directly to the Board. The Chair of the BRC is also a member of the AC.

## (I) MEMBERSHIP

The AC comprises three members, all of whom are Independent Non-Executive Directors, in line with the Malaysian Code on Corporate Governance ("MCCG"), as follows:

| Name of Committee Members | Appointment Date | Designation |
|---|---|---|
| **Datuk Manharlal a/l Ratilal** | 1 October 2020 (Redesignated as Chairman w.e.f. 1 July 2021) | Chairman of AC/ Senior Independent Non-Executive Director |
| **Datuk Ishak bin Imam Abas** | 21 March 2007 (Chairman of AC until 1 July 2021) | Member/ Independent Non-Executive Director |
| **Lee Yoke Khai** | 15 March 2019 | Member/ Independent Non-Executive Director |
| **Datuk Ir (Dr) Abdul Rahim bin Hashim** | 15 November 2013 (Resigned w.e.f. 20 December 2021) | Member/Senior Independent Non-Executive Director |

The composition of the AC meets the requirement of paragraph 15.09(1) of Bursa Malaysia Securities Berhad ("Bursa Securities")'s Main Market Listing Requirements ("Listing Requirements") which stipulates that the AC must be composed of not fewer than three members, of which all must be non-executive, with a majority of them being independent directors.

All members of the AC are financially literate and two of the AC members namely, Datuk Ishak bin Imam Abas and Mr Lee Yoke Khai are the members of the Malaysian Institute of Accountants (MIA) and the Malaysian Association of Certified Public Accountants.

The AC members come from different professional and business backgrounds. They have sufficient understanding of the Group's business to continuously apply a critical and probing view on the Company's financial reporting process, transactions and other financial information.

## (II) COMMITTEE MEETINGS

The AC held five meetings in 2021 with full attendance of the members. Details of the AC meeting attendance are set out in the Corporate Governance Overview Statement. By invitation, the Group Chief Executive Officer, the Group Chief Financial Officer and other relevant senior management personnel, and representatives from the external and internal auditors attended the AC meetings to brief and provide clarification to the AC on their areas of responsibility. Where necessary, invitations were extended to other Directors to AC meetings to share their knowledge and experiences. At the Board meeting, the Chairman of the AC highlighted the relevant findings and issues and presented the recommendations of the AC to the Board.

Prior to the AC meetings, discussions were held by the Management with certain AC members and external auditors to enable early escalation of any significant issues to the AC with a view to a timely resolution.

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 separate private discussions with the AC in the absence of the Management or employees of the Company.

The Company Secretary is the Secretary of the AC who keeps records of the minutes of the AC meetings. Minutes of each AC meeting is circulated to the AC members after the meeting for review and comments before confirmation at the next AC meeting and subsequently tabled to the Board meeting for notation.

During FY2021, the matters in relation to the quarterly and annual financial results and annual reporting, key audit matters and internal control reviews were discussed at the AC meeting which were summarised under Section (III) of this Report.

## (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 with the Management and the external auditors the appropriateness of the unaudited quarterly interim reporting and annual financial statements, before recommending them to the Board for consideration and approval and the release of the Group's results to Bursa Securities, with emphasis being given to:

- the quality and appropriateness of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- key areas in which significant judgements and estimates have been applied and used for the preparation of the financial statements;
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- any correspondence from regulators in relation to financial reporting; and
- the significant audit issues the AC considered in relation to the financial reporting.

When considering the quarterly interim reporting and annual financial statements, the AC considered the quarterly financial reporting from the Group Finance function and the report from the external auditors on their quarterly review and annual audit. In this respect, the AC reviewed the significant audit and accounting issues and the Group's critical accounting policies, with particular focus on the following:

#### i. Asset Impairment Testing

The judgements in relation to asset impairment largely relate to the assumptions underlying the calculation of the value in use of the business being tested for impairment, primarily the achievability of the long-term business plans and macroeconomic assumptions underlying the valuation process.

This review was centred on the carrying value of the plant and equipment in the Oilfield Services segment.

During the financial year, the continual adverse financial performance following low utilisation of the equipment and tools of a subsidiary in the segment has given rise to an impairment indicator to the carrying value of its assets. The recoverable amounts of the equipment and tools were calculated using value in use method based on approved budget for the financial year ending 2022 and projections for the remaining useful lives of these assets. Key assumptions consisting primarily of revenue and earnings before interest, tax, depreciation and amortisation, probability of achievement of budgeted financials, growth rate and basis of discount rate were reviewed and noted. The outcome of the review on the usage of these equipment and tools against the related business plans for the coming year indicated that the recoverable amounts of these assets were lower than their carrying amounts. Accordingly, an additional impairment charge of RM3.2 million was recognised in the financial statements of the subsidiary company during the financial year.

#### ii. Revenue Recognition

The Integrated Corrosion Solution segment of the Group is involved in the provision of integrated corrosion and inspection, blasting technology, maintenance, construction and modification services. Revenue from certain business streams is recognised over the service period as customer receives and consumes the benefit of the performance of work by this segment. Revenue is recognised based on actual services provided as a proportion of the total services to be provided to the end of the financial year. This is determined based on the input method using the actual costs incurred relative to the total budgeted cost. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

# Audit Committee Report

The Management has continued to review and monitor the projects in progress to ensure that revenue and cost are recognised appropriately in the financial statements. Project closure exercises were undertaken to ensure completeness of revenue and cost recognition in the financial statements. The external auditors have placed their audit emphasis on the same by undertaking various audit procedures to review the actual costs incurred, budgeted cost, the percentage of completion of the services performed, provision for foreseeable losses as well as testing the effectiveness of the controls over the approvals of contracts budgets and communication with the respective project owners on the various project status updates. The findings and conclusions were brought to the meeting for discussion and deliberation with the AC members.

The AC has satisfied itself that the reviews and related actions taken for the above have been properly prepared by the Management and reviewed by the external auditors.

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;
- Companies Act 2016 and other relevant legal and regulatory requirements; and
- Applicable approved Malaysian Financial Reporting Standards and International Financial Reporting Standards.

c) Reviewed the Statement on Risk Management and Internal Control and the AC Report to ensure adherence to legal and regulatory reporting requirements 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 FY2021 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 and system of internal control and discussed the impact on the overall soundness of the internal control procedures and processes.

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.

As part of the annual audit exercise, the Company had obtained written assurance from PricewaterhouseCoopers PLT ("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 has complied with the requirement of MIA and the firm's Guidelines in rotating audit partners every seven years. A former engagement audit partner will not be eligible to be appointed as a member of the AC until he or she has observed a cooling-off period of at least three years in compliance with the Listing Requirements. The Group also restricts the employment of former employees of the external auditors unless a cooling-off period of at least three years is observed to ensure independence of the external auditors and for avoidance of any conflict of interest. During FY2021, no employment was offered to any former partner and/or staff of PwC.

g) Monitored the non-audit related fees paid to the external auditors, so that the services provided did not affect the objectivity and independence of the external auditors.

# Audit Committee Report

The amount of audit fees and non-audit fees paid/payable to PwC or a firm or corporation affiliated to PwC by the Company and the Group respectively in respect of FY2021 were as follows:

| | Company (RM) | Group (RM) |
|---|---|---|
| Statutory audit fee | 328,268 | 659,618 |
| Non-audit fee | 1,469,882 | 1,527,552 |

The non-audit services conducted during FY2021 by other PwC entities comprised mainly forensic investigation at Deleum Primera Sdn. Bhd., tax services and accounting advisory services.

The provision of non-audit services during FY2021 did not compromise PwC's independence and objectivity as the non-audit services were conducted by different teams from the statutory audit team of PwC. The AC concluded that it continued to be satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances.

h) Reviewed the performance and effectiveness of the external auditors and recommended to the Board for their re-appointment and fees for statutory audit.

i) Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements including changes in tax legislation and recent development. The AC will continue to monitor and review with the external auditors on regulatory updates and the impact to the accounting, auditing and financial reporting practices and processes.

j) Held two private meetings with the external auditors without the presence of the Executive Director and Management or employees of the Company. The AC is satisfied that appropriate actions were taken to address the issues and concerns raised by the external auditors arising from these meetings.

k) Carried out evaluation of the external auditors and internal auditors, the details of which are in Section (VI) –"Evaluation" of this Report.

**3. Internal Audit**

a) Reviewed and approved the Internal Audit Plan prepared by the internal auditors, Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly") to ensure the adequacy of its 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, including actions taken to improve the system of internal control and procedures covering the following areas:

| Entity | Auditable Area | Visit |
|---|---|---|
| Penaga Dresser Sdn. Bhd. | Billing to Collection | 1st visit |
| Deleum Primera Sdn. Bhd. | Procurement to Payment | 2nd visit |
| | Organisation Governance | 3rd visit |
| | Contract Compliance Review | |
| Deleum Berhad | Anti-Bribery and Corruption Policies Compliance Review | 4th visit |

d) Ensured that appropriate and prompt remedial actions and improved procedures were implemented by Management arising from the findings raised in the internal audit reviews and in respect of outstanding issues identified from the follow-up audits.

e) Held one private meeting with the internal auditors without the presence of the Executive Director and Management or employees of the Company to discuss any areas of concern.

# Audit Committee Report

4. **Related Party Transactions**

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

   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 recommendation to the Board for consideration and approval.

5. **Deleum Berhad Long-Term Incentive Plan**

   There were no shares granted during the financial year.

6. **Whistleblowing**

   The Group has put in place a Whistleblowing Policy and Investigation Procedure to provide an avenue for all employees and members of the public to disclose any improper conduct or unethical behaviour, actual or suspected fraud and/or abuse and to provide protection for those who report such allegations. The AC shall be updated as and when there are cases reported or any concerns raised.

   As approved by the Board on 30 November 2021, the matters relating to whistleblowing are overseen by the BRC. The Terms of References of the AC and BRC were amended accordingly.

## (IV) INTERNAL AUDIT FUNCTION

The AC is supported by Baker Tilly, a well-established firm that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors, as the Internal Audit Function ("IAF") of the Group. In carrying out the internal audit for the Group, the IAF team is headed by the Head of Internal Audit & Governance Advisory of Baker Tilly who possesses the relevant qualification and experience and who is assisted by no fewer than four staff including a senior manager.

The IAF's primary role is to assist the AC in reviewing the state of the systems of internal control maintained by Management and to 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 and related procedures are effective and provides recommendations to strengthen internal control procedures and processes.

The IAF independently reviews the approved audit areas and reports directly to the AC. The IAF team has, and has exercised, direct access to the members of the AC as deemed necessary. The AC reviews and approves the internal auditors' annual audit plan. The IAF also works closely with the external auditors to avoid any activity overlap and to share their findings.

During the financial year, the internal auditors attended all the AC meetings. The cost incurred for the outsourced IAF in respect of FY2021 amounted to RM88,000 excluding the out of pocket expenses and relevant applicable government tax. The activities carried out by the IAF were as follows:

a) Conducted Internal Audit engagements consistent with the annual audit plan presented to and approved by the AC.

   The plan adopts a risk-based methodology by focusing on key risk areas, which is partly guided by the Group's Enterprise Risk Management Framework. The plan is designed and executed upon with the express objectives of testing financial, operational and compliance controls of the Group, as well as the design and operation of key business processes operated. Each annual plan is reviewed throughout the course of the fiscal year and presented to Management and the AC to ensure continued relevance of areas covered in each fiscal year.

# Audit Committee Report

A minimum of four internal control reviews are performed a year under each audit plan. The work performed includes operational and support reviews across the three business segments with emphasis on billing to collection, procurement to payment, organisational governance, contract compliance review and anti-bribery and corruption policies compliance review. Their findings, together with related recommendations and Management's responses thereto, are 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 for 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 arising from prior audits.

The Company continues to outsource its IAF of the Group for the ensuing year as opposed to establishing an in-house IAF after considering the size of the Group as well as in-house resources and difficulty in attracting and retaining qualified and competent internal audit staff.

Baker Tilly has no relationship with the Group and is independent from Management, staff, Directors and substantial shareholders.

## (V) EVALUATION

a) The evaluations of the external and internal auditors were reviewed by the AC based on the feedback obtained from the AC members, Management and self-assessments carried out by external auditors and internal auditors respectively. Summary of results of the assessments were tabled to the AC for deliberation at the meeting.

The AC was satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances.

The Board on the recommendation of the AC, is satisfied that PwC remains effective, objective and independent in carrying out its role as external auditors of the Company. The Board has at the Board meeting held on 10 March 2022 approved the AC's recommendation for the re-appointment of PwC for the ensuing year to be tabled at the Seventeenth Annual General Meeting of the Company for shareholders' approval.

b) The Board through the JRNC had conducted an annual evaluation and assessment on the performance of the AC and its members in respect of FY2021. The evaluation was based on self-assessment carried out by the AC members 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 by the AC. The JRNC was satisfied that the AC had carried out its duties and responsibilities effectively in accordance with its Terms of Reference and had demonstrated a high level of diligence, independence and commitment in discharging its responsibilities. The results of the evaluation were reported to the Board accordingly.

The AC members have considerable accounting, financial and business experience and the Board is satisfied with the composition of the AC and considers that the membership as a whole has sufficient relevant expertise and resource to discharge its responsibilities effectively.

# Directors' Report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

## 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 were no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## FINANCIAL RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the financial year attributable to | | |
| - Equity holders of the Company | 17,068,105 | 9,481,009 |
| - Non-controlling interest | 6,699,039 | 0 |
| Profit for the financial year | 23,767,144 | 9,481,009 |

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2020 were as follows:

| | RM |
|---|---|
| In respect of the financial year ended 31 December 2020, as shown in the Directors' report of that year, a first interim single tier dividend of 1.00 sen per share on 401,553,500 ordinary shares, paid on 27 April 2021 | 4,015,535 |
| In respect of the financial year ended 31 December 2021, a first interim single tier dividend of 1.00 sen per share on 401,553,500 ordinary shares, paid on 30 September 2021 | 4,015,535 |
| | 8,031,070 |

The Directors, had on 23 February 2022 declared a second interim single tier dividend of 1.20 sen per share in respect of the financial year ended 31 December 2021, totalling RM4,818,642 payable on 30 March 2022.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2021.

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL AND DEBENTURES

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

# Directors' Report

## DIRECTORS OF THE COMPANY

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

Dato' Izham bin Mahmud
Datuk Vivekananthan a/l M.V. Nathan
Ramanrao bin Abdullah (appointed on 9 July 2021)
Datuk Ishak bin Imam Abas
Datuk Noor Azian binti Shaari
Lee Yoke Khai
Datuk Manharlal a/l Ratilal
Datuk Ir (Dr) Abdul Rahim bin Hashim (resigned on 20 December 2021)
Nan Yusri bin Nan Rahimy (retired on 23 June 2021)

## DIRECTORS OF SUBSIDIARIES

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

| Directors of Subsidiaries | Subsidiary |
|---|---|
| Mazrin bin Ramli (removed on 19 January 2022) | Deleum Primera Sdn. Bhd. |
| Khairulazmi bin Mohamad Karudin (removed on 19 January 2022) | Deleum Primera Sdn. Bhd. |
| Jayanthi a/p Gunaratnam (Ceased as alternate Director to Dato' Izham bin Mahmud on 14 July 2021) | Deleum Primera Sdn. Bhd. |
| Mhd Dzuha bin Ibrahim (resigned on 14 July 2021) | Deleum Rotary Services Sdn. Bhd. |
| Heng Phok Wee (Ceased as alternate Director to Mhd Dzuha bin Ibrahim on 10 May 2021) | Deleum Rotary Services Sdn. Bhd. |
| Ahmad Rizal bin Omar (appointed on 14 July 2021) | Deleum Rotary Services Sdn. Bhd. |
| Jean-Marc Alex Cocheteux | Turboservices Sdn. Bhd. |
| Evelyn Josephine Tay Yin Tiang (resigned on 27 January 2022) | Turboservices Sdn. Bhd. |
| Nuruzzatulain binti Sahamah | Turboservices Sdn. Bhd. |
| Jayanthi a/p Gunaratnam (Ceased as alternate Director to Nuruzzatulain binti Sahamah on 13 July 2021) | Turboservices Sdn. Bhd. |
| Seow Keng Seng (appointed on 27 January 2022) | Turboservices Sdn. Bhd. |
| Heng Phok Wee (resigned on 14 July 2021) | Delflow Solutions Sdn. Bhd. |
| Eric Kurt Strecker | Penaga Dresser Sdn. Bhd. |
| Akira Fukasawa | Penaga Dresser Sdn. Bhd. |
| Mhd Dzuha bin Ibrahim (resigned on 29 July 2021) | Penaga Dresser Sdn. Bhd. |
| Azman bin Jemaat @ Hassan (appointed on 29 July 2021) | Penaga Dresser Sdn. Bhd. |
| Nuruzzatulain binti Sahamah (appointed on 29 July 2021) | Penaga Dresser Sdn. Bhd. |
| Azman bin Jemaat @ Hassan (appointed on 10 September 2021) | Deleum Services Sdn. Bhd. |
| Imran Hakim bin Abdul Aziz (appointed on 10 September 2021) | Deleum Services Sdn. Bhd. |
| Nurul Aznin binti Mamat (appointed on 10 September 2021) | Deleum Services Sdn. Bhd. |
| Imran Hakim bin Abdul Aziz (appointed on 10 September 2021) | Deleum Oilfield Services Sdn. Bhd. |

# Directors' Report

### DIRECTORS OF SUBSIDIARIES (CONTINUED)

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

### DIRECTORS' BENEFITS

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

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

### DIRECTORS' INTERESTS IN SHARES

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

| | **Number of ordinary shares in the Company** | | | |
|---|---|---|---|---|
| | **At 1.1.2021** | **Acquired** | **Sold** | **At 31.12.2021** |
| Direct interest | | | | |
| Dato' Izham bin Mahmud | 11,200,000 | 0 | 0 | 11,200,000 |
| Datuk Vivekananthan a/l M.V. Nathan | 43,302,600 | 0 | 0 | 43,302,600 |
| Datuk Ishak bin Imam Abas | 805,998 | 0 | 0 | 805,998 |
| Indirect interest | | | | |
| Dato' Izham bin Mahmud | 138,466,598 | 0 | 0 | 138,466,598 |
| Datuk Vivekananthan a/l M.V. Nathan | 81,740,900 | 0 | 0 | 81,740,900 |

| | **Number of ordinary shares in a subsidiary, VSM Technology Sdn. Bhd.** | | | |
|---|---|---|---|---|
| | **At 1.1.2021** | **Acquired** | **Sold** | **At 31.12.2021** |
| Direct interest | | | | |
| 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 8 of the Companies Act 2016, Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

## DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

## INDEMNITY AND INSURANCE COSTS

The Group has in force a Directors and Officers Liability insurance policy essentially covering the acts of Directors and Officers. The current policy has a limit of liability of RM30,000,000. Annual premiums paid amounted to RM34,400.

## 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 of 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 of 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 of 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 of 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 of the Company to meet their obligations when they fall due.

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

(a) any charge on the assets of the Group or of 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 of the Company which has arisen since the end of the financial year.

# Directors' Report

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the impairment on non-financial assets as disclosed in Note 3(a)(iv); and

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

## SUBSIDIARIES

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

## AUDITORS

The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2021 are disclosed in Note 6 to the financial statements.

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 10 March 2022.

**DATO' IZHAM BIN MAHMUD**
DIRECTOR

**RAMANRAO BIN ABDULLAH**
DIRECTOR

# Statements of Comprehensive Income

**For the Financial Year Ended 31 December 2021**

| | Note | Group 2021 RM | Group 2020 RM Restated* | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|---|
| Continuing operations | | | | | |
| Revenue | 5 | 558,366,574 | 587,424,310 | 37,367,500 | 23,732,500 |
| Cost of sales | | (450,979,506) | (477,279,582) | (19,058,100) | (16,119,900) |
| Gross profit | | 107,387,068 | 110,144,728 | 18,309,400 | 7,612,600 |
| Other operating income | | 3,460,564 | 3,433,508 | 913,334 | 1,309,746 |
| Selling and distribution costs | | (29,314,736) | (29,283,356) | 0 | 0 |
| Administrative expenses | | (48,513,823) | (49,349,192) | (4,384,158) | (3,665,593) |
| Other operating losses | | (6,005,027) | (7,747,078) | (4,444,760) | (5,291) |
| Operating profit | | 27,014,046 | 27,198,610 | 10,393,816 | 5,251,462 |
| Finance cost | 8 | (1,839,413) | (2,962,386) | (656,864) | (946,345) |
| Share of results of a joint venture (net of tax) | 16 | 1,345,095 | 512,358 | 0 | 0 |
| Share of results of associates (net of tax) | 17 | 5,632,787 | 5,007,389 | 0 | 0 |
| Profit before tax | 6 | 32,152,515 | 29,755,971 | 9,736,952 | 4,305,117 |
| Tax expense | 9 | (6,469,965) | (11,973,894) | (255,943) | (158,202) |
| Profit from continuing operations (net of tax) | | 25,682,550 | 17,782,077 | 9,481,009 | 4,146,915 |
| Discontinued operation | | | | | |
| Loss from discontinued operation (net of tax) | 39 | (1,915,406) | (2,419,680) | 0 | 0 |
| Profit for the year | | 23,767,144 | 15,362,397 | 9,481,009 | 4,146,915 |
| Other comprehensive losses/(gains)<br>Item that may be subsequently reclassified to profit or loss | | | | | |
| Currency translation differences of foreign operations | | 112,254 | (114,730) | 0 | 0 |
| Total comprehensive income for the financial year | | 23,879,398 | 15,247,667 | 9,481,009 | 4,146,915 |

# Statements of Comprehensive Income

**For the Financial Year Ended 31 December 2021**

| | Note | Group 2021 RM | Group 2020 RM Restated* | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|---|
| Profit attributable to: | | | | | |
| Owners of the Company | | 17,068,105 | 7,428,868 | 9,481,009 | 4,146,915 |
| Non-controlling interest | | 6,699,039 | 7,933,529 | 0 | 0 |
| | | 23,767,144 | 15,362,397 | 9,481,009 | 4,146,915 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 17,137,567 | 7,283,429 | 9,481,009 | 4,146,915 |
| Non-controlling interest | | 6,741,831 | 7,964,238 | 0 | 0 |
| | | 23,879,398 | 15,247,667 | 9,481,009 | 4,146,915 |
| Earnings/(loss) per share (sen) | | | | | |
| - Basic/diluted | 10 | | | | |
| - From continuing operations | | 4.73 | 2.45 | | |
| - From discontinued operation | | (0.48) | (0.60) | | |
| | | 4.25 | 1.85 | | |

* The comparative numbers of the consolidated statement of comprehensive income have been re-presented to show the discontinued operation separately from continuing operations as disclosed in Note 39 to the financial statements.

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

# Statements of Financial Position

**As at 31 December 2021**

| | Note | Group 2021 RM | Group 2020 RM | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 12 | 134,526,283 | 154,306,767 | 3,818,437 | 4,102,752 |
| Investment properties | 13 | 723,698 | 747,273 | 0 | 0 |
| Intangible assets | 14 | 283,224 | 315,034 | 167,784 | 175,668 |
| Subsidiaries | 15 | 0 | 0 | 132,384,848 | 136,817,367 |
| Joint venture | 16 | 32,933,522 | 31,588,427 | 29,375,937 | 29,375,937 |
| Associates | 17 | 24,373,425 | 24,500,638 | 0 | 0 |
| Deferred tax assets | 28 | 1,222,834 | 1,772,483 | 379,067 | 453,426 |
| Other receivables | 20 | 1,881,382 | 8,874,755 | 0 | 0 |
| | | 195,944,368 | 222,105,377 | 166,126,073 | 170,925,150 |
| **CURRENT ASSETS** | | | | | |
| Amounts due from subsidiaries | 18 | 0 | 0 | 40,653,581 | 56,263,776 |
| Tax recoverable | | 1,199,195 | 1,338,133 | 0 | 32,834 |
| Inventories | 19 | 32,011,598 | 30,441,803 | 0 | 0 |
| Receivables, deposits and prepayments | 20 | 184,931,800 | 158,704,490 | 1,308,030 | 356,541 |
| Amounts due from associates | 21 | 1,920,366 | 3,200,223 | 16 | 223 |
| Amount due from a joint venture | 22 | 176,331 | 121,200 | 176,331 | 121,200 |
| Investment securities | 23 | 0 | 13,015,095 | 0 | 0 |
| Cash and bank balances | 24 | 192,712,547 | 219,615,788 | 11,991,784 | 15,228,007 |
| Derivative financial instrument | 26 | 84,454 | 0 | 0 | 0 |
| | | 413,036,291 | 426,436,732 | 54,129,742 | 72,002,581 |

# Statements of Financial Position

As at 31 December 2021

| | Note | Group 2021 RM | Group 2020 RM | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|---|
| **LESS: CURRENT LIABILITIES** | | | | | |
| Amounts due to subsidiaries | 18 | 0 | 0 | 1,165,392 | 11,451,071 |
| Borrowings | 25 | 25,868,689 | 55,715,926 | 7,198,681 | 22,849,065 |
| Derivative financial instrument | 26 | 0 | 45,358 | 0 | 0 |
| Taxation | | 3,139,491 | 7,645,124 | 79,738 | 0 |
| Trade and other payables and contract liabilities | 27 | 181,591,326 | 173,235,004 | 3,331,880 | 1,563,048 |
| | | 210,599,506 | 236,641,412 | 11,775,691 | 35,863,184 |
| **NET CURRENT ASSETS** | | 202,436,785 | 189,795,320 | 42,354,051 | 36,139,397 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Borrowings | 25 | 4,447,087 | 22,732,454 | 26,902 | 61,264 |
| Deferred tax liabilities | 28 | 14,852,907 | 18,256,596 | 0 | 0 |
| Deferred income | 29 | 312,089 | 542,942 | 0 | 0 |
| | | 19,612,083 | 41,531,992 | 26,902 | 61,264 |
| | | 378,769,070 | 370,368,705 | 208,453,222 | 207,003,283 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | | | |
| Share capital | 30 | 201,801,508 | 201,801,508 | 201,801,508 | 201,801,508 |
| Retained earnings | | 208,537,361 | 199,500,326 | 6,651,714 | 5,201,775 |
| Merger deficit | 31 | (50,000,000) | (50,000,000) | 0 | 0 |
| Foreign currency translation | | (2,088,066) | (2,157,528) | 0 | 0 |
| Shareholders' equity | | 358,250,803 | 349,144,306 | 208,453,222 | 207,003,283 |
| **NON-CONTROLLING INTEREST** | | 20,518,267 | 21,224,399 | 0 | 0 |
| **TOTAL EQUITY** | | 378,769,070 | 370,368,705 | 208,453,222 | 207,003,283 |

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

# Consolidated Statement of Changes in Equity

**For the Financial Year Ended 31 December 2021**

| | | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Issued and fully paid ordinary shares | | Non-distributable | | Distributable | | | |
| **Group** | **Note** | **Number of shares** | **Share capital RM** | **Foreign currency translation RM** | **Merger deficit RM** | **Retained earnings RM** | **Total RM** | **Non-controlling interest RM** | **Total equity RM** |
| At 1 January 2021 | | 401,553,500 | 201,801,508 | (2,157,528) | (50,000,000) | 199,500,326 | 349,144,306 | 21,224,399 | 370,368,705 |
| Profit for the financial year | | 0 | 0 | 0 | 0 | 17,068,105 | 17,068,105 | 6,699,039 | 23,767,144 |
| Other comprehensive income for the financial year | | 0 | 0 | 69,462 | 0 | 0 | 69,462 | 42,792 | 112,254 |
| Total comprehensive income for the financial year | | 0 | 0 | 69,462 | 0 | 17,068,105 | 17,137,567 | 6,741,831 | 23,879,398 |
| Dividends | 11 | 0 | 0 | 0 | 0 | (8,031,070) | (8,031,070) | (7,447,963) | (15,479,033) |
| At 31 December 2021 | | 401,553,500 | 201,801,508 | (2,088,066) | (50,000,000) | 208,537,361 | 358,250,803 | 20,518,267 | 378,769,070 |

# Consolidated Statement of Changes in Equity

**For the Financial Year Ended 31 December 2021**

| | | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Issued and fully paid ordinary shares | | Non-distributable | | Distributable | | | |
| Group | Note | Number of shares | Nominal value RM | Foreign currency translation RM | Merger deficit RM | Retained earnings RM | Total RM | Non-controlling interest RM | Total equity RM |
| At 1 January 2020 | | 401,553,500 | 201,801,508 | (2,734,766) | (50,000,000) | 200,970,843 | 350,037,585 | 28,484,658 | 378,522,243 |
| Profit for the financial year | | 0 | 0 | 0 | 0 | 7,428,868 | 7,428,868 | 7,933,529 | 15,362,397 |
| Other comprehensive (losses)/income for the financial year | | 0 | 0 | (145,439) | 0 | 0 | (145,439) | 30,709 | (114,730) |
| Total comprehensive income for the financial year | | 0 | 0 | (145,439) | 0 | 7,428,868 | 7,283,429 | 7,964,238 | 15,247,667 |
| Effects on dissolution of an associate | 17 | 0 | 0 | 722,677 | 0 | 3,147,220 | 3,869,897 | (3,869,897) | 0 |
| Dividends | 11 | 0 | 0 | 0 | 0 | (12,046,605) | (12,046,605) | (11,354,600) | (23,401,205) |
| At 31 December 2020 | | 401,553,500 | 201,801,508 | (2,157,528) | (50,000,000) | 199,500,326 | 349,144,306 | 21,224,399 | 370,368,705 |

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

# Company Statement of Changes in Equity

**For the Financial Year Ended 31 December 2021**

| Company | Note | Issued and fully paid ordinary shares Number of shares | Issued and fully paid ordinary shares Nominal value RM | Distributable Retained earnings RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2021 | | 401,553,500 | 201,801,508 | 5,201,775 | 207,003,283 |
| Total comprehensive income for the financial year | | 0 | 0 | 9,481,009 | 9,481,009 |
| Dividends | 11 | 0 | 0 | (8,031,070) | (8,031,070) |
| At 31 December 2021 | | 401,553,500 | 201,801,508 | 6,651,714 | 208,453,222 |
| At 1 January 2020 | | 401,553,500 | 201,801,508 | 13,101,465 | 214,902,973 |
| Total comprehensive income for the financial year | | 0 | 0 | 4,146,915 | 4,146,915 |
| Dividends | 11 | 0 | 0 | (12,046,605) | (12,046,605) |
| At 31 December 2020 | | 401,553,500 | 201,801,508 | 5,201,775 | 207,003,283 |

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

# Statements of Cash Flows

**For the Financial Year Ended 31 December 2021**

| | Group 2021 RM | Group 2020 RM | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit for the year from: | | | | |
| - Continuing operations | 25,682,550 | 17,782,077 | 9,481,009 | 4,146,915 |
| - Discontinued operation | (1,915,406) | (2,419,680) | 0 | 0 |
| | 23,767,144 | 15,362,397 | 9,481,009 | 4,146,915 |
| Adjustments for: | | | | |
| Trade receivables: | | | | |
| - impairment | 4,916,423 | 962,890 | 0 | 0 |
| - write back of impairment | (262,794) | (154,017) | 0 | 0 |
| Contract assets: | | | | |
| - impairment | 196,178 | 36,413 | 0 | 0 |
| - write back of impairment | (42,469) | (3,929) | 0 | 0 |
| Other receivables: | | | | |
| - impairment | 212,485 | 1,204,360 | 0 | 0 |
| Inventories: | | | | |
| - allowance | 9,248,808 | 197,743 | 0 | 0 |
| - write back | (135,860) | (18,031) | 0 | 0 |
| Income accretion on other receivable | (36,698) | 0 | 0 | 0 |
| Amortisation of intangible assets | 70,310 | 296,828 | 46,384 | 77,452 |
| Amortisation of government grants | (134,786) | 0 | 0 | 0 |
| Depreciation | | | | |
| - property, plant and equipment | 36,143,747 | 37,372,324 | 738,777 | 686,629 |
| - investment properties | 23,575 | 23,575 | 0 | 0 |
| Liquidated damages: | | | | |
| - provision | 264,300 | 18,185 | 0 | 0 |
| - write back | (44,417) | (33,822) | 0 | 0 |
| Gain on disposal of property, plant and equipment | (209,356) | 0 | (15,461) | 0 |
| Gain on lease modification and disposal | (53,242) | (8,707) | (116) | (4,115) |
| Gain on rental concession | 0 | (46,826) | 0 | 0 |
| Write-off: | | | | |
| - property, plant and equipment | 191,579 | 14,460 | 10,564 | 2 |
| - inventories | 1,052,702 | 3,028,213 | 0 | 0 |
| - other receivables | 76,727 | 561,600 | 0 | 0 |
| Impairment on plant and equipment | 3,171,268 | 30,343,860 | 0 | 0 |
| Impairment on cost of investment in subsidiaries | 0 | 0 | 4,432,519 | 0 |
| Interest income | (2,985,343) | (3,105,909) | (141,675) | (264,360) |
| Dividend income | 0 | 0 | (16,403,000) | (6,000,000) |
| Inter-company interest income | 0 | 0 | (747,635) | (1,037,327) |
| Finance cost | 1,864,868 | 2,988,003 | 656,864 | 946,345 |
| Share of results of associates | (5,632,787) | (5,007,389) | 0 | 0 |
| Share of results of a joint venture | (1,345,095) | (512,358) | 0 | 0 |
| Tax expense | 6,469,965 | 11,973,894 | 255,943 | 158,202 |
| Unrealised net foreign exchange loss/(gain) | 122,638 | (836,464) | 0 | 0 |
| Fair value gain on investment securities | 0 | (15,095) | 0 | 0 |
| Net fair value loss/(gain) from forward foreign exchange contracts | 719,445 | (752,670) | 0 | 0 |
| Operating profit/(loss) before working capital changes | 77,629,315 | 93,889,528 | (1,685,827) | (1,290,257) |

# Statements of Cash Flows

For the Financial Year Ended 31 December 2021

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)** | | | | |
| Changes in working capital | | | | |
| Amounts due from subsidiaries | 0 | 0 | (84,994) | 16,980,645 |
| Inventories | (11,735,447) | 10,991,673 | 0 | 0 |
| Receivables, deposits and prepayments | (31,668,292) | 107,017,529 | (951,489) | 456,656 |
| Amount due (to)/from a joint venture | 0 | 0 | (5,731) | 6,100 |
| Amounts due (to)/from subsidiaries | 0 | 0 | (10,285,679) | 5,638,379 |
| Trade and other payables and contract liabilities | 9,151,009 | (70,858,161) | 1,802,315 | (807,520) |
| Decrease/(increase) in restricted cash | 29,711,413 | (29,711,413) | 0 | 0 |
| Cash generated from/(used in) operation | 73,087,998 | 111,329,156 | (11,211,405) | 20,984,003 |
| Tax paid | (13,690,701) | (9,967,157) | (69,012) | (34,715) |
| Interest paid | (1,894,610) | (3,009,647) | (690,348) | (976,657) |
| Net cash generated from/(used in) operating activities | 57,502,687 | 98,352,352 | (11,970,765) | 19,972,631 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest received | 3,025,682 | 3,080,166 | 1,152,156 | 1,714,949 |
| Long-term deposits paid | (756,615) | (1,268,161) | 0 | 0 |
| Purchase of property, plant and equipment* | (12,720,546) | (26,873,958) | (621,662) | (245,309) |
| Proceeds from disposal of property, plant and equipment | 399,470 | 0 | 199,800 | 0 |
| Purchase of intangible assets | (38,500) | (152,600) | (38,500) | (152,600) |
| Redemption/(purchase) of investment securities | 13,000,000 | (13,000,000) | 0 | 0 |
| Amounts due (to)/from an associate | (143) | (157) | 207 | (207) |
| Amount due (to)/from a joint venture | (55,131) | 6,100 | (49,400) | 0 |
| Dividends received from subsidiaries | 0 | 0 | 15,403,000 | 0 |
| Dividends received from an associate | 7,040,000 | 6,400,000 | 0 | 0 |
| Proceeds from distribution of net asset surplus arising from dissolution of an associate | 0 | 147,917 | 0 | 0 |
| Repayment of advances from subsidiaries | 0 | 0 | 16,432,344 | 6,111,174 |
| Net cash generated from/(used in) investing activities | 9,894,217 | (31,660,693) | 32,477,945 | 7,428,007 |

# Statements of Cash Flows

For the Financial Year Ended 31 December 2021

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Term loan: | | | | | |
| - drawn down | | 0 | 23,444,435 | 0 | 0 |
| - repayments | | (26,590,000) | (23,670,000) | 0 | 0 |
| Revolving credit: | | | | | |
| - repayments | | (20,660,000) | (2,000,000) | (15,660,000) | (2,000,000) |
| Loans against imports: | | | | | |
| - drawn down | | 0 | 8,375,498 | 0 | 0 |
| - repayments | | 0 | (17,245,006) | 0 | 0 |
| Lease liabilities on right-of-use assets: | | | | | |
| - repayments | | (1,614,940) | (1,563,602) | (52,333) | (51,186) |
| Dividends paid to: | | | | | |
| - shareholders | | (8,031,070) | (12,046,605) | (8,031,070) | (12,046,605) |
| - non-controlling interest | | (8,022,563) | (11,827,800) | 0 | 0 |
| Decrease in restricted cash | | 1,399,368 | 1,706,977 | 0 | 0 |
| Net cash used in financing activities | | (63,519,205) | (34,826,103) | (23,743,403) | (14,097,791) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR** | | 3,877,699 | 31,865,556 | (3,236,223) | 13,302,847 |
| **FOREIGN CURRENCY TRANSLATION** | | 329,836 | (212,141) | 0 | 0 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR** | | 179,171,185 | 147,517,770 | 15,228,007 | 1,925,160 |
| **CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR** | 24 | 183,378,720 | 179,171,185 | 11,991,784 | 15,228,007 |

* Included in the purchase of property, plant and equipment is the capitalisation on the advance payment made in prior years of RM6,410,100 as plant and equipment upon fulfilment of the recognition criteria during the current year.

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

# Summary of Significant Accounting Policies

**For the Financial Year Ended 31 December 2021**

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

## A BASIS OF PREPARATION

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

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

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

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

The new amendments to a published standard effective for the Group and the Company's financial period beginning on or after 1 June 2020 is as follows:

- Amendments to MFRS 16 Leases – Covid-19 - Related Rent Concessions

The new amendments to published standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2021 are as follows:

- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures and MFRS 16 Leases – Interest Rate Benchmark Reform - Phase 2

The adoption of the amendments to published standards listed above did not have any material impact to the Group and the Company on the current periods or any prior period and is not likely to affect future periods.

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

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

(i) Financial year beginning on or after 1 April 2021

- Amendments to MFRS 16 Leases – Covid-19 – Related Rent Concessions beyond 30 June 2021

(ii) Financial year beginning on or after 1 January 2022

- Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## A BASIS OF PREPARATION (CONTINUED)

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

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

(ii) Financial year beginning on or after 1 January 2022 (continued)

- Amendments to MFRS 116 Property, plant and equipment – Proceeds before Intended Use
- Annual Improvements to MFRS Standards 2018 – 2020 Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, Amendments MFRS 9 Financial Instruments, Amendments to the illustrative examples accompanying MFRS 16 Leases

(iii) Financial year beginning on or after 1 January 2023

- Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(iv) The effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board

- 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 Associate or Joint Venture

## B CONSOLIDATION

(a) Subsidiaries

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## B CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## B CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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

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

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

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

(c) Disposal of subsidiaries

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

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

(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.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## B CONSOLIDATION (CONTINUED)

(d) Joint Ventures (continued)

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 re-measured 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 financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(e) Associates

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

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, 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.

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## B CONSOLIDATION (CONTINUED)

(f) Transactions with non-controlling interests

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

## C INTANGIBLE ASSETS

(a) Goodwill

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

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

(b) Contracts

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

(c) Distributorship agreement

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

(d) Software costs

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## C INTANGIBLE ASSETS (CONTINUED)

(d) Software costs (continued)

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

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

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

## D INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

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

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

## E PROPERTY, PLANT AND EQUIPMENT

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

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

Freehold land is not depreciated as it has an infinite life. 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% |
| 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% |

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## 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 or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

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

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

## G LEASES

On 1 January 2019, the Group and the Company have adopted MFRS 16 Leases ("MFRS 16") which replaces the previous leasing guidance under MFRS 117 Leases. The newly adopted MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet) and requires a lessee to recognise a "right-of-use" asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The Group's and Company's activities as lessor are not material to-date.

As allowed by the transitional provision of MFRS 16, the Group and the Company have elected to apply the simplified transition approach and not to restate the comparative amounts for the year prior to first adoption.

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution rights, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## G LEASES (CONTINUED)

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether (Continued):

- the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where decision about how and for what purpose the asset is used is predetermined, the lessee has the right to direct the use of the asset if either the lessee has the right to operate the asset; or the lessee designed the asset in a way that predetermines how and for what purpose it will be used.

Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date which the leased asset is available for use by the Company (i.e. the commencement date).

Contract may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are lessee, they have elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company re-assess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in lease term results in re-measurements of the lease liabilities. See accounting policy below on re-assessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost, which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU assets that are not investment properties are subsequently measured at costs, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset shall be depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain re-measurements of the lease liabilities. The Group and the Company present the ROU assets within the 'property, plant and equipment' line item in the statement of financial position. For existing leasehold properties with no corresponding lease liabilities due to full settlement upfront, at initial date of adoption of MFRS 16, these leasehold properties shall continue to be presented as part of property, plant and equipment.

ROU assets that meet the definition of investment property in accordance with MFRS 140 are presented in the statement of financial position as investment property. Subsequent measurement of the ROU asset is consistent with those investment properties owned by the Group (refer to accounting policy Note F on investment properties).

Leasehold land and buildings classified as lease is amortised in equal instalments over the period of the respective leases that range from 20 to 99 years.

**G LEASES (CONTINUED)**

Accounting by lessee (continued)

Lease liabilities

Lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- exercise price of a purchase and extension options if the Group and the Company is reasonably certain to exercise that option; and
- penalties payments for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are allocated between principal and finance cost. 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.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities within the borrowings line item in the statements of financial position. Interest expense on the lease liabilities is presented within the finance cost in the statements of comprehensive income.

Re-assessment of lease liabilities

Lease liability is re-measured when there is a change in the future variable lease payments arising from a change in an index or rate, or if there is a revision of in-substance fixed lease payments, or a revision in the lease term, or if there is a change in the Group's and Company's estimate of the amount expected to be payable under a residual value guarantee, which are not included in the lease liability until they take effect. When these adjustments to the lease payments take effect, the lease liability is re-measured and adjusted against the ROU assets.

Short term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. Payments associated with short-term leases of tools and equipment for oilfield activities, tools and equipment and chartering of vessels for project based activities of short tenure and leases of low value assets are recognised on a straight-line basis over the lease term as expense in profit or loss.

# Summary of Significant Accounting Policies

**For the Financial Year Ended 31 December 2021 (Continued)**

## H INVENTORIES

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

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

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

## I CASH AND CASH EQUIVALENTS

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

## J IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

## K FINANCIAL ASSETS

(a) Classification

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## K FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement – debts instruments

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

(i) <u>Amortised cost</u>

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition of the Group's and Company's financial assets are recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(ii) <u>FVOCI</u>

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

(iii) <u>FVTPL</u>

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## K FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – equity instruments

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

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

(e) Impairment of financial assets

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

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

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

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

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

(ii) Simplified approach for trade receivables and contract assets

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

<u>Significant increase in credit risk</u>

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## K FINANCIAL ASSETS (CONTINUED)

(e) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

Definition of default and credit-impaired financial assets

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

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

(f) De-recognition

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

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

## L FINANCIAL LIABILITIES

(a) Classification

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company classify all its financial liabilities as other financial liabilities. The Group's and the Company's other financial liabilities comprised of "amounts due to subsidiaries", "amounts due to associates", "borrowings" and "trade and other payables (excluding contract liabilities and statutory obligations)" in the statements of financial position (Notes 18, 21, 25 and 27).

(b) Recognition and measurement

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## L FINANCIAL LIABILITIES (CONTINUED)

(b) Recognition and measurement (continued)

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

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

(c) De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of comprehensive income.

## M OFFSETTING FINANCIAL INSTRUMENTS

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

## N DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

## O SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## O SHARE CAPITAL (CONTINUED)

(c) Dividends to shareholders of the Company

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

## P RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

## Q TRADE AND OTHER PAYABLES

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

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

## R CONTRACT BALANCES

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## S BORROWINGS AND BORROWING COSTS

(a) Borrowings

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

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

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

(b) Borrowing Costs

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

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

## T REVENUE RECOGNITION

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

Performance obligations by segment are as follows:

(a) Power and Machinery (“P&M”)

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

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

After sales support services

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## T REVENUE RECOGNITION (CONTINUED)

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

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

After sales support services (continued)

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

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

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

Sale of parts and components with installation services is assessed as separate performance obligations and revenue allocated to the parts and components is recognised when the parts and components are delivered and accepted by customers. Revenue allocated to installation services is recognised over the period in which the services is rendered based on input method.

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

Sale of gas turbine generators and compressors packages

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

Revenue from the provision of freight and handling services is assessed as a single performance obligation with the sale of gas turbine parts and components as the control of goods are transferred after the delivery services. Revenue is recognised when the gas turbine parts and components are delivered and accepted by customers.

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

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

After sales support services

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

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## T REVENUE RECOGNITION (CONTINUED)

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

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

Sale of valves and flow regulators

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

Revenue for provision of installation, repair and maintenance of valves and flow regulators are recognised over the period in which the performance of services is rendered.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of valve and flow regulators as the control of goods is transferred after the delivery services. Revenue is recognised when the valves and flow regulators are delivered and accepted by customer.

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

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

Sale of motors, generators and transformers

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

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of motors, generators and transformers as the control of goods is transferred after the delivery services. Revenue is recognised when the motors, generators and transformers are delivered and accepted by customer.

Repair and maintenance services

The Group provides repair and maintenance services in relation to motors, generators and transformers that the Group sells. Revenue from repair and maintenance services is recognised over the period in which the services is rendered.

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## T REVENUE RECOGNITION (CONTINUED)

(b) Oilfield Services ("OS")

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

(i) Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve and insert strings equipment, accessories and services and drilling and production services.

The Group provides slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve and insert strings equipment, accessories and services and drilling and production services. Revenue from slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and gas lift valve services is recognised over the period in which the services is rendered.

Revenue from sale of insert strings equipment, accessories and/or drilling products are recognised when the Group sells the insert strings equipment, accessories and/or drilling products to customers and control of insert strings equipment, accessories and/or drilling products have transferred, being when the insert strings equipment, accessories and drilling products are delivered and accepted by the customer.

(ii) Provision of specialty chemicals and well stimulation services

Well stimulation services

The Group provides well stimulation services at request from customers. Revenue from well stimulation services is recognised over the period in which the services are rendered.

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

Sale of chemicals

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

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of chemicals as the control of goods is transferred after the delivery services. Revenue is recognised when the chemicals are delivered and accepted by customer.

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## T REVENUE RECOGNITION (CONTINUED)

(c) Integrated Corrosion Solution ("ICS")

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

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

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

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

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

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

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

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

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

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

Provision of site surveys

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## T REVENUE RECOGNITION (CONTINUED)

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

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

Supply of materials and consumables

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

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of materials and consumables as the control of goods is transferred after the delivery services. Revenue is recognised when the supply of materials and consumables are delivered and accepted by customer.

Fabrication and offshore maintenance works

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

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

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

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

Marine spread

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

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

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

# Summary of Significant Accounting Policies

**For the Financial Year Ended 31 December 2021 (Continued)**

## T REVENUE RECOGNITION (CONTINUED)

Other Operating Income

Government grant is recognised initially as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. The grant is treated as part of deferred income under non-current liabilities and that they are credited to profit or loss on a straight-line basis over the expected lives of the related assets or over the period of the operating expenditures to which the grant is intended to compensate.

Other than income from government grants, other operating income earned by the Group is recognised on the following basis:

(i) Interest income – using the effective interest method.

(ii) Rental income – on a straight-line basis over the lease term.

(iii) Dividend income – when the Group's right to receive payment is established.

## U EMPLOYEE BENEFITS

(a) Short term employee benefits

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

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

(b) Defined contribution plans

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

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

(c) Share based payment transactions

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## U EMPLOYEE BENEFITS (CONTINUED)

(c) Share based payment transactions (continued)

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

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

## V CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## W FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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 are recognised in other comprehensive income.

## X SEGMENT REPORTING

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

# Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2021 (Continued)

## Y CONTINGENT LIABILITIES

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

## Z 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 an exit and/or disposal of a separate major line of business, it shall classify all the assets and liabilities of that business 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 2021**

## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

<u>Market risk</u>

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) <u>Foreign currency exchange risk</u>

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Market risk (continued)

(i) Foreign currency exchange risk (continued)

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

| | Group | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Assets RM | Liabilities RM | Assets RM | Liabilities RM |
| US Dollar | 90,725,323 | 109,766,082 | 71,268,997 | 82,825,490 |
| Others | 3,035,673 | 2,638,337 | 4,644,351 | 2,546,515 |
| | 93,760,996 | 112,404,419 | 75,913,348 | 85,372,005 |

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 or loss will increase/(decrease) by:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Weaken by 10% impact to profit or loss | | |
| US Dollar | 1,447,098 | 878,293 |
| Strengthen by 10% impact to profit or loss | | |
| US Dollar | (1,447,098) | (878,293) |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Market risk (continued)

(ii) Interest rate risk

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

Interest rate sensitivity

This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit or loss would increase by RM219,032 (2020: RM578,132). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit or loss 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 statements of financial position.

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

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

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

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (continued)

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

Trade receivables

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Neither past due nor impaired: | | |
| Counterparties without external credit rating | | |
| - New customers during the year | 6,429,016 | 755,474 |
| - Existing customers with no defaults in the past | 55,287,100 | 60,618,930 |
| Total unimpaired trade receivables | 61,716,116 | 61,374,404 |
| Past due but not impaired: | | |
| Counterparties without external credit rating | | |
| - New customers during the year | 3,378,096 | 451,886 |
| - Existing customers with no defaults in the past | 11,312,743 | 4,891,198 |
| Total past due but not impaired trade receivables | 14,690,839 | 5,343,084 |
| Not past due but impaired: | | |
| Counterparties without external credit rating | | |
| - Existing customers | 93,033 | 0 |
| Total not past due but impaired trade receivables | 93,033 | 0 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (continued)

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

Trade receivables

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Past due and impaired: | | |
| Counterparties without external credit rating | | |
| - Existing customers | 6,353,808 | 1,806,697 |
| Total past due and impaired trade receivables | 6,353,808 | 1,806,697 |

Contract assets (excluding deferred costs)

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Neither past due nor impaired: | | |
| Counterparties without external credit rating | | |
| - New customers during the year | 1,109,441 | 331,540 |
| - Existing customers | 87,057,845 | 75,479,818 |
| Total unimpaired contract assets | 88,167,286 | 75,811,358 |
| Not past due but impaired: | | |
| Counterparties without external credit rating | | |
| - Existing customers | 196,178 | 42,469 |
| Total not past due but impaired contract assets | 196,178 | 42,469 |

(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 mainly in relation to dividend receivable. The Company monitors the results of the subsidiaries, associates and joint venture regularly. As at 31 December 2021, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries, associates and a joint venture are stated at the realisable values. As at 31 December 2021, there was no indication that the loans and advances extended to the subsidiaries and amounts due from associates and a joint venture are not recoverable.

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (continued)

(iii) Cash and bank balances

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

No expected credit loss was recognised arising from cash at banks, deposits with licensed banks and other financial institutions because the probability of default from these financial institutions is negligible.

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 statements of financial position.

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2021 RM** | **2020 RM** | **2021 RM** | **2020 RM** |
| AAA | 192,649,245 | 219,547,851 | 11,989,116 | 15,225,116 |
| AA | 39,178 | 39,274 | 1,851 | 1,923 |

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

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company has assessed their cash flows position taking into consideration their operational requirement and impact arising from Covid-19 and of the view that the Group and the Company have sufficient cash flow. The Group and Company also maintain 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.

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (continued)

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.

| | 2021 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to two years RM | Two to five years RM | Total RM |
| Group | | | | |
| Financial liabilities | | | | |
| Trade and other payables (excluding contract liabilities and statutory obligations) | 171,828,446 | 0 | 0 | 171,828,446 |
| Borrowings | 26,299,714 | 4,396,413 | 108,432 | 30,804,559 |
| Total undiscounted financial liabilities | 198,128,160 | 4,396,413 | 108,432 | 202,633,005 |
| Company | | | | |
| Financial liabilities | | | | |
| Amounts due to subsidiaries | 1,165,392 | 0 | 0 | 1,165,392 |
| Borrowings | 7,222,953 | 20,468 | 7,864 | 7,251,285 |
| Other payables and accruals (excluding contract liabilities and statutory obligations) | 3,073,333 | 0 | 0 | 3,073,333 |
| Total undiscounted financial liabilities* | 11,461,678 | 20,468 | 7,864 | 11,490,010 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

| | 2020 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to two years RM | Two to five years RM | Total RM |
| Group | | | | |
| Financial liabilities | | | | |
| Trade and other payables (excluding contract liabilities and statutory obligations) | 148,219,299 | 0 | 0 | 148,219,299 |
| Borrowings | 57,022,332 | 18,683,425 | 4,517,315 | 80,223,072 |
| Derivative financial instrument | 45,358 | 0 | 0 | 45,358 |
| Total undiscounted financial liabilities | 205,286,989 | 18,683,425 | 4,517,315 | 228,487,729 |

In additions to the amount disclose above, the Group provides financial guarantees as disclosed in Note 36.

| | 2020 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to two years RM | Two to five years RM | Total RM |
| Company | | | | |
| Financial liabilities | | | | |
| Amounts due to subsidiaries | 11,451,071 | 0 | 0 | 11,451,071 |
| Borrowings | 22,920,418 | 38,551 | 25,888 | 22,984,857 |
| Other payables and accruals (excluding contract liabilities and statutory obligations) | 1,365,232 | 0 | 0 | 1,365,232 |
| Total undiscounted financial liabilities* | 35,736,721 | 38,551 | 25,888 | 35,801,160 |

* In additions to the amount disclosed above, the Company also provides financial guarantees amounting to RM20,148,704 (2020: RM21,170,428) to banks for its subsidiaries to third parties for their operational requirements, utilities and maintenance contracts. In the events of defaults, these financial guarantees provided by the Company shall be payable on demand or within one year.

# Notes to the Financial Statements

**For the Financial Year Ended 31 December 2021 (Continued)**

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Fair value estimation

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximated their fair values except as set out below measured using Level 2 valuation technique:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| Group | | | | |
| Financial liability | | | | |
| Borrowings | 30,315,776 | 30,315,776 | 78,448,380 | 78,448,380 |

The fair values of borrowings are determined using KLIBOR as at each reporting date.

(ii) Financial instruments carried at fair value through profit or loss

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, at reporting date:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Financial asset | | |
| Investment securities | 0 | 13,015,095 |
| Derivative financial instrument | 84,454 | 0 |
| Financial liability | | |
| Derivative financial instrument | 0 | 45,358 |

The fair values of forward foreign exchange contracts are determined using forward exchange rates as at each reporting date.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Critical accounting estimates and judgments

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

(i) Revenue recognition

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

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

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

(ii) Impairment of financial assets

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

(iii) 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 judgments are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

(iv) 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.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Critical accounting estimates and judgments (continued)

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 (continued).

(iv) Impairment of non-financial assets (continued)

Impairment on plant and equipment

During the financial year, the Group performed an impairment assessment in accordance with its accounting policy Note J on impairment of non-financial assets. The slump in activity level in the Oilfield Services segment amidst the Covid-19 pandemic have resulted in the low utilisation of its plant and equipment that consequently led to the weak financial performance during the year. These have given rise to an impairment indicator to the carrying value of these assets. Accordingly, the Group has performed an impairment assessment on these plant and equipment in the Oilfield Services segment based on the smallest identifiable cash generating unit ("CGU").

Based on the impairment assessment performed, an impairment charge of RM3,171,268, being the excess of the carrying amount over its recoverable amount for the assets of its chemical business within the segment, has been charged out to the profit or loss during the financial year ended 31 December 2021. In relation to the provision of slickline equipment and services business, it is concluded from the assessment that the previously impaired plant and equipment did not warrant any further impairment charge to be made during the financial year.

The recoverable amount of the assets of its slickline business CGU was determined using the value-in-use calculation based on the number of years that cash flow is expected to be generated by these assets. The cash flow projections are based on approved budgeted financials for first year and forecasted financials for the subsequent years based on the following assumptions.

The projected cash flows are estimated for a period of 6 years based on the expected useful life of the slickline assets. The key assumption for the six-years cash flow projections for this CGU is the projected revenue with a growth rate of 3.00%, at a discount rate of 9.50%. The key estimation uncertainty over the assumption used in the value-in-use calculations is the achievability of the projected revenue and the change in discount rate. The sensitivity of the assumptions to the recoverable amount, with all other variables remain constant, is that when the estimated projected revenue or the discount rate change by more than 1.00%, the recoverable amount will change accordingly by RM2.6 million and RM3.6 million respectively.

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

In determining and applying accounting policies, judgments are 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 judgments 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 2021 (Continued)

## 4 SEGMENTAL REPORTING

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

- Power and Machinery ("P&M") – Mainly consists of:
  - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
  - Supply and commission of combined heat and power plants; and
  - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment.

- Oilfield Services ("OS") – Mainly consists of:
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of well intervention and cased hole logging services;
  - Provision of gas lift valve and insert strings equipment, accessories and services;
  - Provision of specialty chemicals and well stimulation services;
  - Provision of drilling and completions services; and
  - Provision of subsurface engineering services.

- Integrated Corrosion Solution ("ICS") – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification ("MCM") maintenance activities, services for tanks, vessels, structures and piping.

- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2021.

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

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

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

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

Unallocated corporate assets represent the Group's corporate assets including property, plant and equipment, investment properties, intangible assets, investments 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 2021 (Continued)

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments

| | Power and machinery RM | Oilfield services RM | Integrated corrosion solution RM | Group RM |
|---|---|---|---|---|
| Financial year ended 31 December 2021 | | | | |
| SEGMENT REVENUE | | | | |
| External revenue | 391,013,420 | 104,188,320 | 62,603,634 | 557,805,374 |
| Other non-reportable segment | | | | 561,200 |
| | | | | 558,366,574 |
| SEGMENT RESULTS | | | | |
| Segment operating profit/(loss) | 42,295,393 | (15,434,853) | 3,262,599 | 30,123,139 |
| Other non-reportable segment | | | | 71,600 |
| | | | | 30,194,739 |
| Profit from operations | | | | 30,194,739 |
| Unallocated income | | | | 157,344 |
| Unallocated corporate expenses | | | | (5,177,450) |
| Share of results of a joint venture | | | | 1,345,095 |
| Share of results of associates | | | | 5,632,787 |
| Profit before tax | | | | 32,152,515 |
| Tax expense | | | | (6,469,965) |
| Profit from continuing operations (net of tax) | | | | 25,682,550 |
| Loss from discontinued operation (net of tax) | | | | (1,915,406) |
| Profit for the year | | | | 23,767,144 |

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

| | Power and machinery RM | Oilfield services RM | Integrated corrosion solution RM | Group RM |
|---|---|---|---|---|
| Financial year ended 31 December 2021 (continued) | | | | |
| Other information from continuing operations: | | | | |
| Depreciation and amortisation | 2,812,920 | 30,611,957 | 1,187,795 | 34,612,672 |
| Other material items | | | | |
| Impairment for | | | | |
| - trade receivables | | | | |
| - impairment | 614,600 | 4,165,147 | 135,314 | 4,915,061 |
| - write back of impairment | (246,119) | 0 | 0 | (246,119) |
| - contract assets | | | | |
| - impairment | 98,600 | 0 | 97,578 | 196,178 |
| - write back of impairment | 0 | (38,862) | 0 | (38,862) |
| - property, plant and equipment | | | | |
| - impairment | 0 | 3,171,268 | 0 | 3,171,268 |
| Inventories | | | | |
| - allowance | 394,548 | 4,491,103 | 4,363,157 | 9,248,808 |
| - write back | (135,860) | 0 | 0 | (135,860) |
| Write-off of | | | | |
| - property, plant and equipment | 6,974 | 0 | 174,041 | 181,015 |
| - other receivables | 0 | 76,727 | 0 | 76,727 |
| - inventories | 11,255 | 108,293 | 933,154 | 1,052,702 |
| Liquidated damages | | | | |
| - provision | 264,300 | 0 | 0 | 264,300 |
| - write back | (44,417) | 0 | 0 | (44,417) |
| Unrealised net loss/(gain) on foreign exchange | 147,083 | (15,508) | (8,737) | 122,838 |
| Net fair value loss/(gain) on forward foreign exchange contract | 727,020 | (7,575) | 0 | 719,445 |
| Finance cost | 42,236 | 1,403,837 | 388,415 | 1,834,488 |
| Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue: | | | | |
| - Customer A | (51,585,676) | (50,711,845) | (36,608,372) | (138,905,893) |
| - Customer B | (45,554,043) | (29,577,312) | 0 | (75,131,355) |
| - Customer C | (73,038,796) | 0 | 0 | (73,038,796) |
| Additions of plant and equipment | 2,489,167 | 16,605,117 | 222,068 | 19,316,352 |
| Amortisation of government grants | 0 | 134,786 | 0 | 134,786 |

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

| | Power and machinery RM | Oilfield services RM | Integrated corrosion solution RM | Group RM |
|---|---|---|---|---|
| Financial year ended 31 December 2021 (continued) | | | | |
| Segment assets | 294,647,061 | 182,677,370 | 46,456,452 | 523,780,883 |
| Unallocated corporate assets | | | | 85,199,776 |
| Total assets | | | | 608,980,659 |
| Segment liabilities | 132,699,705 | 39,085,955 | 36,961,564 | 208,747,224 |
| Unallocated corporate liabilities | | | | 21,464,365 |
| Total liabilities | | | | 230,211,589 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

| | Power and machinery Restated RM | Oilfield services RM | Integrated corrosion solution RM | Group Restated RM |
|---|---|---|---|---|
| Financial year ended 31 December 2020 | | | | |
| SEGMENT REVENUE | | | | |
| External revenue | 368,122,275 | 109,436,197 | 109,377,888 | 586,936,360 |
| Other non-reportable segment | | | | 487,950 |
| | | | | 587,424,310 |
| SEGMENT RESULTS | | | | |
| Segment operating profit/(loss) | 47,442,697 | (21,830,970) | 4,143,993 | 29,755,720 |
| Other non-reportable segment | | | | 61,550 |
| | | | | 29,817,270 |
| Profit from operations | | | | 29,817,270 |
| Unallocated income | | | | 269,297 |
| Unallocated corporate expenses | | | | (5,850,343) |
| Share of results of a joint venture | | | | 512,358 |
| Share of results of associates | | | | 5,007,389 |
| Profit before tax | | | | 29,755,971 |
| Tax expense | | | | (11,973,894) |
| Profit from continuing operations (net of tax) | | | | 17,782,077 |
| Loss from discontinued operation (net of tax) | | | | (2,419,680) |
| Profit for the year | | | | 15,362,397 |

# Notes to the Financial Statements

## For the Financial Year Ended 31 December 2021 (Continued)

### 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

| | Power and machinery RM | Oilfield services RM | Integrated corrosion solution RM | Group RM |
|---|---|---|---|---|
| Financial year ended 31 December 2020 (continued) | | | | |
| Other information from continuing operations: | | | | |
| Depreciation and amortisation | 2,119,817 | 29,902,410 | 4,042,559 | 36,064,786 |
| Other material items | | | | |
| Impairment for | | | | |
| - trade receivables | | | | |
| - impairment | 246,119 | 696,086 | 0 | 942,205 |
| - write back of impairment | (28,187) | 0 | (123,845) | (152,032) |
| - contract assets | | | | |
| - impairment | 0 | 34,325 | 0 | 34,325 |
| - write back of impairment | 0 | (3,929) | 0 | (3,929) |
| - property, plant and equipment | | | | |
| - impairment | 0 | 15,100,000 | 15,243,860 | 30,343,860 |
| Inventories | | | | |
| - allowance | 197,743 | 0 | 0 | 197,743 |
| - write back | (18,031) | 0 | 0 | (18,031) |
| Write-off of | | | | |
| - property, plant and equipment | 14,454 | 0 | 0 | 14,454 |
| - other receivables | 0 | 561,600 | 0 | 561,600 |
| - inventories | 0 | 1,772,655 | 1,255,558 | 3,028,213 |
| Liquidated damages | | | | |
| - provision | 18,185 | 0 | 0 | 18,185 |
| - write back | (33,822) | 0 | 0 | (33,822) |
| Unrealised net (gain)/loss on foreign exchange | (768,979) | (94,332) | 5,827 | (857,484) |
| Net fair value gain on forward foreign exchange contract | (752,670) | 0 | 0 | (752,670) |
| Finance cost | 40,931 | 1,919,039 | 996,002 | 2,955,972 |
| Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue: | | | | |
| - Customer A | (70,756,614) | (53,118,103) | (92,740,006) | (216,614,723) |
| - Customer B | (67,405,677) | (36,330,601) | 0 | (103,736,278) |
| Additions of plant and equipment | 3,324,235 | 30,404,604 | 5,222,326 | 38,951,165 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (continued)

| | Power and machinery RM | Oilfield services RM | Integrated corrosion solution RM | Group RM |
|---|---|---|---|---|
| Financial year ended 31 December 2020 (continued) | | | | |
| Segment assets | 247,122,815 | 234,624,324 | 73,321,750 | 555,068,889 |
| Unallocated corporate assets | | | | 93,473,220 |
| Total assets | | | | 648,542,109 |
| Segment liabilities | 114,165,421 | 75,684,430 | 60,705,188 | 250,555,039 |
| Unallocated corporate liabilities | | | | 27,618,365 |
| Total liabilities | | | | 278,173,404 |

(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 | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM Restated | 2021 RM | 2020 RM |
| Revenue from contracts with customers: | | | | |
| - Goods and services | 557,805,374 | 586,936,360 | 0 | 0 |
| - Management fee* | 538,700 | 469,200 | 20,964,500 | 17,732,500 |
| Revenue from other source: | | | | |
| - Dividend income | 22,500 | 18,750 | 16,403,000 | 6,000,000 |
| | 558,366,574 | 587,424,310 | 37,367,500 | 23,732,500 |

* Management fees income is being recognised over time upon when the services are being rendered.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 5 REVENUE (CONTINUED)

Revenue from contracts with customers:

| | Power and machinery RM | Oilfield services RM | Integrated corrosion solution RM | Group RM |
|---|---|---|---|---|
| Financial year ended 31 December 2021 | | | | |
| Type of goods and services | | | | |
| Sale of gas turbine packages and after sales support and services | 334,160,080 | 0 | 0 | 334,160,080 |
| Commission based income services | 4,778,837 | 0 | 0 | 4,778,837 |
| Principal based income services | 0 | 315,007 | 0 | 315,007 |
| Sale of valves and flow regulators and after sales support and services | 52,074,503 | 0 | 0 | 52,074,503 |
| Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, and drilling and production services | 0 | 100,937,678 | 0 | 100,937,678 |
| Provision of specialty chemicals and well stimulation services | 0 | 2,935,635 | 0 | 2,935,635 |
| Provision of integrated corrosion and inspection services, blasting technology and maintenance services | 0 | 0 | 31,069,657 | 31,069,657 |
| Provision of maintenance, construction and modification maintenance services | 0 | 0 | 31,533,977 | 31,533,977 |
| | 391,013,420 | 104,188,320 | 62,603,634 | 557,805,374 |

| | Power and machinery RM | Oilfield services RM | Integrated corrosion solution RM | Group RM |
|---|---|---|---|---|
| Financial year ended 31 December 2021 | | | | |
| Timing of revenue recognition: | | | | |
| - At a point in time | 321,873,427 | 1,167,534 | 6,876,198 | 329,917,159 |
| - Over time | 69,139,993 | 103,020,786 | 55,727,436 | 227,888,215 |
| | 391,013,420 | 104,188,320 | 62,603,634 | 557,805,374 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 5 REVENUE (CONTINUED)

Revenue from contracts with customers: (continued)

| | Power and machinery | Oilfield services | Integrated corrosion solution | Group |
|---|---|---|---|---|
| | Restated RM | RM | RM | Restated RM |
| Financial year ended 31 December 2020 | | | | |
| Type of goods and services | | | | |
| Sale of gas turbine packages and after sales support and services | 295,170,768 | 0 | 0 | 295,170,768 |
| Commission based income services | 1,257,772 | 0 | 0 | 1,257,772 |
| Principal based income services | 0 | 380,340 | 0 | 380,340 |
| Sale of valves and flow regulators and after sales support and services | 71,693,735 | 0 | 0 | 71,693,735 |
| Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, and drilling and production services | 0 | 104,989,664 | 0 | 104,989,664 |
| Provision of specialty chemicals and well stimulation services | 0 | 4,066,193 | 0 | 4,066,193 |
| Provision of integrated corrosion and inspection services, blasting technology and maintenance services | 0 | 0 | 28,583,347 | 28,583,347 |
| Provision of maintenance, construction and modification maintenance services | 0 | 0 | 80,794,541 | 80,794,541 |
| | 368,122,275 | 109,436,197 | 109,377,888 | 586,936,360 |

| | Power and machinery | Oilfield services | Integrated corrosion solution | Group |
|---|---|---|---|---|
| | Restated RM | RM | RM | Restated RM |
| Financial year ended 31 December 2020 | | | | |
| Timing of revenue recognition: | | | | |
| - At a point in time | 300,332,185 | 7,055,631 | 16,981,695 | 324,369,511 |
| - Over time | 67,790,090 | 102,380,566 | 92,396,193 | 262,566,849 |
| | 368,122,275 | 109,436,197 | 109,377,888 | 586,936,360 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 6 PROFIT BEFORE TAX

| | Group 2021 RM | Group 2020 Restated RM | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|
| The following items have been charged/(credited) in arriving at profit before tax from operations: | | | | |
| Inventories consumed and recognised as cost of sales | 82,725,810 | 103,489,732 | 0 | 0 |
| - continuing operations | 82,474,299 | 103,199,003 | 0 | 0 |
| - discontinued operation | 251,511 | 290,729 | 0 | 0 |
| Cost of services purchased | 274,347,475 | 234,784,204 | 0 | 0 |
| - continuing operations | 272,981,840 | 232,474,846 | 0 | 0 |
| - discontinued operation | 1,365,635 | 2,309,358 | 0 | 0 |
| Purchase of products, parts and consumable | 13,182,596 | 7,459,158 | 0 | 0 |
| - continuing operations | 12,763,636 | 7,274,146 | 0 | 0 |
| - discontinued operation | 418,960 | 185,012 | 0 | 0 |
| Inter-company interest income | 0 | 0 | (747,635) | (1,037,327) |
| Impairment for: | | | | |
| - cost of investment in subsidiary | 0 | 0 | 4,432,519 | 0 |
| - Trade receivables | | | | |
| - impairment | 4,916,423 | 962,890 | 0 | 0 |
| - continuing operations | 4,915,061 | 942,205 | 0 | 0 |
| - discontinued operation | 1,362 | 20,685 | 0 | 0 |
| - write back of impairment | (262,794) | (154,017) | 0 | 0 |
| - continuing operations | (246,119) | (152,032) | 0 | 0 |
| - discontinued operation | (16,675) | (1,985) | 0 | 0 |
| - Other receivables | | | | |
| - impairment | 212,485 | 1,204,360 | 0 | 0 |
| - Contract assets | | | | |
| - impairment | 196,178 | 36,413 | 0 | 0 |
| - continuing operations | 196,178 | 34,325 | 0 | 0 |
| - discontinued operation | 0 | 2,088 | 0 | 0 |
| - write back of impairment | (42,469) | (3,929) | 0 | 0 |
| - continuing operations | (38,862) | (3,929) | 0 | 0 |
| - discontinued operation | (3,607) | 0 | 0 | 0 |
| - Plant and equipment | | | | |
| - impairment | 3,171,268 | 30,343,860 | 0 | 0 |
| Depreciation: | | | | |
| - property, plant and equipment | 36,143,747 | 37,372,324 | 738,777 | 686,629 |
| - continuing operations | 35,305,832 | 36,793,814 | 738,777 | 686,629 |
| - discontinued operation | 837,915 | 578,510 | 0 | 0 |
| - investment properties | 23,575 | 23,575 | 0 | 0 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 6 PROFIT BEFORE TAX (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 | 2020 Restated | 2021 | 2020 |
| | RM | RM | RM | RM |
| The following items have been charged/(credited) in arriving at profit before tax from operations (continued): | | | | |
| Fees to PricewaterhouseCoopers PLT Malaysia: | | | | |
| - statutory audit services | | | | |
| - current year | 460,388 | 446,600 | 129,038 | 125,000 |
| - continuing operations | 437,728 | 424,600 | 129,038 | 125,000 |
| - discontinued operation | 22,660 | 22,000 | 0 | 0 |
| - audit related services | 199,230 | 174,000 | 199,230 | 174,000 |
| - non-audit related services | 1,527,552 | 1,148,050 | 1,469,882 | 1,095,150 |
| - continuing operations | 1,522,352 | 1,140,850 | 1,469,882 | 1,095,150 |
| - discontinued operation | 5,200 | 7,200 | 0 | 0 |
| (Gain)/loss on foreign exchange: | | | | |
| - realised | (2,225,015) | 1,375,270 | 0 | (2,201) |
| - continuing operations | (2,223,075) | 1,395,147 | 0 | (2,201) |
| - discontinued operation | (1,940) | (19,877) | 0 | 0 |
| - unrealised | 122,638 | (836,464) | 0 | 0 |
| - continuing operations | 122,638 | (841,785) | 0 | 0 |
| - discontinued operation | 0 | 5,321 | 0 | 0 |
| Net fair value loss/(gain) on forward foreign exchange contract | 719,445 | (752,670) | 0 | 0 |
| Inventories - continuing operations | | | | |
| - allowance | 9,248,808 | 197,743 | 0 | 0 |
| - write back | (135,860) | (18,031) | 0 | 0 |
| - write off | 1,052,702 | 3,028,213 | 0 | 0 |
| Interest income | (2,985,343) | (3,105,909) | (141,675) | (264,360) |
| Rental expense (short term leases): | | | | |
| - business premises | 2,022,260 | 2,296,365 | 0 | 0 |
| - continuing operations | 1,932,260 | 2,206,303 | 0 | 0 |
| - discontinued operation | 90,000 | 90,062 | 0 | 0 |
| - equipment | 5,997,596 | 2,443,143 | 0 | 0 |
| - continuing operations | 5,995,405 | 2,419,724 | 0 | 0 |
| - discontinued operation | 2,191 | 23,419 | 0 | 0 |
| Staff cost (including Executive Directors' remuneration as disclosed in Note 7) | | | | |
| - Wages, salaries and others | 87,060,118 | 91,442,410 | 15,869,177 | 12,411,121 |
| - continuing operations | 84,578,127 | 89,111,193 | 15,869,177 | 12,411,121 |
| - discontinued operation | 2,481,991 | 2,331,217 | 0 | 0 |
| - Defined contribution plan | 9,194,411 | 9,499,649 | 1,729,703 | 1,370,721 |
| - continuing operations | 8,965,142 | 9,231,276 | 1,729,703 | 1,370,721 |
| - discontinued operation | 229,269 | 268,373 | 0 | 0 |

## 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 | |
|---|---|---|---|---|
| | 2021<br>RM | 2020<br>RM | 2021<br>RM | 2020<br>RM |
| Executive Director: | | | | |
| - salaries and bonuses | 1,089,000 | 1,422,000 | 1,089,000 | 1,422,000 |
| - defined contribution plan | 180,900 | 213,300 | 180,900 | 213,300 |
| - other emoluments | 134,143 | 923 | 134,143 | 923 |
| - estimated monetary value of benefits-in-kind | 30,520 | 60,236 | 30,520 | 60,236 |
| Non-Executive Directors: | | | | |
| - fees | 1,179,900 | 1,033,650 | 1,179,900 | 1,033,650 |
| - other emoluments | 197,425 | 124,025 | 197,425 | 124,025 |
| - estimated monetary value of benefits-in-kind | 89,300 | 89,184 | 89,300 | 89,184 |
| | 2,901,188 | 2,943,318 | 2,901,188 | 2,943,318 |

## 8 FINANCE COST

| | Group | | Company | |
|---|---|---|---|---|
| | 2021<br>RM | 2020<br>Restated<br>RM | 2021<br>RM | 2020<br>RM |
| Interest on revolving credit facility | 752,106 | 1,077,648 | 656,339 | 946,031 |
| Interest on loans against imports | 0 | 161,155 | 0 | 0 |
| Interest on term loans | 1,014,427 | 1,624,983 | 0 | 0 |
| Interest on lease liabilities on right-of-use assets | 72,880 | 98,600 | 525 | 314 |
| | 1,839,413 | 2,962,386 | 656,864 | 946,345 |

During the current financial year, finance cost incurred of RM656,339 (2020: RM946,031) at the Company level had been re-charged to its subsidiaries for the utilisation of the revolving credit facility.

## 9 TAX EXPENSE

| | Group 2021 RM | Group 2020 Restated RM | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|
| Continuing Operations | | | | |
| Current tax: | | | | |
| - Malaysian tax | 9,415,910 | 15,281,901 | 180,076 | 33,004 |
| (Over)/under provision in prior years: | | | | |
| - Malaysian tax | (91,905) | 44,648 | 1,508 | 25,131 |
| Deferred tax (Note 28): | | | | |
| - Origination and reversal of temporary differences | (1,434,260) | (6,550,804) | 2,207 | 69,722 |
| - Recognition of previously unrecognised temporary differences | (1,885,345) | (640,164) | 0 | 0 |
| - Deferred tax asset not recognised | 419,833 | 4,160,531 | 0 | 0 |
| - Under/(over) recognition of prior years temporary differences | 45,732 | (322,218) | 72,152 | 30,345 |
| | 6,469,965 | 11,973,894 | 255,943 | 158,202 |

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

| | Group 2021 % | Group 2020 Restated % | Company 2021 % | Company 2020 % |
|---|---|---|---|---|
| Numerical reconciliation between the effective tax rate and the Malaysian tax rate | | | | |
| Malaysian tax rate | 24 | 24 | 24 | 24 |
| Tax effects of: | | | | |
| - expenses not deductible for tax purposes | 9 | 11 | 19 | 13 |
| - income not subject to tax | (3) | (1) | (41) | (34) |
| - share of results of associates and joint venture | (5) | (5) | 0 | 0 |
| - recognition of previously unrecognised temporary differences | (6) | (2) | 0 | 0 |
| - deferred tax asset not recognised | 1 | 14 | 0 | 0 |
| - (over)/under provision in prior years | 0 | (1) | 1 | 1 |
| Effective tax rate | 20 | 40 | 3 | 4 |

## 10 EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and 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.

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Profit/(loss) for the financial year attributable to equity holders of the Company | | |
| - From continuing operations | 18,983,511 | 9,848,548 |
| - From discontinued operation | (1,915,406) | (2,419,680) |
| | 17,068,105 | 7,428,868 |
| Number of ordinary shares | 401,553,500 | 401,553,500 |
| Adjusted weighted average number of ordinary shares | 401,553,500 | 401,553,500 |
| Basic and diluted earnings/(loss) per share (sen) | | |
| - From continuing operations | 4.73 | 2.45 |
| - From discontinued operation | (0.48) | (0.60) |
| | 4.25 | 1.85 |

## 11 DIVIDENDS

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 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 2019</u> | | | | |
| Second interim single tier dividend, on 401,553,500 ordinary shares, paid on 26 March 2020 | 0 | 0 | 3.00 | 12,046,605 |
| <u>In respect of the financial year ended 31 December 2020</u> | | | | |
| First interim single tier dividend, on 401,553,500 ordinary shares, paid on 27 April 2021 | 1.00 | 4,015,535 | 0 | 0 |
| <u>In respect of the financial year ended 31 December 2021</u> | | | | |
| First interim single tier dividend, on 401,553,500 ordinary shares, paid on 30 September 2021 | 1.00 | 4,015,535 | 0 | 0 |
| | | 8,031,070 | | 12,046,605 |

The Directors had on 23 February 2022 declared a second interim single tier dividend of 1.20 sen per share in respect of the financial year ended 31 December 2021, totalling RM4,818,642, payable on 30 March 2022.

Total dividend for the financial year ended 31 December 2021 is 2.20 sen (2020: 1.00 sen) based on ordinary shares of 401,553,500 (2020: 401,553,500).

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2021.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 12 PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold land RM | Leasehold buildings renovations and improvements RM | Office equipment, furniture and fittings RM | Plant, machinery and other equipment RM | Motor vehicles RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|---|
| Year ended 31 December 2021 | | | | | | | |
| Net book value | | | | | | | |
| At 1 January 2021 | 2,940,366 | 6,633,320 | 4,090,437 | 139,201,877 | 1,440,767 | 0 | 154,306,767 |
| Additions | 0 | 838,811 | 1,863,691 | 17,281,205 | 0 | 0 | 19,983,707 |
| Written off | 0 | (2) | (185,829) | (5,748) | 0 | 0 | (191,579) |
| Impairment (Note 3(a)(iv)) | 0 | 0 | 0 | (3,171,268) | 0 | 0 | (3,171,268) |
| Lease modifications and disposals | 0 | (2) | (68,163) | (5,089) | (184,343) | 0 | (257,597) |
| Depreciation charge | (87,760) | (3,267,135) | (2,220,981) | (30,084,355) | (483,516) | 0 | (36,143,747) |
| At 31 December 2021 | 2,852,606 | 4,204,992 | 3,479,155 | 123,216,622 | 772,908 | 0 | 134,526,283 |
| At 31 December 2021 | | | | | | | |
| Cost | 4,387,284 | 32,372,318 | 12,992,252 | 406,977,163 | 3,372,317 | 0 | 460,101,334 |
| Accumulated depreciation | (1,534,678) | (24,900,112) | (9,513,097) | (249,208,454) | (2,599,409) | 0 | (287,755,750) |
| Accumulated impairment | 0 | (3,267,214) | 0 | (34,552,087) | 0 | 0 | (37,819,301) |
| Net book value | 2,852,606 | 4,204,992 | 3,479,155 | 123,216,622 | 772,908 | 0 | 134,526,283 |
| At 31 December 2020 | | | | | | | |
| Cost | 4,387,284 | 33,564,326 | 15,997,147 | 392,278,341 | 4,017,550 | 0 | 450,244,648 |
| Accumulated depreciation | (1,446,918) | (23,663,792) | (11,906,710) | (221,695,645) | (2,576,783) | 0 | (261,289,848) |
| Accumulated impairment | 0 | (3,267,214) | 0 | (31,380,819) | 0 | 0 | (34,648,033) |
| Net book value | 2,940,366 | 6,633,320 | 4,090,437 | 139,201,877 | 1,440,767 | 0 | 154,306,767 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Leasehold land RM | Leasehold buildings renovations and improvements RM | Office equipment, furniture and fittings RM | Plant, machinery and other equipment RM | Motor vehicles RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|---|
| Year ended 31 December 2020 | | | | | | | |
| Net book value | | | | | | | |
| At 1 January 2020 | 3,028,124 | 8,286,629 | 4,280,884 | 165,291,775 | 1,908,351 | 3,815 | 182,799,578 |
| Additions | 0 | 4,426,446 | 2,109,296 | 32,393,305 | 121,295 | 483,799 | 39,534,141 |
| Written off | 0 | (6,415) | (2,743) | (5,301) | (1) | 0 | (14,460) |
| Impairment (Note 3(a)(iv)) | 0 | (3,267,214) | 0 | (27,076,646) | 0 | 0 | (30,343,860) |
| Reclassification | 0 | 0 | 3,815 | 483,799 | 0 | (487,614) | 0 |
| Lease modifications and disposals | 0 | 0 | (249,059) | 0 | (47,249) | 0 | (296,308) |
| Depreciation charge | (87,758) | (2,806,126) | (2,051,756) | (31,885,055) | (541,629) | 0 | (37,372,324) |
| At 31 December 2020 | 2,940,366 | 6,633,320 | 4,090,437 | 139,201,877 | 1,440,767 | 0 | 154,306,767 |
| At 31 December 2020 | | | | | | | |
| Cost | 4,387,284 | 33,564,326 | 15,997,147 | 392,278,341 | 4,017,550 | 0 | 450,244,648 |
| Accumulated depreciation | (1,446,918) | (23,663,792) | (11,906,710) | (221,695,645) | (2,576,783) | 0 | (261,289,848) |
| Accumulated impairment | 0 | (3,267,214) | 0 | (31,380,819) | 0 | 0 | (34,648,033) |
| Net book value | 2,940,366 | 6,633,320 | 4,090,437 | 139,201,877 | 1,440,767 | 0 | 154,306,767 |
| At 31 December 2019 | | | | | | | |
| Cost | 4,387,284 | 30,671,649 | 14,787,115 | 360,525,633 | 4,022,940 | 3,815 | 414,398,436 |
| Accumulated depreciation | (1,359,160) | (22,385,020) | (10,506,231) | (190,885,283) | (2,114,589) | 0 | (227,250,283) |
| Accumulated impairment | 0 | 0 | 0 | (4,348,575) | 0 | 0 | (4,348,575) |
| Net book value | 3,028,124 | 8,286,629 | 4,280,884 | 165,291,775 | 1,908,351 | 3,815 | 182,799,578 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Leasehold land RM | Leasehold buildings renovations and improvements RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|
| Year ended 31 December 2021 | | | | | |
| Net book value | | | | | |
| At 1 January 2021 | 1,861,986 | 982,420 | 515,956 | 742,390 | 4,102,752 |
| Additions | 0 | 0 | 661,416 | 0 | 661,416 |
| Lease modifications and disposals | 0 | 0 | (12,051) | (184,339) | (196,390) |
| Written off | 0 | 0 | (10,564) | 0 | (10,564) |
| Depreciation charge | (48,892) | (37,267) | (401,978) | (250,640) | (738,777) |
| At 31 December 2021 | 1,813,094 | 945,153 | 752,779 | 307,411 | 3,818,437 |
| At 31 December 2021 | | | | | |
| Cost | 2,444,000 | 4,179,198 | 2,259,314 | 972,682 | 9,855,194 |
| Accumulated depreciation | (630,906) | (3,234,045) | (1,506,535) | (665,271) | (6,036,757) |
| Net book value | 1,813,094 | 945,153 | 752,779 | 307,411 | 3,818,437 |
| At 31 December 2020 | | | | | |
| Cost | 2,444,000 | 4,179,198 | 2,552,089 | 1,453,567 | 10,628,854 |
| Accumulated depreciation | (582,014) | (3,196,778) | (2,036,133) | (711,177) | (6,526,102) |
| Net book value | 1,861,986 | 982,420 | 515,956 | 742,390 | 4,102,752 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Leasehold land RM | Leasehold buildings renovations and improvements RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|
| Year ended 31 December 2020 | | | | | | |
| Net book value | | | | | | |
| At 1 January 2020 | 1,910,878 | 1,019,687 | 558,635 | 1,033,104 | 3,815 | 4,526,119 |
| Additions | 0 | 0 | 379,711 | 0 | 0 | 379,711 |
| Reclassification | 0 | 0 | 3,815 | 0 | (3,815) | 0 |
| Lease modifications and disposals | 0 | 0 | (116,447) | 0 | 0 | (116,447) |
| Written off | 0 | 0 | (2) | 0 | 0 | (2) |
| Depreciation charge | (48,892) | (37,267) | (309,756) | (290,714) | 0 | (686,629) |
| At 31 December 2020 | 1,861,986 | 982,420 | 515,956 | 742,390 | 0 | 4,102,752 |
| At 31 December 2020 | | | | | | |
| Cost | 2,444,000 | 4,179,198 | 2,552,089 | 1,453,567 | 0 | 10,628,854 |
| Accumulated depreciation | (582,014) | (3,196,778) | (2,036,133) | (711,177) | 0 | (6,526,102) |
| Net book value | 1,861,986 | 982,420 | 515,956 | 742,390 | 0 | 4,102,752 |
| At 31 December 2019 | | | | | | |
| Cost | 2,444,000 | 4,179,198 | 2,381,259 | 1,453,567 | 3,815 | 10,461,839 |
| Accumulated depreciation | (533,122) | (3,159,511) | (1,822,624) | (420,463) | 0 | (5,935,720) |
| Net book value | 1,910,878 | 1,019,687 | 558,635 | 1,033,104 | 3,815 | 4,526,119 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

* Included in the property, plant and equipment are rights-of-use assets of the Group and the Company as follows:

| Group | Leasehold land RM | Leasehold buildings RM | Rented office RM | Office equipment under lease RM | Motor vehicle under lease RM | Total RM |
|---|---|---|---|---|---|---|
| 2021 | | | | | | |
| At 1 January | 2,940,366 | 2,804,334 | 1,663,861 | 629,629 | 46,805 | 8,084,995 |
| Addition | 0 | 0 | 813,307 | 39,754 | 0 | 853,061 |
| Lease modifications and disposals | 0 | 0 | 0 | (67,483) | 0 | (67,483) |
| Depreciation charge | (87,760) | (175,337) | (1,432,553) | (203,507) | (23,403) | (1,922,560) |
| At 31 December | 2,852,606 | 2,628,997 | 1,044,615 | 398,393 | 23,402 | 6,948,013 |
| Cost | 4,387,284 | 5,880,747 | 4,310,725 | 899,821 | 117,015 | 15,595,592 |
| Accumulated depreciation | (1,534,678) | (3,251,750) | (3,266,110) | (501,428) | (93,613) | (8,647,579) |
| At 31 December | 2,852,606 | 2,628,997 | 1,044,615 | 398,393 | 23,402 | 6,948,013 |
| 2020 | | | | | | |
| At 1 January | 3,028,124 | 2,983,342 | 1,198,380 | 522,070 | 117,458 | 7,849,374 |
| Addition | 0 | 0 | 1,868,806 | 570,717 | 0 | 2,439,523 |
| Written-off | 0 | (3,614) | 0 | 0 | 0 | (3,614) |
| Lease modifications and disposals | 0 | 0 | 0 | (249,059) | (47,249) | (296,308) |
| Depreciation charge | (87,758) | (175,394) | (1,403,325) | (214,099) | (23,404) | (1,903,980) |
| At 31 December | 2,940,366 | 2,804,334 | 1,663,861 | 629,629 | 46,805 | 8,084,995 |
| Cost | 4,387,284 | 5,880,747 | 3,497,418 | 943,888 | 117,015 | 14,826,352 |
| Accumulated depreciation | (1,446,918) | (3,076,413) | (1,833,557) | (314,259) | (70,210) | (6,741,357) |
| At 31 December | 2,940,366 | 2,804,334 | 1,663,861 | 629,629 | 46,805 | 8,084,995 |

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

* Included in the property, plant and equipment are rights-of-use assets of the Group and the Company as follows (continued):

| **Company** | **Leasehold land RM** | **Leasehold buildings RM** | **Office equipment under lease RM** | **Total RM** |
|---|---|---|---|---|
| 2021 | | | | |
| At 1 January | 1,861,986 | 969,030 | 109,462 | 2,940,478 |
| Addition | 0 | 0 | 39,754 | 39,754 |
| Lease modifications and disposals | 0 | 0 | (12,051) | (12,051) |
| Depreciation charge | (48,892) | (26,190) | (53,507) | (128,589) |
| At 31 December | 1,813,094 | 942,840 | 83,658 | 2,839,592 |
| Cost | 2,444,000 | 1,309,500 | 153,685 | 3,907,185 |
| Accumulated depreciation | (630,906) | (366,660) | (70,027) | (1,067,593) |
| At 31 December | 1,813,094 | 942,840 | 83,658 | 2,839,592 |
| 2020 | | | | |
| At 1 January | 1,910,878 | 995,220 | 144,037 | 3,050,135 |
| Addition | 0 | 0 | 134,402 | 134,402 |
| Lease modifications and disposals | 0 | 0 | (116,447) | (116,447) |
| Depreciation charge | (48,892) | (26,190) | (52,530) | (127,612) |
| At 31 December | 1,861,986 | 969,030 | 109,462 | 2,940,478 |
| Cost | 2,444,000 | 1,309,500 | 134,402 | 3,887,902 |
| Accumulated depreciation | (582,014) | (340,470) | (24,940) | (947,424) |
| At 31 December | 1,861,986 | 969,030 | 109,462 | 2,940,478 |

The Group's net book value of motor vehicles acquired under hire purchase arrangement amounted to RM23,403 (2020: RM46,806) as at financial year end.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Net book value of property, plant and equipment of the Group pledged as security: | | |
| - long term leasehold land | 1,039,515 | 1,078,381 |
| - long term leasehold buildings | 704,094 | 822,363 |
| - office equipment, furniture and fittings and renovations | 436,094 | 1,517,342 |
| - plant, machinery and other equipment | 121,576,083 | 137,789,936 |
| - motor vehicles | 367,287 | 539,813 |
| | 124,123,073 | 141,747,835 |

The property, plant and equipment above have been pledged as security for borrowings as disclosed in Note 25 and the unutilised banking facilities as at financial year end.

The property, plant and equipment including right-of-use assets acquired by way of lease by the Group and the Company during the year are RM853,061 (2020: RM2,439,523) and RM39,754 (2020: RM134,402) respectively.

In the current year, the Group's purchases of plant and equipment excluding right-of-use assets acquired by way of lease is RM19,130,646 of which RM6,410,100 had been paid upfront in the previous financial year.

## 13 INVESTMENT PROPERTIES

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Net book value | | |
| At 1 January | 747,273 | 770,848 |
| Depreciation charge | (23,575) | (23,575) |
| At 31 December | 723,698 | 747,273 |
| Cost | 1,178,764 | 1,178,764 |
| Accumulated depreciation | (423,603) | (400,028) |
| Accumulated impairment loss | (31,463) | (31,463) |
| | 723,698 | 747,273 |
| Fair value of investment properties | 1,234,000 | 1,234,000 |

## 13 INVESTMENT PROPERTIES (CONTINUED)

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

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Rental income | 85,152 | 80,894 |

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

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

The fair value of the investment properties was estimated by 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.

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 14 INTANGIBLE ASSETS

| Group | Goodwill RM | Contracts RM | Software costs RM | Total RM |
|---|---|---|---|---|
| 2021 | | | | |
| At 1 January | 108,997 | 0 | 206,037 | 315,034 |
| Addition | 0 | 0 | 38,500 | 38,500 |
| Amortisation | 0 | 0 | (70,310) | (70,310) |
| At 31 December | 108,997 | 0 | 174,227 | 283,224 |
| Cost | 108,997 | 3,953,810 | 3,862,199 | 7,925,006 |
| Accumulated amortisation | 0 | (3,953,810) | (3,687,972) | (7,641,782) |
| At 31 December | 108,997 | 0 | 174,227 | 283,224 |
| 2020 | | | | |
| At 1 January | 108,997 | 0 | 350,265 | 459,262 |
| Addition | 0 | 0 | 152,600 | 152,600 |
| Amortisation | 0 | 0 | (296,828) | (296,828) |
| At 31 December | 108,997 | 0 | 206,037 | 315,034 |
| Cost | 108,997 | 3,953,810 | 3,823,699 | 7,886,506 |
| Accumulated amortisation | 0 | (3,953,810) | (3,617,662) | (7,571,472) |
| At 31 December | 108,997 | 0 | 206,037 | 315,034 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 14 INTANGIBLE ASSETS (CONTINUED)

| Company | Software costs RM | Total RM |
|---|---|---|
| 2021 | | |
| At 1 January | 175,668 | 175,668 |
| Additions | 38,500 | 38,500 |
| Amortisation | (46,384) | (46,384) |
| At 31 December | 167,784 | 167,784 |
| Cost | 350,531 | 350,531 |
| Accumulated amortisation | (182,747) | (182,747) |
| | 167,784 | 167,784 |
| 2020 | | |
| At 1 January | 100,520 | 100,520 |
| Additions | 152,600 | 152,600 |
| Amortisation | (77,452) | (77,452) |
| At 31 December | 175,668 | 175,668 |
| Cost | 566,667 | 566,667 |
| Accumulated amortisation | (390,999) | (390,999) |
| | 175,668 | 175,668 |

## 15 SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Unquoted shares at cost | 146,217,367 | 146,217,367 |
| Less: Impairment loss | (13,832,519) | (9,400,000) |
| | 132,384,848 | 136,817,367 |

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

## 15 SUBSIDIARIES (CONTINUED)

During the financial year, the Company performed impairment assessment on its investment in subsidiaries for any potential impairment of its subsidiaries which show indicators of impairment.

As a result of the impairment assessment, a subsidiary involved in the investment holding has been fully impaired. The subsidiary company reported a loss of RM45,000 during the financial year and minimal shareholders' fund of RM123,000 as at the financial year end. There is no future business plan for the subsidiary. Consequently, an impairment loss of RM4,432,519, being the entire carrying amount of the cost of investment with no projected recoverable amount, has been charged to the profit or loss during the financial year ended 31 December 2021.

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.** | **Deleum Primera Sdn. Bhd.** | **Other individually immaterial subsidiary** | **Total** |
|---|---|---|---|---|---|---|
| In RM | | | | | | |
| Year ended 31 December 2021 | | | | | | |
| NCI percentage of ownership interest and voting interest | 49% | 40% | 26% | 40% | | |
| Carrying amount of NCI | 12,222,990 | 31,280 | 6,081,946 | 2,142,257 | 39,794 | 20,518,267 |
| Year ended 31 December 2020 | | | | | | |
| NCI percentage of ownership interest and voting interest | 49% | 40% | 26% | 40% | | |
| Carrying amount of NCI | 14,398,556 | 1,576,931 | 4,009,533 | 1,199,303 | 40,076 | 21,224,399 |

## 15 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material NCI

Summarised statements of comprehensive income

| | Penaga Dresser Sdn. Bhd. | | Delcom Utilities (Cambodia) Limited | | Turboservices Sdn. Bhd. | | Deleum Primera Sdn. Bhd. | |
|---|---|---|---|---|---|---|---|---|
| | For the financial year ended 31 December | | For the financial year ended 31 December | | For the financial year ended 31 December | | For the financial year ended 31 December | |
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revenue | 52,074,503 | 71,715,445 | 0 | 0 | 333,791,118 | 295,197,008 | 62,603,633 | 109,386,018 |
| Profit/(loss) before tax | 9,964,216 | 20,735,882 | (51,200) | 88,964 | 10,478,398 | 6,803,619 | 2,644,499 | 3,472,061 |
| Tax expense | (2,404,146) | (4,997,052) | 0 | 0 | (2,507,579) | (1,559,837) | (287,114) | (6,415,072) |
| Profit/(loss) for the year | 7,560,070 | 15,738,830 | (51,200) | 88,964 | 7,970,819 | 5,243,782 | 2,357,385 | (2,943,011) |
| Other comprehensive (loss)/income | | | | | | | | |
| Currency translation differences | 0 | 0 | (4,580) | 76,771 | 0 | 0 | 0 | 0 |
| Total comprehensive income/(loss) for the financial year | 7,560,070 | 15,738,830 | (55,780) | 165,735 | 7,970,819 | 5,243,782 | 2,357,385 | (2,943,011) |
| Total profit/(loss) allocated to NCI | 3,704,434 | 7,712,027 | (20,480) | 35,586 | 2,072,413 | 1,363,383 | 942,954 | (1,177,204) |
| Total comprehensive income/(loss) allocated to NCI | 3,704,434 | 7,712,027 | (22,312) | 66,294 | 2,072,413 | 1,363,383 | 942,954 | (1,177,204) |
| Dividends to NCI | 5,880,000 | 10,780,000 | 1,567,963 | 0 | 0 | 574,600 | 0 | 0 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of financial position

| | Penaga Dresser Sdn. Bhd. | | Delcom Utilities (Cambodia) Limited | | Turboservices Sdn. Bhd. | | Deleum Primera Sdn. Bhd. | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | As at 31 December | | As at 31 December | | As at 31 December | |
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Current | | | | | | | | |
| Assets | 29,855,382 | 37,219,789 | 222,858 | 4,037,699 | 162,768,040 | 136,144,720 | 45,457,341 | 71,140,463 |
| Liabilities | (8,681,166) | (11,940,591) | (149,658) | (95,372) | (141,133,702) | (121,568,473) | (40,678,588) | (69,838,297) |
| Total current net assets | 21,174,216 | 25,279,198 | 73,200 | 3,942,327 | 21,634,338 | 14,576,247 | 4,778,753 | 1,302,166 |
| Non-current | | | | | | | | |
| Assets | 4,291,128 | 5,081,047 | 0 | 0 | 1,770,756 | 1,026,497 | 1,007,799 | 2,182,343 |
| Liabilities | (95,224) | (550,195) | 0 | 0 | (12,993) | (181,462) | (57,632) | (112,978) |
| Total non-current net assets | 4,195,904 | 4,530,852 | 0 | 0 | 1,757,763 | 845,035 | 950,167 | 2,069,365 |
| Net assets | 25,370,120 | 29,810,050 | 73,200 | 3,942,327 | 23,392,101 | 15,421,282 | 5,728,920 | 3,371,531 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of cash flows

| | Penaga Dresser Sdn. Bhd. For the financial year ended 31 December | | Delcom Utilities (Cambodia) Limited For the financial year ended 31 December | | Turboservices Sdn. Bhd. For the financial year ended 31 December | | Deleum Primera Sdn. Bhd. For the financial year ended 31 December | |
|---|---|---|---|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash flows from operating activities | | | | | | | | |
| Cash generated from operations | 10,506,621 | 39,561,065 | 0 | 0 | 524,556 | 6,006,589 | 12,318,952 | 10,260,463 |
| Tax paid | (3,839,544) | (5,804,336) | 0 | 0 | (2,000,709) | (96,437) | (3,689,652) | (732,142) |
| Interest (paid)/ received | (26,715) | (38,885) | 0 | 0 | 732,691 | 1,121,682 | (396,586) | (1,096,736) |
| Net cash generated from/(used in) operating activities | 6,640,362 | 33,717,844 | 0 | 0 | (743,462) | 7,031,834 | 8,232,714 | 8,431,585 |
| Net cash (used in)/generated from investing activities | (671,705) | (843,546) | 0 | 0 | (814,818) | (119,176) | 13,025,277 | (15,566,018) |
| Net cash used in financing activities | (12,509,392) | (22,562,299) | 0 | 0 | (3,716,050) | (3,215,394) | (18,941,368) | (29,831,151) |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of cash flows (continued)

| | Penaga Dresser Sdn. Bhd. | | Delcom Utilities (Cambodia) Limited | | Turboservices Sdn. Bhd. | | Deleum Primera Sdn. Bhd. | |
|---|---|---|---|---|---|---|---|---|
| | For the financial year ended 31 December | | For the financial year ended 31 December | | For the financial year ended 31 December | | For the financial year ended 31 December | |
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Net (decrease)/ increase in cash and cash equivalents | (6,540,735) | 10,311,999 | 0 | 0 | (5,274,330) | 3,697,264 | 2,316,623 | (36,965,584) |
| Foreign currency translation | (1,319) | (250) | 0 | 0 | 54,342 | (9,478) | 0 | 0 |
| Cash and cash equivalents at beginning of the financial year | 13,036,191 | 2,724,442 | 0 | 0 | 50,788,032 | 47,100,246 | 256,283 | 37,221,867 |
| Cash and cash equivalents at end of the financial year | 6,494,137 | 13,036,191 | 0 | 0 | 45,568,044 | 50,788,032 | 2,572,906 | 256,283 |

## 16 JOINT VENTURE

| | Company | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Unquoted shares at cost | 29,375,937 | 29,375,937 |

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Group's share of net assets of joint venture | 32,933,522 | 31,588,427 |

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

## 16 JOINT VENTURE (CONTINUED)

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

| | For the financial year ended 2021 RM | For the financial year ended 2020 RM |
|---|---|---|
| Revenue | 4,562,536 | 4,114,224 |
| Depreciation | (1,223,705) | (1,983,460) |
| Interest income | 424,411 | 554,144 |
| Profit before tax | 2,153,066 | 702,892 |
| Tax expense | (483,178) | (66,818) |
| Profit for the year/Total comprehensive income for the financial year | 1,669,888 | 636,074 |
| Interest in joint venture (80.55%) | | |
| Share of results | 1,345,095 | 512,358 |

Summarised statement of financial position

| | As at 31 December 2021 RM | As at 31 December 2020 RM |
|---|---|---|
| Current | | |
| Cash and bank balances | 29,077,371 | 26,846,504 |
| Other current assets (excluding cash and bank balances) | 685,305 | 302,157 |
| Total current assets | 29,762,676 | 27,148,661 |
| Financial liabilities (excluding trade payables) | (111,360) | (444,174) |
| Other current liabilities (including trade payables) | (180,878) | (127,825) |
| Total current liabilities | (292,238) | (571,999) |
| Non-current | | |
| Assets | 12,373,788 | 13,594,498 |
| Liabilities | (958,413) | (955,235) |
| Net assets | 40,885,813 | 39,215,925 |

## 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.

| | As at 31 December | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Opening net assets | | |
| 1 January | 31,588,427 | 31,076,069 |
| Share of profit for the year | 1,345,095 | 512,358 |
| Closing net assets | 32,933,522 | 31,588,427 |
| Interest in joint venture (80.55%) | 32,933,522 | 31,588,427 |
| Carrying value | 32,933,522 | 31,588,427 |

## 17 ASSOCIATES

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Group's share of net assets of associates | 24,373,425 | 24,500,638 |

In the opinion of the Directors, as at 31 December 2021, Malaysian Mud and Chemicals Sdn. Bhd. ("MMC") is a material associate while Cambodia Utilities Pte Ltd ("CUPL") has been liquidated and ceased to be an associate of the Group during the financial year ended 31 December 2020. 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 34 to the financial statements. The associates have share capitals consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

MMC, being the sole associate to the Group, is a private company and there is no quoted market price available for the shares.

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

## 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 | |
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revenue | 48,095,586 | 44,219,124 | 0 | 0 | 48,095,586 | 44,219,124 |
| Depreciation | (7,903,059) | (7,745,550) | 0 | 0 | (7,903,059) | (7,745,550) |
| Interest income | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 23,277,606 | 20,550,929 | 0 | 316,805 | 23,277,606 | 20,867,734 |
| Tax expense | (5,675,147) | (5,100,839) | 0 | 0 | (5,675,147) | (5,100,839) |
| Profit for the year | 17,602,459 | 15,450,090 | 0 | 316,805 | 17,602,459 | 15,766,895 |
| Other comprehensive income | | | | | | |
| Currency translation differences | 0 | 0 | 0 | 1,295,013 | 0 | 1,295,013 |
| Total comprehensive income for the financial year | 17,602,459 | 15,450,090 | 0 | 1,611,818 | 17,602,459 | 17,061,908 |
| Interest in associates (32%; 20%) Share of results | 5,632,787 | 4,944,028 | 0 | 63,361 | 5,632,787 | 5,007,389 |
| Dividends receivable/ distribution of net asset surplus from associate | 5,760,000 | 8,000,000 | 0 | 147,917 | 5,760,000 | 8,147,917 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 17 ASSOCIATES (CONTINUED)

Summarised statements of financial position

| | MMC | | CUPL | | Total | |
|---|---|---|---|---|---|---|
| | As at 31 December | | As at 31 December | | As at 31 December | |
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Current | | | | | | |
| Cash and bank balances | 5,578,930 | 2,180,218 | 0 | 0 | 5,578,930 | 2,180,218 |
| Other current assets (excluding cash and bank balances) | 28,650,680 | 31,725,481 | 0 | 0 | 28,650,680 | 31,725,481 |
| Total current assets | 34,229,610 | 33,905,699 | 0 | 0 | 34,229,610 | 33,905,699 |
| Financial liabilities (excluding trade payables) | (5,503,124) | (5,291,842) | 0 | 0 | (5,503,124) | (5,291,842) |
| Other current liabilities (including trade payables) | (143,769) | (291,741) | 0 | 0 | (143,769) | (291,741) |
| Total current liabilities | (5,646,893) | (5,583,583) | 0 | 0 | (5,646,893) | (5,583,583) |
| Non-current | | | | | | |
| Assets | 56,104,633 | 57,594,259 | 0 | 0 | 56,104,633 | 57,594,259 |
| Liabilities | (8,520,398) | (9,351,882) | 0 | 0 | (8,520,398) | (9,351,882) |
| Net assets | 76,166,952 | 76,564,493 | 0 | 0 | 76,166,952 | 76,564,493 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 17 ASSOCIATES (CONTINUED)

Reconciliation of summarised financial information

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

| | MMC | | CUPL | | Total | |
|---|---|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Opening net assets 1 January | 76,564,493 | 86,114,403 | 0 | 36,217,558 | 76,564,493 | 122,331,961 |
| Profit for the year | 17,602,459 | 15,450,090 | 0 | 316,805 | 17,602,459 | 15,766,895 |
| Other comprehensive income | 0 | 0 | 0 | 1,295,013 | 0 | 1,295,013 |
| Waiver on amount owing by CUPL's shareholder | 0 | 0 | 0 | (37,089,792) | 0 | (37,089,792) |
| Distribution of net assets surplus arising from dissolution of an associate | 0 | 0 | 0 | (739,584) | 0 | (739,584) |
| Dividends | (18,000,000) | (25,000,000) | 0 | 0 | (18,000,000) | (25,000,000) |
| Closing net assets | 76,166,952 | 76,564,493 | 0 | 0 | 76,166,952 | 76,564,493 |
| Interest in associates (32%; 20%) | 24,373,425 | 24,500,638 | 0 | 0 | 24,373,425 | 24,500,638 |
| Carrying value | 24,373,425 | 24,500,638 | 0 | 0 | 24,373,425 | 24,500,638 |

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Amounts due from subsidiaries | 40,653,581 | 56,263,776 |
| Amounts due to subsidiaries | (1,165,392) | (11,451,071) |

Included in amounts due from subsidiaries are amounts due from a subsidiary amounting to RM2,200,000 (2020: RM2,200,000) in relation to the finance of the purchase of equipment. These amounts are unsecured, interest is charged at 4.15% per annum (2020: 4.15% per annum) and repayable on demand.

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

The carrying amounts of the amount due from/(to) subsidiaries of the Company at the reporting date approximates their respective fair values.

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 19 INVENTORIES

| | Group | |
|---|---|---|
| | **2021 RM** | **2020 RM** |
| At cost: | | |
| Finished goods | 19,772,692 | 22,053,752 |
| Goods in transit | 22,729,757 | 9,817,201 |
| Less: Allowance for slow moving inventories | (10,490,851) | (1,429,150) |
| | 32,011,598 | 30,441,803 |

Included in costs of sales are inventories consumed and recognised as cost of sales during the year of RM82,725,810 (2020: RM103,489,732).

Movement in allowance for slow moving inventories is as follows:

| | Group | |
|---|---|---|
| | **2021 RM** | **2020 RM** |
| At 1 January | 1,429,150 | 1,569,392 |
| Allowance made during the year | 9,248,808 | 197,743 |
| Reversal of allowance made | (135,860) | (18,031) |
| Written off during the year | (51,247) | (319,954) |
| At 31 December | 10,490,851 | 1,429,150 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Non-current: | | | | |
| Other receivables | 3,256,574 | 4,425,630 | 0 | 0 |
| Less: Impairment of other receivables | (1,375,192) | (1,204,360) | 0 | 0 |
| | 1,881,382 | 3,221,270 | 0 | 0 |
| Deposits | 0 | 5,653,485 | 0 | 0 |
| | 1,881,382 | 8,874,755 | 0 | 0 |
| Current: | | | | |
| Trade receivables | 82,853,796 | 68,524,185 | 0 | 0 |
| Less: Impairment of trade receivables | (6,446,841) | (1,806,697) | 0 | 0 |
| Trade receivables, net | 76,406,955 | 66,717,488 | 0 | 0 |
| Contract assets | 88,363,464 | 75,853,827 | 0 | 0 |
| Less: Impairment of contract assets | (196,178) | (42,469) | 0 | 0 |
| Contract assets, net | 88,167,286 | 75,811,358 | 0 | 0 |
| Other receivables | 13,645,908 | 2,432,328 | 10,459 | 35,881 |
| Less: Impairment of other receivables | (41,653) | (49,530) | 0 | 0 |
| | 13,604,255 | 2,382,798 | 10,459 | 35,881 |
| Deposits | 1,653,738 | 1,803,738 | 21,489 | 23,150 |
| Prepayments* | 5,099,566 | 11,989,108 | 1,276,082 | 297,510 |
| | 20,357,559 | 16,175,644 | 1,308,030 | 356,541 |
| | 184,931,800 | 158,704,490 | 1,308,030 | 356,541 |

* Included are advances to trade suppliers.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Other receivables

Included in other receivable is upfront deposits paid by the Group for an investment which involves a joint collaborative effort with an independent third party and are held for long-term strategical purposes.

In the previous financial year ended 31 December 2020, the Group has decided to withdraw its interest from this jointly collaborative investment plan. As part of an amicable mutual settlement, the other independent third party has decided to re-acquire back the investment rights currently held by the Group at a sum of Euro 800,000 payable on a staggered basis over a three years period. Accordingly, an impairment loss of RM1,204,360 was made in the previous financial year ended 31 December 2020. During the financial year ended 31 December 2021, an additional impairment loss of RM212,485 is being recognised in the profit or loss.

The maturity profile of other receivable can be analysed as follows:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Due after 12 months | 1,881,382 | 3,221,270 |
| Due within 12 months | 1,041,524 | 495,770 |

Movement in impairment of other receivables is as follows:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| At 1 January | 1,253,890 | 49,530 |
| Impairment made during the year | 212,485 | 1,204,360 |
| Written off during the year | (49,530) | 0 |
| At 31 December | 1,416,845 | 1,253,890 |

Deposits

Included in non-current deposits are advance payments made amounting to Nil (2020: RM5,653,485) for the purchases of plant and equipment that are pending fulfilment on the asset recognition pre-requisites.

Other receivables, deposits and prepayments are non-trade in nature, unsecured, interest free, payable on demand.

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The currency profile of other receivables, deposits and prepayments is as follows:

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| - Ringgit Malaysia | 19,298,016 | 20,870,229 |
| - US Dollar | 18,019 | 463,130 |
| - Euro Dollar | 2,922,906 | 3,717,040 |
| | 22,238,941 | 25,050,399 |

Trade receivables

The currency profile of trade receivables is as follows:

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| - Ringgit Malaysia | 24,503,557 | 26,508,440 |
| - US Dollar | 51,897,099 | 39,601,311 |
| - Sterling Pound | 0 | 431,343 |
| - Indonesian Rupiah | 0 | 176,394 |
| - Euro | 6,299 | 0 |
| | 76,406,955 | 66,717,488 |

Credit terms of trade receivables range from 30 to 90 days (2020: 30 to 90 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their transaction price on initial recognition.

70% of the Group's trade receivables as at 31 December 2021 (2020: 66%) relates to 5 (2020: 5) main customers while the remaining balance is spread over a large number of customers. The major customers are primarily companies involved in the oil and gas industry.

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables (continued)

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

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Neither past due nor impaired | 61,716,116 | 61,374,404 |
| 1 to 30 days past due not impaired | 11,285,301 | 2,469,109 |
| 31 to 60 days past due not impaired | 1,032,439 | 611,584 |
| 61 to 90 days past due not impaired | 541,876 | 476,292 |
| 91 to 120 days past due not impaired | 42,926 | 225,420 |
| More than 121 days past due not impaired | 1,788,297 | 1,560,679 |
| Not past due but impaired | 93,033 | 0 |
| Past due and impaired: | | |
| 1 to 30 days past due and impaired | 175,250 | 0 |
| 31 to 60 days past due and impaired | 1,043,035 | 0 |
| More than 121 days past due and impaired | 5,135,523 | 1,806,697 |
| | 82,853,796 | 68,524,185 |
| Less: Impairment of receivables | (6,446,841) | (1,806,697) |
| | 76,406,955 | 66,717,488 |

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 RM14,690,839 (2020: RM5,343,084) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables (continued)

Receivables that are not past due but impaired

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

Movement in impairment of trade receivables is as follows:

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| At 1 January | 1,806,697 | 997,824 |
| Impairment made during the year | 4,916,423 | 962,890 |
| Written off during the year | (13,485) | 0 |
| Reversal of impairment losses | (262,794) | (154,017) |
| At 31 December | 6,446,841 | 1,806,697 |

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

Contract assets

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Accrued revenue | 87,667,239 | 75,406,131 |
| Less: Impairment of accrued revenue | (97,578) | (42,469) |
| Accrued revenue, net | 87,569,661 | 75,363,662 |
| Retention sum | 696,225 | 447,696 |
| Less: Impairment of retention sum | (98,600) | 0 |
| | 597,625 | 447,696 |
| | 88,167,286 | 75,811,358 |

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Contract assets of which performance obligations have been satisfied

a. Accrued Revenue and Retention Sum

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

Contract assets have increased by RM12.4 million due to unbilled amount on goods delivered and services performed, offset by amount transferred to trade receivables when the billing milestone is met.

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

| | Group | |
|---|---|---|
| | **2021 RM** | **2020 RM** |
| - Ringgit Malaysia | 49,866,580 | 51,611,089 |
| - US Dollar | 38,300,706 | 23,989,067 |
| - Indonesian Rupiah | 0 | 95,516 |
| - Saudi Arabia Riyal | 0 | 115,686 |
| | 88,167,286 | 75,811,358 |

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

| | Group | |
|---|---|---|
| | **2021 RM** | **2020 RM** |
| At 1 January | 42,469 | 542,562 |
| Impairment made during the year | 196,178 | 36,413 |
| Written off during the year | 0 | (532,577) |
| Reversal of impairment losses | (42,469) | (3,929) |
| At 31 December | 196,178 | 42,469 |

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

## 21 AMOUNTS DUE FROM/(TO) ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Amounts due from associates | 1,920,366 | 3,200,223 | 16 | 223 |

Included in the amounts due from associates is dividend receivable of RM1,920,000 (2020: RM3,200,000).

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

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

## 22 AMOUNT DUE FROM A JOINT VENTURE

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Amount due from a joint venture | 176,331 | 121,200 | 176,331 | 121,200 |

The amount due from a joint venture is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

## 23 INVESTMENT SECURITIES

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Current | | |
| - Unit trust investments | 0 | 13,015,095 |

## 24 CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and cash equivalents* | 183,378,720 | 179,171,185 | 11,991,784 | 15,228,007 |
| Add: | | | | |
| Cash held in a designated account | 3,833,827 | 5,233,190 | 0 | 0 |
| Deposits pledged as security | 5,500,000 | 5,500,000 | 0 | 0 |
| Restricted cash | 0 | 29,711,413 | 0 | 0 |
| Total cash and bank balances | 192,712,547 | 219,615,788 | 11,991,784 | 15,228,007 |
| Represented by: | | | | |
| Deposits with licensed banks | 179,119,234 | 166,605,672 | 11,916,000 | 15,190,000 |
| Cash and bank balances | 13,593,313 | 53,010,116 | 75,784 | 38,007 |
| Total cash and bank balances | 192,712,547 | 219,615,788 | 11,991,784 | 15,228,007 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| - Ringgit Malaysia | 192,096,580 | 212,291,927 | 11,991,784 | 15,228,007 |
| - US Dollar | 509,499 | 7,215,489 | 0 | 0 |
| - Euro Dollar | 1,930 | 2,579 | 0 | 0 |
| - Singapore Dollar | 92,115 | 90,835 | 0 | 0 |
| - Hong Kong Dollar | 12,423 | 14,958 | 0 | 0 |
| | 192,712,547 | 219,615,788 | 11,991,784 | 15,228,007 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Interest rate (%) | 0.01 - 1.60 | 0.01 - 3.12 | 1.50 -1.60 | 0.80 - 2.88 |
| Maturities (days) | 1 - 33 | 1 - 34 | 1 - 33 | 1 - 30 |

Cash held in a designated account is escrow account required by the terms of the term loans undertaken by subsidiary companies (Note 25).

* Included in cash and cash equivalents are cash in hand of RM24,124 as at 31 December 2021 (2020: RM28,663).

## 24 CASH AND BANK BALANCES (CONTINUED)

As announced by the Company on 19 August 2021 to Bursa Malaysia Securities Berhad, MACC had on 18 August 2021 issued a notice of compound to Deleum Primera Sdn. Bhd. ("DPSB") in accordance with Section 92(1) of the Act. This is as a direct result of the involvement of DPSB's former executive employees along with its suppliers, contractors and employees of a client ("Defendants") in relation to an alleged illegal scheme. There will be no prosecution against DPSB. The affected bank deposits that have been frozen previously were released subsequently as at the reporting date.

## 25 BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revolving credits | 7,140,000 | 27,800,000 | 7,140,000 | 22,800,000 |
| Lease liabilities on right-of-use assets | 1,495,776 | 2,378,380 | 85,583 | 110,329 |
| Term loans | 21,680,000 | 48,270,000 | 0 | 0 |
| | 30,315,776 | 78,448,380 | 7,225,583 | 22,910,329 |
| Less: amount repayable within 12 months | | | | |
| Revolving credits | (7,140,000) | (27,800,000) | (7,140,000) | (22,800,000) |
| Lease liabilities on right-of-use assets | (1,248,689) | (1,325,926) | (58,681) | (49,065) |
| Term loans | (17,480,000) | (26,590,000) | 0 | 0 |
| | (25,868,689) | (55,715,926) | (7,198,681) | (22,849,065) |
| Amount repayable after 12 months | 4,447,087 | 22,732,454 | 26,902 | 61,264 |

(a) Term loans (secured)

The above term loans were structured as follows:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Term loan – TL 1 | 0 | 4,870,000 |
| Term loan – TL 2 | 10,280,000 | 25,400,000 |
| Term loan – TL 3 | 11,400,000 | 18,000,000 |
| | 21,680,000 | 48,270,000 |

## 25 BORROWINGS (CONTINUED)

(a) Term loans (secured) (continued)

Term loan – TL 1

On 9 November 2018, a subsidiary of the Group drew down a new term loan to part finance the purchase of plant and equipment. Full drawdown of RM10,980,000 was made as at 31 December 2020. The term loan is secured over the plant and equipment financed under the term loan.

The term loan carries an interest of 0.9% above the bank's KLIBOR. The loan is repayable by way of 39 monthly principal instalment with the first instalment of RM370,000, equal monthly instalment payable of RM410,000 over the next 14 months while on the 16th month thereof the equal monthly instalment payable shall be RM580,000 with the last principal instalment payable of RM230,000. The first instalment commences on the 6th month from the date of the first drawdown. The first instalment payment was made in April 2019. The tenure of the loan is 4 years and 1 month.

The term loan was fully repaid during the year.

Term loan – TL 2

On 27 August 2019, a subsidiary of the Group drew down an additional term loan to part finance the purchase of new slickline equipment and tools following the new slickline contract secured on 15 January 2019. Full drawdown of RM38,000,000 was made as at 31 December 2020. 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 guarantees comprising of RM20,000,000 and RM136,000,000 furnished by the Company and another subsidiary of the Group respectively covering for the existing and new term loan raised to part finance the purchase of slickline equipment and tools.

The term loan carries an interest of 1.1% per annum above the KLIBOR. The loan is repayable by way of 30 monthly principal instalments with equal monthly instalment of RM1,260,000 with the last principal instalment payable of RM1,460,000. The first instalment commences on the 6th 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 March 2020. The tenure of the loan is 3 years.

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2021 is RM2,573,367 (2020: RM2,661,384) (Note 24).

Term loan – TL 3

On 21 July 2020, a subsidiary of the Group drew down an additional term loan to part finance the purchase of the new slickline equipment and tools. Full drawdown of RM18,000,000 was made as at 31 December 2020. The term loan is secured by an "all monies" first legal charge over the newly purchased slickline equipment and tools of the subsidiary as disclosed in Note 12 and corporate guarantees comprising of RM20,000,000 and RM136,000,000 furnished by the Company and another subsidiary of the Group respectively covering the existing and new term loan raised to part finance the purchase of slickline equipment and tools.

The term loan carries an interest of 1.25% per annum above the KLIBOR. The loan is repayable by way of 30 monthly equal principal instalments of RM600,000. The first instalment commences on the 6th 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 on 21 February 2021. The tenure of the loan is 3 years.

## 25 BORROWINGS (CONTINUED)

(a) Term loans (secured) (continued)

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 2021 is RM1,260,460 (2020: RM1,299,816) (Note 24).

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

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

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Not later than 1 year | 17,480,000 | 26,590,000 |
| Later than 1 year but not later than 2 years | 4,200,000 | 17,480,000 |
| Later than 2 years but not later than 5 years | 0 | 4,200,000 |
| | 21,680,000 | 48,270,000 |

(b) Revolving credits (unsecured)

The revolving credits facility was drawn down to part finance the purchase of additional slickline equipment and tools and for working capital requirements. The amount was rolled-over on a monthly basis at an average rate of 3.38% (1.00% per annum above the bank's cost of fund) (2020: 4.06%). The interest is fixed at the date of each drawdown 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 25 BORROWINGS (CONTINUED)

(c) Lease liabilities

Finance lease liabilities and lease liabilities on right-of-use assets

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Future minimum lease payments on right-of-use assets and hire purchase: | | |
| Not later than 1 year | 1,290,512 | 1,410,826 |
| Later than 1 year but not later than 2 years | 152,818 | 823,241 |
| Later than 2 years but not later than 5 years | 108,432 | 273,911 |
| | 1,551,762 | 2,507,978 |
| Less: Future finance charges | (55,986) | (129,598) |
| Present value of lease liabilities and hire purchase | 1,495,776 | 2,378,380 |
| Analysis of present value of lease liabilities on right-of-use asset and hire purchase: | | |
| Not later than 1 year | 1,248,689 | 1,325,926 |
| Later than 1 year but not later than 2 years | 142,735 | 793,168 |
| Later than 2 years but not later than 5 years | 104,352 | 259,286 |
| | 1,495,776 | 2,378,380 |
| Analysed as: | | |
| Due within 12 months | 1,248,689 | 1,325,926 |
| Due after 12 months | 247,087 | 1,052,454 |
| | 1,495,776 | 2,378,380 |

The lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% (2020: 2.46% to 5.21%).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 25 BORROWINGS (CONTINUED)

(c) Lease liabilities (continued)

Finance lease liabilities and lease liabilities on right-of-use assets (continued)

| | Company 2021 RM | Company 2020 RM |
|---|---|---|
| Future minimum lease payments on right-of-use assets: | | |
| Not later than 1 year | 61,865 | 53,280 |
| Later than 1 year and not later than 2 years | 20,468 | 38,551 |
| Later than 2 years but not later than 5 years | 7,864 | 25,888 |
| | 90,197 | 117,719 |
| Less: Future finance charges | (4,614) | (7,390) |
| Present value of lease liabilities | 85,583 | 110,329 |
| Analysis of present value of lease liabilities on right-of-use assets: | | |
| Not later than 1 year | 58,681 | 49,065 |
| Later than 1 year and not later than 2 years | 19,118 | 36,373 |
| Later than 2 years but not later than 5 years | 7,784 | 24,891 |
| | 85,583 | 110,329 |
| Analysed as: | | |
| Due within 12 months | 58,681 | 49,065 |
| Due after 12 months | 26,902 | 61,264 |
| | 85,583 | 110,329 |

The lease liabilities on right-of-use assets carry interest rates at 3.82% (2020: 3.82%).

## 25 BORROWINGS (CONTINUED)

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

| Group | Other borrowings* RM | Lease liabilities on right-of-use assets RM | Total RM |
|---|---|---|---|
| As at 1 January 2021 | 76,070,000 | 2,378,380 | 78,448,380 |
| Cash flows: | | | |
| - Repayments | (47,250,000) | (1,614,940) | (48,864,940) |
| - Interest paid | (1,796,275) | (98,335) | (1,894,610) |
| Non-cash changes: | | | |
| - Finance costs | 1,766,533 | 98,335 | 1,864,868 |
| - Movement in finance cost payable | 29,742 | 0 | 29,742 |
| - Acquisition of new leases | 0 | 853,061 | 853,061 |
| - Lease modification and disposal | 0 | (120,725) | (120,725) |
| As at 31 December 2021 | 28,820,000 | 1,495,776 | 30,315,776 |
| As at 1 January 2020 | 87,165,073 | 1,854,300 | 89,019,373 |
| Cash flows: | | | |
| - Drawdowns | 31,819,933 | 0 | 31,819,933 |
| - Repayments | (42,915,006) | (1,563,602) | (44,478,608) |
| - Interest paid | (2,885,430) | (124,217) | (3,009,647) |
| Non-cash changes: | | | |
| - Finance costs | 2,863,786 | 124,217 | 2,988,003 |
| - Movement in finance cost payable | 21,644 | 0 | 21,644 |
| - Acquisition of new leases | 0 | 2,439,523 | 2,439,523 |
| - Lease modification and disposal | 0 | (305,015) | (305,015) |
| - Rental concession | 0 | (46,826) | (46,826) |
| As at 31 December 2020 | 76,070,000 | 2,378,380 | 78,448,380 |

* Other borrowings include revolving credits, term loans and loans against imports.

## 25 BORROWINGS (CONTINUED)

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

| Company | Other borrowings* RM | Lease liabilities on right-of-use assets RM | Total RM |
|---|---|---|---|
| As at 1 January 2021 | 22,800,000 | 110,329 | 22,910,329 |
| Cash flows: | | | |
| - Repayments | (15,660,000) | (52,333) | (15,712,333) |
| - Interest paid | (685,423) | (4,925) | (690,348) |
| Non-cash changes: | | | |
| - Finance costs | 656,339 | 525 | 656,864 |
| - Finance costs re-charged to subsidiaries | 0 | 4,400 | 4,400 |
| - Movement in finance cost payable | 29,084 | 0 | 29,084 |
| - Acquisition of new lease | 0 | 39,754 | 39,754 |
| - Lease modification and disposal | 0 | (12,167) | (12,167) |
| As at 31 December 2021 | 7,140,000 | 85,583 | 7,225,583 |
| As at 1 January 2020 | 24,800,000 | 147,675 | 24,947,675 |
| Cash flows: | | | |
| - Repayments | (2,000,000) | (51,186) | (2,051,186) |
| - Interest paid | (970,243) | (6,414) | (976,657) |
| Non-cash changes: | | | |
| - Finance costs | 946,031 | 314 | 946,345 |
| - Finance costs re-charged to subsidiaries | 0 | 6,100 | 6,100 |
| - Movement in finance cost payable | 24,212 | 0 | 24,212 |
| - Acquisition of new lease | 0 | 134,402 | 134,402 |
| - Lease modification and disposal | 0 | (120,562) | (120,562) |
| As at 31 December 2020 | 22,800,000 | 110,329 | 22,910,329 |

* Other borrowings include revolving credits.

## 26 DERIVATIVE FINANCIAL INSTRUMENT

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

| | Group | | Company | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| As at 1 January | 0 | (45,358) | 0 | (11,084) |
| Changes in fair value | (764,803) | 45,358 | 0 | 752,670 |
| Settlement during the year | 849,257 | 0 | 0 | (786,944) |
| As at 31 December | 84,454 | 0 | 0 | (45,358) |

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The settlement dates on forward foreign exchange contracts range between 1 to 180 days. As at the reporting date, the notional principal amount of the outstanding forward foreign exchange contracts was RM 8,324,886 (2020: RM925,689).

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

As at year end, the fair value gain arising from the forward foreign exchange contracts entered by the Group and remained outstanding as at 31 December 2021 is RM84,454 (2020: loss of RM45,358).

## 27 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade payables | 143,160,958 | 132,608,035 | 0 | 0 |
| Contract liabilities | 5,375,481 | 18,693,781 | 0 | 0 |
| Other payables | 19,687,930 | 10,637,684 | 747,486 | 52,084 |
| Staff related accruals | 4,092,105 | 4,181,358 | 1,793,708 | 652,223 |
| Other accruals | 9,274,852 | 7,114,146 | 790,686 | 858,741 |
| | 13,366,957 | 11,295,504 | 2,584,394 | 1,510,964 |
| | 33,054,887 | 21,933,188 | 3,331,880 | 1,563,048 |
| | 181,591,326 | 173,235,004 | 3,331,880 | 1,563,048 |

## 27 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

The currency profile of trade payables is as follows:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| - Ringgit Malaysia | 31,628,755 | 49,507,830 |
| - US Dollar | 108,951,184 | 80,576,029 |
| - Singapore Dollar | 10,925 | 226,905 |
| - Sterling Pound | 0 | 429,666 |
| - Euro Dollar | 1,520 | 158,554 |
| - Indonesian Rupiah | 2,568,574 | 1,709,051 |
| | 143,160,958 | 132,608,035 |

The currency profile of other payables is as follows:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| - Ringgit Malaysia | 32,182,671 | 19,661,388 |
| - US Dollar | 814,898 | 2,249,461 |
| - Singapore Dollar | 57,318 | 22,339 |
| | 33,054,887 | 21,933,188 |

Other payables of the Company are denominated in Ringgit Malaysia.

Credit terms of payment granted by the suppliers of the Group are 30 to 60 days (2020: 30 to 60 days).

Contract liabilities have decreased by RM13.3 million due to the recognition of revenue during the year on the prior year contract liabilities, on which the performance obligation has been satisfied. This decrease is offset by additional advance billings done on certain projects in which the performance obligations have not been satisfied, goods not delivered and services not performed during the year.

Contract liabilities are denominated in Ringgit Malaysia.

## 28 DEFERRED TAX

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 28 DEFERRED TAX (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Deferred tax assets | 1,222,834 | 1,772,483 | 379,067 | 453,426 |
| Deferred tax liabilities | (14,852,907) | (18,256,596) | 0 | 0 |
| At 1 January | (16,484,113) | (19,836,768) | 453,426 | 553,493 |
| Credited/(charged) to profit or loss (Note 9) | | | | |
| - property, plant and equipment | 2,022,346 | 5,805,236 | (130,421) | (10,283) |
| - unutilised tax losses | (217,203) | (1,503,753) | (217,203) | 38,608 |
| - deferred cost | 1,485,698 | 477,682 | 0 | 0 |
| - deferred revenue | (1,805,150) | (535,953) | 0 | 0 |
| - provisions | 1,135,513 | (761,267) | 273,265 | (128,392) |
| - others | 232,836 | (129,290) | 0 | 0 |
| | 2,854,040 | 3,352,655 | (74,359) | (100,067) |
| | (13,630,073) | (16,484,113) | 379,067 | 453,426 |
| Recognised deferred tax assets | | | | |
| Deferred tax assets (before offsetting) | | | | |
| Property, plant and equipment | 4,989,280 | 2,716,770 | 0 | 59,058 |
| Unutilised tax losses | 0 | 217,203 | 0 | 217,203 |
| Deferred revenue | 658,390 | 2,463,540 | 0 | 0 |
| Provisions | 2,477,401 | 1,341,888 | 467,081 | 193,816 |
| Others | 343,780 | 327,364 | 0 | 0 |
| | 8,468,851 | 7,066,765 | 467,081 | 470,077 |
| Less: Offsetting | (7,246,017) | (5,294,282) | (88,014) | (16,651) |
| Deferred tax assets (after offsetting) | 1,222,834 | 1,772,483 | 379,067 | 453,426 |

## 28 DEFERRED TAX (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Recognised deferred tax liabilities | | | | |
| Deferred tax liabilities (before offsetting) | | | | |
| Property, plant and equipment | (21,093,330) | (20,843,166) | (88,014) | (16,651) |
| Deferred cost | (690,622) | (2,176,320) | 0 | 0 |
| Others | (314,972) | (531,392) | 0 | 0 |
| | (22,098,924) | (23,550,878) | (88,014) | (16,651) |
| Less: Offsetting | 7,246,017 | 5,294,282 | 88,014 | 16,651 |
| Deferred tax liabilities (after offsetting) | (14,852,907) | (18,256,596) | 0 | 0 |

Unrecognised deferred tax assets

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

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Property, plant and equipment | 5,343,252 | 8,927,054 |
| Unutilised tax losses | 8,713,048 | 7,738,179 |
| Deferred revenue | 1,569,265 | 8,796,006 |
| Accruals | 5,388,543 | 321,140 |
| Others | 44,641 | 810,762 |
| Total unrecognised temporary differences | 21,058,749 | 26,593,141 |
| Unrecognised deferred tax assets | 5,054,100 | 6,382,354 |

Any unutilised tax losses from 2019 onwards shall only be allowed to be carried forward for a maximum period of ten (10) consecutive years commencing from the year such unutilised tax losses were incurred or from 2019 onwards for any unutilised tax losses that were incurred prior to 2019 whilst unused capital allowance are allowed to be carried forward indefinity. Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profits will be available against which the Group can utilise the benefits therefrom or upon when such tax benefits had expired under the prevailing tax laws on that reporting date.

As at 31 December 2021, the Group's unutilised tax losses brought forward of RM6,905,858, RM816,921 and RM990,269 will have the limit of utilisation up to years of assessment of 2025, 2027 and 2028 respectively.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 29 DEFERRED INCOME

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Non-current | | |
| As at 1 January | 542,942 | 0 |
| Received during the year | 99,747 | 542,942 |
| Recognised in profit or loss | (134,786) | 0 |
| Grants repayable | (195,814) | 0 |
| As at 31 December | 312,089 | 542,942 |

The subsidiaries of the Group had received conditional government grants for the purpose of developing specialty chemical solutions for production enhancement and undertaking asset integrated solutions services respectively in the oil and gas industry.

During the year, the grants received by a subsidiary have been cancelled due to inability in meeting the grant conditions by the subsidiary. Consequently, the relevant grants received are repayable and have been reclassified to other payables accordingly.

## 30 SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Issued and fully paid ordinary shares: | | |
| At 1 January / 31 December | | |
| - 401,553,500 ordinary shares with no par value (2020: 401,553,500 ordinary shares with no par value) | 201,801,508 | 201,801,508 |

## 31 MERGER DEFICIT

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Arising from the Company's business combination with Deleum Services Sdn. Bhd. | 50,000,000 | 50,000,000 |

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

## 32 FINANCIAL INSTRUMENTS

Financial instruments by category

Year ended 31 December 2021

| Group | Financial assets at amortised cost RM | Other financial liabilities at amortised cost RM | Fair value through profit or loss RM | Total RM |
|---|---|---|---|---|
| Assets | | | | |
| Receivables, deposits and prepayments (excluding prepayments, SST receivables and contract assets) | 81,790,399 | 0 | 0 | 81,790,399 |
| Amounts due from associates | 1,920,366 | 0 | 0 | 1,920,366 |
| Amount due from a joint venture | 176,331 | 0 | 0 | 176,331 |
| Derivative financial instrument | 0 | 0 | 84,454 | 84,454 |
| Cash and bank balances | 192,712,547 | 0 | 0 | 192,712,547 |
| | 276,599,643 | 0 | 84,454 | 276,684,097 |
| Liabilities | | | | |
| Trade and other payables (excluding statutory obligations and contract liabilities) | 0 | 171,828,446 | 0 | 171,828,446 |
| Borrowings | 0 | 30,315,776 | 0 | 30,315,776 |
| | 0 | 202,144,222 | 0 | 202,144,222 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 32 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2021

| Company | Financial assets at amortised cost RM | Other financial liabilities at amortised cost RM | Total RM |
|---|---|---|---|
| Assets | | | |
| Receivables, deposits and prepayments (excluding prepayments and contract assets) | 31,948 | 0 | 31,948 |
| Amounts due from subsidiaries | 40,653,581 | 0 | 40,653,581 |
| Amount due from a joint venture | 176,331 | 0 | 176,331 |
| Amount due from an associate | 16 | 0 | 16 |
| Cash and bank balances | 11,991,784 | 0 | 11,991,784 |
| | 52,853,660 | 0 | 52,853,660 |
| Liabilities | | | |
| Other payables and accruals (excluding statutory obligations and contract liabilities) | 0 | 3,073,333 | 3,073,333 |
| Amounts due to subsidiaries | 0 | 1,165,392 | 1,165,392 |
| Borrowings | 0 | 7,225,583 | 7,225,583 |
| | 0 | 11,464,308 | 11,464,308 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 32 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2020

| Group | Financial assets at amortised cost RM | Other financial liabilities at amortised cost RM | Fair value through profit or loss RM | Total RM |
|---|---|---|---|---|
| Assets | | | | |
| Receivables, deposits and prepayments (excluding prepayments, GST receivables and contract assets) | 73,465,614 | 0 | 0 | 73,465,614 |
| Amounts due from associates | 3,200,223 | 0 | 0 | 3,200,223 |
| Amount due from a joint venture | 121,200 | 0 | 0 | 121,200 |
| Investment securities | 0 | 0 | 13,015,095 | 13,015,095 |
| Cash and bank balances | 219,615,788 | 0 | 0 | 219,615,788 |
| | 296,402,825 | 0 | 13,015,095 | 309,417,920 |
| Liabilities | | | | |
| Trade and other payables (excluding statutory obligations and contract liabilities) | 0 | 148,219,299 | 0 | 148,219,299 |
| Borrowings | 0 | 78,448,380 | 0 | 78,448,380 |
| Derivative financial instrument | 0 | 0 | 45,358 | 45,358 |
| | 0 | 226,667,679 | 45,358 | 226,713,037 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 32 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2020

| Company | Financial assets at amortised cost RM | Other financial liabilities at amortised cost RM | Total RM |
|---|---|---|---|
| Assets | | | |
| Receivables, deposits and prepayments (excluding prepayments, GST receivables and contract assets) | 26,476 | 0 | 26,476 |
| Amounts due from subsidiaries | 56,263,776 | 0 | 56,263,776 |
| Amount due from a joint venture | 121,200 | 0 | 121,200 |
| Amount due from an associate | 223 | 0 | 223 |
| Cash and bank balances | 15,228,007 | 0 | 15,228,007 |
| | 71,639,682 | 0 | 71,639,682 |
| Liabilities | | | |
| Other payables and accruals (excluding statutory obligations and contract liabilities) | 0 | 1,365,232 | 1,365,232 |
| Amounts due to subsidiaries | 0 | 11,451,071 | 11,451,071 |
| Borrowings | 0 | 22,910,329 | 22,910,329 |
| | 0 | 35,726,632 | 35,726,632 |

## 33 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

## 33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

| | Company | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| - Management fees | 20,425,800 | 17,263,300 |
| - Dividend income | 16,403,000 | 6,000,000 |
| - Inter-company interest income | 747,635 | 1,037,327 |
| - Re-charge of expenses | 4,263,175 | 4,301,930 |

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

| | Group and Company | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| - Management fees | 538,700 | 469,200 |
| - Re-charge of expenses | 111,101 | 78,772 |

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

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Purchases from Solar Turbines International Company ("STICO") | 239,778,240 | 191,126,810 |
| Purchases from affiliated companies of STICO | 41,571,143 | 46,773,729 |
| Technical fees to STICO | 1,195,326 | 1,302,218 |
| Re-charge of expenses from affiliated company of STICO | 0 | 62,234 |
| | 282,544,709 | 239,264,991 |

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Manpower services to STICO and its affiliated companies | 1,986,998 | 2,263,732 |
| Rental income from an affiliated company of STICO | 54,432 | 54,432 |
| | 2,041,430 | 2,318,164 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Amounts due from STICO and its affiliated company | 2,179,412 | 1,110,891 |
| Amounts due to STICO and its affiliated company | 108,889,683 | 79,943,033 |

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

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Sales to related parties of Dresser Italia S.R.L | 805,996 | 929,094 |
| Purchases from related parties of Dresser Italia S.R.L | 20,047,203 | 30,931,761 |

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

| | Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Amounts due from related parties of Dresser Italia S.R.L | 243,455 | 669,450 |
| Amounts due to related parties of Dresser Italia S.R.L | 4,192,291 | 4,855,821 |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Sales to STICO | 4,000,000 | 3,375,000 |
| Rental income from affiliated company of STICO | 562,536 | 739,224 |
| | 4,562,536 | 4,114,224 |

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

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Amount due from STICO and its affiliated company | 380,204 | 46,878 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Directors' fees | 1,179,900 | 1,033,650 | 1,179,900 | 1,033,650 |
| Salaries and bonuses | 8,823,314 | 9,322,236 | 3,512,097 | 3,538,090 |
| Defined contribution plans | 1,170,704 | 1,194,837 | 514,985 | 495,834 |
| Other remuneration | 2,111,212 | 1,089,818 | 816,878 | 368,489 |
| Estimated monetary value of benefits-in-kind | 380,388 | 301,806 | 154,747 | 184,696 |
| | 13,665,518 | 12,942,347 | 6,178,607 | 5,620,759 |

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 34 CORPORATIONS IN THE GROUP

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

| Name of company | Place of business/ Country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % | Principal activities |
|---|---|---|---|---|
| **SUBSIDIARIES:** | | | | |
| Deleum Services Sdn. Bhd. | Malaysia | 100 | 100 | Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry. |
| Deleum Services Holdings Limited * | Hong Kong | 100 | 100 | Investment holding. |
| Delflow Solutions Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| Subsidiaries of Deleum Services Sdn. Bhd. | | | | |
| Deleum Oilfield Services Sdn. Bhd. | Malaysia | 100 | 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 | 74 | 74 | Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry. |
| VSM Technology Sdn. Bhd. | Malaysia | 90 | 90 | Dormant. |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 34 CORPORATIONS IN THE GROUP (CONTINUED)

| Name of company | Place of business/ Country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % | Principal activities |
|---|---|---|---|---|
| **SUBSIDIARIES (CONTINUED):** | | | | |
| Subsidiaries of Deleum Services Sdn. Bhd. (continued) | | | | |
| Deleum Chemicals Sdn. Bhd. | Malaysia | 100 | 100 | Development and provision of solid deposit removal solutions for enhancement of crude oil production and the supply of oilfield chemicals and services to the oil and gas industry. |
| Wisteria Sdn. Bhd. | Malaysia | 100 | 100 | Commenced members' voluntary liquidation on 14 January 2019^ |
| Delcom Holdings Sdn. Bhd | Malaysia | 100 | 100 | Dormant. |
| Deleum Rotary Services Sdn. Bhd. | Malaysia | 100 | 100 | Servicing, repair and maintenance of motors, generators, transformers, pumps and valves. |
| Deleum Primera Sdn. Bhd. | Malaysia | 60 | 60 | Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities, services for tanks, vessels, structures and piping. |
| Penaga Dresser Sdn. Bhd. | Malaysia | 51 | 51 | Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry. |

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 34 CORPORATIONS IN THE GROUP (CONTINUED)

| Name of company | Place of business/ Country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % | Principal activities |
|---|---|---|---|---|
| **SUBSIDIARIES (CONTINUED):** | | | | |
| Subsidiaries of Deleum Services Holdings Limited | | | | |
| Delcom Utilities (Cambodia) Limited * | British Virgin Islands | 60 | 60 | Investment holding. |
| **JOINT VENTURE:** | | | | |
| Joint venture of Deleum Berhad | | | | |
| Turboservices Overhaul Sdn. Bhd. | Malaysia | 80.55 | 80.55 | Overhaul of gas turbine and maintenance services to oil and gas companies. |
| **ASSOCIATES:** | | | | |
| Associate of Deleum Services Sdn. Bhd. | | | | |
| Malaysian Mud and Chemicals Sdn. Bhd. | Malaysia | 32 | 32 | Operation of a bulking installation, offering dry and liquid bulking services to offshore oil and gas companies. |

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

^ On 25 January 2022, the Group completed the winding up of a wholly-owned dormant subsidiary, Wisteria Sdn. Bhd. ("Wisteria") by way of members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 35 CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Authorised and contracted for at the end of the reporting period but not yet incurred | | | | |
| - Plant and machinery | 732,807 | 3,510,773 | 0 | 0 |
| - Others | 43,849 | 161,861 | 0 | 0 |
| Authorised but not contracted for at the end of the reporting period | | | | |
| - Plant and machinery | 9,769,700 | 21,851,775 | 0 | 0 |
| - Others | 5,557,800 | 4,126,750 | 386,000 | 221,500 |
| | 16,104,156 | 29,651,159 | 386,000 | 221,500 |
| Share of capital commitment of a joint venture | 490,500 | 848,800 | 0 | 0 |
| | 16,594,656 | 30,499,959 | 386,000 | 221,500 |

## 36 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM51,485,401 (2020: RM44,280,624) to third parties in respect of operational requirements, utilities and maintenance contracts.

## 37 MATERIAL LITIGATION

1. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant")

   The Plaintiff has commenced the above legal proceedings against the Defendant wherein it is alleged *inter alia*, that the Defendant had unlawfully terminated the agreement entered into between parties for the supply and delivery of Cargo Handling Equipment (CHE) by the Plaintiff to the Defendant, and wherein there had been severe and protracted delay in delivery of the CHE by the Plaintiff.

   By a Writ of Summons and Statement of Claim dated 21 August 2020, the Plaintiff commenced the above legal proceedings against the Defendant concerning the alleged unlawful termination of the Cargo Handling Equipment Project contract dated 11 October 2018 by the Defendant, claiming for inter alia Judgment for the amount of RM1,400,500.00, being the total sum from invoices allegedly outstanding, and damages in the amount of RM874,500.00 arising from the Defendant's alleged refusal to accept delivery of the CHE.

## 37 MATERIAL LITIGATION (CONTINUED)

1. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant") (continued)

   The Orders and/or relief sought by the Plaintiff, are as follows:
   (a) a Declaration that the termination of the Cargo Handling Equipment Project contract dated 11 October 2018 by the Defendant, was unlawful;
   (b) Judgment for the sum of RM1,400,500.00, being the total sum from invoices allegedly outstanding;
   (c) Damages in the amount of RM874,500.00 due to the Defendant's alleged refusal to accept delivery of the CHE;
   (d) General damages;
   (e) Late payment charges of 1.5% per month, from the date of the Writ of Summons until full settlement of all outstanding invoices;
   (f) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
   (g) Costs; and
   (h) Any other relief deemed fit by the High Court.

   The Suit proceeded for Trial on 27 and 28 September 2021, and 28 October 2021 and both the Plaintiff and the Defendant completed their respective cases on the said Trial dates.

   The Suit came up for Decision on 20 January 2022, wherein the following Decision was delivered by the Court:

   1. The Plaintiff's claim is dismissed;

   2. The Defendant's counterclaim is dismissed, save for the declaration sought by the Defendant, namely for a declaration that the termination of the CHE Project by the Defendant was lawful and valid, which declaration was granted; and

   3. The Plaintiff and the Defendant shall bear its own costs.

   The Plaintiff has filed their appeal at the Court of Appeal on 17 February 2022.

   In essence, the Plaintiff is appealing against the following:
   i) The entire decision made against the Plaintiff; and
   ii) The High Court's decision which declares that Defendant's termination of the CHE Project was lawful and valid.

   The Plaintiff is to file the Memorandum of Appeal together with the Record of Appeal by 20 April 2022.

2. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-768-11/2020) brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant")

   The Plaintiff had commenced the above legal proceedings against the Defendant, wherein it is alleged *inter alia*, that the Defendant had failed to make payment for certain works carried out by the Plaintiff, for which the Defendant had engaged the Plaintiff.

   The Writ of Summons and Statement of Claim, both dated 23 November 2020, was served on the Defendant on 26 November 2020. The Defendant has filed its Memorandum of Appearance dated 9 December 2020 and Defence dated 7 January 2021. The Plaintiff thereafter filed its Reply to Defence dated 21 January 2021.

   The Plaintiff's solicitors have, on 25 January 2021, served on the Defendant's solicitors an Amended Writ and Statement of Claim, both dated 22 January 2021, to –

   i) amend the original claim sum from RM1,568,048.66 to an amended claim sum of RM2,184,584.45; and

   ii) withdraw their claim for a declaration and injunction as the amended claim sum has rendered the declaration and injunction as no longer applicable.

## 37 MATERIAL LITIGATION (CONTINUED)

2. High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-768-11/2020) brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant") (continued)

   The amendments have been sought on the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM616,535.79 became due and payable on 3 December 2020 (i.e. after the filing of their suit on 23 November 2020). Therefore, the Plaintiff has included the invoice amount in the total sum claimed.

   The said amendment is to regularise the Plaintiff's claim and the same would not jeopardise the rights of the Defendant.

   Pursuant to the Amended Writ & Statement of Claim, both dated 22 January 2021, the Plaintiff has sought for the following relief:

   (a) Judgment for the sum of RM2,184,584.45 being the total sum from invoices allegedly outstanding;
   (b) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
   (c) Costs; and
   (d) Any other relief deemed fit by the High Court.

   At the Case Management on 21 July 2021, the Court issued the following directions:

   1. The suit is now fixed for Trial on 22, 23 and 29 September 2022;

   2. The pre-trial documents are required to be filed by 22 August 2022;

   3. The matter is fixed for further Case Management on 22 August 2022; and

   4. The previous Trial dates scheduled on 9, 10 and 11 May 2022, and the Case Management on 9 March 2022, are vacated.

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Primera Sdn Bhd ("Plaintiff") against Deleum Primera's employees, suppliers, contractors and employees of a client ("Defendants")

   The Plaintiff has commenced the above legal proceedings against the Defendants by way of a Writ of Summons dated 5 November 2020 for, amongst others, breaches of fiduciary duty, knowing receipt and dishonest assistance in relation to an alleged fraudulent scheme involving its employees, suppliers, contractors and employees of a client. The sum claimed by the Plaintiff in its Statement of Claim dated 5 November 2020 is RM19,876,389.87.

   On 9 November 2020, the Plaintiff further obtained a Mareva (freezing) Injunction and a Delivery Up Order, on an *ex-parte* basis, against the Defendants. However, on 9 December 2020, Defendant No.9, Semi Hermatics Sdn. Bhd. has succeeded in setting aside the Plaintiff's *ex-parte* Mareva (freezing) Injunction and Delivery Up Order and was awarded damages in the total sum of RM47,168.42 on 25 May 2021 which has been paid by the Plaintiff in July 2021.

   Pursuant thereto, the Plaintiff appealed against this High Court's decision namely CIVIL APPEAL NO.: W-02(IM)(NCC)-62-01/2021 and CIVIL APPEAL NO.: W-02(IM)(NCC)-64-01/2021 but subsequently, withdrew both its appeals on 22 November 2021.

   Pursuant to a hearing on 13 January 2022 the Kuala Lumpur High Court has dismissed the application by Deleum Primera for *inter-partes* Forthwith Delivery Up Order and *inter-partes* Mareva (Freezing) Order against Defendant No. 9 and Defendant No. 10 with costs of RM15,000.00 for each application.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 37 MATERIAL LITIGATION (CONTINUED)

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Primera Sdn Bhd ("Plaintiff") against Deleum Primera's employees, suppliers, contractors and employees of a client ("Defendants") (continued)

On the applications by Defendant No. 1 to Defendant No. 8 and Defendant No. 10 to set aside Deleum Primera's *ex-parte* Forthwith Delivery Up Order and *ex-parte* Mareva (Freezing) Order against them, as well as for Deleum Primera's inter-partes Forthwith Delivery Up Order and *inter-partes* Mareva (Freezing) Order against all the Defendants, the Kuala Lumpur High Court has made the following findings on 27 January 2022:

i) that Deleum Primera's applications for inter-partes Forthwith Delivery Up Order and *inter-partes* Mareva (Freezing) Order against Defendant No. 1 to Defendant No. 5, Defendant No. 7 and Defendant No. 8 are allowed with costs in the cause;

ii) that Deleum Primera's application for inter-partes Forthwith Delivery Up Order and *inter-partes* Mareva (Freezing) Order against Defendant No. 6 is dismissed with costs of RM5,000.00 for each application, subject to allocatur fee;

iii) that the applications by Defendant No. 1 to Defendant No. 8 to set aside Deleum Primera's *ex-parte* Forthwith Delivery Up Order and *ex-parte* Mareva (Freezing) Order against them are dismissed with costs of RM10,000.00 for each application, subject to allocatur fee; and

iv) that the application by Defendant No. 10 to set aside Deleum Primera's ex-parte Forthwith Delivery Up Order and *ex-parte* Mareva (Freezing) Order against them is dismissed with costs of RM5,000.00 for each application, subject to allocatur fee.

On 9 March 2021, 6 of the Defendants applied to recuse the presiding Judge from hearing the matter ("Recusal Applications") which was dismissed by the High Court with costs of RM15,000.00 payable by each set of the relevant Defendants' Counsel to the Plaintiff. The relevant Defendants' verbal application for a stay of execution was also dismissed by the High Court.

After the dismissal of the Recusal Applications, 5 of the Defendants lodged an appeal to the Court of Appeal ("the Recusal Appeals") where the hearing was scheduled on 1 December 2021.

Pending the disposal of the Recusal Appeals, 4 of the Defendants in the Recusal Applications applied to the High Court to stay all the proceedings pending the disposal of the Recusal Appeals which was dismissed by the High Court on 20 April 2021 with costs of RM8,000.00 payable to the Plaintiff.

On the same date, the said 4 Defendants also filed a motion at the Court of Appeal to stay all the proceedings before the High Court pending the disposal of the Recusal Appeals which was allowed by the Court of Appeal on 30 April 2021 ("the Stay Decision"). In light of the Stay Decision, 4 of the Defendants agreed to withdraw their application to strike out Deleum Primera's claim which was filed on 20 November 2020 and the High Court decided to adjourn all the proceedings pending the disposal of the Recusal Appeals.

On 1 December 2021, the Court of Appeal has ordered for the Recusal Appeals to be struck out with costs of RM5,000.00 for each appeal, subject to allocatur fees, be made to Deleum Primera by 31 December 2021 which has been settled by the Defendants. The High Court Order dated 9 March 2021 which ordered for costs of RM15,000.00 to be paid by the Defendants' solicitors remain.

During a case management on 21 May 2021, 4 of the Defendants disputed the extraction of some data from their devices ("Disputed Data"), and they are to produce the Disputed Data by way of affidavit so that the relevant parties may address on the issue of relevancy of the Disputed Data. The Plaintiff informed the High Court that they have provided their justification for the extraction of the Disputed Data on 30 June 2021 and the Defendants responded by the next case management on 28 July 2021 when the High Court allowed the Disputed Data to be released to the Plaintiff.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 37 MATERIAL LITIGATION (CONTINUED)

3. High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Primera Sdn Bhd ("Plaintiff") against Deleum Primera's employees, suppliers, contractors and employees of a client ("Defendants") (continued)

On 8 October 2021, the services of the legal firm, Messrs Lim Chee Wee Partnership, was terminated and the firm of Messrs Ranjit Singh & Yeoh, has been appointed henceforth. The Notice of Change of Solicitors has been filed accordingly by Messrs. Ranjit Singh & Yeoh on 10 November 2021.

On 27 January 2022, Defendant No. 8 has withdrawn its application to strike out the Suit before the Kuala Lumpur High Court which was filed on 20 November 2020 with cost of RM2,000.00 being awarded to Deleum Primera, subject to allocatur fee.

During the Case Management on 23 February 2022, the following ancillary applications have been withdrawn by the respective parties and are thus struck out without cost:

i) Defendant No. 1 to Defendant No. 4 have withdrawn their Security for Costs application which was filed on 27 January 2021;

ii) Defendant No.1 to Defendant No. 4 have withdrawn their application to disqualify PwC Consulting Associates (M) Sdn Bhd which was filed on 8 March 2021; and

iii) Defendant No. 7 has withdrawn its application to strike out Deleum Primera's claim which was filed on 26 November 2020.

The Court was also informed that Defendant 1 to Defendant 4 are seeking to change their solicitors and their new solicitors will be coming on board in about 3 weeks' time.

The next case management will be held on 13 May 2022 to discuss on other ancillary applications filed by the Defendants.

## 38 CAPITAL MANAGEMENT

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and cash equivalents | 183,378,720 | 179,171,185 | 11,991,784 | 15,228,007 |
| Less: Total borrowings | (30,315,776) | (78,448,380) | (7,225,583) | (22,910,329) |
| | 153,062,944 | 100,722,805 | 4,766,201 | (7,682,322) |
| Total equity | 378,769,070 | 370,368,705 | 208,453,222 | 207,003,283 |

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.

## 39 DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE

The maintenance, repair and overhaul business unit within the power and machinery operating segment that provides repair, servicing, maintenance and overhaul of motors, generators, transformers and other related services had ceased its active business activities during the year following the Group's decision to exit from this business unit segment.

As at 31 December 2021, the assets in Bintulu have been disposed at a consideration of RM120,000 during the year. Subsequent to year end, the assets in Kajang have been disposed for a consideration of RM550,000 on 15 January 2022.

Loss attributable to the discontinued operation is as follow:

| | 2021 RM | 2020 RM |
|---|---|---|
| Revenue | 4,412,270 | 4,679,865 |
| Expenses | (6,327,676) | (7,099,545) |
| Loss before tax | (1,915,406) | (2,419,680) |
| Loss for the financial year/Total comprehensive income for the financial year | (1,915,406) | (2,419,680) |

The loss from discontinued operation of RM1,915,406 (2020: RM2,419,680) is attributable entirely to the owners of the Company. The comparative consolidated statement of comprehensive income and the statements of cash flows have been re-presented to show the discontinued operation separately from continuing operations.

Impact to statements of cash flows attributable to the discontinued operation is as follows:

| | 2021 RM | 2020 RM |
|---|---|---|
| Net cash (used in)/generated from operating activities | (254,173) | 175,940 |
| Net cash generated from/(used in) investing activities | 199,670 | (73,752) |
| Net cash used in financing activities | (381,231) | (381,201) |
| Effect on cash flows | (435,734) | (279,013) |

The Group has presented the impact of the discontinued operation in the statement of cash flows in the notes to financial statements. Therefore, the statement of cash flows for the year ended did not separately present the effects arising from the discontinued operation.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2021 (Continued)

## 39 DISCONTINUED OPERATION / DISPOSAL GROUP HELD FOR SALE (CONTINUED)

The reclassification made to the Group's comparatives of the Statement of Comprehensive Income as a result of discontinued operation is as follows:

| | Group | | |
|---|---|---|---|
| | 2020<br>RM<br>Previously reported | RM<br>Reclassification | 2020<br>RM<br>Restated |
| Revenue | 592,104,175 | (4,679,865) | 587,424,310 |
| Cost of sales | (481,715,841) | 4,436,259 | (477,279,582) |
| Gross profit | 110,388,334 | (243,606) | 110,144,728 |
| Other operating income | 3,484,238 | (50,730) | 3,433,508 |
| Selling and distribution costs | (29,950,852) | 667,496 | (29,283,356) |
| Administrative expenses | (51,346,110) | 1,996,918 | (49,349,192) |
| Other operating losses | (7,771,063) | 23,985 | (7,747,078) |
| Operating profit | 24,804,547 | 2,394,063 | 27,198,610 |
| Finance costs | (2,988,003) | 25,617 | (2,962,386) |
| Share of results of a joint venture (net of tax) | 512,358 | 0 | 512,358 |
| Share of results of associates (net of tax) | 5,007,389 | 0 | 5,007,389 |
| Profit before tax | 27,336,291 | 2,419,680 | 29,755,971 |
| Tax expense | (11,973,894) | 0 | (11,973,894) |
| Profit from continuing operations (net of tax) | 15,362,397 | 2,419,680 | 17,782,077 |
| Loss from discontinued operation (net of tax) | 0 | (2,419,680) | (2,419,680) |
| Profit for the year | 15,362,397 | 0 | 15,362,397 |
| Profit attributable to: | | | |
| Owners of the Company | 7,428,868 | 0 | 7,428,868 |
| Non-controlling interest | 7,933,529 | 0 | 7,933,529 |
| | 15,362,397 | 0 | 15,362,397 |
| Earning/(loss) per share (sen) | | | |
| - Basic/diluted | | | |
| - From continuing operations | 1.85 | 0.60 | 2.45 |
| - From discontinued operation | 0 | (0.60) | (0.60) |
| | 1.85 | 0 | 1.85 |

## 40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 10 March 2022.

# Statement by Directors Pursuant to

### Section 251(2) of the Companies Act 2016

We, Dato' Izham bin Mahmud and Ramanrao bin Abdullah, being two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 79 to 198 are drawn up in accordance with the provisions of Companies Act 2016 and the Malaysian Financial Reporting Standards, and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 10 March 2022.

**DATO' IZHAM BIN MAHMUD**
DIRECTOR

**RAMANRAO BIN ABDULLAH**
DIRECTOR

# Statutory Declaration Pursuant to

### Section 251(1)(B) of the Companies Act 2016

I, Jayanthi a/p Gunaratnam, the officer primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 79 to 198 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: 10 March 2022

Before me:

COMMISSIONER FOR OATHS

# Independent Auditors' Report to the Members of Deleum Berhad

**(Incorporated in Malaysia)**
**Registration No. 200501033500 (715640-T)**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Deleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 198.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

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

# Independent Auditors' Report to the Members of Deleum Berhad

**(Incorporated in Malaysia)**
**Registration No. 200501033500 (715640-T)**

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

Key audit matters (continued)

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Revenue recognition on contracts with customers**<br>*Refer to Note T - Significant accounting policies: Revenue Recognition, Note 3 - Critical accounting estimates and judgements, Note 5 - Revenue*<br><br>The Group recognised revenue of RM558.4 million mainly derived from:<br>• sale of gas turbine packages;<br>• sales of valves and flow regulator;<br>• provision of slickline equipment;<br>• provision of integrated corrosion and inspection, blasting technology and maintenance services ("ICS");<br>• after sale support and services.<br><br>As disclosed in Note 5, RM228.5 million of the revenue is recognised over time and the remaining RM329.9 million is based on point in time.<br><br>The revenue recognised based on overtime includes revenue of RM55.0 million derived from the provision of ICS. The contract with customers on ICS is based on fixed contract value and the recognition of revenue involved measurement of progress towards complete satisfaction of the performance obligations over time. The measurement of progress is determined based on the input method using the actual costs incurred relative to the total budgeted costs.<br><br>We focused on this area due to the significant revenue amounts reported and the significant time spent auditing the revenue balance. In addition, the revenue recognition for ICS involved significant estimate and judgement in measuring the progress of the projects to be recognised in the financial statements. | We have performed the following audit procedures:<br><br>• Evaluated and tested the effectiveness of key controls on material revenue streams for accuracy and completeness of revenue.<br>• Performed substantive procedures on significant revenue balances by examining sales transactions to proof of delivery to customers and to signed contracts.<br>• Performed cut off procedures on revenue.<br>• Examined non-standard journal entries and other material adjustments related to revenue accounts.<br>• For revenue on ICS, we performed the following procedures on a sample basis:<br>o Recomputed the revenue based on the input method of measuring progress i.e. using actual costs incurred relative to the total budgeted costs;<br>o Discussed with the respective project managers and examined the project documentation on a sampling basis to understand the status of the projects;<br>o Vouched contract values to the work orders from customers and any subsequent variation orders;<br>o Checked costs incurred to date to supplier invoices and suppliers statement reconciliation.<br><br>Based on the procedures performed, no material exceptions were noted. |

# Independent Auditors' Report to the Members of Deleum Berhad

(Incorporated in Malaysia)
Registration No. 200501033500 (715640-T)

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

Key audit matters (continued)

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Impairment assessment on the carrying value of property, plant and equipment**<br><br>*Refer to Note 3 - Critical accounting estimates and judgements.*<br><br>As at 31 December 2021, the carrying value of the Group's property, plant and equipment amounted to RM134.5 million.<br><br>Management performed impairment assessments of certain plant and equipment, which had impairment indicators. As a result, impairment losses of RM3.2 million were recognised during the financial year ended 31 December 2021. This is disclosed in Note 3(iv) to the financial statements.<br><br>We focused on this area as the recoverable amounts of the plant and equipment were determined based on the discounted cash flows projections, which requires significant judgement and estimation on the future cash flows and the discount rate. | We have performed the following audit procedures on the recoverable amounts of the plant and equipment which were calculated using value in use ("VIU") method based on the approved financial budget for FY2022 and projections for the remaining useful lives of the assets:<br><br>• Discussed with management on the key assumptions used in the VIU cash flow which include the revenue growth rate, discount rate and profit margin and performed the following:<br>o Agreed the VIU cash flow to the Board's approved financial budgets for FY2022.<br>o Compared historical forecasting to actual results to assess reliability of management's estimates.<br>o Compared the revenue growth rate and profit margin to the historical experience of the Company.<br><br>• Checked the mathematical accuracy of the VIU cash flow.<br>• Checked the discount rate used in the VIU with the assistance of our valuation experts by benchmarking to market data and industry research.<br>• Performed sensitivity test on the key assumptions.<br><br>Based on the procedures performed, no material exceptions were noted. |

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections of the 2021 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and the Company and our auditors' report thereon.

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

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

# Independent Auditors' Report to the Members of Deleum Berhad

**(Incorporated in Malaysia)**
**Registration No. 200501033500 (715640-T)**

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

Information other than the financial statements and auditors' report thereon (continued)

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

# Independent Auditors' Report to the Members of Deleum Berhad

(Incorporated in Malaysia)
Registration No. 200501033500 (715640-T)

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

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

## OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS PLT**

LLP0014401-LCA & AF 1146

Chartered Accountants

**SOO KWAI FONG**

03144/07/2023 J

Chartered Accountant

Kuala Lumpur
10 March 2022

# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2021 ("FY2021").

## 2. LONG-TERM INCENTIVE PLAN

There were no shares granted during the financial year.

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

There were no material contracts entered into by the Company and/or its subsidiaries involving the interests of Directors and/or chief executive and/or major shareholders, either still subsisting at the end of FY2021 or entered into since the end of the previous financial year.

# Analysis of Shareholdings

**As At 15 March 2022**

Issued shares : 401,553,500 Ordinary shares
Voting rights : One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % of Shareholders | Total Shareholdings | % of Shareholdings |
|---|---|---|---|---|
| less than 100 | 312 | 6.08 | 8,669 | 0.00 |
| 100 to 1,000 | 615 | 11.99 | 362,025 | 0.09 |
| 1,001 to 10,000 | 2,621 | 51.11 | 14,268,959 | 3.55 |
| 10,001 to 100,000 | 1,352 | 26.37 | 42,762,448 | 10.65 |
| 100,001 to less than 5% of issued shares | 224 | 4.37 | 147,355,081 | 36.70 |
| 5% and above of issued shares | 4 | 0.08 | 196,796,318 | 49.01 |
| **Total** | **5,128** | **100.00** | **401,553,500** | **100.00** |

## 30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS

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

| No. | Name of Shareholders | No. of Shares | Percentage (%) |
|---|---|---|---|
| 1. | Lantas Mutiara Sdn. Bhd. | 81,740,900 | 20.36 |
| 2. | Amsec Nominees (Tempatan) Sdn. Bhd.<br>Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd. | 48,165,418 | 11.99 |
| 3. | Datuk Vivekananthan a/l M.V. Nathan | 42,530,000 | 10.59 |
| 4. | IM Holdings Sdn. Bhd. | 24,360,000 | 6.07 |
| 5. | Datin Che Bashah @ Zaiton binti Mustaffa | 19,024,000 | 4.74 |
| 6. | Dato' Izham bin Mahmud | 11,200,000 | 2.79 |
| 7. | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain | 8,566,998 | 2.13 |
| 8. | Datin Che Bashah @ Zaiton binti Mustaffa | 7,741,600 | 1.93 |
| 9. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>Employees Provident Fund Board (AM INV) | 5,567,800 | 1.39 |
| 10. | HSBC Nominees (Asing) Sdn. Bhd.<br>Exempt AN for Credit Suisse (SG BR-TST-Asing) | 4,807,000 | 1.20 |
| 11. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PB) | 3,719,998 | 0.93 |
| 12. | CGS-CIMB Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804) | 3,333,000 | 0.83 |
| 13. | Dilip Manharlal Gathani | 2,940,800 | 0.73 |
| 14. | DYMM Tuanku Syed Sirajuddin Putra Jamalullail | 2,901,066 | 0.72 |

# Analysis of Shareholdings

As At 15 March 2022

| No. | Name of Shareholders | No. of Shares | Percentage (%) |
|---|---|---|---|
| 15. | Neoh Choo Ee & Company, Sdn. Berhad. | 2,749,332 | 0.68 |
| 16. | Hj. Abd Razak bin Abu Hurairah | 2,601,546 | 0.65 |
| 17. | Saudah binti Hashim | 2,500,000 | 0.62 |
| 18. | Lee Sew Bee | 2,451,400 | 0.61 |
| 19. | ALLIANCEGROUP Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Wong Yee Hui | 2,200,000 | 0.55 |
| 20. | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB) | 1,880,100 | 0.47 |
| 21. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB Bank for Tan Swee Leong (PB) | 1,660,000 | 0.41 |
| 22. | Celine D'Cruz a/p Francis D'Cruz | 1,630,000 | 0.41 |
| 23. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB Bank for Chandran Aloysius Rajadurai (PB) | 1,597,000 | 0.40 |
| 24. | Goh Thong Beng | 1,557,000 | 0.39 |
| 25. | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Chin Hooi | 1,501,000 | 0.37 |
| 26. | ALLIANCEGROUP Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Wong Yee Hui (8095789) | 1,200,000 | 0.30 |
| 27. | Neoh Choo Ee & Company, Sdn. Berhad. | 1,092,100 | 0.27 |
| 28. | Midvest Properties Sdn. Bhd. | 1,050,000 | 0.26 |
| 29. | Cheng Hon Sang | 1,041,000 | 0.26 |
| 30. | Yeo Khee Huat | 953,498 | 0.24 |

# Analysis of Shareholdings

As At 15 March 2022

## SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Lantas Mutiara Sdn. Bhd. | 81,740,900 | 20.36 | 0 | 0 |
| Hartapac Sdn. Bhd. | 48,165,418 | 11.99 | 0 | 0 |
| Datuk Vivekananthan a/l M.V. Nathan | 43,302,600 | 10.78 | 81,740,900[(1)] | 20.36 |
| Datin Che Bashah @ Zaiton binti Mustaffa | 32,365,698 | 8.06 | 0 | 0 |
| IM Holdings Sdn. Bhd. | 24,360,000 | 6.07 | 0 | 0 |
| Dato' Izham bin Mahmud | 11,200,000 | 2.79 | 138,466,598[(2)] | 34.48 |
| Datin Sian Rahimah Abdullah | 0 | 0 | 48,165,418[(3)] | 11.99 |
| Faye Miriam Abdullah | 0 | 0 | 48,165,418[(3)] | 11.99 |
| Hugh Idris Abdullah | 0 | 0 | 48,165,418[(3)] | 11.99 |
| Farid Riza Izham | 0 | 0 | 24,360,000[(4)] | 6.07 |
| Faidz Raziff Izham | 0 | 0 | 24,360,000[(4)] | 6.07 |
| Hana Sakina Izham | 0 | 0 | 24,360,000[(4)] | 6.07 |

Notes:

(1) Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 ("the Act").

(2) Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.

(3) Deemed interested by virtue of his/her shareholdings in Hartapac Sdn. Bhd. pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his/her shareholdings in IM Holdings Sdn. Bhd. pursuant to Section 8 of the Act.

## DIRECTORS' SHAREHOLDINGS

| Name of Directors | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Dato' Izham bin Mahmud | 11,200,000 | 2.79 | 138,466,598[(1)] | 34.48 |
| Datuk Vivekananthan a/l M.V. Nathan | 43,302,600 | 10.78 | 81,740,900[(2)] | 20.36 |
| Datuk Ishak bin Imam Abas | 805,998 | 0.20 | 0 | 0 |

Notes:

(1) Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.

(2) Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act.

# 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 @31/12/21 | 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 | 23 years | 2,755,932 | - | 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 | 33 years | 362,940 | - | 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 | 33 years | 412,668 | - | 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 | 19 years | 352,707 | - | 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 | 19 years | 370,991 | - | 03/02/1997 |
| 6 | Deleum Services Sdn. Bhd. | Lot 1315, Block 9, Miri Concession Land District, Miri Waterfront Commercial Centre, Jalan Bendahara, 98000 Miri, Sarawak, Malaysia | 4 storey corner shop office | Office | 186.70 sq metres/ 891.84 sq metres | Leasehold/ 30/09/2066 | 17 years | 768,000 | - | 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 | 21 years | 200,000 | - | - |
| 8 | Deleum Services Sdn. Bhd. (Operations) | Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman, Malaysia | Warehouse | Warehouse | 4,134.00 sq metres/ 1,456.00 sq metres | On Lease/ 31/03/2023 | 13 years | 31 | - | - |
| 9 | Penaga Dresser Sdn. Bhd. (Operations) | No. A1-A2, Kawasan MIEL, Jakar Phase III, 24000 Kemaman, Terengganu Darul Iman, Malaysia | 2 units of semi-detached factory | Assembly Plant | A1-1723 sq metres/ A2-1229 sq metres | Leasehold/ 19/04/2053 | 29 years | 982,060 | 04/09/2019 | 12/04/2004 |

# 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.**
**Deleum Primera 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 OFFICES

**Miri**
Lot 1315, Miri Waterfront
Commercial Centre
98000 Miri, Sarawak
Malaysia
Tel : +6085-413 528/417 020
Fax : +6085-418 037
Email : info@deleum.com

**Kota Kinabalu**
No. H-06-02
Floor 6, Block H,
Jalan Aeropod
Aeropod Commercial Centre
88200 Kota Kinabalu, Sabah
Malaysia
Email : info@deleum.com

## SUBSIDIARIES

**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
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

## 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
87027 Labuan
Malaysia
Tel : +6087-413 935/583 205
Fax : +6087-425 694
Email : info@deleum.com

## SERVICES FACILITIES

**Deleum Oilfield Services Sdn. Bhd.**
(Miri Services Facility)
Sublot 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 Primera Sdn. Bhd.**
(Telok Kalong Facility)
Lot PT 8777
Telok Kalong Industrial Area
24000 Kemaman
Terengganu Darul Iman
Malaysia
Tel : +609-862 6666
Fax : +609-862 6667
Email : info@deleum.com

**Penaga Dresser Sdn. Bhd.**
(Johor Engineering Centre)
Lot no. A15-A16, PTD 1485
Mukim Pantai Timur
81600 Pengerang
Johor Darul Takzim
Malaysia
Email : sales@penagadresser.com

**Penaga Dresser Sdn. Bhd.**
(Terengganu Engineering Centre)
Lot A1-A2
Kawasan Miel Jakar Phase III
24000 Kemaman
Terengganu Darul Iman
Malaysia
Tel : +609-868 6799
Fax : +609-868 3453
Email : sales@penagadresser.com

**Penaga Dresser Sdn. Bhd.**
(Sabah-Sarawak Engineering Centre)
Lot 3326 & 3327
Piasau Industrial Shophouse
Off Jalan Piasau Utara
98000 Miri, Sarawak
Malaysia
Tel : +6085-419 126
Fax : +6085-412 127
Email : sales@penagadresser.com

**Penaga Dresser Sdn. Bhd.**
(Labuan Engineering Centre)
Asian Supply Base
Rancha Rancha Industrial Estate
87027 Labuan
Malaysia
Email : sales@penagadresser.com

**Deleum Chemicals Sdn. Bhd.**
(Research & Development Facility)
No. 4-3, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Malaysia
Tel : +603-2295 7788
Fax : +603-2295 7777
Email : info@deleum.com

**Deleum Primera Sdn. Bhd.**
**Deleum Chemicals Sdn. Bhd.**
(Integrated Workshop Facility)
Lot 4019
Kawasan Industri Teluk Kalong
24007 Kemaman
Terengganu Darul Iman
Malaysia
Tel : +609-863 4588
Fax : +609-863 2588
Email : info@deleum.com

## 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

## ASSOCIATE

**Malaysian Mud And Chemicals Sdn. Bhd.**
Asian Supply Base
Rancha Rancha Industrial Estate
87027 Labuan
Malaysia
Tel : +6087-415 922
Fax : +6087-415 921
Email : mc2@tm.net.my

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting ("17th AGM") of DELEUM BERHAD ("the Company") will be held fully virtual via the online meeting platform of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia on Thursday, 19 May 2022 at 10.00 a.m., for the following purposes:**

**AGENDA**

**<u>AS ORDINARY BUSINESS:</u>**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.
   **(Please refer to Explanatory Note A)**

2. To re-elect Dato' Izham bin Mahmud who retires by rotation pursuant to Clause 88 of the Company's Constitution and being eligible, offers himself for re-election. **Ordinary Resolution 1**
   **(Please refer to Explanatory Note B)**

3. To re-elect Mr Lee Yoke Khai who retires by rotation pursuant to Clause 88 of the Company's Constitution and being eligible, offers himself for re-election. **Ordinary Resolution 2**
   **(Please refer to Explanatory Note B)**

4. To re-elect Mr Ramanrao bin Abdullah who retires pursuant to Clause 86 of the Company's Constitution and being eligible, offers himself for re-election. **Ordinary Resolution 3**
   **(Please refer to Explanatory Note B)**

5. To approve the payment of Directors' fees to Non-Executive Directors up to an amount of RM1,300,000 from 20 May 2022 until the next Annual General Meeting of the Company. **Ordinary Resolution 4**
   **(Please refer to Explanatory Note C)**

6. To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM400,000 from 20 May 2022 until the next Annual General Meeting of the Company. **Ordinary Resolution 5**
   **(Please refer to Explanatory Note D)**

7. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

**<u>AS SPECIAL BUSINESS:</u>**

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

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

   "**THAT** subject always to the Companies Act 2016, the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and any other governmental/regulatory authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is the earlier, unless such approval is revoked or varied by the Company at a general meeting." **Ordinary Resolution 7**
   **(Please refer to Explanatory Note E)**

# Notice of Annual General Meeting

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 18 APRIL 2022**

"**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 18 April 2022 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

**AND THAT** the Board of Directors be and is hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate." **Ordinary Resolution 8**
**(Please refer to Explanatory Note F)**

10. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(2) OF THE CIRCULAR TO SHAREHOLDERS DATED 18 APRIL 2022**

"**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 18 April 2022 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

**AND THAT** the Board of Directors be and is hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate." **Ordinary Resolution 9**
**(Please refer to Explanatory Note F)**

# Notice of Annual General Meeting

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

**BY ORDER OF THE BOARD**

**LEE SEW BEE** (SSM PC No. 201908002727) (MAICSA 0791319)
**LIM HOOI MOOI** (SSM PC No. 201908000134) (MAICSA 0799764)

Company Secretaries
Kuala Lumpur

18 April 2022

**Notes**

1. The Company's fully virtual 17th AGM will be conducted online, without a physical meeting venue. The Company has appointed Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") as the Poll Administrator for the 17th AGM to facilitate the Remote Participation and Voting ("RPV") facilities via TIIH Online website at https://tiih.online. Members can attend, participate and vote remotely in the meeting via TIIH Online website at https://tiih.online by using RPV facilities. The procedures for members to register, participate and vote remotely via the RPV facilities are provided in the Administrative Guide for the 17th AGM.

2. A member of the Company entitled to attend and vote at the 17th AGM via RPV is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the 17th 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.

4. Where a member of the Company is an authorised nominee as defined in accordance with the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. 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 the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. 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.

7. 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.

8. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at the 17th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the procedures for RPV set out in the Administrative Guide for the 17th AGM.

9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 17th AGM or at any adjournment thereof:

(i) In hard copy form

The original signed Proxy Form must be deposited with the Company's Registered Office at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia.

(ii) Via Tricor Online System (TIIH Online)

The Proxy Form can be electronically submitted via TIIH Online at https://tiih.online.

Please follow the procedures set out in the Administrative Guide for the 17th AGM.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 17th AGM will be put to vote by way of poll.

11. For the purpose of determining a member who shall be entitled to attend the 17th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 12 May 2022 and only a depositor whose name appears on this Record shall be entitled to attend the 17th AGM or appoint proxy or proxies to attend and/or vote on his/her stead.

**Explanatory Notes to the Agenda**

**A. For Agenda Item 1**

**To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon**

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

**B. For Agenda Items 2 and 3**

**To re-elect Directors who retire by rotation pursuant to Clause 88 of the Company's Constitution**

Dato' Izham bin Mahmud and Mr Lee Yoke Khai are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election.

**For Agenda Item 4**

**To re-elect Director who retires pursuant to Clause 86 of the Company's Constitution**

Mr Ramanrao bin Abdullah is standing for re-election as Director of the Company and being eligible, has offered himself for re-election.

The Joint Remuneration and Nomination Committee ("JRNC") has via the annual Board Assessment for year 2021 assessed and recommended to the Board, the effectiveness of the Board, Board Committees and individual Directors including the Directors who are seeking for re-election at the forthcoming 17th AGM, based on the prescribed criteria inclusive of their skills, experience, character and valuable contributions and insights to the Board. Mr Lee Yoke Khai remained objective and independent in expressing his views and participating in Board deliberations and decision-making and has provided his confirmation of independence for the financial year ended 31 December 2021.

The profiles of the retiring Directors are enclosed in the Profiles of Directors section of the Company's Annual Report 2021. The Board has endorsed the JRNC's recommendation for the re-election of the retiring Directors subject to the shareholders' approval at the 17th AGM. All Directors standing for re-election have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant JRNC and Board Meetings.

**C. For Agenda Item 5**

**To approve the payment of Directors' fees to Non-Executive Directors up to an amount of RM1,300,000 from 20 May 2022 until the next Annual General Meeting of the Company**

The amount of up to RM1,300,000 under Ordinary Resolution 4 comprising Directors' fees to Non-Executive Directors of the Company is estimated for the period from 20 May 2022 until the next AGM of the Company to be held in 2023. The fees are in accordance with the Directors' Remuneration Framework for Non-Executive Directors in line with their duties and responsibilities and time commitment required to discharge their duties.

**D. For Agenda Item 6**

**To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM400,000 from 20 May 2022 until the next Annual General Meeting of the Company**

The amount of up to RM400,000 under Ordinary Resolution 5 comprising Directors' benefits to Non-Executive Directors of the Company is estimated for the period from 20 May 2022 until the next AGM of the Company to be held in 2023. The benefits are in accordance with the Directors' Remuneration Framework for Non-Executive Directors in line with their duties and responsibilities and time commitment required to discharge their duties.

Directors' benefits comprise fixed meeting allowances payable to Independent Non-Executive Directors for attendance of Board and Board Committee meetings and the provision of company car, driver and club subscriptions for Non-Executive Chairman and Non-Executive Deputy Chairman of the Company. The meeting allowances are estimated based on the number of scheduled Board and Board Committee meetings and Directors' involvement in these meetings. The number of such meetings are determined based on the strategy and plans of the Group.

**E. For Agenda Item 8**

**Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The Company had at the Sixteenth AGM held on 23 June 2021, obtained its shareholders' approval for the renewal of the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. The Company, however, did not issue any new shares pursuant to this mandate obtained as at the date of this Notice.

The proposed Ordinary Resolution 7 is a renewal mandate for the issue of shares under Sections 75 and 76 of the Act. If passed, it will give the Directors of the Company from the date of the 17th AGM, authority to allot and issue shares not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company.

A renewal of this general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate extraordinary 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.

**F. For Agenda Items 9 and 10**

**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 18 April 2022**

Please refer to the Circular to Shareholders dated 18 April 2022 for detailed information. The Ordinary Resolutions 8 and 9 proposed under Agenda Items 9 and 10 respectively, 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.

# Statement Accompanying Notice of Annual General Meeting

**(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**

1. No individual is seeking election as a Director at the forthcoming Seventeenth Annual General Meeting ("17th AGM").

2. Details of the Directors who are standing for re-election at the 17th AGM are set out in the Profiles of Directors section including the latest interests in the shares of the Company disclosed under Analysis of Shareholdings section of the Company's Annual Report 2021.

3. Details of the general mandate to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note E of the Notice of 17th AGM.

# Administrative Guide

**For the Seventeenth ("17th") Annual General Meeting ("AGM")**

DELEUM

**Deleum Berhad**
Registration No. 200501033500 (715640-T)
(Incorporated in Malaysia)

| | | |
|---|---|---|
| Date | : | Thursday, 19 May 2022 |
| Time | : | 10.00 a.m. |
| Meeting platform | : | TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) |
| Mode of Communication | : | Members may attend, speak (in the form of typed text messages) and vote at the 17th AGM using the Remote Participation and Voting Facilities as detailed below. |

## 1. Remote Participation and Voting at a Fully Virtual 17th AGM

a. The 17th AGM of the Company will be conducted fully virtual through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") in Malaysia via its TIIH Online website at https://tiih.online.

b. According to the Revised Guidance Note and FAQs on the conduct of general meeting for listed issuers by the Securities Commission ("SC Guidance Note"), an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of Companies Act 2016 provided that the online platform is located in Malaysia. Pursuant to the SC Guidance Note, all meeting participants including the Chairman of the Meeting, Board members, senior management and shareholders are to participate in the meeting online.

c. With the use of RPV facilities, the Members may exercise your rights to participate, speak (in the form of typed text messages) and vote at the general meeting from different location, including to pose questions to the Board or Management of the Company. Kindly ensure that you are connected to the internet at all times in order to participate and vote when our fully virtual 17th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

d. Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 17th AGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the 17th AGM.

e. The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

## 2. General Meeting Record of Depositors

Only depositors whose names appear on the General Meeting Record of Depositors as at 12 May 2022 shall be entitled to register and participate at the 17th AGM. If a member is unable to participate at the said meeting, he/she may appoint proxy/ proxies to participate and vote on his/her behalf.

## 3. Pre-Meeting Submission of Questions to the Board of Directors

In order to enhance the efficiency of the proceedings of the 17th AGM, members or proxies may submit questions in advance via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose the questions and submit electronically not later than 17 May 2022 at 10.00 a.m. or use the Query Box to transmit questions via RPV facilities during live streaming of the 17th AGM. The Board of Directors will endeavour to respond to the relevant questions at the 17th AGM.

**4. Proxy**

If you are unable to attend the 17th AGM, you are encouraged to appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

If you wish to participate in the 17th AGM yourself, please do not submit any Proxy Form for the AGM. You will not be allowed to participate in the 17th AGM together with a proxy appointed by you.

Accordingly, Proxy Forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 17th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Tuesday, 17 May 2022 at 10.00 a.m.:**

i. In hard copy form

The original signed Proxy Form must be deposited with the Company's Registered Office at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia. The original instrument appointing a proxy shall be in writing and:

a) In the case of an individual, shall be signed by the appointer or by his attorney; and
b) In the case of a corporation, shall be either under the common seal or signed by its attorney or by an officer on behalf of the corporation.

ii. Via Tricor Online System (TIIH Online)

The Proxy Form can be electronically submitted via TIIH Online at https://tiih.online. Please refer to the procedures set out in **"Electronic Lodgement of Proxy Form"** at item no. 7 below.

Members are requested to provide their mobile handphone numbers as well as the mobile handphone numbers of their proxies in the Proxy Forms in the event Tricor needs to contact the members/proxies.

A Corporate Member who wishes to appoint a Corporate Representative to participate at the AGM via RPV must deposit the original certificate of appointment of corporate representative to the Company's Registered Office.

For Nominee Company registered as a member, the beneficial owner of the shares under a Nominee Company's CDS account who wishes to participate at the AGM via RPV can request the Nominee Company to appoint him/her as a proxy and deposit the duly completed original Proxy Form at the Company's Registered Office or submit electronically via TIIH Online at https://tiih.online not later than **Tuesday, 17 May 2022 at 10.00 a.m.**

The appointed proxy/Corporate Representative/proxy of Nominee Company must register himself/herself for RPV at https://tiih.online.

For further details, please refer to the **"Procedures for RPV"** at item no. 6 below.

# Administrative Guide

For the Seventeenth ("17th") Annual General Meeting ("AGM")

**5. Poll Voting**

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the AGM will be conducted by poll. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Shareholders/proxies/corporate representatives/attorneys can proceed to vote on the resolutions at any time from the commencement of the 17th AGM at 10.00 a.m. on 19 May 2022 but before the end of the voting session which will be announced by the Chairman of the Meeting. Kindly refer to "**Procedures for RPV**" at item no. 6 below for guidance on how to vote remotely from TIIH Online website.

Upon completion of the voting session for the 17th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

**6. Procedures for RPV**

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 17th AGM using the RPV facilities:

| | Procedure | Action |
|---|---|---|
| **Before the day of the AGM** | | |
| 1. | Register as a user with TIIH Online | • Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services" by selecting the "Sign Up" button and followed by **"Create Account by Individual Holder"**. Please refer to the tutorial guide posted on the homepage for assistance.<br>• Registration as a user will be approved within one working day and you will be notified via e-mail.<br>• If you are already a user of TIIH Online, you are not required to register again. You will receive an email from Tricor to notify you that remote participation for the 17th AGM is available for registration at TIIH Online. |
| 2. | Submit your request | • Registration is open from **Monday, 18 April 2022 until the day of 17th AGM on Thursday, 19 May 2022**. Shareholders or proxies or corporate representatives or attorneys are required to pre-register their attendance for the 17th AGM to ascertain their eligibility to participate at the 17th AGM using RPV.<br>• Login with your user ID (i.e. e-mail address) and password and select the corporate event: **"(REGISTRATION) DELEUM BERHAD 17TH AGM"**.<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Select "Register for Remote Participation and Voting".<br>• Review your registration and proceed to register.<br>• System will send an **e-mail to notify** that your registration for remote participation is received and will be verified.<br>• After verification of your registration against the Record of Depositors as at **12 May 2022**, the system will send you an **e-mail on 17 May 2022 to approve or reject** your registration for remote participation.<br><br>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV). |

# Administrative Guide

For the Seventeenth ("17th") Annual General Meeting ("AGM")

| | Procedure | Action |
|---|---|---|
| **On the day of the AGM (19 MAY 2022)** | | |
| 3. | Login to TIIH Online | • Login with your user ID and password for remote participation at the 17th AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of the 17th AGM on **Thursday, 19 May 2022 at 10.00 a.m.** |
| 4. | Participate through Live Streaming | • Select the corporate event: **"(LIVE STREAM MEETING) DELEUM BERHAD 17TH AGM"** to engage in the proceeding of the 17th AGM remotely.<br>• If you have any question for the Chairman/Board, you may use the Query Box to transmit your question. If time permits, the Chairman/Board will try to respond to those relevant questions relating to the businesses to be discussed at the 17th AGM which are submitted by remote participants during the 17th AGM. You are encouraged to submit questions before the 17th AGM as priority will be given to questions submitted before the AGM – see **"Pre-Meeting Submission of Questions to the Board of Directors"**. |
| 5. | Online Remote Voting | • Voting session commences **from 10.00 a.m. on Thursday, 19 May 2022** until a time when the Chairman announces the completion of the voting session of the 17th AGM.<br>• Select the corporate event: **"(REMOTE VOTING) DELEUM BERHAD 17TH AGM"** or if you are on the live stream meeting page, you can select **"GO TO REMOTE VOTING PAGE"** button below the Query Box.<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Select the CDS account that represents your shareholdings.<br>• Indicate your votes for the resolutions that are tabled for voting.<br>• Confirm and submit your votes. |
| 6. | End of Remote Participation | • Upon the declaration of the poll results and announcement by the Chairman on closure of the 17th AGM, live streaming will end. |

**Note to users of the RPV:**

1. Should your registration for the RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the fully virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the devise you use.
3. In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-4080 5616 / 011-4080 3168 / 011-4080 3169 / 011-4080 3170 or e-mail to tiih.online@my.tricorglobal.com for assistance.

# Administrative Guide

For the Seventeenth ("17th") Annual General Meeting ("AGM")

**7. Electronic Lodgement of Proxy Form**

The procedures to lodge your Proxy Form electronically via Tricor's TIIH Online website are summarised below:

| | Procedure | Action |
|---|---|---|
| **i. Steps for Individual Shareholders** | | |
| a. | Register as a User with TIIH Online | • Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance.<br>• If you are already a user with TIIH Online, you are not required to register again. |
| b. | Proceed with submission of Proxy Form | • After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.<br>• Select the corporate event: **"Deleum Berhad 17th AGM - Submission of Proxy Form"**.<br>• Read and agree to the Terms & Conditions and confirm the Declaration<br>• Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf.<br>• Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint Chairman of the Meeting as your proxy.<br>• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.<br>• Review and confirm your proxy(ies) appointment.<br>• Print Proxy Form for your record. |
| **ii. Steps for Corporate or Institutional Shareholders** | | |
| a. | Register as a User with TIIH Online | • Access TIIH Online at https://tiih.online<br>• Under e-Services, the authorised or nominated representative of the corporate or institutional shareholder selects **"Create Account by Representative of Corporate Holder"**.<br>• Complete the registration form and upload the required documents.<br>• Registration will be verified, and you will be notified by email within one to two working days.<br>• Proceed to active your account with the temporary password given in the email and re-set your own password.<br><br>Note: The representative of a corporate or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need clarifications on the user registration. |
| b. | Proceed with submission of Proxy Form | • Login to TIIH Online at https://tiih.online<br>• Select the corporate event: **"Deleum Berhad 17th AGM – Submission of Proxy Form"**<br>• Read and agree to the Terms & Conditions and confirm the Declaration<br>• Proceed to download the file format for **"Deleum 17th AGM - Submission of Proxy Form"** in accordance with the Guidance Note set therein.<br>• Prepare the file for the appointment of proxies by inserting the required data.<br>• Login to TIIH Online, select corporate event: **"Deleum Berhad 17th AGM – Submission of Proxy Form"**.<br>• Proceed to upload the duly completed proxy appointment file.<br>• Select "Submit" to complete your submission.<br>• Print the confirmation report of your submission for your record. |

# Administrative Guide

For the Seventeenth ("17th") Annual General Meeting ("AGM")

**8. No Recording or Photography**

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

**9. Food Voucher and Door Gift**

There will be no distribution of food voucher or door gift to members/proxies.

**10. Enquiry**

If you have any enquiry prior to the 17th AGM, please contact the following officers during office hours from 8.30 a.m. to 5.30 p.m. (Mondays to Fridays):

**Tricor Investor & Issuing House Services Sdn. Bhd.**

| | | |
|---|---|---|
| General Line | : | +603- 2783 9299 |
| Fax Number | : | +603-2783 9222 |
| Email | : | is.enquiry@my.tricorglobal.com |
| Contact persons | : | Ms Nur Qaisara Naaila<br>+603-2783 9272 (Nur.Qaisara.Naaila@my.tricorglobal.com)<br><br>Puan Nor Faeayzah<br>+603-2783 9274 (Nor.Faeayzah@my.tricorglobal.com) |

# Proxy Form

DELEUM

| CDS Account No. | Number of Shares Held |
|---|---|
| | |

**Deleum Berhad**
Registration No. 200501033500 (715640-T)
(Incorporated in Malaysia)

I/We ____________________________________________
(Full name in block letters)

NRIC/Passport/Company No. ____________________________________________

of ____________________________________________
(Address in full)

being a member of **DELEUM BERHAD** hereby appoint ____________________________________________
(Full name in block letters)

NRIC/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 Seventeenth Annual General Meeting ("17th AGM") of the Company to be held fully virtual at the online meeting platform of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia on **Thursday, 19 May 2022 at 10:00 a.m.** and at any adjournment thereof.

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1. | To re-elect Dato' Izham bin Mahmud as Director. | | |
| 2. | To re-elect Mr Lee Yoke Khai as Director. | | |
| 3. | To re-elect Mr Ramanrao bin Abdullah as Director. | | |
| 4. | To approve the payment of Directors' fees to Non-Executive Directors up to an amount of RM1,300,000. | | |
| 5. | To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM400,000. | | |
| 6. | To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| 7. | To authorise the issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016. | | |
| 8. | To approve the 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 18 April 2022. | | |
| 9. | To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(2) of the Circular to Shareholders dated 18 April 2022. | | |

*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 ________________ 2022.

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% |

______________________________
Signature/Common Seal of Shareholder(s)

Notes:
1. The Company's fully virtual 17th AGM will be conducted online, without a physical meeting venue. The Company has appointed Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") as the Poll Administrator for the 17th AGM to facilitate the Remote Participation and Voting ("RPV") facilities via TIIH Online website at https://tiih.online. Members can attend, participate and vote remotely in the meeting via TIIH Online website at https://tiih.online by using RPV facilities. The procedures for members to register, participate and vote remotely via the RPV facilities are provided in the Administrative Guide for the 17th AGM.
2. A member of the Company entitled to attend and vote at the 17th AGM via RPV is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the 17th 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.
4. Where a member of the Company is an authorised nominee as defined in accordance with the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. 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 the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. 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.
7. 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.
8. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at the 17th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the procedures for RPV set out in the Administrative Guide for the 17th AGM.
9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 17th AGM or at any adjournment thereof:
   (i) In hard copy form
   The original signed Proxy Form must be deposited at the Company's Registered Office, No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia.
   (ii) Via Tricor Online System (TIIH Online)
   The Proxy Form can be electronically submitted via TIIH Online at https://tiih.online.
   Please follow the procedures set out in the Administrative Guide for the 17th AGM.
10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 17th AGM will be put to vote by way of poll. For the purpose of determining a member who shall be entitled to attend the 17th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 12 May 2022 and only a depositor whose name appears on this Record shall be entitled to attend the 17th AGM or appoint proxy or proxies to attend and/or vote in his/her stead.

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**AFFIX STAMP**

The Company Secretary

**DELEUM BERHAD**
Registration No. 200501033500 (715640-T)
(Incorporated in Malaysia)

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

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