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DELEUM

DELEUM BERHAD

(Company No. 715640-T)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE**

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE
OR TRADING NATURE**

The Resolutions in respect of the above will be tabled as Special Business at the Company's Eleventh Annual General Meeting ("AGM") to be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 24 May 2016 at 10.00 a.m. Notice of the AGM together with the Form of Proxy are set out in the Annual Report of the Company for the financial year ended 31 December 2015 despatched together with this Circular.

The Form of Proxy should be lodged at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the AGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you subsequently wish to do so.

This Circular is dated 29 April 2016

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	The Companies Act, 1965, or any statutory modification, amendment or re-enactment thereof for the time being in force
AGM	:	Annual General Meeting
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Board	:	The Board of Directors of Deleum
Deleum or the Company	:	Deleum Berhad (715640-T)
Deleum Group or Group	:	Deleum and its subsidiaries as defined in Section 5 of the Act
Deleum Shares	:	Ordinary shares of RM0.50 each in the Company
DHSB	:	Delcom Holdings Sdn. Bhd. (115007-X), a wholly-owned subsidiary of DSSB
Director	:	Has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon a director of the Company, its subsidiary or holding company or a chief executive of the Company, its subsidiary or holding company
Dresser	:	Dresser Inc
Dresser Italia	:	Dresser Italia S.r.l
DSSB	:	Deleum Services Sdn. Bhd. (28307-K), a wholly-owned subsidiary of Deleum
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Major Shareholder(s)	:	A person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is 10% or more of the aggregate of nominal amounts of all the voting shares in the company; 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation. For the purpose of this definition, "interest in shares" has the meaning given in Section 6A of the Act

It also includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Major Shareholder of the Company (as defined above) or any other company which is its subsidiary or holding company

DEFINITIONS (CONT'D)

Person(s) Connected	:	As defined in Chapter 1 Paragraph 1.01 of the Listing Requirements
PDSB	:	Penaga Dresser Sdn. Bhd. (81758-M), a 51% owned subsidiary of DHSB
Proposed Shareholders' Mandate	:	Proposed Renewal of Shareholders' Mandate for the Deleum Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Group
Recurrent Related Party Transactions or RRPTs	:	A related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of the Group
Related Party(ies)	:	A Director, Major Shareholder or person connected with such Director or Major Shareholder
RM	:	Ringgit Malaysia
STICO	:	Solar Turbines International Company
TSSB	:	Turboservices Sdn. Bhd. (165849-A), a 74% owned subsidiary of DSSB

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DELEUM BERHAD

(Company No. 715640-T)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

29 April 2016

Board of Directors

Dato' Izham bin Mahmud (*Non-Independent Non-Executive Chairman*)
Datuk Vivekananthan a/l M.V. Nathan (*Non-Independent Non-Executive Deputy Chairman*)
Nan Yusri bin Nan Rahimy (*Group Managing Director*)
Datuk Ishak bin Imam Abas (*Independent Non-Executive Director*)
Datuk Chin Kwai Yoong (*Independent Non-Executive Director*)
Datuk Ir (Dr) Abdul Rahim bin Hashim (*Senior Independent Non-Executive Director*)
Datuk Noor Azian binti Shaari (*Independent Non-Executive Director*)

To : The Shareholders of Deleum

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At its AGM held on 29 April 2015, the Company obtained a mandate from its shareholders for the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions. Pursuant to Paragraph 10.09 and Practice Note 12 of the Listing Requirements, the mandate conferred by the shareholders for the Deleum Group to enter into RRPTs shall expire at the conclusion of the forthcoming AGM unless a renewal is obtained from the shareholders of the Company at the meeting.

On 20 April 2016, the Company announced its intention to seek its shareholders' approval for the Proposed Shareholders' Mandate at its forthcoming AGM.

The purpose of this Circular is to provide you with the details of the Proposed Shareholders' Mandate, to set out the recommendation by the Board and to seek your approval for the ordinary resolutions pertaining to the Proposed Shareholders' Mandate to be tabled as Special Business at the forthcoming AGM.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Paragraph 10.09 and Practice Note 12 of the Listing Requirements

Under Paragraph 10.09(2) of the Listing Requirements, the Company may seek a shareholders' mandate for RRPTs, subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the Company's annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year, where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Listing Requirements;
- (c) the circular to shareholders by the Company for the shareholders' mandate shall include information as may be prescribed by Bursa Securities;
- (d) in the meeting to obtain shareholders' mandate, the interested directors, major shareholders or interested Persons Connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, shall abstain from voting on the resolution approving the transactions. An interested director or interested major shareholder must ensure that Persons Connected with him abstain from voting on the resolution approving the transactions; and
- (e) the Company will immediately announce to Bursa Securities when the actual value of the RRPTs entered into by the Company exceeds the estimated value of the RRPTs disclosed in the Circular by 10% or more inclusive of any information as may be prescribed by Bursa Securities.

2.2 Validity Period

The Proposed Shareholders' Mandate, if approved by shareholders at the forthcoming AGM, will take effect from the date of the passing of the ordinary resolution proposed at the AGM and the authority conferred under the Proposed Shareholders' Mandate shall only continue to be in force until:

- (a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

It is anticipated that the Deleum Group would, in the ordinary course of business, enter into RRPTs and that such RRPTs will occur with some degree of frequency and could arise at any time and from time to time. In view of the time-sensitive, confidential and frequent nature of such RRPTs, the procurement of the Proposed Shareholders' Mandate with the classes of Related Parties, as set out in Section 2.5, will allow the Group to enter into RRPTs provided such transactions are entered into at arms' length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders.

2.3 The Principal Activities of the Deleum Group

The principal activity of Deleum is investment holding whilst its subsidiaries are principally involved in 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 nature of businesses of the Deleum Group is primarily in the following segments:

Power and Machinery - Mainly consisting of the sale of gas turbines and related parts, gas turbine overhaul, maintenance and technical services, including complete installation turnkey for new installations, package renewals and retrofit projects; supply and commission combined heat and power plants; supply, install, repair and maintenance of valves, flow regulators and other production related equipment; repair, servicing maintenance and overhaul of motors, generators, transformers and pumps.

Oilfield Services - Mainly consisting of the provision of slickline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services and other oilfield products and technical services.

Integrated Corrosion Solution – Mainly consisting of the provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.

The subsidiaries involved in the Proposed Shareholders' Mandate are as follows:

Subsidiary of Deleum	Equity Interest (%)	Principal Activities
DSSB	100	Provision of gas turbine packages, maintenance and technical services, combined heat and power plants and production related equipment and services predominantly for the oil and gas industry
Subsidiary of DSSB	Equity Interest (%)	Principal Activities
DHSB	100	Investment Holding
TSSB	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry
Subsidiary of DHSB	Equity Interest (%)	Principal Activities
PDSB	51%	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry

2.4 The Principal Activities of the Related Parties

The Proposed Shareholders' Mandate will apply to the following Related Parties:

Related Party Principal Activities

STICO Selling and providing STICO Products and after market support services including but not limited to repair, overhaul, maintenance, troubleshooting, inspection, supply of service parts and overhaul.

Dresser Italia Manufacturer / Producer of control valves and gas meters.

Dresser Design and manufacture of various types of measurements, instrumentation, piping and pressure control solutions and related products.

2.5 Information on RRPTs

The Proposed Shareholders' Mandate would cover transactions entered into at arms' length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders.

	Related Parties	Nature of Interest	Company in the Deleum Group involved	Nature of Transactions	Estimated Value as per last mandate (RM'000)	Actual Value transacted as at 31 March 2016 (RM'000)	Estimated Value for the validity of the proposed mandate (RM'000)
(1)	STICO	Note (1)	TSSB	Provision of gas turbine overhaul and technical services and support and gas turbine parts by STICO to TSSB	400,000	278,632	400,000
(2)	Dresser Italia	Note (2)	PDSB	Purchases of valves and spare parts from Dresser Italia	100	16	50
				Purchases of valves and spare parts from related parties of Dresser Italia	27,000	27,185	50,000

Note (1): STICO holds 26% of the issued and paid-up share capital of TSSB. STICO has no equity interest in Deleum. None of the directors nominated by STICO to sit on the Board of TSSB is a director on the Board of Deleum or any of its other subsidiaries.

Note (2): Dresser Italia holds 49% of the issued and paid-up share capital of PDSB. Dresser and its affiliates are Persons Connected to Dresser Italia. Dresser Italia is a 100% wholly-owned subsidiary of Dresser. Neither Dresser nor Dresser Italia have any equity interest in Deleum. None of the directors nominated by Dresser Italia to sit on the Board of PDSB is a director on the Board of Deleum or any of its other subsidiaries.

The abovementioned estimated value of transactions are based on best estimates by the management after taking into account historical trends and projected business volume during the validity of the Proposed Shareholders' Mandate. The actual transacted value may vary from the estimates shown above.

2.6 Deviation from Mandate

The actual value of the RRPTs from the date on which the existing mandate was obtained at the last AGM of the Company i.e. 29 April 2015 up to 31 March 2016 being the latest practicable date prior to printing of this Circular did not exceed by 10% or more of the estimated value as approved under the mandate granted to the Company at the last AGM.

2.7 Review Procedures for the RRPTs

To ensure that such RRPTs are undertaken at arms' length and on normal commercial terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders, the transactions with the Related Parties shall be determined based on prevailing rates or prices according to their usual commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms. Consideration will also be given to the expertise required, quality of product, level of service and other related factors. Whenever possible, at least two other contemporaneous quotes with unrelated third parties for similar products/services and/or quantities will be used as comparison to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

The following review procedures have also been implemented:

- (a) Where the Related Parties' products and services are proprietary in nature, the prices of these products/services are negotiated specifically between the proprietor and purchaser based on the usual commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations to ensure that the RRPTs are not detrimental to the Group;
- (b) All RRPTs entered into pursuant to the Proposed Shareholders' Mandate will be recorded for review by the Audit Committee at least once a year;
- (c) All RRPTs will be reviewed by the Audit Committee on a quarterly basis. The Audit Committee, may as it deems fit, request for additional information pertaining to the transactions from independent sources or advisers; and
- (d) Where any member of the Audit Committee is interested in any transactions, that member shall abstain from all deliberations and also voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions.

2.8 Thresholds for Approval

All transactions, regardless of whether they are RRPTs or not, are approved in accordance with the Delegation of Authority Guidelines of the Company and/or its subsidiaries ("the DAG") which governs the day-to-day operations and transactions. It provides overall authority limits to be adhered to and the levels of authority of the management team up to the Group Managing Director.

Approval of all transactions including RRPTs are based on the nature of the transaction, amounts and authority levels as prescribed in the DAG. All sales and purchases require the prior approval of the Heads of Business Units upon review by the relevant functions.

The approval process and limits in accordance with the DAG is summarised as follows:

Issuance of Purchase Orders in respect of the RRPTs of TSSB in accordance with the DAG requires the approval of the Chief Operating Officer for amounts up to RM30 million, of the Group Chief Operating Officer or Group Chief Financial Officer for amounts up to RM35 million and of the Group Managing Director for amounts up to RM50 million. The joint approval of the Group Managing Director and the Deputy Chairman is required for amounts exceeding RM50 million and up to RM70 million. Amounts in excess of RM70 million require the joint approval of the Group Managing Director and the Chairman.

Issuance of Purchase Orders in respect of the RRPTs of PDSB in accordance with the DAG requires the approval of the Senior Operations Manager jointly with General Manager for amounts less than RM500,000 and jointly with the Chief Operating Officer for amounts exceeding RM500,000.

2.9 Amount Due and Owing to the Deleum Group by Related Parties

As at the financial year ended 31 December 2015, there is no amount due and owing to the Deleum Group which has exceeded the credit term.

3. AUDIT COMMITTEE STATEMENT

The Audit Committee of the Company is of the view that the RRPTs entered and to be entered into are in the best interests of the Company, are fair, reasonable and on normal commercial terms and are not detrimental to the interests of the minority shareholders and that the procedures mentioned in Section 2.7 above, which are reviewed annually, are sufficient to monitor, track and identify RRPTs in a timely and orderly manner. These procedures put in place are to ensure that the RRPTs are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

4. RATIONALE AND BENEFITS FOR THE PROPOSED SHAREHOLDERS' MANDATE

The RRPTs entered or to be entered into by the Deleum Group are intended to meet the Group's day-to-day business needs at the best possible terms and to enhance the Group's ability to explore beneficial business opportunities.

As such, the rationale for and benefits of the Proposed Shareholders' Mandate to the Deleum Group are as follows:

- (a) to facilitate transactions with Related Parties which are in the ordinary course of business of the Group, are undertaken at arms' length, normal commercial terms and on prices which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of minority shareholders;
- (b) to enable the Group to transact with Related Parties in an expeditious manner to meet business needs for the supply and/or provision of goods and services which are necessary for its day-to-day operations particularly business needs which are time sensitive in nature;
- (c) the Group has established relationships with the Related Parties which are partners of the Group. They are internationally renowned corporations and OEMs. TSSB and PDSB tap into their respective expertise and resources to provide services to the customer base, thereby contributing to the earnings and performance of the Group. Therefore, it is in the interests of the Group to transact with such Related Parties to enhance its competitiveness, competence and capabilities. Also, these partnerships would provide the opportunities to explore and penetrate new markets; and

- (d) to eliminate the need to announce and/or convene separate general meetings from time to time to seek shareholders' approval for entering into the RRPTs, as required pursuant to Chapter 10 of the Listing Requirements and thereby enable resources, costs and time to be channelled towards achieving the Group's business objectives.

5. APPROVAL REQUIRED

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of Deleum at the forthcoming AGM to be convened.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for STICO and Dresser Italia being the major shareholders of TSSB and PDSB respectively, none of the directors and major shareholders of Deleum and Persons Connected to the directors and major shareholders are interested in the Proposed Shareholders' Mandate. The Proposed Shareholders' Mandate is sought pursuant to Paragraph 10.09 of the Listing Requirements.

The nature of interests of the interested major shareholders are set out in Section 2.5 of this Circular. The interested major shareholders and Persons Connected to them, if any, will abstain from voting on the ordinary resolutions deliberating or approving the Proposed Shareholders' Mandate at the forthcoming AGM and have undertaken that they will ensure that Persons Connected to them (as defined in the Listing Requirements), if any, will abstain from deliberating or voting on the ordinary resolutions to approve the Proposed Shareholders' Mandate at the forthcoming AGM.

7. AGM

The Eleventh AGM of the Company will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 24 May 2016 at 10.00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, to pass, inter alia, the resolutions to approve and give effect to the Proposed Shareholders' Mandate under special business in the Notice of AGM which is enclosed in the Annual Report of the Company for the financial year ended 31 December 2015 accompanying this Circular.

If you are unable to attend and vote in person at the AGM and wish to appoint a Proxy instead, you should complete and return the Form of Proxy enclosed in the Annual Report in accordance with the instructions printed thereon. The Form of Proxy must be lodged at the registered office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time fixed for the AGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

8. DIRECTORS' RECOMMENDATION

The Board, having taken into consideration all relevant aspects of the Proposed Shareholders' Mandate is of the opinion that the Proposed Shareholders' Mandate is in the best interests of the Deleum Group, is fair, reasonable and on normal commercial terms and not detrimental to the interests of the minority shareholders and accordingly they recommend that you vote in favour of the ordinary resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

9. FURTHER INFORMATION

9.1 RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

9.2 MATERIAL LITIGATION

Deleum and/or its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial position of the Deleum Group and the Directors of Deleum do not have any knowledge of any proceedings, pending or threatened, against the Deleum Group or of any facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Deleum Group.

9.3 MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts (including contracts not reduced into writing), not being in the ordinary course of business entered into by the Company and/or its subsidiaries within two (2) years preceding the date of this Circular:

- (i) On 24 March 2015, Turboservices Overhaul Sdn. Bhd. ("TOSB"), a wholly-owned subsidiary of Deleum then, entered into the following agreements:
 - (a) Subscription Agreement with Deleum and STICO whereby STICO had agreed to subscribe for 3,440,000 ordinary shares of RM1.00 each ("Ordinary Shares") and 2 redeemable convertible preference shares of RM0.01 each ("RCPS"), representing 19.45% of the total enlarged issued and paid-up capital of TOSB, for a consideration of RM7,000,000 ("Consideration") to be satisfied by the delivery of one (1) Test Skid (a universal test skid capable of running full performance test on certain STICO's contract products) by STICO to TOSB ("Subscription"). The 2 RCPS carry a total issued price of RM3,560,000 which translates to a nominal value of RM0.01 with a share premium of RM1,779,999.99 each.
 - (b) Test Skid Agreement with STICO whereby TOSB agreed to accept and STICO agreed to deliver one (1) Test Skid as payment in kind for the subscription of shares by STICO in satisfaction of the Consideration pursuant to the Subscription.

(collectively referred to as the "Transactions")

The Transactions were completed on 30 March 2015 whereby TOSB became a joint venture of Deleum and STICO. Upon which, Deleum is holding 14,250,000 Ordinary Shares and 2 RCPS, representing 80.55% of the total enlarged issued and paid-up capital of TOSB whereas STICO is holding 3,440,000 Ordinary Shares and 2 RCPS, representing 19.45% of the total enlarged issued and paid-up capital of TOSB.

- (c) Shareholders Agreement with Deleum and STICO to regulate the relationship of Deleum and STICO as shareholders of TOSB effective upon completion of the Transactions on 30 March 2015.

- (ii) On 19 August 2015, DSSB entered into a Share Sale Agreement with Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz ("Tan Sri") for the acquisition of 20,000 ordinary shares of RM1.00 each in DHSB, representing 20% equity interest of DHSB from Tan Sri, for a total cash consideration of RM3,169,000 ("Acquisition").

The Acquisition was completed on 1 September 2015 whereby DHSB became a wholly-owned subsidiary of Deleum via DSSB.

9.4 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company following the publication of this Circular from Mondays to Fridays (except public holidays) during normal business hours up to and including the date of the AGM:

- (i) Memorandum and Articles of Association of Deleum;
- (ii) The audited consolidated financial statements of Deleum and its subsidiaries for the past two (2) financial years ended 31 December 2014 and 2015; and
- (iii) The material contracts referred to in Section 9.3 above.

Yours faithfully
For and on behalf of the Board
DELEUM BERHAD

DATO' IZHAM BIN MAHMUD
Non-Independent Non-Executive Chairman