



2012	
2011	2010
2009	2008
2007	2006
2005	2004
2003	2002
2001	2000
1999	1998
1997	1996
1995	1994
1993	1992
1991	1990
1989	1988
1987	1986
1985	1984
1983	1982

# Our Journey **30** years Continues

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

## OUR MISSION

- To Provide Sustainable Growth and Enhance Stakeholders' Value

## OUR VISION

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

## OUR SHARED VALUES

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

# the contents



<b>4</b>	Financial Highlights	<b>56</b>	Statement on Risk Management and Internal Control
<b>8</b>	Corporate Information	<b>58</b>	Audit Committee Report
<b>9</b>	Group Corporate Structure	<b>61</b>	Financial Statements
<b>12</b>	Profiles of Directors	<b>144</b>	Notice of Annual General Meeting
<b>17</b>	Key Management	<b>148</b>	Statement Accompanying Notice of Annual General Meeting
<b>20</b>	Chairman's Statement	<b>149</b>	Additional Compliance Information
<b>26</b>	Management Discussion and Analysis	<b>150</b>	List of Properties
<b>32</b>	Quality, Health, Safety and Environment	<b>151</b>	Analysis of Shareholdings
<b>33</b>	Activities of 2012	<b>154</b>	Corporate Directory
<b>48</b>	Statement of Corporate Governance		Proxy Form



# the faces of Deleum







# Milestones

## 1982

- Establishment of Delcom Services Sdn. Bhd.  
*(Now known as Deleum Services Sdn. Bhd.)*
- PETRONAS Licensed Service Provider

## 1985

- Establishment of JV, Malaysian Mud And Chemicals Sdn. Bhd.  
*(Bulking Services at Asian Supply Base, Labuan)*

## 1987

- Establishment of Turboservices Sdn. Bhd.  
*JV with Solar Turbines Inc. (After Market Sales for Gas Turbines)*
- Establishment of Camco (Malaysia) Sdn. Bhd. (CMSB)  
*JV with Camco Inc. (Wireline and Completion Services)*

## 1995

- Establishment of JV, Cambodia Utilities Pte. Ltd.  
*(Independent Power Production in Cambodia)*

## 2001

- Acquisition of the remaining 49% equity interest in CMSB from Schlumberger and renamed Delcom Oilfield Services Sdn. Bhd.  
*(Now known as Deleum Oilfield Services Sdn. Bhd.)*







# our people at work





## 2007

- Listed on Main Board of Bursa Malaysia (now Main Market) via investment holding entity Deleum Berhad

## 2008

- Establishment of Turbine Overhaul Facility  
*(Dedicated Solar Turbines Integrated Service Centre in Senawang)*
- Acquisition of 51% equity interest in Penaga Dresser Sdn. Bhd. via 80% subsidiary Delcom Holdings Sdn. Bhd.

## 2010

- Acquisition of 100% equity interest in Rotary Technical Services Sdn. Bhd. *(Now known as Deleum Rotary Services Sdn. Bhd.)*  
*(Servicing and Maintenance of Rotating Equipment)*

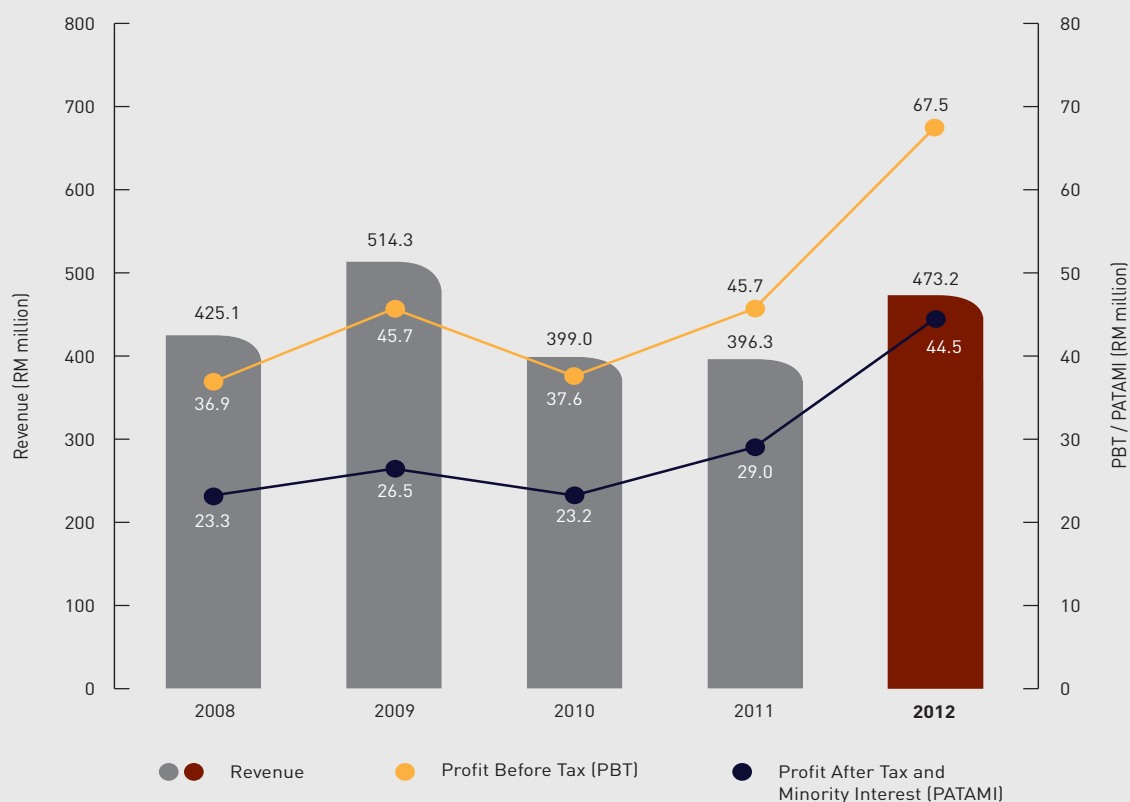
## 2012

- Attainment of OPITO Certification on Competence Management System (OPITO-CMS) by Deleum Oilfield Services Sdn. Bhd.
- 30<sup>th</sup> Anniversary and Corporate Rebranding
- Acquisition of 60% equity interest in Northern Primera Sdn. Bhd. *(Now known as Deleum Primera Sdn. Bhd.)*

# FINANCIAL Highlights

For The Financial Years Ended 31 December 2008-2012

## REVENUE / PBT / PATAMI



Financial Year (RM'000)	2008	2009	2010	2011	2012
Revenue	425,055	514,293	399,045	396,303	<b>473,240</b>
Gross Profit	49,359	79,275	75,950	79,574	<b>107,724</b>
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	42,138	56,754	50,908	59,520	<b>81,610</b>
Share of Associates' Results	15,570	9,651	9,744	13,679	<b>15,579</b>
Profit Before Tax	36,912	45,687	37,594	45,709	<b>67,471</b>
Profit After Tax	30,440	35,734	30,213	34,711	<b>54,214</b>
Non-controlling Interest	(7,189)	(9,284)	(6,977)	(5,678)	<b>(9,764)</b>
PATAMI	23,251	26,450	23,237	29,033	<b>44,450</b>



## Financial Highlights

For The Financial Years Ended 31 December 2008-2012

### FINANCIAL RESULTS HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2012

EBITDA (RM'000)

**RM81,610**

2011: RM59,520

PATAMI (RM'000)

**RM44,450**

2011: RM29,033

RETURN ON EQUITY

**20.6%**

2011: 15.4%

TOTAL FIXED ASSETS (RM'000)

**RM98,089**

2011: RM100,065

SHAREHOLDERS' EQUITY (RM'000)

**RM215,949**

2011: RM188,913

DIVIDEND PER SHARE

**15.0 sen**

2011: 14.0 sen

### FINANCIAL RATIOS

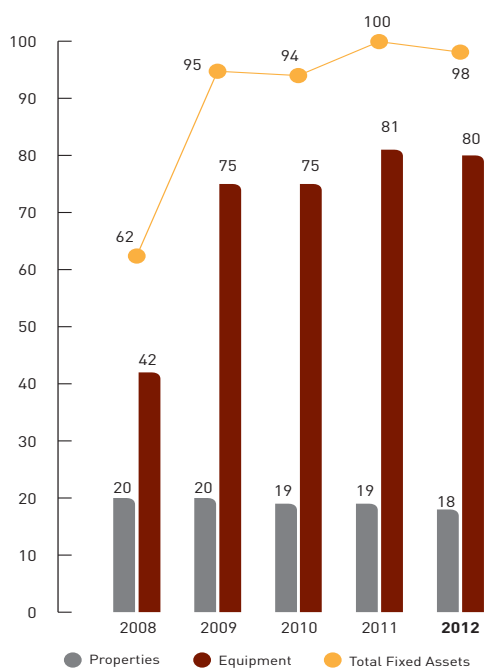
Financial Year	2008	2009	2010	2011	2012
Return on Equity	15.9%	16.4%	13.5%	15.4%	<b>20.6%</b>
Return on Total Assets	8.4%	9.7%	6.6%	8.6%	<b>10.7%</b>
Gearing Ratio	4.2%	15.6%	12.5%	14.2%	<b>8.8%</b>
Net Asset Per Share (RM)	1.46	1.61	1.73	1.89	<b>1.44*</b>
Gross Dividend Per Share (Sen)	11.00	12.00	11.50	14.00	<b>15.00*</b>
Gross Dividend Yield	9.6%	7.6%	7.6%	8.9%	<b>7.7%*</b>

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

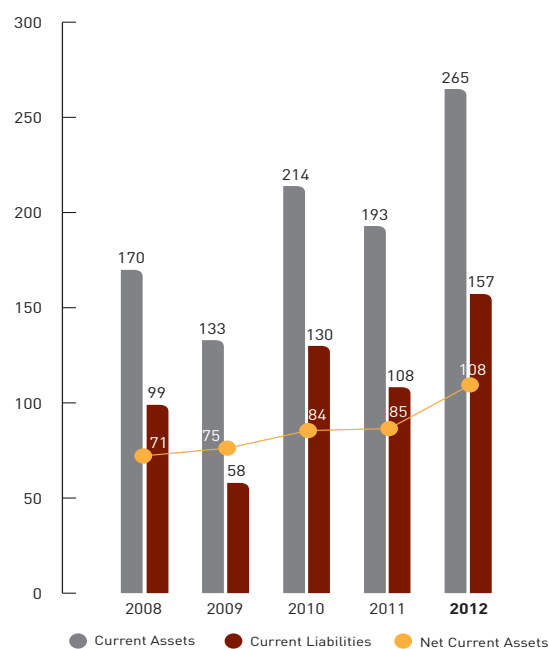
## Financial Highlights

For The Financial Years Ended 31 December 2008-2012

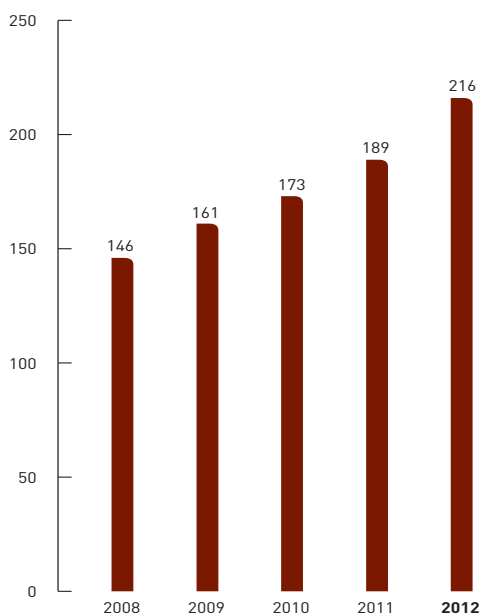
### PROPERTY, EQUIPMENT & TOTAL FIXED ASSETS (RM Million)



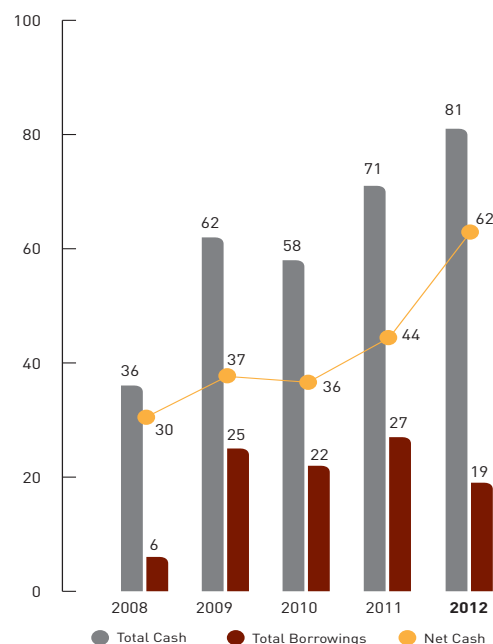
### NET CURRENT ASSETS (RM Million)



### SHAREHOLDERS' EQUITY (RM Million)



### NET CASH (RM Million)

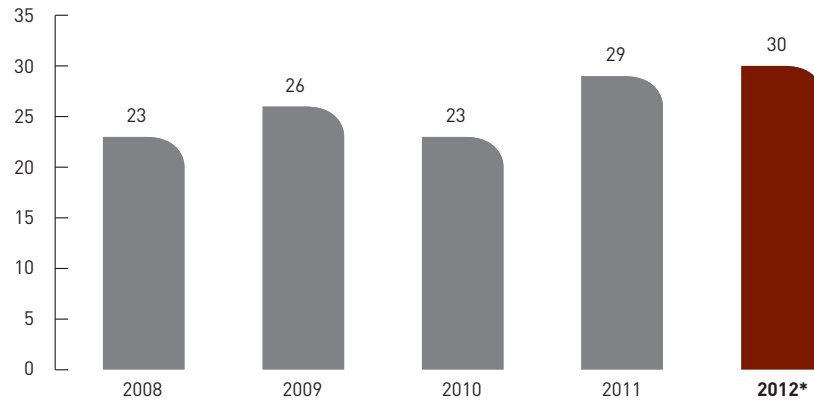




## Financial Highlights

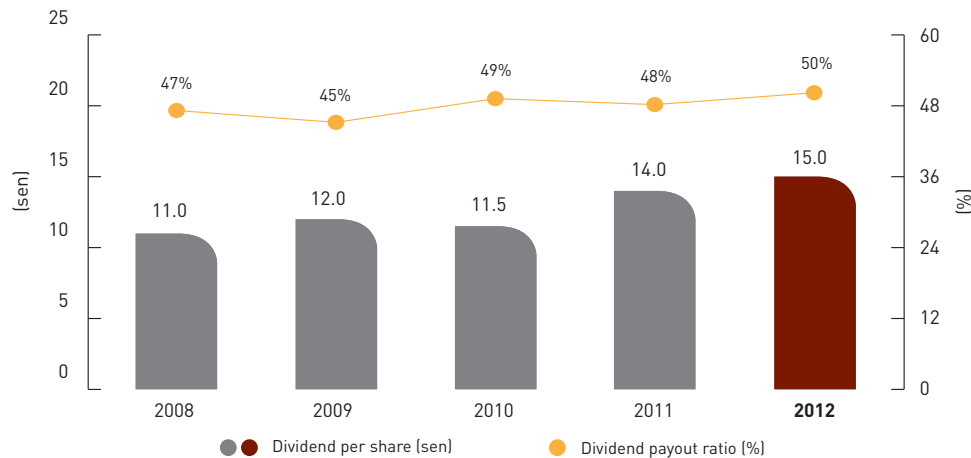
For The Financial Years Ended 31 December 2008-2012

### EARNINGS PER SHARE (Sen)

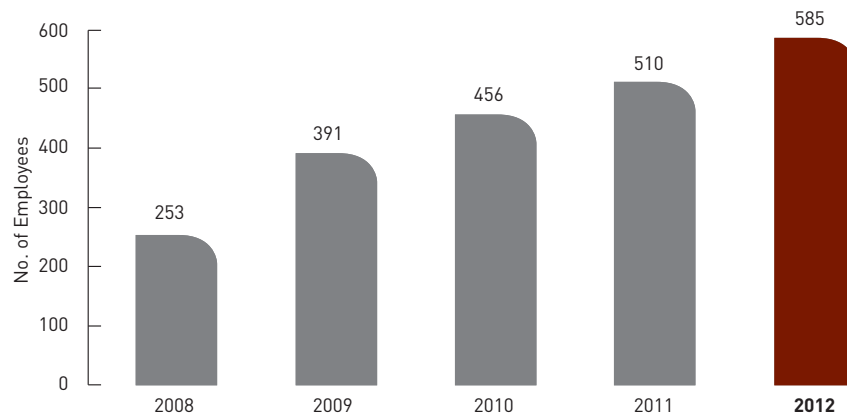


\* Based on enlarged share capital of 150 million ordinary shares pursuant to issuance of 50 million bonus shares on 8 June 2012.

### DIVIDENDS



### EMPLOYEES



## CORPORATE Information

### BOARD OF DIRECTORS

**Dato' Izham bin Mahmud**

Non-Independent Non-Executive  
Chairman

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

Non-Independent Non-Executive  
Deputy Chairman

**Nan Yusri bin Nan Rahimy**

Group Managing Director

**Dato' Kamaruddin bin Ahmad**

Senior Independent Non-Executive  
Director

**Datuk Ishak bin Imam Abas**

Independent Non-Executive Director

**Chin Kwai Yoong**

Independent Non-Executive Director

**Tan Sri Dato' Seri Abdul Ghani  
bin Abdul Aziz**

Non-Independent Non-Executive Director

#### AUDIT COMMITTEE

Datuk Ishak bin Imam Abas  
*Chairman*

Dato' Kamaruddin bin Ahmad

Chin Kwai Yoong

Dato' Izham bin Mahmud

Datuk Vivekananthan a/l M.V. Nathan

#### JOINT REMUNERATION AND NOMINATION COMMITTEE

Dato' Kamaruddin bin Ahmad  
*Chairman*

Dato' Izham bin Mahmud

Datuk Vivekananthan a/l M.V. Nathan

Datuk Ishak bin Imam Abas

Chin Kwai Yoong

#### RISK COMMITTEE

Tan Sri Dato' Seri Abdul Ghani  
bin Abdul Aziz  
*Chairman*

Nan Yusri bin Nan Rahimy

Datuk Vivekananthan a/l M.V. Nathan

Chin Kwai Yoong

#### COMPANY SECRETARIES

Lee Sew Bee  
MAICSA No. 0791319

Lim Hooi Mooi  
MAICSA No. 0799764

#### REGISTERED OFFICE/HEAD OFFICE

No. 2, Jalan Bangsar Utama 9  
Bangsar Utama  
59000 Kuala Lumpur  
Malaysia  
Tel : 603-2295 7788  
Fax : 603-2295 7777  
Email: [info@deleum.com](mailto:info@deleum.com)  
Website: [www.deleum.com](http://www.deleum.com)

#### SHARE REGISTRARS

**Symphony Share Registrars Sdn. Bhd.**

Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : 603-7841 8000  
Fax : 603-7841 8008

#### STOCK EXCHANGE LISTING

**Main Market of Bursa Malaysia  
Securities Berhad**

Stock Code: 5132

#### AUDITORS

**PricewaterhouseCoopers**

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

#### SOLICITORS

**Zain & Co.**

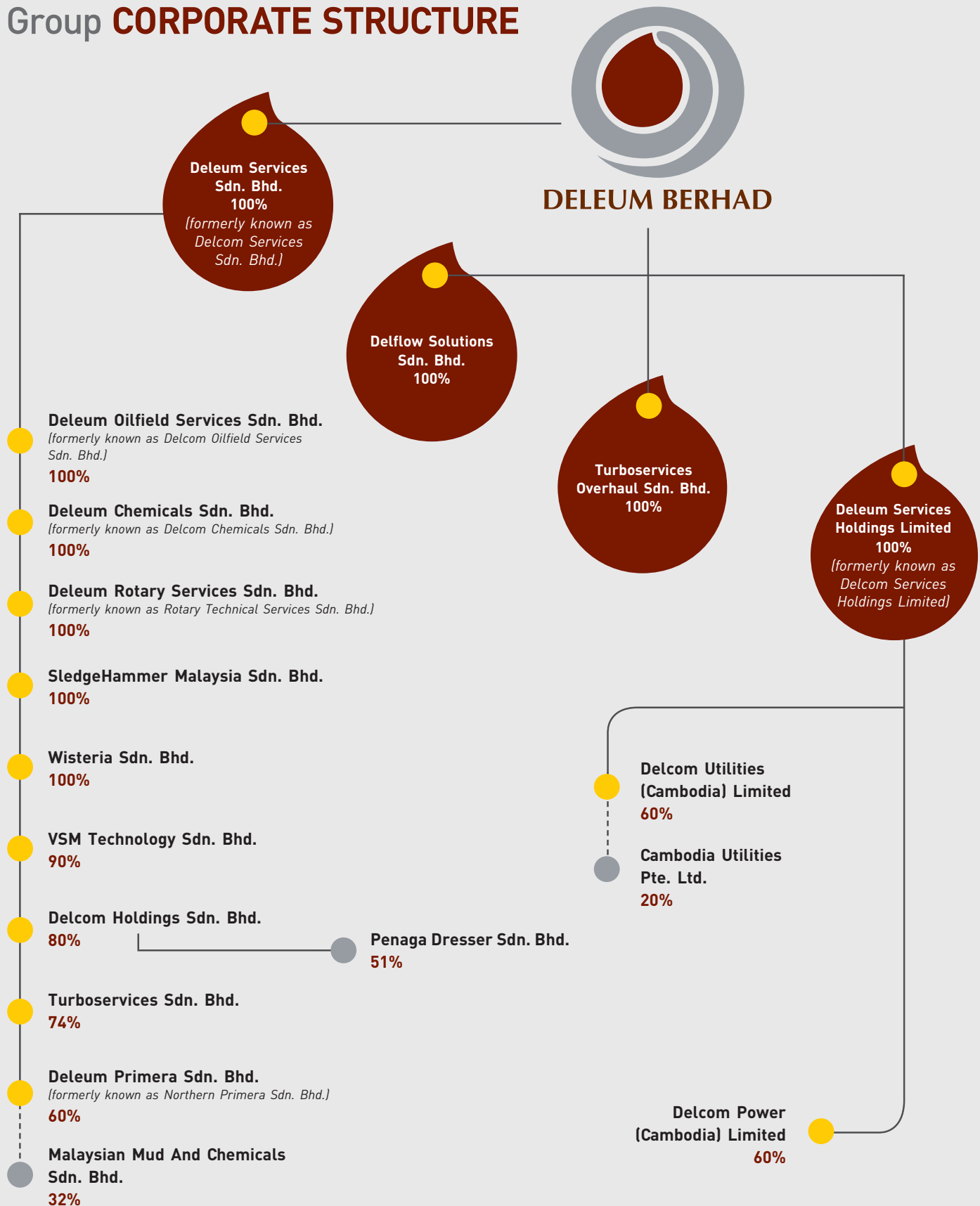
6th & 7th Floor  
Akademi Etiqa  
23, Jalan Melaka  
50100 Kuala Lumpur  
Malaysia  
Tel : 603-2698 6255  
Fax : 603-2693 6488

#### PRINCIPAL BANKERS

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

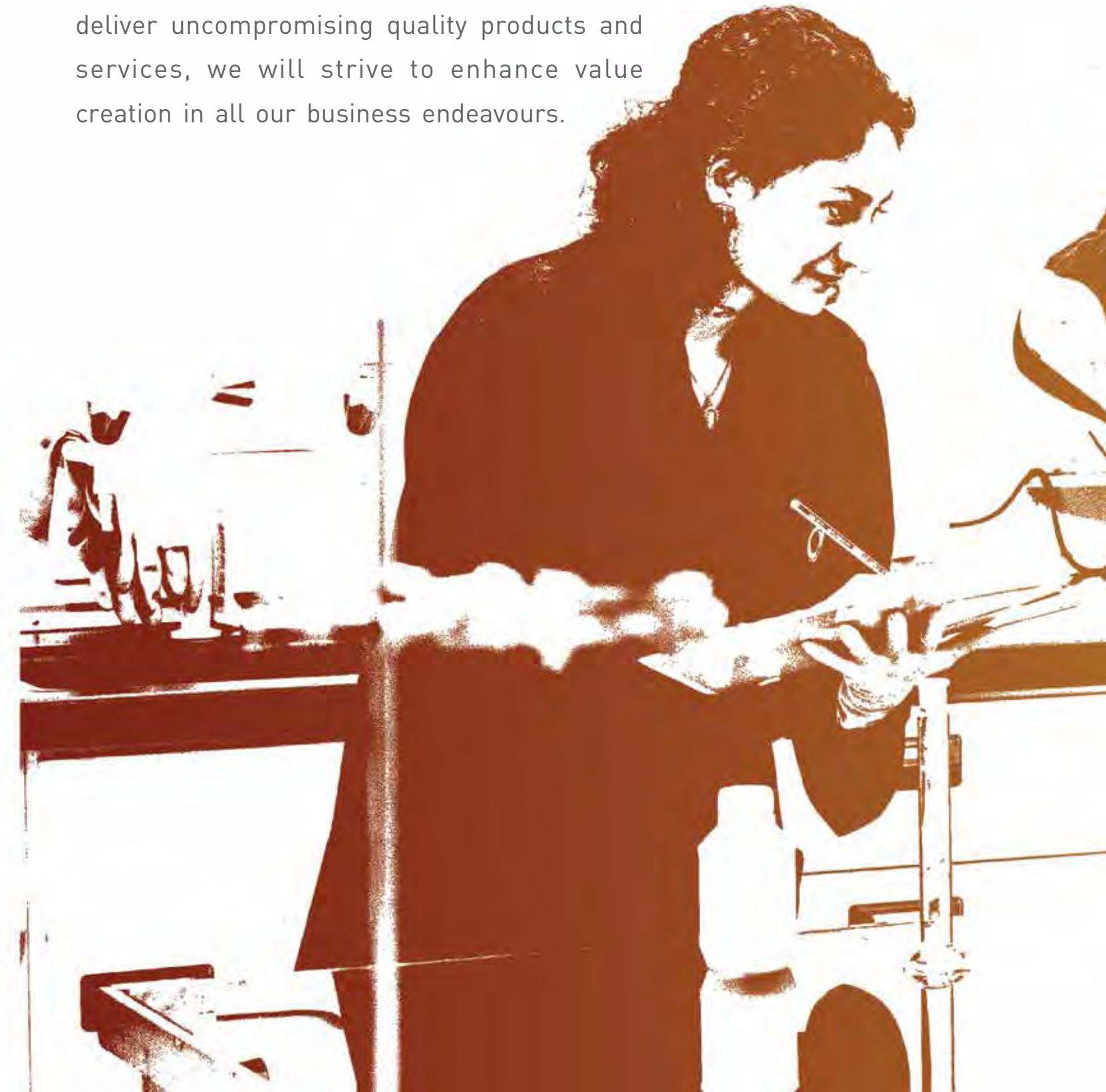


## Group CORPORATE STRUCTURE



# INSPIRING SOLUTIONS

Our commitment to **integrity** remains an essence to our organisation's success and achievements. Coupled with dedication to deliver uncompromising quality products and services, we will strive to enhance value creation in all our business endeavours.







# Profiles of Directors

---

**Dato' Izham bin Mahmud**

*Non-Independent Non-Executive Chairman*

Dato' Izham bin Mahmud, a Malaysian, aged 72, 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. He embarked on his banking career in 1974 when he joined Aseambankers Malaysia Berhad where he served as General Manager and later Managing Director in 1979, a position he held until his retirement in 1996. During this period, he was also a Director of various subsidiaries of the Maybank Group and Cagamas Berhad.

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



## Profiles of Directors

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

*Non-Independent Non-Executive Deputy Chairman*

Datuk Vivekananthan a/l M.V. Nathan, a Malaysian, aged 71, was appointed to the Board on 21 December 2005. He is one of the co-founders of Deleum Services.

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

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

He sits on the Board of International Conference and Exhibition Professionals ("iCEP") (formerly known as WGC 2012/National Organising Committee of the 25<sup>th</sup> World Gas Conference) the main organiser of conferences and exhibitions hosted by PETRONAS.

He also sits on the Boards of Malaysia Deepwater Production Contractors Sdn. Bhd. and Malaysia Deepwater Floating Terminal (Kikeh) Ltd., which are joint ventures between MISC Berhad and Single Buoy Moorings Inc of Monte Carlo.



## Profiles of Directors



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

*Group Managing Director*

Nan Yusri bin Nan Rahimy, a Malaysian, aged 41, was appointed to the Board on 1 March 2011.

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

He started his career with Deleum Services in April 1996 as a Marketing Executive supporting the turbomachinery business and was later re-designated to Application Engineer in November 1996. He subsequently held several senior positions within the Group including Senior Marketing Manager, Assistant VP – Business Development, VP – Exploration and Production and COO – Oilfield Services.

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

### **Dato' Kamaruddin bin Ahmad**

*Senior Independent Non-Executive Director*

Dato' Kamaruddin bin Ahmad, a Malaysian, aged 73, was appointed to the Board on 21 March 2007. He is a chartered accountant and a member of the Malaysian Institute of Accountants ("MIA"). He holds an accountancy qualification from the RMIT University (formerly known as Royal Melbourne Institute of Technology), Australia. He is also a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and a Fellow of the CPA Australia. He also attended the Advance Management Programme at the Harvard Business School, USA.

He started his career in the civil service in 1966. He joined Malaysian Airlines System Berhad in 1974 and held various senior management positions there including Director of Finance, Senior Director (Operations) and CEO before assuming the position of Managing Director in 1991 until his retirement in August 1994. He was former Chairman of ACP Industries Berhad and also served as Director of Penerbangan Malaysia Berhad.





## Profiles of Directors

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

*Independent Non-Executive Director*

Datuk Ishak bin Imam Abas, a Malaysian, aged 67, was appointed to the Board on 21 March 2007. He is a Fellow of the Chartered Institute of Management Accountants ("CIMA") and a member of the MIA.

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

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

Datuk Ishak is currently the Non-Executive Chairman of Putrajaya Holdings Sdn. Bhd. as well as Non-Executive Director of Kuala Lumpur City Park Berhad and KLCC Property Holdings Berhad, all of which are subsidiaries of PETRONAS. He was recently appointed the Non-Executive Director of KLCC REIT Management Sdn. Bhd.

He also sits on the Boards of Standard Chartered Bank Malaysia Berhad and Standard Chartered Saadiq Berhad as Independent Non-Executive Director.



### **Chin Kwai Yoong**

*Independent Non-Executive Director*

Chin Kwai Yoong, a Malaysian, aged 64, was appointed to the Board on 21 March 2007. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the MICPA and the MIA.

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

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

Currently, he sits on the Boards of ASTRO Malaysia Holdings Berhad, ASTRO All Asia Networks Plc., ASTRO Overseas Limited, Genting Berhad and Bank Negara Malaysia. He was recently appointed as Independent Non-Executive Director of Fraser & Neave Holdings Berhad.



## Profiles of Directors



**Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz**  
*Non-Independent Non-Executive Director*

Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz, a Malaysian, aged 67, was appointed to the Board on 30 April 2009. He holds a Master of Arts in International Relations and Strategic Studies from the University of Lancaster, UK, and a Master of Human Sciences (History and Civilization) from the International Islamic University, Malaysia.

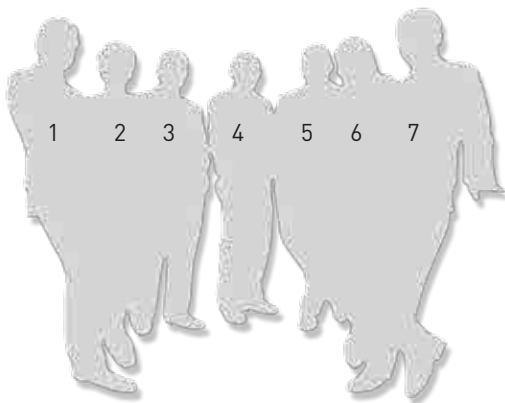
He joined the Royal Malaysian Air Force (RMAF) in 1964 and graduated as a qualified pilot in 1965. He served in the RMAF for 32 years and attained the position of Chief of Air Force in 1993 before retiring in November 1996.

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

### Notes:

1. Directors' attendance at Board and Board Committees' meetings during the financial year ended 31 December 2012 are set out in the Statement of Corporate Governance and Audit Committee Report.
2. Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholders of Deleum Berhad, have no conflict of interest with Deleum Berhad and have not been convicted of any offence within the past 10 years.

# Key Management

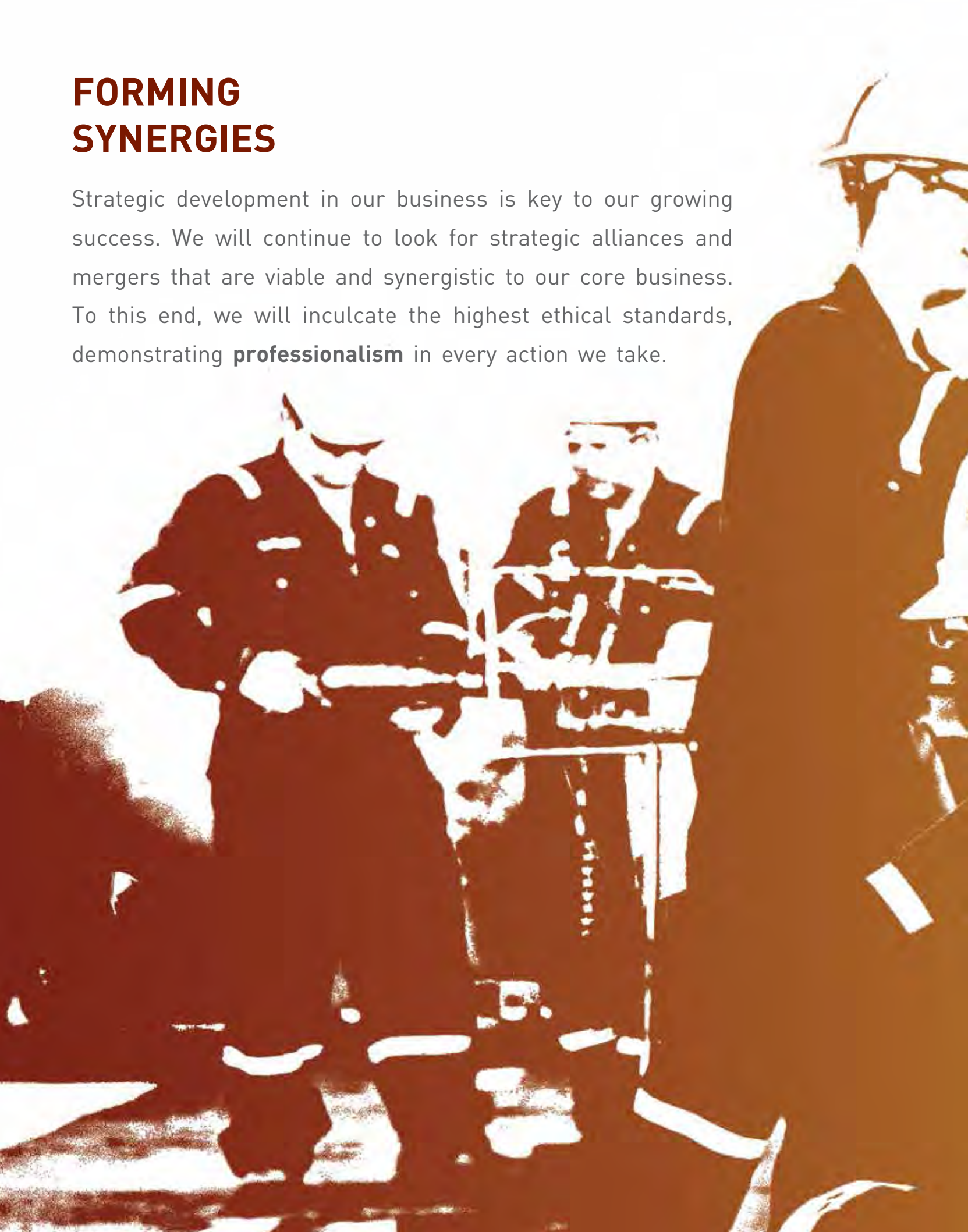


- 1. Zamani bin Abd Ghani**  
Group Chief Operating Officer
- 2. Lee Sew Bee**  
Senior General Manager  
Group Corporate Services
- 3. Heng Phok Wee**  
Chief Operating Officer  
Deleum Services Sdn. Bhd.
- 4. Khairiri bin Abd Karim**  
Chief Operating Officer  
Deleum Rotary Services  
Sdn. Bhd.
-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



# FORMING SYNERGIES

Strategic development in our business is key to our growing success. We will continue to look for strategic alliances and mergers that are viable and synergistic to our core business. To this end, we will inculcate the highest ethical standards, demonstrating **professionalism** in every action we take.







# Chairman's Statement

Dato' Izham bin Mahmud  
Chairman



“

DEAR SHAREHOLDERS, I AM PLEASED TO REPORT THAT THE GROUP HAS POSTED ITS RECORD PROFIT FOR THE YEAR 2012 SINCE INCEPTION. THE GROUP POSTED A NEW HIGH PATAMI OF RM44.5 MILLION, AN INCREASE OF 53.1% FROM RM29.0 MILLION IN 2011 ATTRIBUTABLE TO THE STRONGER PERFORMANCE ACHIEVED BY EACH OF OUR BUSINESS SEGMENTS.

”



## Chairman's Statement



30<sup>th</sup> Anniversary & Corporate Rebranding

### DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Deleum Berhad for the financial year ended 31 December 2012.

The year 2012 was significant for the Deleum Group, as we posted the record profit since our inception and achieved a historic milestone in our corporate history – our 30<sup>th</sup> anniversary. The Group has certainly come a long way since 1982 when it diversified into the Malaysian oil and gas industry and established itself as a service company. Via strategic long term partnerships and organic growth over the years, we are today a provider of a diverse range of supporting specialised products and services in the exploration and production sector of the oil and gas industry.

We strongly believe in achieving equitable business advantage and synergies through our established and long term relationships with clients and business partners. Adhering steadfastly to our shared values of Integrity, a high level of Professionalism, Health, Safety & Environment and Excellence, has steered us thus far and we have grown from strength to strength as a trusted partner and responsible employer. 2012 indeed has been another exciting year for Deleum, and I have great pleasure in sharing our achievements during the year under review.

### FINANCIAL PERFORMANCE

I am pleased to report that the Group posted a new high PATAMI of RM44.5 million, marking an increase of 53.1% from RM29.0 million in 2011 attributable to the stronger performance achieved by each of our business segments. On the back of robust exploration and production

activities, the Group's revenue rose by 19.4% from RM396.3 million in 2011 to RM473.2 million.

These commendable results delivered by the Group have proven our business focus and strategy to capitalise on the growing opportunities in the domestic oil and gas industry and constant effort in expanding our businesses.

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

### DIVIDEND

We continue to reward our shareholders in line with our dividend policy of distributing dividend of 50% of the Group's annual profit to equity holders of the Company, subject to availability of adequate distributable reserves, operating cash flow requirements, financial commitments and expansion plans to sustain its existing operations and to support its business growth.

The Company paid a first interim single tier dividend of 5.0 sen per ordinary share to our shareholders on 20 September 2012 on an enlarged share capital of 150 million ordinary shares subsequent to issuance of 50 million bonus shares on 8 June 2012. The Board had subsequently declared a second interim single tier dividend of 10.0 sen per ordinary share, paid on 25 March 2013. This brought the total dividend payout for the financial year 2012 to 15.0 sen per ordinary share, totalling RM22.5 million based on 150 million ordinary shares, as compared to 14.0 sen per ordinary share, totalling RM14.0 million based on 100 million ordinary shares in 2011.

## Chairman's Statement

### CORPORATE DEVELOPMENT

We celebrated our 30<sup>th</sup> anniversary as ONE by undertaking a corporate rebranding exercise to consolidate our key subsidiaries carrying the name 'Delcom', to take on a united identity and name under 'Deleum'. This creates a stronger, more cohesive front to the general public while also promoting a greater sense of togetherness internally driving us forward as one team striving for a shared vision and goals. The Deleum Group is now ONE – *Same Name, Same Commitment, Same Values*. While strengthening our Deleum brand, we remain committed to improving the way we communicate with our stakeholders and have revamped our corporate website which is now more informative.

As part of the Group's expansion and growth strategies, Deleum had via its wholly-owned subsidiary, Deleum Services Sdn. Bhd., completed the acquisition of 60% equity interest in Northern Primera Sdn. Bhd., now known as Deleum Primera Sdn. Bhd. (Deleum Primera). Deleum Primera's core business is providing services in integrated corrosion and inspection services, primarily using Sponge-Jet technology, which enhances the portfolio of the MRO segment's scope of services. From a growth perspective, I believe Deleum Primera's sole distributorship of Sponge-Jet technology in Malaysia and Indonesia provides a gateway for the Group to venture into the Indonesian market for the provision of integrated corrosion and inspection services, in line with our business strategy of regional expansion.

### CORPORATE GOVERNANCE

Deleum is committed in upholding good corporate governance to direct and manage its business and affairs towards enhancing business prosperity and corporate accountability. We remain focused in safeguarding the Group's resources in the interests of our shareholders and other stakeholders, while striving towards sustainable growth and enhancing stakeholders' value.

The Board of Directors is guided and mindful of the principles and recommendations of the revised Malaysian Code on Corporate Governance 2012 (MCCG 2012). Where necessary and applicable, the best practices and recommendations of the MCCG 2012 have been implemented. The Board has adopted the Board Charter during the year, which sets out its roles, functions, composition, operations and processes.

In view of the constantly changing business environment in the oil and gas industry, we assess our risk appetite on a continual basis as we strive to grow and expand our business locally and regionally. In this regard, we have introduced a new Enterprise Risk Management (ERM) framework to further strengthen and to ensure a structured and holistic approach is adopted in identifying, evaluating and managing the risks faced by the Group.

### SUSTAINABILITY AND CORPORATE RESPONSIBILITY

At Deleum, we recognise the importance and the need for its strategies and plans to promote sustainability and contribute towards sustainable development, with

particular focus on the environmental, social and governance aspects of the business. In essence, we continuously seek to achieve a balance against the competing interests of the other stakeholders of the Company in conducting our day-to-day business.

We strive to maintain a safe and conducive work environment for our employees and to ensure rigorous standards, policies and procedures of Quality, Health, Safety and Environment (QHSE) are strictly adhered to. We also encourage practices that safeguard and minimise the impact to the environment and support initiatives which promote its protection and preservation. During our Group's HSE Campaign in 2012, various programmes were implemented to increase safety and environmental awareness as well as to inculcate a proactive intervention culture among our workforce, homes and communities. The detailed programmes and activities are explained in the QHSE statement which is set out on page 32 of this Annual Report.

We believe in giving back to the communities we serve and the wider world around us, and we support charitable causes and initiatives on community development projects. We continue to support and provide a caring human touch to the needy and impoverished via donation drives and convivial celebrations to share the joy of festive occasions with underprivileged children from diverse backgrounds. The Group continued to organise its annual blood donation campaign at the head office in collaboration with the Pusat Darah Negara, which saw active participation from employees, business associates and the public.

## Chairman's Statement

### HUMAN CAPITAL DEVELOPMENT

We believe in continuously developing our employees, as they are the most valuable assets to the Group with an important part to play in sustaining the Group's performance and achieving its future growth. We therefore continue to place emphasis on the continued professional development of our employees and engage them actively through our shared values, while propelling employees towards achieving our business goals.

During the year, we have enhanced our human development framework, amongst others, focusing and enhancing our performance and competency management system, leadership development and talent attraction.



*Leadership Programme*



*Hari Raya Celebration with Underprivileged Children*



*QHSE Programme - Fire Fighting Training*

### OUTLOOK

Following a series of oil and gas discoveries in these recent years and the emphasis placed by the Malaysian Government under the Economic Transformation Programme (ETP) to intensify exploration activities that help boost oil output, more exploration and production activities are expected to spur business opportunities in the oil and gas industry. We believe it will also promote significant upstream investment in the country. We, therefore, remain positive about our prospects in the Malaysian oil and gas industry. However, there may be factors beyond our control impacting the oil and gas industry which in turn may impact our performance.

As we move towards another milestone, we continue to focus on our core business segments while increasing our service related business. The Group remains mindful of the increasingly challenging economic environment and will continue to look diligently for opportunities to form strategic alliances and mergers and

acquisitions which are viable and synergistic to our core business. We are very excited about the direction that we are heading to while pursuing our business sustainability growth.

### ACKNOWLEDGEMENTS

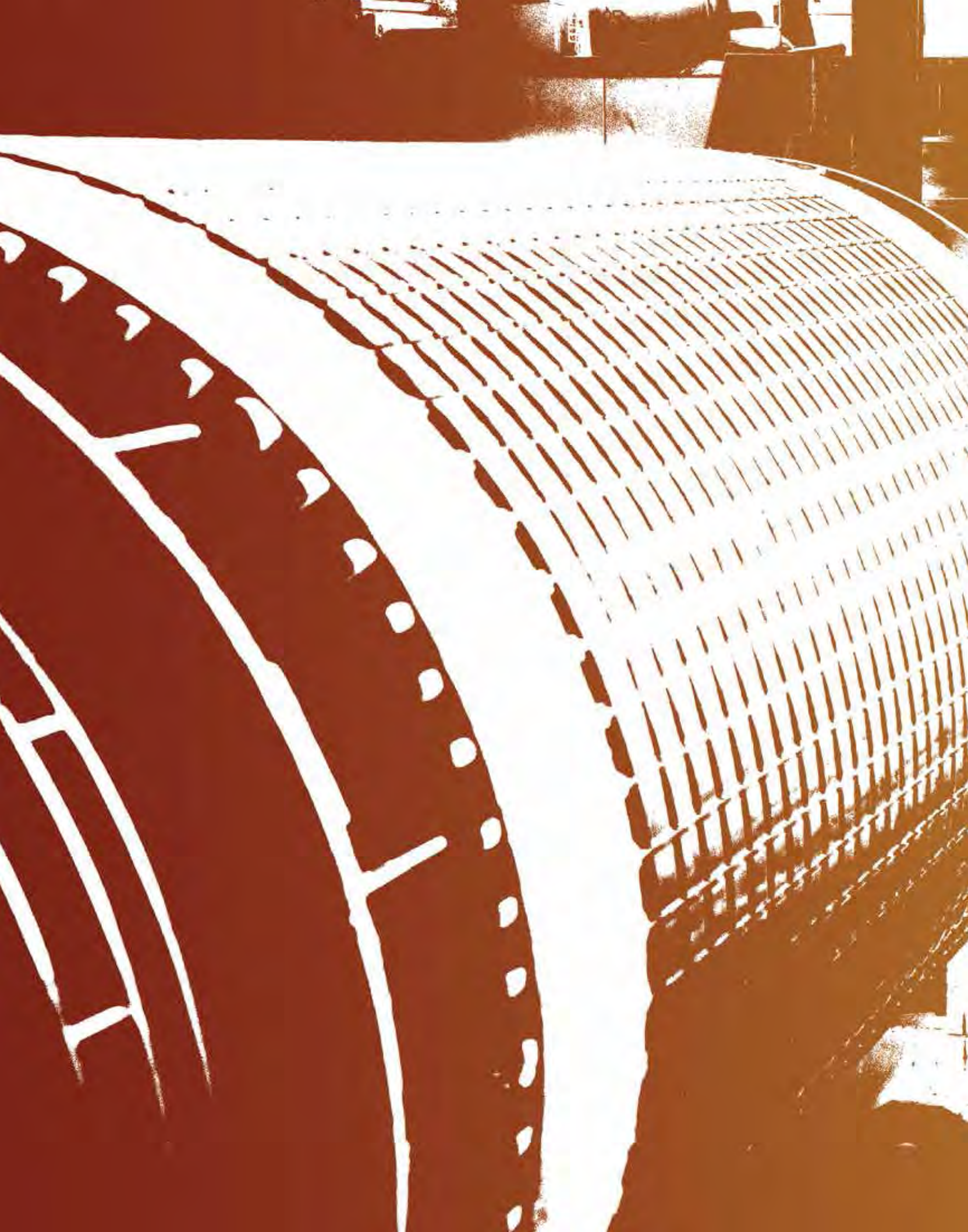
Deleum Group has come a long way over the last 30 years and, on behalf of the Board of Directors, I would like to extend the Board's appreciation to our Management and employees for their commitment, hard work and dedication to uphold our shared values for delivering a truly excellent performance for the year 2012. I would also like to express my sincere gratitude to my fellow Board members for their wise counsel and guidance which have seen the Group grow in strength over the years.

Last but not least, I would like to thank all our stakeholders, in particular our customers, suppliers, business partners, financiers and shareholders for their loyal support, trust and confidence in us, and cooperation throughout the years, which has enabled us to achieve our business goals and brought us thus far, today.

**Dato' Izham bin Mahmud**  
Chairman

24 April 2013







## OPTIMISING PERFORMANCE

Continued **excellence** is a goal we strive to achieve in all areas of our business. In line with our aspiration to optimise our performance, we will remain focused on key business areas whilst working towards geographical expansion to establish regional presence by 2015.



# Management DISCUSSION AND ANALYSIS

## GROUP BUSINESS AND OPERATIONS

The Deleum Group provides a diverse range of specialised products and services that support the oil and gas industry, predominantly in the upstream sector. In its 30-year history, it has made respectable progress, emerging from the traditional trading business approach (agent-principal) into joint ventures, partnerships and self-operated businesses to further enhance its involvement and role in supporting the oil and gas industry. The Group is involved in three business segments i.e. Power and Machinery, Oilfield Services and Maintenance, Repair and Overhaul (MRO).

The Group is headquartered in Kuala Lumpur and its operating facilities are located across Malaysia, including the two supply bases i.e. Kemaman Supply Base in Kemaman and Asian Supply Base in Labuan. The Power and Machinery segment is further supported by an integrated facility in Senawang which provides overhaul and repair services for gas turbines for both local and regional customers; the Oilfield Services segment has its operating facilities in Kemaman, Miri and Labuan, and a newly set up research and development facility for specialty chemicals in Petaling Jaya; and the MRO segment has its operating facilities and service centre in Kajang and Sungai Besi.

## CORPORATE DEVELOPMENT

In 2012, the Group celebrated its 30<sup>th</sup> Anniversary as ONE by undertaking a corporate rebranding exercise to consolidate its key subsidiaries and to take on a united identity and name under 'Deleum'. 'Deleum' is coined from 'Delcom' and 'Oleum'; 'Oleum' means 'Oil' in Latin. The Deleum name represents the Group's focus in the industry it operates in – the oil and gas industry.



## WE ARE NOW UNITED UNDER ONE NAME

*In celebration of the Group's 30<sup>th</sup> Anniversary, we are forging ahead as one.*

*As the Group unites as Deleum, we will continue working together to strive to achieving our goal of providing the highest quality of products and services, while delivering excellence at all times.*

FORMER NAME	PRESENT NAME
 DELCOM SERVICES SDN. BHD.	 DELEUM SERVICES SDN. BHD.
 DELCOM OILFIELD SERVICES SDN. BHD.	 DELEUM OILFIELD SERVICES SDN. BHD.
 DELCOM CHEMICALS SDN. BHD.	 DELEUM CHEMICALS SDN. BHD.
 ROTARY TECHNICAL SERVICES SDN. BHD.	 DELEUM ROTARY SERVICES SDN. BHD.
 DELCOM SERVICES HOLDINGS LIMITED	 DELEUM SERVICES HOLDINGS LIMITED

**"We are ONE. Same Name, Same Commitment, Same Values."**

Several key subsidiaries of the Deleum Group which were formerly operating under the 'Delcom' name have now adopted the 'Deleum' name.

## FINANCIAL OVERVIEW

Over the years, the oil and gas industry continues to play a significant role in the Malaysian economy which contributes approximately one fifth of the national Gross Domestic Product (GDP). Under the Government's Economic Transformation Programme (ETP) initiatives, the oil and gas sector has been identified as one of the National Key Economic Areas (NKEAs). There are thirteen Entry Point Projects (EPPs) targeted for the oil and gas sector under the NKEAs that cover a wide spectrum of activities ranging from plans to turn Malaysia into a regional oil storage and trading hub, to grow local capabilities and to spur exploration investment in marginal oil and gas fields, to name a few.

The year 2012 has also been an exciting year for the oil and gas industry in Malaysia. A series of onshore and offshore oil and gas discoveries in Sarawak and also the east coast of Peninsular Malaysia were announced during the year. PETRONAS' planned



## Management Discussion and Analysis

capital expenditure, over the next five years to support the domestic production as well as heightened activities from the development of the Petrochemical Integrated Development project (RAPID) in Pengerang have spurred business opportunities for industry players.

The vibrant and increased exploration and production activities in the local oil and gas industry had led to a higher demand for the products and services offered by the Group. The Group pulled in commendable results for the year 2012, the best results since its inception. The Group achieved a 53.1% increase in PATAMI from RM29.0 million in 2011 to RM44.5 million on the back of a 19.4% increase in revenue from RM396.3 million to RM473.2 million. This was due to improved contributions from all the business segments, particularly from the Power and Machinery segment, which represents the key revenue contributor to the Group.

Power and Machinery recorded a segment profit of RM58.1 million compared to RM38.9 million in 2011; Oilfield Services

recorded a segment profit of RM5.1 million compared to RM3.8 million; while MRO recorded a lower segment loss of RM1.0 million compared to a segment loss of RM2.0 million in 2011.

In addition, the share of associates' results increased from RM13.7 million in 2011 to RM15.6 million as a result of higher contribution from Malaysian Mud And Chemicals Sdn. Bhd. (2MC) on the back of higher drilling activities in East Malaysia.

### **Liquidity and Capital Resources**

During the year, cash and cash equivalents of the Group increased from RM70.1 million to RM80.3 million as at 31 December 2012 mainly resulting from the increase in operating activities which contributed a net cash inflow from operating activities of RM51.7 million as compared to RM35.4 million in 2011. In addition, the Group received a total dividend of RM12.3 million from its associates, Cambodia Utilities Pte. Ltd. (CUPL) and 2MC.

In line with the Group's expansion plan, the Group spent RM22.2 million in capital expenditure, primarily to purchase additional wireline equipment, chemical and lab equipment, set up a new training well facility in Labuan, to further enhance its infrastructure to support its growing operations.

### **Gearing Ratio**

As a result of repayment of borrowings, the Group managed to reduce its gearing from 0.14 times as at 31 December 2011 to 0.09 times as at 31 December 2012. The Group's total borrowings stand at RM19.0 million (2011: RM26.9 million) while shareholders' equity is RM215.9 million (2011: RM188.9 million).

### **Contingent Liabilities**

The Group has given guarantees amounting to RM22.6 million to third parties in respect of operating requirements, utilities and maintenance contracts.



Launch of Deleum Corporate Rebranding



Sponge-Jet Abrasive Blasting

## Management Discussion and Analysis

### Capital Management

The Group's objective in capital management is to safeguard its ability to sustain its operations and to maintain an optimum capital structure while maximising shareholders' value. In order to achieve and maintain an optimal capital structure, the Group may adjust the amount of dividends, return capital to shareholders, issue new shares or increase the borrowings. The capital structure consists of borrowings, cash and cash equivalents and total equity.

### Future Commitments and Funding Sources

The capital commitments for property, plant and equipment are as disclosed in Note 33 to the Financial Statements section of this Annual Report.

As at 31 December 2012, the Group had net cash of RM61.9 million after taking into account bank borrowings of RM19.0 million. Net cash is calculated based on cash and cash equivalents (including restricted cash) less total borrowings. Details of the borrowings and their maturity profiles are disclosed in Note 23 to the Financial Statements section of this Annual Report.

## BUSINESS PERFORMANCE REVIEW

### Power and Machinery

The Power and Machinery segment is a major revenue contributor within the Deleum Group, which focuses on the entire value chain of supplying, installing and maintaining gas turbine packages, providing turnkey solutions for combined heat and power plants, the supply, repair, maintenance and installation of valves and flow regulators, provision of subsea umbilicals and piping insulation solutions.



*Overhauling Gas Turbine*



*Preparation for Gas Turbine Testing*

In further support of its aftermarket services, the Group has an integrated facility in Senawang offering overhaul and repair services for gas turbines as well as performing simulation tests on control retrofits for the local and regional customers. The facility also serves as a training centre and is equipped with simulators to facilitate hands-on training on related packages and system upgrades.

During the year under review, the Power and Machinery segment's contribution to the Group's revenue increased by 19.6% from RM317.3 million in 2011 to RM379.5 million, mainly as a result of increased demand from robust exploration and production activities. This commendable performance was attributable to greater supply of gas turbine parts and services, retrofit projects, gas turbine engines overhaul, field representative services and the supply, repair, maintenance and installation of valves and flow regulators.

The Group managed to secure new package orders for various onshore and offshore oil and gas projects, including for brown fields and marginal field development off Peninsular Malaysia, Sabah and Sarawak waters. In addition, the Group

saw a marked increase in demand for after sales services of gas turbine packages renewals and upgrades which resulted in an increase in sales of parts, repair services, overhauls and field services.

Notwithstanding the challenges currently faced on the natural gas supply, the Industrial Power Generation (IPG) unit was boosted by a new contract for the supply of gas turbine packages for a combined heat and power plant project in Kerteh.

The control and safety valves business continued to perform well during the year as a result of increased activities in marginal fields, deepwater as well as Enhanced Oil Recovery (EOR) which were highly emphasised following the development of the ETP initiatives to sustain domestic oil and gas production. Additional revenue was also recognised from the completion of delivery of umbilicals for a deepwater project off East Malaysia and the delivery of mooring system parts during the year under review.

## Management Discussion and Analysis



*Servicing Drill Bit*



*Servicing Safety Valve*

### **Oilfield Services**

The Oilfield Services segment focuses mainly on upstream operations, topside and downhole support services comprising the provision of wireline equipment and logging services, completion services, integrated wellhead maintenance services, oilfield chemicals and other oilfield products and technical services.

For the financial year ended 31 December 2012, revenue contribution from the Oilfield Services segment improved by 16.6% from RM66.0 million achieved in 2011 to RM76.9 million, largely due to higher deployment of wireline equipment and related services, increase in demand for drilling related products and services, higher sales from one-off wellhead maintenance critical spares and coupled with the increase in oilfield chemicals activities at the end of financial year 2011.

It was indeed an exciting year for the Oilfield Services segment on a number of fronts. During the year, Deleum Oilfield Services Sdn. Bhd. (Deleum Oilfield), a wholly-owned subsidiary of Deleum, obtained the certification from OPITO (a renowned organisation that serves as a

focal point for skills, training and workforce development in the oil and gas industry) for its Competence Management System (CMS). Deleum Oilfield is the first wireline company in Asia to receive such recognition. CMS is based on a set of standards, each defining the competences which apply to particular job roles. Having obtained this OPITO-CMS Certification, it demonstrates the commitment of the Group to create a sustainable, safe and skilled workforce in conducting its day-to-day business.

Following the attainment of OPITO-CMS Certification, Deleum Oilfield had successfully completed its first training well facility at Asian Supply Base in Labuan. The facility serves as a training platform providing simulated work environment which enables the Group to identify, assess and enhance the competency level of the oilfield and well services personnel. With the training well facility, the oilfield personnel can perform actual jobs such as rigging-up, operating and rigging-down the equipment at the environment which is similar to actual offshore drilling platform.

Within this segment, the Group continued to service existing contracts comprising mainly the provision of wireline equipment and services to various Production Sharing Contractors (PSC) in Malaysia. Given Deleum's conscientious efforts in pursuing growth in its sustainable business, the Group had during the year managed to secure a number of new contracts comprising mainly the provision of sand monitoring services and well control. Furthermore, the Group had during the year completed a wireline conveyed thru-tubing gravel pack pilot project via international collaborations, which was the first in Malaysia. Concurrently, the Group further expanded its product lines by introducing managed pressure drilling and production logging tool for multiphase environment.

A growing niche within the Oilfield Services segment is its research-oriented Chemical Services unit which focuses on the development of chemical solutions and services for production enhancement and flow assurance. Its products and services mainly consist of production chemicals, specialty chemicals for tank cleaning, well stimulation, water shut-off, slickline conveyed tubing cleaning and gravel packing.

Subsequent to the Group's earlier collaboration with PETRONAS Research Sdn. Bhd. on the development of a thermo-chemical Solid Deposition Treatment Technology (SDTT) to address organic solid deposit problems, the Group commenced its joint commercialisation effort of SolidClenz™ (formerly known as SDTT) with PETRONAS Technology Ventures Sdn. Bhd., in November 2011.



## Management Discussion and Analysis

Following the success of the development and commercialisation of SolidClenz™, the Group continued to leverage on the in-house expertise to further develop new solutions by introducing an online cleaning product namely Antifoulant GP/HX, whereby cleaning can be carried out without plant shutdown; and another solution, namely Del-Clean to dissolve and disperse inorganic scale along with organic deposits. Given the successful commercialisation of the newly developed well performance enhancement products and solutions, the Group saw an increase in contribution to the Group's earnings and envisages potential growth in this specialty chemicals business.

A new research and development facility was set up in Petaling Jaya during the year to further support the Chemical Services unit's research and development

effort in developing an integrated suite of chemical solutions to meet the market demands in addressing production and flow assurance issues.

### ***Maintenance, Repair and Overhaul (MRO)***

The MRO segment oversees the servicing, repair and maintenance of motors, generators, transformers, pumps, valves and pipework; integrated corrosion and inspection services; and structural repair for the oil and gas as well as general industries.

On 5 October 2012, the Group via its wholly-owned subsidiary Deleum Services Sdn. Bhd. (Deleum Services), completed the acquisition of 60% equity interest in Northern Primera Sdn. Bhd., now known as Deleum Primera Sdn. Bhd. (Deleum Primera). The acquisition offers synergistic

benefits to the Group in particular to the MRO segment as it has similar target customers. Furthermore, it will expand the MRO segment's scope of services from servicing and maintenance of rotating equipment to other maintenance and repair services supply chain such as painting and blasting as well as corrosion prevention whilst providing another revenue stream. Additionally, Deleum Primera is the sole distributor of Sponge-Jet technology in Malaysia and Indonesia, thus providing a gateway for the Group to venture into the Indonesian market, in line with the Group's regional expansion plans.

Sponge-Jet abrasive blasting method is more environmental-friendly as it suppresses fugitive emissions and is a recyclable technology. This technology has already been recognised and accepted by PETRONAS, SIRIM, Department of Occupational Safety and Health (DOSH) and saw good acceptance for surface preparation services in the oil and gas industry.

The MRO segment's revenue contribution during the year increased by 29.4% from RM13.0 million to RM16.8 million, mainly due to inclusion of RM5.1 million in revenue from Deleum Primera, a new subsidiary which was acquired during the year. However, Deleum Rotary Services Sdn. Bhd.'s revenue contribution declined by RM0.9 million due to lower business activities.



*Varnish Skimming of Stator*

## Management Discussion and Analysis



*Aggressive Coating Removal*

To further enhance the MRO segment's contribution to the Group, the Group has re-focused the MRO activities mainly in the oil and gas industry. In addition, the Group expanded the MRO's capabilities by introducing engineered repair solutions for pipework integrity and structural strengthening as well as advanced polymer composite technology which specialises in unique industrial coatings that provides erosion and corrosion protection for machinery, equipment and plant structures.

### **Associate Companies**

The Deleum Group has two associate companies namely 2MC and CUPL.

2MC, a joint venture company which was incorporated in 1985, provides dry and liquid bulking services for East Malaysia offshore operations at the Asian Supply Base in Labuan. The bulking facility at the

Asian Supply Base offers services for handling, storage, pumping and transportation of materials consumed in the drilling operations. During the year under review, the increased drilling activities in East Malaysia resulted in a heightened Group's share of associates' results.

CUPL is the first independent power producer in Cambodia, delivering a net capacity of 35MW electricity to the Phnom Penh transmission grid since 1997. Given the continued high power demand from the power grid in Phnom Penh, CUPL continues to strengthen the Group's performance and contribute to its overall earnings.

### **GROUP'S STRATEGIES**

The Deleum Group shall remain focused in its three business segments, i.e. Power and Machinery, Oilfield Services and MRO whilst increasing its service related business and offering more integrated and cost-effective solutions to its customers. The Group continues to look for opportunities to form strategic alliances, as well as mergers and acquisitions which are viable and synergistic to its core business.

Faced with maturing fields and declining domestic production, PETRONAS has committed to invest significant capital outlays to boost oil and gas production in order to meet the country's needs. The major focus over the next few years will be on technologically demanding areas such as EOR, asset integrity, integrated operations and deepwater exploration.

The Group also seeks to grow in line with the Government's focus and direction in support of the ETP. The Group will continue to further leverage on its in-house expertise and its established relationship with business associates to further develop and expand technologically advanced and innovative solutions that add value to its customers.

### **PROSPECTS**

The Group is motivated to deliver a positive performance in 2013 in light of various planned initiatives set in the NKEAs which encompass the implementation of EOR, capital investment to develop the marginal oil and gas fields and intensified exploration activities, in which the Group's diverse capabilities are able to capitalise on. However, there may be factors beyond our control impacting the oil and gas industry which in turn may impact our performance.

## Quality, Health, Safety and Environment (QHSE)

It is Deleum's top priority to safeguard the welfare of our employees, assets, environment and society at large, in which we place utmost adherence to our HSE slogan, "Collective Responsibility towards HSE Excellence". In line with the Group's objective of creating a culture of safety, we make every effort to further improve our standards and procedures, as well as to ensure the application of best practices in QHSE management throughout the Group. The Group also believes that every employee takes stewardship in improving their health and safety performance. Thus, every employee has a commitment and duty to ensure that our established QHSE policies are being adhered to at all times.

Deleum constantly participates in several HSE forums and conferences organised by customers, business partners and relevant authorities and also conducts regular training, HSE programmes and activities to keep our employees up-to-date with the latest safety mechanisms and technology. Amongst the internal HSE programmes and activities conducted during the year included the following:

### HSE CAMPAIGN

HSE Campaigns were held at the Group's head office and all other operating units in various locations, during which various HSE activities were organised to emphasise the fundamentals of creating a safe and conducive workplace and living. Deleum continued to encourage all employees to practise a healthy lifestyle through several Group wide HSE Campaign programmes such as talks, and presentations on road safety and crime prevention, amongst others. A blood donation drive was also held. In order to inculcate safety behaviour at workplace, employees were also educated and trained in identifying workplace hazards and emergency preparedness

skills through various Emergency Response programmes and Fire Prevention and Fighting programmes.

### MONTHLY SAFETY BULLETIN

Monthly safety bulletins were disseminated to all the employees in order to highlight the fundamentals of HSE good practices at workplace, homes and other surroundings. Apart from that, employees were encouraged to participate in energy saving and to support initiatives on environmental issues such as recycling programme to create a more sustainable planet.

### SAFETY MEETINGS

It is absolutely vital to constantly review and continually improve the Group's HSE management and measures. Safety meetings were held on a regular basis to review the Group's safety performance and statistics, annual QHSE Plan update, incident investigation reports, mitigation and incident prevention measures, STOP Card analysis, workplace audit and inspection report, and QHSE policies.

### HSE MANAGEMENT SYSTEM AUDIT AND REVIEW

Periodic audits of the HSE Management System are undertaken at the operational facilities. In addition, new processes will be implemented to further enhance the system by the HSE Committee.

### EMPLOYEE TRAINING

We recognise the importance of safety training for the employees to ensure that the necessary measures to prevent injuries and accidents at the workplace are taken. Periodic HSE training and seminars were conducted to inculcate safety culture among Deleum's employees.



Fire Fighting Training



Basic Occupational First Aid Training



QHSE Briefing

### AWARDS AND RECOGNITION

Deleum continues to drive a culture of Zero Tolerance to accidents by instilling commitment, ownership and collective responsibility in employees to create a safe working environment. In 2012, the Group received various awards in recognition of its outstanding performance in HSE excellence which, amongst others, included the following:

- **Best Contractor Performance** in conjunction with SCM-Contractors Management Sharing Session from PETRONAS Carigali Sdn. Bhd. (PCSB).
- **Goal Zero Achievement Award** for achieving 1,620 days without any recordable incident from Sarawak Shell Berhad.
- **Certificate of Appreciation** in conjunction with SWI 1 Million Man-hours without LTI celebration from PCSB.
- **Highest ACT/BOT Service Company Contributor** in conjunction with SWI 1 Million Man-hours without LTI celebration from PCSB.
- **Active ACT/BOT Participation Award** from PCSB.



# ACTIVITIES of 2012

## Corporate & Business Activities



## Activities of 2012

### Corporate & Business Activities



18 January 2012

#### OPITO-CMS Certification Presentation

Deleum Oilfield Services Sdn. Bhd. (Deleum Oilfield) attained the OPITO-CMS Certification and a certification presentation was held. Deleum Oilfield was the first wireline company in Asia to receive such recognition and certification.

4 April 2012

#### SKO Well Intervention Awareness Day

Deleum participated in the PETRONAS Sarawak Operations (SKO) Well Intervention Awareness Day to promote our wireline services and integrated wellhead maintenance services.



## Activities of 2012

### Corporate & Business Activities



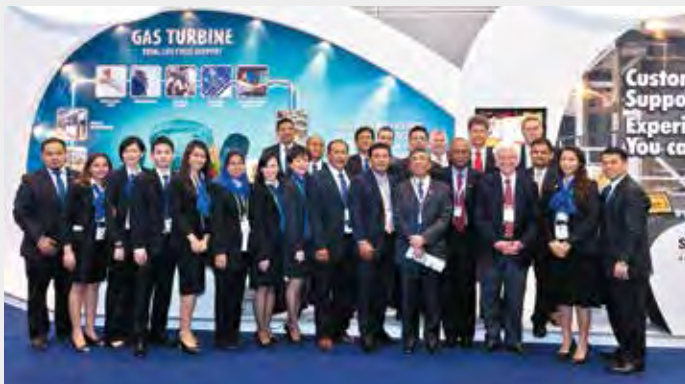
#### 24 May 2012 7<sup>th</sup> Annual General Meeting

The 7<sup>th</sup> Annual General Meeting was held at the Sime Darby Convention Centre and attended by a diverse group of shareholders.



#### 22 June 2012 30<sup>th</sup> Anniversary and Corporate Rebranding

In conjunction with the Group's 30<sup>th</sup> Anniversary, Deleum had undertaken a corporate rebranding exercise to consolidate its key subsidiaries carrying the name 'Delcom', to take on a united identity and name under 'Deleum'. The Deleum 30<sup>th</sup> Anniversary and Corporate Rebranding reception was attended by the Group's business partners and associates, customers, board members, management and staff.



#### 4 - 8 June 2012 25<sup>th</sup> World Gas Conference 2012

Deleum participated in the WGC2012 which was first held in Malaysia to further promote the Group's diverse range of supporting specialised products and services, especially the Power and Machinery segment to the international oil and gas industry.



#### 25 June 2012 Upstream Technology Showcase 2012

Deleum participated in the Upstream Technology Showcase 2012 organised by PETRONAS at the Kuala Lumpur Convention Centre, where its proprietary chemical solutions were exhibited.



## Activities of 2012

### Corporate & Business Activities



5 October 2012

### Completion of the Acquisition of Deleum Primera

Deleum had via its wholly-owned subsidiary, Deleum Services Sdn. Bhd., completed the acquisition of 60% equity interest in Northern Primera Sdn. Bhd., now known as Deleum Primera. Deleum Primera is a provider of integrated corrosion and inspection services using mainly Sponge-Jet technology.

14-17 October 2012

### Workshop: Flow Assurance – The Healthy and Happy Field

Deleum participated in the Flow Assurance – The Healthy and Happy Field, held in Bangkok, Thailand, organised by Society of Petroleum Engineers (SPE). The Group presented the effectiveness of our home-grown product SolidClenz™ in addressing organic solid deposit problems in flow conduits.

22-24 October 2012

### 2012 SPE Asia Pacific Oil & Gas Conference and Exhibition (2012 APOGCE)

Deleum participated in the 2012 APOGCE hosted by the SPE Western Australian Section in Perth, Australia. Themed *'Providing a Bright Future'*, the 2012 APOGCE provided an opportunity for industry professionals to share the best practices on exploration, drilling and production technology.



23 November 2012

### Launch of New Corporate Website

The Group launched a new corporate website which is more informative and accessible, featuring a new design providing easy access to information pertaining to Deleum's corporate information, products and services.

# ACTIVITIES of 2012

## Corporate Responsibility Activities



## Activities of 2012

### Corporate Responsibility Activities



31 March 2012  
Earth Hour 2012

Deleum continued to support the global Earth Hour in 2012. The employees and their families were encouraged to turn off lights for one hour or more in support of the global collaborative awareness message for action against climate change.



12 July 2012  
Recycling Programme

In line with our Corporate Responsibility initiatives towards protecting the environment and workplace, Deleum encourages all the employees to participate in the Recycling Programme by segregating their waste according to the recycling bins. It is aimed to enhance staff awareness on the importance of recycling of non-renewable and renewable resources, as well as to promote a clean and green working environment.



1 – 8 August 2012  
Donations to Underprivileged Home

During the Ramadhan month, Deleum initiated a 'Donations to the Underprivileged Home' programme through collections and donations of pre-loved clothes, items, books and toys from its employees. Asrama Darul Falah PERKIM (ASDAF), a home which houses orphans and children from poor families including 'Orang Asli' children were the beneficiaries of this programme.



## Activities of 2012

### Corporate Responsibility Activities



#### 21 September 2012 Raya Celebration with Asrama Darul Falah PERKIM (ASDAF)

Deleum organised a gathering with the underprivileged children from ASDAF in celebration of Hari Raya Aidilfitri. The children were treated to a tea party and basic necessities were donated to them. An array of games arranged for this event brought beaming smiles and joy to the children.



#### 27 September 2012 'Blood Donation Drive' during HSE Campaign 2012

In conjunction with the HSE Campaign, Deleum collaborated with Pusat Darah Negara in undertaking a blood donation drive at its head office in Kuala Lumpur which garnered great participation from the employees as well as support from the members of the public.



# ACTIVITIES of 2012

- Employees' Sports & Recreational Activities





## Activities of 2012

### Employees' Sports & Recreational Activities



#### 30 & 31 January 2012 'Work Hard Play Hard' Archery

Employees had an opportunity to know each other better at the 'Work Hard Play Hard' Archery event held at the King Archery, Bintang Plaza in Miri.



#### 12 March 2012 Super Hero Hunt

For the first time, the Group organised a treasure hunt to promote team building among the employees. It was a fun activity in getting the team mates to work together and saw great interactions and strengthening of ties among participants in the quest of victory.



#### 25 February 2012 Go-Kart

This activity was held at the 'Go-Kart' circuit in Shah Alam, participated by employees eagerly competing and vying for the champion's spot. This event saw active participation and positive competition among the employees.



#### 24 May 2012 Movie Day

The Group organised an outing for a premier movie launch at Golden Screen Cinemas, Mid Valley Megamall. Everyone had a great time and it provided a good avenue for the employees to get together amidst their spouses and children.



## Activities of 2012

### Employees' Sports & Recreational Activities



#### 6 July 2012 Pool Competition

This competition was held at Brewball, Mid Valley Megamall. This year's event drew the highest participation from the employees in this knock-out competition, cheered by supporters from various departments.



#### 12 October 2012 Karaoke Competition

The Karaoke Competition, one of the most awaited events was held at the Red Box, The Gardens. Many hidden talents in singing as well as dancing were revealed during the competition.



#### 3 October 2012 Borneo Rain Forest Outing

A day trip to Borneo Rain Forest was organised to promote work-life balance among employees based at Miri office. Themed 'Work Hard Play Hard', the outing was well attended by employees and their families.



#### September – November 2012 DSRC Bowling League 2012

Employees displayed their bowling prowess at the Cosmic Bowl, Mid Valley Megamall, while demonstrating team spirit and forming closer bonds among employees.

## Activities of 2012 Employees' Sports & Recreational Activities



11 November 2012  
Terry Fox Run

Deleum's employees participated in the charitable run held on 11 November 2012 in support of the noble cause of cancer research.



15 December 2012  
Labuan Office Family Day

The family day for Labuan based employees held at Pancur Hitam Recreational Beach in Labuan, received great participation from the employees and their families. The get together session boosted the spirit of teamwork and strengthened bonds among employees and family members.





## Activities of 2012

### Employees' Sports & Recreational Activities

# Annual



6 July 2012

#### Annual Dinner for Miri Office

The Group's employees in Miri organised their Annual Dinner at the Imperial Palace Hotel, Miri with the theme '1Malaysia'. Long Service awards were presented in recognition of employees' loyalty to the Group.



7 July 2012

#### Annual Dinner for Labuan Office

The Annual Dinner for Labuan based employees was held at the Palm Beach Resort, Labuan, which was well attended by employees and their family members.





## Activities of 2012 Employees' Sports & Recreational Activities

# Dinners



13 & 14 July 2012

### Family Day & Annual Dinner for Kemaman Office

A Family Day and Annual Dinner with the theme 'Black & Red' was held over two days at the Holiday Villa Beach Resort & Spa in Cherating, Kuantan, for employees based in Kemaman. An array of activities was organised for employees and their families which culminated in a memorable annual dinner.



14-16 December 2012

### Deleum Family Getaway

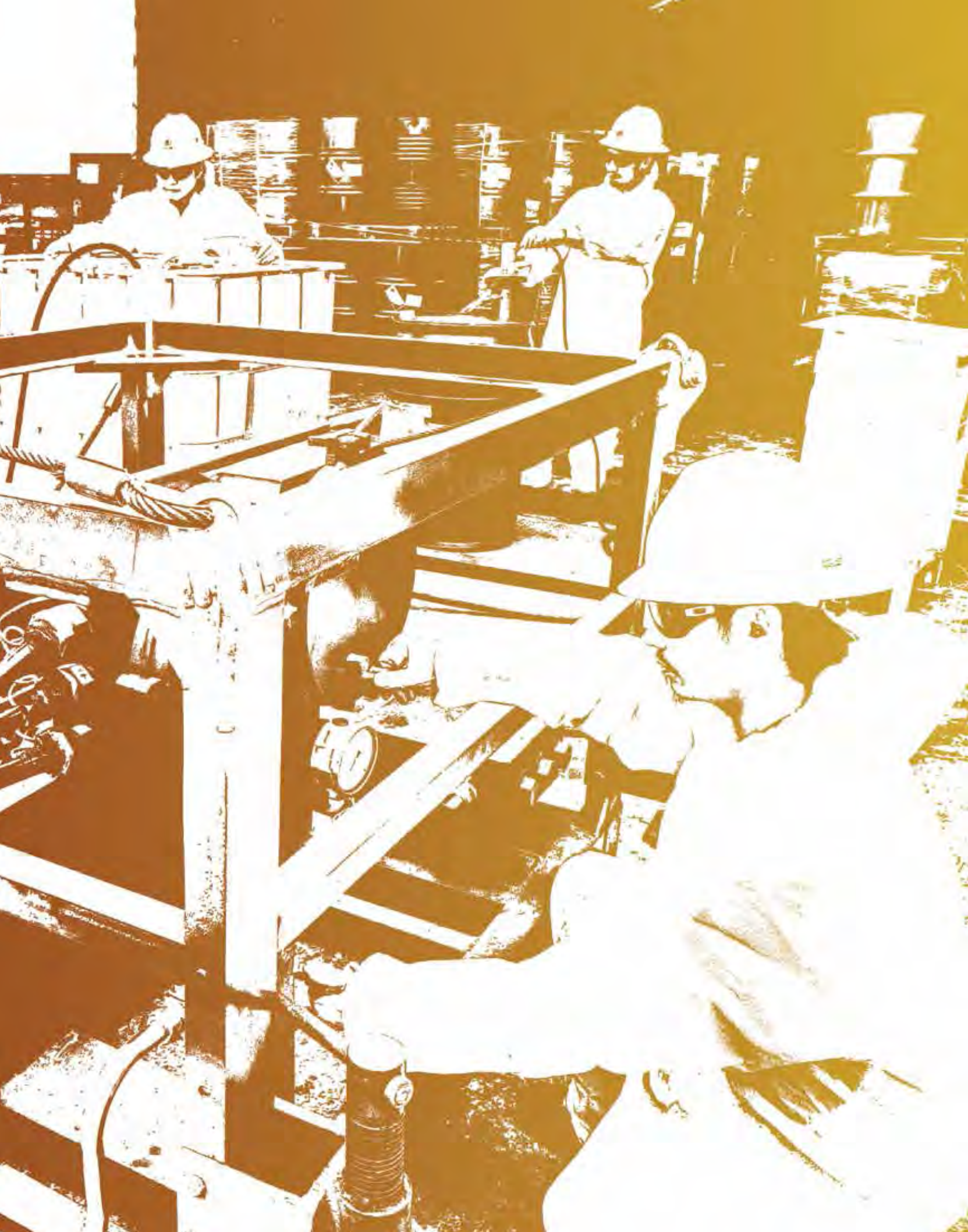
A three-day Family Trip was held at the Philea Resort & Spa in Ayer Keroh, Melaka. Deleum's employees and their families had fun during the Family Carnival as well as at Deleum's Annual Dinner, themed 'Glamorous Night', which were the highlights of the event. The dinner included dance performances by employees, lucky draws, Best Dressed awards and Long Service awards.

# EXCEEDING EXPECTATIONS

We are committed to exceed expectations in all aspects of safety at our workplace, as well as our home. Our goal is to drive towards zero injury, occupational illness and operational incidents, and to work continuously to improve **health, safety and environmental** performance of our employees.









# Statement of Corporate Governance

The Board of Directors (“the Board”) of Deleum Berhad (“Deleum” or “the Company”) is committed to ensure that high standards of corporate governance are practised and applied throughout Deleum and its subsidiaries (collectively “the Group”) in line with the Group’s mission of providing sustainable growth and enhancing stakeholders’ value and its regional aspirations.

The Board is guided and mindful of the principles and recommendations of corporate governance as stipulated in the Malaysian Code on Corporate Governance (“MCCG”) 2012. The Board has reviewed the transition from the MCCG 2007 to the MCCG 2012 and compliance status of the Company. The Group will continue to uphold corporate governance practices and endeavour to ensure that the prescriptions of the principles and recommendations of the MCCG 2012 are supported and implemented, where applicable and appropriate.

## 1. THE BOARD OF DIRECTORS

### 1.1 Composition

Deleum is led and managed by a Board that is able to provide a clear and effective leadership in the Group towards achieving the Group’s mission and vision.

The Board comprises of seven (7) Directors with one (1) Executive Director and six (6) Non-Executive Directors, three (3) of whom are independent, as follows:

No.	Name	Designation
1	Dato’ Izham bin Mahmud	Non-Independent Non-Executive Chairman
2	Datuk Vivekananthan a/l M.V. Nathan	Non-Independent Non-Executive Deputy Chairman
3	Nan Yusri bin Nan Rahimy	Group Managing Director
4	Dato’ Kamaruddin bin Ahmad	Senior Independent Non-Executive Director
5	Datuk Ishak bin Imam Abas	Independent Non-Executive Director
6	Chin Kwai Yoong	Independent Non-Executive Director
7	Tan Sri Dato’ Seri Abdul Ghani bin Abdul Aziz	Non-Independent Non-Executive Director

The seven (7) members of the Board are persons of high calibre from differing professional and commercial backgrounds. With a blend of good management, entrepreneurial skills and industry specific knowledge, they bring extensive depth and diversity in experience and perspectives which are vital for the strategic success of the Group and add value to the Group’s business and operations.

The profiles of each Director are presented on pages 12 to 16 of this Annual Report.

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

Dato’ Kamarudin bin Ahmad has been identified as the Senior Independent Non-Executive Director, to whom any concerns affecting the Group may be conveyed by the shareholders and other stakeholders.

The current Independent Directors continue to fulfil the requirements of the definition of independence as stipulated in the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). None of them have served the Company for more than 9 years as per Recommendation 3.2 of the MCCG 2012.

## Statement of Corporate Governance

Presently, the Company is not in compliance with Recommendation 3.5 of the MCCG 2012 which stipulates that the Board should comprise a majority of independent directors where the Chairman is not an independent director. Although the Chairman is not an independent director, he is non-executive and is not involved in the day-to-day management of the Group. There is a clear separation of roles and powers of the Chairman and the Management. The Joint Remuneration and Nomination Committee ("the JRNC") upon assessment of the Board's size and composition was satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition well balanced with the right mix of knowledge, skills and attributes constituting an effective Board able to discharge its duties professionally and efficiently.

### 1.2 Board Charter

During the financial year ended 31 December 2012 and in accordance with Recommendation 1.7 of the MCCG 2012, a board charter ("the Charter") was drawn up with the primary objective of setting out the roles, functions, composition, operations and processes of the Board. The Charter has incorporated the applicable and relevant recommendations of the MCCG 2012. The Board will regularly review the Charter to ensure that it remains consistent with the Board's objectives and responsibilities and the relevant standards of corporate governance. The Charter is posted on the Company's corporate website at [www.deleum.com](http://www.deleum.com).

### 1.3 Directors' Code of Ethics

The Directors' Code of Ethics outlining the standards of business conduct and ethical behaviour which the Directors should possess in discharging their duties and responsibilities has been put in place for all Directors to observe and to enhance the high standards of personal integrity and professionalism. The code is posted on the Company's corporate website.

### 1.4 Board Gender Diversity

The Board is mindful of the gender diversity recommendation in the MCCG 2012. Presently, it is satisfied given the mix of skills, work experiences and business industry knowledge gained to date especially by the Independent Non-Executive Directors, it is in the interests of stakeholders and shareholders that the present Board be maintained. However the Board will take note of the gender diversity guideline when considering future changes to the Board composition.

### 1.5 Roles and Responsibilities

The Board is accountable to the shareholders for good corporate governance. It has the ultimate and overall responsibility for the entire affairs of the Group and the proper and effective conduct of its business. It directs the Company's strategic planning, financial, operational and resource management and risk assessment and management and provides effective oversight of Management. Certain functions are delegated to Board Committees as detailed in item 2. The Board is committed to ensure that Management, being vested with delegated authorities and powers by the Board, serves and acts in the best interests of the shareholders.

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

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

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

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

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

### 1.6 Board Meetings

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

## Statement of Corporate Governance

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

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

During the financial year ended 31 December 2012, eleven (11) meetings of the Board were held and attended by all Directors as reflected below:

No.	Name	No. of attendance and meetings
1	Dato' Izham bin Mahmud	11/11
2	Datuk Vivekananthan a/l M.V. Nathan	11/11
3	Nan Yusri bin Nan Rahimy	11/11
4	Dato' Kamaruddin bin Ahmad	11/11
5	Datuk Ishak bin Imam Abas	11/11
6	Chin Kwai Yoong	11/11
7	Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz	11/11

The Board is satisfied with the level of time commitment given by Directors towards fulfilling their roles and responsibilities as directors as evidenced by the full attendance record of the Directors at Board and Board Committees' meetings.

### 1.7 Supply of Information

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

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

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

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

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

The Directors are apprised of all the Company's announcements to Bursa Malaysia. They are also apprised of the restriction in dealing with the securities of the Company at least one (1) month prior to the release of the announcement of quarterly financial results pursuant to Chapter 14 of the Listing Requirements of Bursa Malaysia.

## 2. BOARD COMMITTEES

The Board has established Board Committees namely an Audit Committee ("the AC"), the JRNC, and a Risk Management Committee which was subsequently restructured and renamed "Risk Committee" during the financial year.

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

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



## Statement of Corporate Governance

### 2.1 Audit Committee

The composition of the AC and a summary of its activities are set out in AC Report on pages 58 to 60 of this Annual Report.

### 2.2 Joint Remuneration and Nomination Committee

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

The JRNC is primarily responsible for the following:

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

During the financial year ended 31 December 2012, three (3) meetings of the JRNC were held and attended by all members as reflected below:

	Name	No. of attendance and meetings
Chairman :	Dato' Kamaruddin bin Ahmad	3/3
Members :	Dato' Izham bin Mahmud	3/3
	: Datuk Vivekananthan a/l M.V. Nathan	3/3
	: Datuk Ishak bin Imam Abas	3/3
	: Chin Kwai Yoong	3/3

The Board is satisfied that the JRNC in its current function in respect of nomination and remuneration matters is in accordance with its terms of reference which is posted on the Company's corporate website. There is no need to separate the nomination and remuneration functions into a discrete nomination and remuneration committee.

### 2.3 Risk Committee

During the financial year ended 31 December 2012, the Risk Management Committee was restructured and renamed "Risk Committee" ("the RC"). The membership of the RC was increased to comprise four (4) Directors by the appointment of Datuk Vivekananthan a/l M.V. Nathan and Mr. Chin Kwai Yoong.

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

During the financial year, four (4) meetings of the RC were held and attended by all members as reflected below:

	Name	No. of attendance and meetings
Chairman :	Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz	4/4
Members :	Nan Yusri bin Nan Rahimy	4/4
	: Datuk Vivekananthan a/l M.V. Nathan	2/2
	: Chin Kwai Yoong	2/2

The RC is primarily responsible for the following:

- reviewing the Group's risk profile and appetite and establishing and monitoring the effectiveness of the risk management framework, systems, plans, and processes for identifying, evaluating, monitoring and reporting of risks.
- identifying, reviewing and evaluating risks facing the Group and reviewing the adequacy of the Group's processes and procedures to identify and mitigate key organisational risks.
- ensuring that continuous risk assessment and monitoring of key risk indicators and exposures are performed by the Management based on the Group's risk profile and appetite and that adequate risk mitigation processes, action plans and controls formulated and implemented by the Management are functioning effectively.

## Statement of Corporate Governance

- (iv) making necessary recommendations to the Board on risk management and control, where appropriate.
- (v) updating the Board on the activities of the Committee at their quarterly meetings.

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

### 2.4 Annual Assessment

The Board carried out an annual assessment of the effectiveness of individual Directors including Independent Non-Executive Directors, the Board as a whole and the Board Committees to identify areas of improvement and for the purposes of re-appointment of Directors of the Company. For the current financial year, the Board also commissioned an independent individual director self and peer evaluation.

The findings of the evaluation were tabled at the JRNC meeting for discussion and subsequently reported to the Board.

## 3. DIRECTORS' TRAINING

The Company is mindful that appropriate continuous training is necessary for the Directors to be kept updated on changes and developments in the market place and the corporate regulatory framework and to enhance their understanding of their roles and responsibilities. The Directors are briefed and updated at scheduled quarterly meetings on the relevant amendments to the Listing Requirements of Bursa Malaysia and Financial Reporting Standards.

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

During the financial year, the Directors attended briefings on corporate governance and the MCCG 2012. They attended the programme on "Governance, Risk Management and Compliance - The Implication and Challenges to PLCs" jointly organised by the Federation of Public Listed Companies Berhad and the Malaysian Institute of Corporate Governance.

The Directors also continued to support governance programmes held by Bursa Malaysia on corporate governance and risk management. The programmes attended included:

- "Corporate Governance Blueprint and the MCCG 2012";

- "Governance, Risk Management and Compliance: What Directors should know"; and
- "The Key Components of Establishing and Maintaining World-Class Audit Committee Reporting Capabilities".

Other courses attended included programmes on fraud awareness and International Financial Reporting Standards.

The Group will, on a continuing basis, evaluate and determine the training needs of the Directors, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management.

## 4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Directors who seek re-election or re-appointment at the Company's Annual General Meeting ("AGM") are also subjected to the same process.

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

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

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

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

## Statement of Corporate Governance

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

Directors who are over seventy (70) years of age are required to submit themselves for re-appointment by shareholders with not less than a three-fourth majority in accordance with Section 129(2) of the Companies Act, 1965. At the Seventh AGM held on 24 May 2012, three Directors were re-appointed pursuant to this provision.

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

### 5. DIRECTORS' REMUNERATION

The details of Directors' remuneration during the financial year ended 31 December 2012 disclosed by categories are as follows:

#### Aggregate Remuneration

Remuneration	Executive (RM)	Non-Executive (RM)
Fees	–	811,664
Salaries and bonuses	1,130,000	–
Defined contribution plan	169,500	–
Estimated monetary value of benefits-in-kind	35,200	70,400
Other emoluments	16,166	110,026
<b>Total</b>	<b>1,350,866</b>	<b>992,090</b>

#### Analysis of Remuneration

Remuneration Band (RM)	Executive	Non-Executive
RM50,001 – RM100,000	–	2
RM100,001 – RM150,000	–	2
RM250,001 – RM300,000	–	1
RM300,001 – RM350,000	–	1
RM1,350,001 – RM1,400,000	1	–

#### Remuneration of the Executive Director

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

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

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

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

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

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

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

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



## Statement of Corporate Governance

### 6. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Group values dialogue with shareholders and investors as a means of positive interaction and effective communication that enables the Board to convey relevant and timely information about the Group's performance, corporate strategy and other matters that affect shareholders' interests and build stronger relationships with the investment community.

The Board is committed to providing timely, fair and accurate disclosure of all material information about the Group to the shareholders and investors. Deleum has put in place the Corporate Disclosure Policy which provides a framework of procedure and processes to serve as a guide to facilitate the handling and disclosing of material information in a timely and accurate manner.

Information is disseminated through various disclosures and announcements made to Bursa Malaysia, quarterly financial reports, the Annual Report and media releases. The timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations progressively. In addition to quarterly financial reports, the Group communicates with shareholders and investors through its Annual Report, which provides a comprehensive report on the Group's business, activities and financial performance for the financial year under review.

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

Dato' Kamaruddin bin Ahmad  
c/o Company Secretary  
2, Jalan Bangsar Utama 9  
Bangsar Utama  
59000 Kuala Lumpur  
Tel: 03-2297700  
Fax: 03-22957777  
Email: [Kamaruddin.Ahmad@deleum.com](mailto:Kamaruddin.Ahmad@deleum.com).

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

Mr. Lean Poh Seong  
Corporate Finance Manager  
Tel: 03-2295 7726  
Fax: 03-2295 7777  
Email: [PohSeong.Lean@deleum.com](mailto:PohSeong.Lean@deleum.com)

Ms. Anthea Wan Phooi Sze  
Senior Manager – Corporate Development  
Tel: 03-2295 7796  
Fax: 03-2295 7777  
Email: [Anthea.PhooiSze.Wan@deleum.com](mailto:Anthea.PhooiSze.Wan@deleum.com)

Ms. Lee Sew Bee  
Senior GM – Group Corporate Services/Company Secretary  
Tel: 03-2295 7790  
Fax: 03-2295 7777  
Email: [SewBee.Lee@deleum.com](mailto:SewBee.Lee@deleum.com)

The AGM is the primary platform for direct two-way interaction among shareholders, Board and Management of the Group and for receiving constructive feedback from shareholders. The notice of the AGM and Annual Report are sent to all shareholders at least twenty one (21) days prior to the AGM in accordance with the Listing Requirements of Bursa Malaysia and the provision of the Companies Act, 1965 in order to enable shareholders to review the Group's financial and operational performance for the financial year and to evaluate the resolutions being proposed. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

The Company will convene its Eighth AGM on 16 May 2013 which provides an open forum for the shareholders to direct their questions on the Group's performance and prospects to the Board.

The Group upholds strict standards of confidentiality with regard to undisclosed material information under all circumstances and continually observes the dissemination of information to shareholders and the general public in accordance with the Listing Requirements of Bursa Malaysia.

## Statement of Corporate Governance

### 7. ACCOUNTABILITY AND AUDIT

#### 7.1 Financial Reporting

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

The Board is assisted by the AC to oversee the Group's financial reporting process, the quality of its financial reporting and also to ensure that the financial statements are drawn up following appropriate accounting policies and in accordance with the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965. The accounting policies, once adopted, are consistently applied and supported by reasonable judgments and estimates.

#### 7.2 Risk Management and Internal Control

The Statement on Risk Management and Internal Control are set out on pages 56 and 57 of this Annual Report which provides an overview of the state of risk management and internal controls of the Group.

#### 7.3 Relationship with the Auditors

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

#### 7.4 Statement of Directors' Responsibility

The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2012, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;

- ensured compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965, and any material departures have been disclosed and explained in the financial statements;
- made estimates and judgments which are reasonable and prudent; and
- ensured the financial statements have been prepared on a going concern basis.

#### 7.5 Compliance Statement

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

## 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 Malaysia") which requires Malaysian public listed companies to make a statement about their risk management and internal control in their annual reports. This is in line with the Malaysian Code on Corporate Governance ("MCCG") 2012.

### BOARD RESPONSIBILITIES

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

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

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

### RISK MANAGEMENT

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

The day-to-day management of risks is the responsibility of the Group Managing Director ("GMD") and the heads of business units have the responsibility to represent the GMD's obligation to all business units. The Senior Management Team ("SMT") is to support the GMD in recommending Enterprise Risk Management ("ERM") strategies, policies, risk tolerance and reviewing the application of risk management practices across the Group.

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

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

In this financial year, a more structured risk management process that is consistent with COSO (The Committee of Sponsoring Organizations of the Treadway Commission) ERM Framework was adopted.

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

### CONTROL STRUCTURE

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

- **The Board**

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

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

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

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



## Statement on Risk Management and Internal Control

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

The Board reviews the results against the budget on a quarterly basis.

- **Audit Committee**

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

- **Internal Audit**

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

The findings of the Internal Audit reviews together with Management's responses are presented to the AC on a quarterly basis. The AC after considering the findings instructs Management to rectify weaknesses and/or lapses in internal control and to implement the recommendations made by the Internal Auditors. The status of implementation by Management and any outstanding issues are reviewed and reported to the AC in the following AC meeting to ensure the key risks and control weaknesses are properly mitigated and addressed.

- **Group Values and Code of Conduct**

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

- **Authorisation Limits**

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

- **Policies and Procedures**

Documented internal policies and procedures are in place to ensure compliance with internal controls and the relevant rules and regulations. To further improve the internal policies and procedures, Management is in the process of performing a comprehensive review of these matters in conjunction with the Group wide Enterprise Resource Planning project that is now currently under way.

### CONCLUSION

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

### REVIEW OF THIS STATEMENT

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

This statement is made in accordance with the resolution of the Board dated 9 April 2013.

# Audit Committee Report

The Board is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2012 in accordance with Paragraph 15.15 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

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

## I. CONSTITUTION

The terms of reference of the Audit Committee is posted on the Company's corporate website at [www.deleum.com](http://www.deleum.com) under the "Corporate Profile" section.

## II. MEMBERSHIP AND MEETINGS

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

During the financial year ended 31 December 2012, five (5) meetings of the Audit Committee were held with full attendance by all members as reflected below:

	Name	No. of attendance and meetings
Chairman :	Datuk Ishak bin Imam Abas (Independent Non-Executive Director)	5/5
Members :	Dato' Kamaruddin bin Ahmad (Independent Non-Executive Director)	5/5
	: Chin Kwai Yoong (Independent Non-Executive Director)	5/5
	: Dato' Izham bin Mahmud (Non-Independent Non-Executive Director)	5/5
	: Datuk Vivekananthan a/l M.V. Nathan (Non-Independent Non-Executive Director)	5/5

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

## III. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2012, the Audit Committee's duties included the following:

### 1. Financial Results

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

### 2. Annual Reporting

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

### 3. External Audit

- Reviewed the external auditors' scope of work and audit plan for the year.
- Reviewed the results of their audit of the year end financial statements and quarterly announcements and the resolution of issues highlighted in their report to the Audit Committee.

## Audit Committee Report

- (c) Reviewed the internal control findings and discussed the impact on the overall soundness of the internal control procedures and processes.
- (d) Reviewed other matters relating to accounting, auditing and financial reporting practices of the Group.
- (e) Reviewed the independence of the external auditors during the year.
- (f) Reviewed and recommended the external auditors' remuneration to the Board.
- (g) Reviewed with the external auditors the impact of new or proposed changes in accounting standards and regulatory requirements and the extent of compliance.
- (h) Held two meetings with the external auditors without the presence of the executive directors and employees of the Company.

### 4. Internal Audit

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

### 5. Related Party Transactions

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

### 6. Other activities

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

### 7. Training

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

## IV. INTERNAL AUDIT FUNCTION

The Internal Audit function ("IAF") of the Group is carried out by BDO Governance Advisory Sdn. Bhd. The cost incurred for the outsourced IAF in respect of the financial year ended 31 December 2012 amounted to RM109,475.

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

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



## Audit Committee Report

The activities carried out by the IAF were as follows:

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



## *Financial Statements*

- 62** Directors' Report
- 67** Statements of Comprehensive Income
- 68** Statements of Financial Position
- 70** Consolidated Statement of Changes in Equity
- 71** Company Statement of Changes in Equity
- 72** Statements of Cash Flows
- 74** Summary of Significant Accounting Policies
- 90** Notes to the Financial Statements
- 141** Statement by Directors
- 141** Statutory Declaration
- 142** Independent Auditors' Report

## Directors' Report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

### PRINCIPAL ACTIVITIES

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

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

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

### FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
– Equity holders of the Company	44,450,172	6,875,849
– Non-controlling interest	9,764,076	0
Profit for the financial year	54,214,248	6,875,849

### DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2011 were as follows:

	RM
In respect of the financial year ended 31 December 2011, as shown in the Directors' report of that year, a second interim single tier dividend of 9 sen per share on 100,000,000 ordinary shares, paid on 23 March 2012	9,000,000
In respect of the financial year ended 31 December 2012, first interim single tier dividend of 5 sen per share on 150,000,000 ordinary shares, paid on 20 September 2012	7,500,000
	16,500,000

The Directors, had on 26 February 2013 declared a second interim single tier dividend of 10 sen per share of RM1.00 each in respect of the financial year ended 31 December 2012 totaling RM15,000,000, paid on 25 March 2013.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2012.



## Directors' Report

### RESERVES AND PROVISIONS

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

### ISSUE OF SHARES

On 8 June 2012, the issued and paid-up share capital of the Company was increased by RM50,000,000 from RM100,000,000 to RM150,000,000 by way of bonus issue of 50,000,000 new ordinary shares of RM1.00 each in the Company, credited as fully paid-up, on the basis of one (1) new share of RM1.00 each for every two (2) existing ordinary shares of RM1.00 each held by the shareholders of the Company. The listing of and quotation for the 50,000,000 bonus shares on the Main Market of Bursa Malaysia Securities Berhad was completed on 11 June 2012.

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

### DIRECTORS

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

Dato' Izham bin Mahmud  
Datuk Vivekananthan a/l M.V. Nathan  
Datuk Ishak bin Imam Abas  
Dato' Kamaruddin bin Ahmad  
Chin Kwai Yoong  
Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz  
Nan Yusri bin Nan Rahimy

In accordance with Article 78 of the Company's Articles of Association, Datuk Ishak bin Imam Abas and Nan Yusri bin Nan Rahimy retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 8) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Directors' Report

### DIRECTORS' INTERESTS

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

Number of ordinary shares of RM1 each in the Company					
	At 1.1.2012	Bonus issue	Acquired	Sold	At 31.12.2012
<b>Direct interest</b>					
Dato' Izham bin Mahmud	2,797,000	1,398,500	4,500	0	4,200,000
Datuk Vivekananthan a/l M.V. Nathan	10,625,837	5,315,000	4,163	0	15,945,000
Datuk Ishak bin Imam Abas	350,000	217,000	109,000	0	676,000
Chin Kwai Yoong	187,500	93,750	0	0	281,250
Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz	142,900	71,450	0	0	214,350
Nan Yusri bin Nan Rahimy	83,500	41,750	0	0	125,250
<b>Indirect interest</b>					
Dato' Izham bin Mahmud	34,539,739	17,298,050	56,361	0	51,894,150
Datuk Vivekananthan a/l M.V. Nathan	20,420,677	10,214,850	9,023	0	30,644,550
Nan Yusri bin Nan Rahimy	3,000	4,000	9,000	0	16,000

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

	At 1.1.2012	Acquired	Sold	At 31.12.2012
<b>Direct interest</b>				
Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400

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

	At 1.1.2012	Acquired	Sold	At 31.12.2012
<b>Direct interest</b>				
Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz	20,000	0	0	20,000

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

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

## Directors' Report

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

In the opinion of the Directors:

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



## Directors' Report

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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

### SUBSEQUENT EVENT

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

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

The Company and NSERC shall enter into a definitive subscription agreement in respect of the offer to subscribe the Subscription Shares subject to and conditional upon the fulfilment of certain conditions precedent.

### AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 9 April 2013.

**Dato' Izham bin Mahmud**  
Director

**Nan Yusri bin Nan Rahimy**  
Director

# Statements of Comprehensive Income

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012 RM	2011 (Restated) RM	2012 RM	2011 (Restated) RM
Revenue	6	<b>473,239,969</b>	396,302,738	<b>22,136,000</b>	97,088,400
Cost of sales		<b>(365,516,125)</b>	(316,728,784)	<b>(8,985,800)</b>	(6,018,500)
Gross profit		<b>107,723,844</b>	79,573,954	<b>13,150,200</b>	91,069,900
Other operating income		<b>2,703,242</b>	3,055,879	<b>1,095,096</b>	1,406,218
Selling and distribution costs		<b>(19,233,386)</b>	(17,079,622)	<b>0</b>	0
Administrative expenses		<b>(34,891,472)</b>	(29,861,957)	<b>(7,809,464)</b>	(5,851,420)
Other operating expenses		<b>(4,001,656)</b>	(2,050,178)	<b>(222,433)</b>	58,685
Finance cost	9	<b>(408,077)</b>	(1,608,016)	<b>0</b>	0
Share of results of associates (net of tax)	17	<b>15,578,725</b>	13,679,265	<b>0</b>	0
Profit before tax	7	<b>67,471,220</b>	45,709,325	<b>6,213,399</b>	86,683,383
Tax expense	10	<b>(13,256,972)</b>	(10,998,225)	<b>662,450</b>	(16,268,790)
Profit for the financial year		<b>54,214,248</b>	34,711,100	<b>6,875,849</b>	70,414,593
Other comprehensive income					
Foreign currency translation		<b>(1,358,279)</b>	683,253	<b>0</b>	0
Total comprehensive income for the financial year		<b>52,855,969</b>	35,394,353	<b>6,875,849</b>	70,414,593
Profit attributable to:					
Equity holders of the Company		<b>44,450,172</b>	29,033,439	<b>6,875,849</b>	70,414,593
Non-controlling interest		<b>9,764,076</b>	5,677,661	<b>0</b>	0
		<b>54,214,248</b>	34,711,100	<b>6,875,849</b>	70,414,593
Total comprehensive income attributable to:					
Equity holders of the Company		<b>43,524,826</b>	29,349,970	<b>6,875,849</b>	70,414,593
Non-controlling interest		<b>9,331,143</b>	6,044,383	<b>0</b>	0
		<b>52,855,969</b>	35,394,353	<b>6,875,849</b>	70,414,593
Earnings per share (sen)					
– Basic	11	<b>29.63</b>	29.03		

The above statements of comprehensive income are to be read in conjunction with the significant accounting policies and notes 1 to 39 to the Financial Statements.

# Statements of Financial Position

As at 31 December 2012

	Note	Group					Company
		31.12.2012	31.12.2011 (Restated)	1.1.2011	31.12.2012	31.12.2011	1.1.2011
		RM	RM	RM	RM	RM	RM
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	13	97,153,745	99,105,833	93,463,580	5,759,299	6,516,351	6,048,723
Investment properties	14	935,225	958,768	982,311	0	0	0
Intangible assets	15	1,619,016	365,195	739,553	0	0	0
Subsidiaries	16	0	0	0	133,740,455	74,990,456	74,990,456
Prepayments		0	0	318,365	0	0	0
Associates	17	46,526,548	44,053,829	41,435,937	0	0	0
Deferred tax assets	26	2,261,693	475,743	69,856	0	0	4,700
Amount due from a subsidiary	18	0	0	0	0	10,952,374	0
		148,496,227	144,959,368	137,009,602	139,499,754	92,459,181	81,043,879
<b>CURRENT ASSETS</b>							
Amounts due from subsidiaries	18	0	0	0	13,536,252	69,368,498	15,388,427
Tax recoverable		4,803,133	3,972,232	4,880,083	3,546,825	2,476,674	3,734,266
Inventories	19	15,867,110	13,429,169	9,045,679	0	0	0
Trade and other receivables	20	159,905,191	100,007,861	142,605,372	230,018	90,924	103,038
Deferred cost		3,006,681	4,525,702	0	0	0	0
Amounts due from associates	21	1,124,341	15,008	14,908	2,341	28	0
Cash and cash equivalents	22	80,816,899	70,599,159	57,609,656	29,730,396	18,255,483	11,854,544
		265,523,355	192,549,131	214,155,698	47,045,832	90,191,607	31,080,275
<b>LESS: CURRENT LIABILITIES</b>							
Amounts due to subsidiaries	18	0	0	0	16,874,171	3,438,915	1,145,418
Amounts due to associate	21	0	0	124	0	0	124
Borrowings	23	15,592,244	16,998,664	6,214,153	9,800,000	11,300,000	0
Taxation		5,486,527	1,262,825	166,175	0	0	0
Dividends payable		140,029	68,029	437,882	0	0	0
Deferred revenue		8,397,004	6,054,668	0	0	0	0
Trade and other payables	24	127,503,952	83,207,797	123,310,505	2,969,469	1,689,545	2,041,899
Financial guarantee liabilities	25	0	0	0	132,441	236,372	393,450
		157,119,756	107,591,983	130,128,839	29,776,081	16,664,832	3,580,891
<b>NET CURRENT ASSETS</b>		108,403,599	84,957,148	84,026,859	17,269,751	73,526,775	27,499,384



## Statements of Financial Position

As at 31 December 2012

	Note	Group			Company	
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011
		RM	(Restated) RM	RM	RM	RM
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities	26	7,235,981	5,796,846	5,087,129	435,800	28,100
Borrowings	23	3,368,251	9,918,830	15,407,196	0	0
		10,604,232	15,715,676	20,494,325	435,800	28,100
		246,295,594	214,200,840	200,542,136	156,333,705	165,957,856
						108,543,263
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>						
Share capital	27	150,000,000	100,000,000	100,000,000	150,000,000	100,000,000
Share based payment	28	10,931	0	0	0	0
Retained earnings		119,460,261	141,510,089	125,476,650	6,333,705	65,957,856
Merger deficit	29	(50,000,000)	(50,000,000)	(50,000,000)	0	0
Foreign currency translation		(3,522,611)	(2,597,265)	(2,913,796)	0	0
Shareholders' equity		215,948,581	188,912,824	172,562,854	156,333,705	165,957,856
<b>NON-CONTROLLING INTEREST</b>		30,347,013	25,288,016	27,979,282	0	0
<b>TOTAL EQUITY</b>		246,295,594	214,200,840	200,542,136	156,333,705	165,957,856
						108,543,263

The above statements of financial position are to be read in conjunction with the significant accounting policies and notes 1 to 39 to the Financial Statements.

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

		Attributable to equity holders of the Company								
		Issued and fully paid ordinary shares of RM1 each								
Group	Note	Number of shares	Nominal value RM	Share based payment RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM	Non- controlling interest RM	Total equity RM
At 1 January 2012		100,000,000	100,000,000	0	(2,597,265)	(50,000,000)	141,510,089	188,912,824	25,288,016	214,200,840
Profit for the financial year		0	0	0	0	0	44,450,172	44,450,172	9,764,076	54,214,248
Other comprehensive income for the financial year		0	0	0	(925,346)	0	0	(925,346)	(432,933)	(1,358,279)
Total comprehensive income for the financial year		0	0	0	(925,346)	0	44,450,172	43,524,826	9,331,143	52,855,969
Bonus issue	27	50,000,000	50,000,000	0	0	0	(50,000,000)	0	0	0
Non-controlling interest arising from business combination	35	0	0	0	0	0	0	0	1,023,715	1,023,715
Share based payment		0	0	10,931	0	0	0	10,931	0	10,931
Dividends	12	0	0	0	0	0	(16,500,000)	(16,500,000)	(5,295,861)	(21,795,861)
At 31 December 2012		150,000,000	150,000,000	10,931	(3,522,611)	(50,000,000)	119,460,261	215,948,581	30,347,013	246,295,594

Group	Note	Attributable to equity holders of the Company							
		Issued and fully paid ordinary shares of RM1 each		Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM	Non- controlling interest RM	Total equity RM
		Number of shares	Nominal value RM						
At 1 January 2011		100,000,000	100,000,000	(2,913,796)	(50,000,000)	125,476,650	172,562,854	27,979,282	200,542,136
Profit for the financial year		0	0	0	0	29,033,439	29,033,439	5,677,661	34,711,100
Other comprehensive income for the financial year		0	0	316,531	0	0	316,531	366,722	683,253
Total comprehensive income for the financial year		0	0	316,531	0	29,033,439	29,349,970	6,044,383	35,394,353
Dividends	12	0	0	0	0	(13,000,000)	(13,000,000)	(8,735,649)	(21,735,649)
At 31 December 2011		100,000,000	100,000,000	(2,597,265)	(50,000,000)	141,510,089	188,912,824	25,288,016	214,200,840

The above consolidated statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 39 to the Financial Statements.

# Company Statement of Changes in Equity

For the financial year ended 31 December 2012

	Note	Issued and fully paid ordinary shares of RM1 each		Distributable	
		Number of shares	Nominal value RM	Retained earnings RM	Total RM
<b>Company</b>					
At 1 January 2012		100,000,000	100,000,000	65,957,856	165,957,856
Bonus issue	27	50,000,000	50,000,000	(50,000,000)	0
Total comprehensive income for the financial year		0	0	6,875,849	6,875,849
Dividends	12	0	0	(16,500,000)	(16,500,000)
At 31 December 2012		150,000,000	150,000,000	6,333,705	156,333,705
At 1 January 2011		100,000,000	100,000,000	8,543,263	108,543,263
Total comprehensive income for the financial year		0	0	70,414,593	70,414,593
Dividends	12	0	0	(13,000,000)	(13,000,000)
At 31 December 2011		100,000,000	100,000,000	65,957,856	165,957,856

The above statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 39 to the Financial Statements.



# Statements of Cash Flows

For the financial year ended 31 December 2012

		Group		Company	
	Note	2012	2011 (Restated)	2012	2011
		RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		429,204,663	448,778,270	11,064,300	0
Cash payments to suppliers		(293,027,669)	(337,562,186)	0	0
Cash payments to employees and for operating expenses		(72,377,913)	(65,694,338)	(9,507,387)	(3,040,350)
		63,799,081	45,521,746	1,556,913	(3,040,350)
Tax (paid)/refunded		(10,978,743)	(8,689,894)	0	1,571,602
Interest paid		(1,102,780)	(1,397,404)	0	0
Net cash generated from/(used in) operating activities		51,717,558	35,434,448	1,556,913	(1,468,748)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		1,583,132	1,342,469	646,351	387,712
Amount due from subsidiaries		0	0	0	(1,790,500)
Acquisition of subsidiary, net cash	35	(3,178,190)	0	0	0
Purchase of property, plant and equipment	13	(11,637,818)	(19,580,442)	(759,017)	(2,304,727)
Deposit and prepayment for purchase of property, plant and equipment		(10,601,034)	0	0	0
Proceeds from disposal of property, plant and equipment		178,000	668,492	0	358,202
Dividends received from subsidiaries		0	0	32,702,000	24,219,000
Dividends received from associates		12,294,475	11,746,115	0	0
Net cash (used in)/generated from investing activities		(11,361,435)	(5,823,366)	32,589,334	20,869,687

## Statements of Cash Flows

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012	2011	2012	2011
		RM	(Restated) RM	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Bank borrowings:					
– drawn down		65,000	11,300,000	0	0
– repayments		(7,327,296)	(6,230,391)	(1,500,000)	0
Dividends paid to:					
– shareholders		(16,500,000)	(13,000,000)	(16,500,000)	(13,000,000)
– non-controlling interest		(5,295,861)	(8,735,649)	0	0
Advances from subsidiary		0	0	8,603,492	0
Repayment of advances to subsidiaries		0	0	(13,274,826)	0
(Decrease)/increase in restricted cash		(12,630)	1,034	0	0
Net cash used in financing activities		(29,070,787)	(16,665,006)	(22,671,334)	(13,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		11,285,336	12,946,076	11,474,913	6,400,939
FOREIGN CURRENCY TRANSLATION		(1,080,226)	44,511	0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		70,088,620	57,098,033	18,255,483	11,854,544
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	22	80,293,730	70,088,620	29,730,396	18,255,483

The above statements of cash flows are to be read in conjunction with the significant accounting policies and notes 1 to 39 to the Financial Statements.

# Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

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

## A BASIS OF PREPARATION

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

The financial statements of the Group and of the Company for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'. Subject to certain transition elections disclosed in Note 3, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have not been restated. The transition to MFRS has no impact on the Group and the Company's reported financial position, financial performance and cash flows, as described in Note 3.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

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

#### (i) Financial year beginning on/after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".
- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.



## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### A BASIS OF PREPARATION (CONTINUED)

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

##### (i) Financial year beginning on/after 1 January 2013 (continued)

- MFRS 13 “Fair value measurement” (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.
- The revised MFRS 127 “Separate financial statements” (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- The revised MFRS 128 “Investments in associates and joint ventures” (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- Amendment to MFRS 101 “Presentation of items of other comprehensive income” (effective from 1 July 2012) requires entities to separate items presented in ‘other comprehensive income’ (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- Amendment to MFRS 119 “Employee benefits” (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.
- Amendment to MFRS 7 “Financial instruments: Disclosures” (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

##### (ii) Financial year beginning on/after 1 January 2014

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### A BASIS OF PREPARATION (CONTINUED)

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

##### (iii) Financial year beginning on/after 1 January 2015

- MFRS 9 “Financial instruments – classification and measurement of financial assets and financial liabilities” (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (FVTPL). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability’s credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

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

### B CONSOLIDATION

#### (a) Subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 2012

### B CONSOLIDATION (CONTINUED)

#### (a) Subsidiaries (continued)

The Group has taken advantage of the transitional provision provided by MASB 21, FRS 3 and FRS 3 (revised) to apply these Standards prospectively. Transitional provisions of MASB 21, FRS 3 and FRS 3 (revised) that were previously applied and disclosed in the prior year (FRS) financial statements are not relevant in the first set of MFRS financial statements.

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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



## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### B CONSOLIDATION (CONTINUED)

#### (a) Subsidiaries (continued)

Deleum Services Sdn. Bhd. (formerly known as Delcom Services Sdn. Bhd.), a wholly-owned subsidiary company, is consolidated using the merger method of accounting as the internal group reorganisation took place on/after 1 April 2002 and with agreement dates before 1 January 2006, and where the ultimate shareholders remain the same, and the rights of each such shareholder relative to the others, are unchanged and the non-controlling interests' share of net assets of the Group is not altered by the transfer. The other subsidiaries are consolidated using the purchase method of accounting.

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

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

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

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

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

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

#### (c) Disposal of subsidiaries

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### B CONSOLIDATION (CONTINUED)

#### (d) Associates

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

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.

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

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

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

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

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

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

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### C INTANGIBLE ASSETS

#### (a) Goodwill

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

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

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

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

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

#### (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 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### E PROPERTY, PLANT AND EQUIPMENT

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

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

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

Freehold building	2%
Long term leasehold buildings	2% – 5%
Office equipment, furniture and fittings	10% – 33 $\frac{1}{3}$ %
Renovations	10% – 20%
Plant, machinery and other equipment	6 $\frac{2}{3}$ % – 33 $\frac{1}{3}$ %
Motor vehicles	16 $\frac{2}{3}$ % – 20%

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

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

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

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

### F INVESTMENT PROPERTIES

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

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

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



## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### F INVESTMENT PROPERTIES (CONTINUED)

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

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

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

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

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

### G INVENTORIES

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

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

### H LEASES

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

#### Accounting by lessee

##### Finance leases

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

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### H LEASES (CONTINUED)

#### Operating leases

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

### I CASH AND CASH EQUIVALENTS

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

### J IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

### K FINANCIAL ASSETS

#### (a) Classification

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

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'amounts due from subsidiaries', 'trade and other receivables', 'amounts due from associates' and 'cash and cash equivalents' in the statement of financial position (Notes 18, 20, 21 and 22).

#### (b) Recognition and initial measurement

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### K FINANCIAL ASSETS (CONTINUED)

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

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

#### (d) Subsequent measurement – Impairment of financial assets

##### Assets carried at amortised cost

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

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

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

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

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### K FINANCIAL ASSETS (CONTINUED)

#### (e) De-recognition

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

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

### L OFFSETTING FINANCIAL INSTRUMENTS

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

### M FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

### N SHARE CAPITAL

#### (a) Classification

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

#### (b) Share issue costs

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



## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### **N 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.

### **O TRADE RECEIVABLES**

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

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

### **P PAYABLES**

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

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

### **Q BORROWINGS**

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### R REVENUE RECOGNITION

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

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

Revenues are measured at the fair value of the consideration received or receivable by the Group. In arrangements whereby the criteria set out in Note 4(b)(ii) to the financial statements are not met, the marketing fee earned on the sale is recognised as revenue.

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

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

Dividend income earned by the Company is classified as revenue.

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

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.

### S EMPLOYEE BENEFITS

#### (a) Short term employee benefits

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

#### (b) Defined contribution plans

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### T CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

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

### U FOREIGN CURRENCIES

#### (a) Functional and presentation currency

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2012

### U FOREIGN CURRENCIES (CONTINUED)

#### (b) Transactions and balances

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

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

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

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

#### (c) Group companies

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

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

### V SEGMENT REPORTING

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



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

### Market risk

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

#### (i) Foreign currency exchange risk

The Group is exposed to currency risk as a result of foreign currency transactions entered into currencies other than their measurement currency. The primary exposure is to the United States ("US") Dollar. The Group's policy is to minimise the exposure of transaction risk by matching foreign currency receivables against foreign currency payables.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 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					
	31.12.2012 Assets RM	31.12.2012 Liabilities RM	31.12.2011 Assets RM	31.12.2011 Liabilities RM	1.1.2011 Assets RM	1.1.2011 Liabilities RM
US Dollar	97,701,825	88,695,903	71,620,096	60,619,878	116,537,048	92,431,096
Others	701,117	1,685,397	2,062,853	2,210,993	1,400,678	1,562,327
	98,402,942	90,381,300	73,682,949	62,830,871	117,937,726	93,993,423

#### Foreign currency sensitivity

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

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

	Group	
	2012 RM	2011 RM
<u>Weaken by 10% impact to profit or loss</u>		
US Dollar	(900,592)	(1,100,022)
<u>Strengthen by 10% impact to profit or loss</u>		
US Dollar	900,592	1,100,022

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Market risk (continued)

##### (ii) Interest rate risk

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

##### Interest rate sensitivity

This is mainly attributable to Group's exposure to interest rates on its variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit before tax would increase by RM129,360 (2011: RM169,320). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit before tax would decrease by a similar amount.

##### (iii) Price risk

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

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

#### Credit risk

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

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

##### (i) Receivables

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Credit risk (continued)

##### (i) Receivables (continued)

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Neither past due nor impaired:			
Counterparties without external credit rating			
– New customers during the year	10,514,895	509,613	186,904
– Existing customers with no defaults in the past	109,959,171	78,105,498	128,457,972
Total unimpaired trade receivables	120,474,066	78,615,111	128,644,876
Past due but not impaired:			
Counterparties without external credit rating			
– New customers during the year	15,233,916	348,185	754,894
– Existing customers with no defaults in the past	6,173,509	12,641,404	8,724,765
Total past due but not impaired trade receivables	21,407,425	12,989,589	9,479,659
Past due and impaired:			
Counterparties without external credit rating			
– Existing customers	2,183,612	1,001,961	99,200
Total past due and impaired trade receivables	2,183,612	1,001,961	99,200

##### (ii) Amounts due from associates and subsidiaries

The Company provides unsecured loans and advances to subsidiaries. The amounts due from associates are in relation to dividends receivable and operating expenses. The Company monitors the results of the associates and subsidiaries regularly. As at 31 December 2012, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that amounts due from associates and subsidiaries are stated at the realisable values. As at 31 December 2012, there was no indication that the loans and advances extended to the subsidiaries and amounts due from associates are not recoverable.



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Credit risk (continued)

##### (iii) Bank balances

Bank balances are with approved financial institutions and reputable banks.

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

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

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
AAA	80,773,148	70,545,913	57,405,366	29,712,882	18,239,416	11,838,496
AA	17,217	16,924	16,500	16,538	16,007	15,500
A	0	0	131,467	0	0	0

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

##### (iv) Financial guarantees

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

The maximum exposure to credit risk amounts to RM9,104,163 (31.12.2011: RM15,617,494, 1.1.2011: RM21,059,105) representing the outstanding banking facilities of the subsidiaries as at end of reporting period. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

#### Liquidity risk

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 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.

	31.12.2012			
	On demand or within one year RM	One to two years RM	More than two years RM	Total RM
<b>Group</b>				
<u>Financial liabilities</u>				
Trade and other payables	127,503,952	0	0	127,503,952
Borrowings	15,949,000	2,247,816	1,892,183	20,088,999
Total undiscounted financial liabilities	143,452,952	2,247,816	1,892,183	147,592,951
<b>Company</b>				
<u>Financial liabilities</u>				
Amounts due to subsidiaries	16,874,171	0	0	16,874,171
Borrowings	9,800,000	0	0	9,800,000
Other payables and accruals	2,969,469	0	0	2,969,469
Financial guarantee liabilities	11,848,532	0	0	11,848,532
Total undiscounted financial liabilities	41,492,172	0	0	41,492,172

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Liquidity risk (continued)

#### Analysis of financial instruments by remaining contractual maturities (continued)

31.12.2011

	On demand or within one year RM	One to two years RM	More than two years RM	Total RM
<b>Group</b>				
<u>Financial liabilities</u>				
Trade and other payables	83,207,797	0	0	83,207,797
Borrowings	17,695,981	6,147,379	4,060,183	27,903,543
Total undiscounted financial liabilities	100,903,778	6,147,379	4,060,183	111,111,340

#### Company

<u>Financial liabilities</u>				
Amounts due to subsidiaries	3,438,915	0	0	3,438,915
Borrowings	11,300,000	0	0	11,300,000
Other payables and accruals	1,689,545	0	0	1,689,545
Financial guarantee liabilities	18,455,556	0	0	18,455,556
Total undiscounted financial liabilities	34,884,016	0	0	34,884,016

1.1.2011

	On demand or within one year RM	One to two years RM	More than two years RM	Total RM
<b>Group</b>				
<u>Financial liabilities</u>				
Amount due to associate	124	0	0	124
Trade and other payables	123,310,505	0	0	123,310,505
Borrowings	6,644,582	6,395,981	10,207,562	23,248,125
Total undiscounted financial liabilities	129,955,211	6,395,981	10,207,562	146,558,754

#### Company

<u>Financial liabilities</u>				
Amounts due to subsidiaries	1,145,418	0	0	1,145,418
Amount due to associate	124	0	0	124
Other payables and accruals	2,041,899	0	0	2,041,899
Financial guarantee liabilities	26,016,175	0	0	26,016,175
Total undiscounted financial liabilities	29,203,616	0	0	29,203,616

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 3 TRANSITION FROM FRS TO MFRS

The Group and the Company have applied the following mandatory exceptions and none of the optional exemption under MFRS 1:

#### (a) Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

#### (b) Non-controlling interests

MFRS requires attribution of total comprehensive income between equity holders and non-controlling interests ("NCI") even if this results in the NCI having a deficit balance at transition date, and the transition date is the same as date of adoption of FRS.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

#### (a) Critical accounting estimates and assumptions

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

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

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

##### (i) Functional currency

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

##### (ii) Revenue recognition

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

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

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



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

##### (ii) Revenue recognition (continued)

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

### 5 SEGMENTAL REPORTING

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

- Power and Machinery – Mainly consist of provision of gas turbine packages, supply of gas turbine parts, gas turbine overhaul, maintenance and technical services, combined heat and power plant, supply, repair, maintenance and installation of valves and flow regulators and other production related equipment and services.
- Oilfield Services – Mainly consist of provision of wireline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield products and technical services.
- Maintenance, Repair and Overhaul – Mainly consist of repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps. Upon completion of the acquisition of Deleum Primera Sdn. Bhd. ("DPSB") (formerly known as Northern Primera Sdn. Bhd.), this segment has further expanded to include services in integrated corrosion, inspection and mitigation.

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

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

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 5 SEGMENTAL REPORTING (CONTINUED)

#### (a) Business Segments

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 5 SEGMENTAL REPORTING (CONTINUED)

#### (a) Business Segments (continued)

	Power and machinery (Restated) RM	Oilfield services (Restated) RM	Maintenance, repair and overhaul (Restated) RM	Group RM
<b>Financial year ended 31 December 2011</b>				
<b>SEGMENT REVENUE</b>				
External revenue	317,332,440	65,956,413	13,013,885	396,302,738
<b>SEGMENT RESULTS</b>				
Segment operating profit/(loss)	38,851,333	3,832,898	(2,041,223)	40,643,008
Profit from operations				40,643,008
Unallocated income				630,656
Unallocated corporate expenses				(9,243,604)
Share of results of associates				13,679,265
Profit before tax				45,709,325
Tax expense				(10,998,225)
Profit for the financial year				34,711,100
Other information:				
Depreciation and amortisation	2,440,010	6,854,951	471,454	9,766,415
Other material non-cash items				
Impairment for doubtful debts	0	382,304	619,657	1,001,961
Allowance for slow moving inventories	47,335	0	0	47,335
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
– Customer A	(65,007,922)	(41,637,808)	0	(106,645,730)
– Customer B	(50,059,138)	(10,612,402)	0	(60,671,540)
– Customer C	(55,045,090)	0	0	(55,045,090)
– Customer D	(47,658,942)	(2,113,225)	0	(49,772,167)

#### (b) Geographical information

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 6 REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of equipment	132,946,375	163,371,580	0	0
Rendering of services	329,948,340	223,968,332	0	0
Marketing fee	10,345,254	8,962,826	0	0
Dividend income	0	0	12,702,000	90,769,000
Management fee	0	0	9,434,000	6,319,400
	473,239,969	396,302,738	22,136,000	97,088,400

### 7 PROFIT BEFORE TAX

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
The following items have been charged/(credited) in arriving at profit before tax:				
Purchase of products, parts and consumables	245,981,481	221,636,177	0	0
Cost of services purchased	66,749,005	69,941,222	0	0
Inter-company interest income	0	0	(323,167)	(775,600)
Impairment for doubtful debts:				
– impairment made	2,073,688	1,001,961	0	0
– write back of impairment	(502,849)	0	0	0
Amortisation:				
– intangible assets	938,754	374,358	0	0
Depreciation:				
– property, plant and equipment	14,529,766	13,147,117	1,516,069	1,454,745
– investment properties	23,543	23,543	0	0
Fees to PricewaterhouseCoopers Malaysia:				
– statutory audit services	361,500	320,000	140,000	96,500
– audit related services	144,000	140,000	144,000	140,000
– non-audit related services	195,000	0	141,500	0
Statutory audit fees to other auditors	61,030	64,921	0	0
Gain on disposal of property, plant and equipment	(84,527)	(87,177)	0	(17,046)



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 7 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
The following items have been charged/(credited) in arriving at profit before tax (continued):				
Loss/(gain) on foreign exchange:				
– realised	303,373	1,024,743	2,794	(37,325)
– unrealised	311,736	92,546	0	0
Allowance for slow moving inventories	39,745	47,335	0	0
Reversal of allowance for slow moving inventories	(42,645)	0	0	0
Write off:				
– property, plant and equipment	7,827	209,757	0	1,747
– inventories	0	17,886	0	0
Interest income	(1,761,757)	(1,342,469)	(646,351)	(387,712)
Rental income	(328,976)	(243,596)	0	0
Rental expense:				
– business premises	1,712,992	1,329,431	0	0
– lease of equipment and motor vehicles	1,897,914	100,011	0	0
Staff cost (including executive directors' remuneration as disclosed in Note 8)	45,673,806	39,750,868	8,770,504	5,959,316
Defined contribution plan (including executive directors' remuneration as disclosed in Note 8)	5,172,310	4,231,528	1,035,471	655,976
Income receivable on retention sum	0	(580,997)	0	0

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 8 DIRECTORS' REMUNERATION

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive Directors:				
– salaries and bonuses	1,689,702	1,399,932	1,130,000	999,032
– defined contribution plan	284,180	234,501	169,500	154,617
– other emoluments	59,666	50,281	16,166	7,569
– estimated monetary value of benefits-in-kind	35,200	40,321	35,200	35,021
Non-executive Directors:				
– fees	811,664	750,000	811,664	750,000
– other emoluments	110,026	95,353	110,026	95,353
– estimated monetary value of benefits-in-kind	70,400	70,400	70,400	70,400
	3,060,838	2,640,788	2,342,956	2,111,992

### 9 FINANCE COST

	Group	
	2012 RM	2011 RM
Interest on revolving credit facility	442,063	298,917
Interest on term loans	477,720	978,775
Profit sharing margin on Islamic term loans	250,984	332,136
Interest on finance lease	1,783	0
Bank charges	50,862	47,394
Amortisation cost on financial liabilities	(815,335)	(49,206)
	408,077	1,608,016

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 10 TAX EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax:				
– Malaysian tax	13,945,828	9,959,665	(1,384,345)	15,962,659
Under provision in prior years:				
– Malaysian tax	206,103	734,730	314,195	273,331
Deferred tax (Note 26):				
– Origination and reversal of temporary differences	(894,959)	303,830	407,700	32,800
	13,256,972	10,998,225	(662,450)	16,268,790

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

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	25	25	25	25
Tax effects of:				
– expenses not deductible for tax purposes	2	2	10	1
– under provision in prior years	0	2	5	0
– associates results reported net of tax	(6)	(7)	0	0
– income not subject to tax	0	0	(51)	(7)
– utilisation of previously unrecognised deferred tax asset	(1)	0	0	0
– deferred tax asset not recognised	0	2	0	0
Effective tax rate	20	24	(11)	19

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 11 EARNINGS PER SHARE

#### Basic earnings per share

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

	<b>Group</b>	
	<b>2012 RM</b>	<b>2011 RM</b>
Profit for the financial year attributable to equity holders of the Company	<b>44,450,172</b>	29,033,439
Weighted average number of ordinary shares in issue	<b>150,000,000</b>	100,000,000
Basic earnings per share (sen)	<b>29.63</b>	29.03

### 12 DIVIDENDS

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

	<b>2012</b>		<b>2011</b>	
	<b>Gross dividend per share sen</b>	<b>Amount of dividend RM</b>	<b>Gross dividend per share sen</b>	<b>Amount of dividend RM</b>
<u>In respect of the financial year ended 31 December 2010</u>				
Second interim single tier dividend, on 100,000,000 ordinary shares, paid on 8 April 2011	<b>0</b>	<b>0</b>	8.00	8,000,000
<u>In respect of the financial year ended 31 December 2011</u>				
First interim single tier dividend, on 100,000,000 ordinary shares, paid on 21 September 2011	<b>0</b>	<b>0</b>	5.00	5,000,000
Second interim single tier dividend, on 100,000,000 ordinary shares, paid on 23 March 2012	<b>9.0</b>	<b>9,000,000</b>	0	0
<u>In respect of the financial year ended 31 December 2012</u>				
First interim single tier dividend, on 150,000,000 ordinary shares, paid on 20 September 2012	<b>5.0</b>	<b>7,500,000</b>	0	0
		<b>16,500,000</b>		13,000,000

The Directors had on 26 February 2013 declared a second interim single tier dividend of 10 sen per share of RM1.00 each in respect of the financial year ended 31 December 2012, totaling RM15,000,000, paid on 25 March 2013.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2012.



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 13 PROPERTY, PLANT AND EQUIPMENT

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM	Freehold building RM	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
<b>Year ended 31 December 2011</b>							
<u>Net book value</u>							
At 1 January 2011	1,040,000	8,703,106	3,817,908	4,735,665	11,330,718	63,836,183	93,463,580
Additions	0	120,038	0	0	2,226,880	17,233,524	19,580,442
Written off	0	0	0	0	(19,332)	(190,425)	(209,757)
Disposals	0	0	0	0	(30,895)	(550,420)	(581,315)
Depreciation charge	0	(182,399)	(87,745)	(176,771)	(3,313,008)	(9,387,194)	(13,147,117)
At 31 December 2011	1,040,000	8,640,745	3,730,163	4,558,894	10,194,363	70,941,668	99,105,833
<u>At 31 December 2011</u>							
Cost	1,040,000	9,240,008	4,387,284	6,152,947	24,580,316	106,657,176	152,057,731
Accumulated depreciation	0	(599,263)	(657,121)	(1,594,053)	(14,385,953)	(35,715,508)	(52,951,898)
Net book value	1,040,000	8,640,745	3,730,163	4,558,894	10,194,363	70,941,668	99,105,833
<u>At 31 December 2010</u>							
Cost	1,040,000	9,119,970	4,387,285	6,152,947	27,018,630	108,439,580	156,158,412
Accumulated depreciation	0	(416,864)	(569,377)	(1,417,282)	(15,687,912)	(44,603,397)	(62,694,832)
Net book value	1,040,000	8,703,106	3,817,908	4,735,665	11,330,718	63,836,183	93,463,580

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
<b>Year ended 31 December 2011</b>					
<u>Net book value</u>					
At 1 January 2011	2,350,870	1,230,930	1,834,824	632,099	6,048,723
Additions	0	0	77,140	2,227,587	2,304,727
Disposal	0	0	0	(341,156)	(341,156)
Transfer to subsidiary	0	0	(39,451)	0	(39,451)
Write off	0	0	(1,747)	0	(1,747)
Depreciation charge	(48,880)	(26,190)	(894,349)	(485,326)	(1,454,745)
At 31 December 2011	2,301,990	1,204,740	976,417	2,033,204	6,516,351
<u>At 31 December 2011</u>					
Cost	2,444,000	1,309,500	4,532,910	2,737,731	11,024,141
Accumulated depreciation	(142,010)	(104,760)	(3,556,493)	(704,527)	(4,507,790)
Net book value	2,301,990	1,204,740	976,417	2,033,204	6,516,351
<u>At 31 December 2010</u>					
Cost	2,444,000	1,309,500	4,585,879	1,792,337	10,131,716
Accumulated depreciation	(93,130)	(78,570)	(2,751,055)	(1,160,238)	(4,082,993)
Net book value	2,350,870	1,230,930	1,834,824	632,099	6,048,723



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Net book value of property, plant and equipment of the Group pledged as security:			
– freehold land	1,040,000	1,040,000	1,040,000
– freehold building	8,455,945	8,640,745	8,703,106
– long term leasehold land	1,389,308	1,428,174	1,467,039
– long term leasehold buildings	1,935,080	2,058,815	2,182,551
– office equipment, furniture & fittings and renovations	2,976,560	4,310,819	4,077,285
– plant, machinery, other equipment and motor vehicles	52,806,927	51,541,202	52,520,802
	<b>68,603,820</b>	69,019,755	69,990,783

The property, plant and equipment above have been pledged as security for borrowings as disclosed in Note 23 and the unutilised banking facilities as at financial year end.

The net book value of a motor vehicle acquired under hire purchase arrangement amounted to RM75,571 (31.12.2011: Nil, 1.1.2011: Nil).

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 14 INVESTMENT PROPERTIES

	Group	
	31.12.2012 RM	31.12.2011 RM
<b>Net book value</b>		
At 1 January	<b>958,768</b>	982,311
Depreciation charge	<b>(23,543)</b>	(23,543)
At 31 December	<b>935,225</b>	958,768
Cost	<b>1,178,764</b>	1,178,764
Accumulated depreciation	<b>(212,076)</b>	(188,533)
Accumulated impairment loss	<b>(31,463)</b>	(31,463)
	<b>935,225</b>	958,768
Fair value of investment properties	<b>1,079,750</b>	1,079,750

The investment properties have been pledged as security for borrowings as disclosed in Note 23 and the unutilised banking facilities as at financial year end.

The fair value of the investment properties was estimated by Directors based on current sales prices of the said properties.

### 15 INTANGIBLE ASSETS

	Group		
	Goodwill RM	Contracts RM	Total RM
<b>2012</b>			
At 1 January	<b>108,997</b>	<b>256,198</b>	<b>365,195</b>
Acquisition of Deleum Primera Sdn. Bhd. ("DPSB") (formerly known as Northern Primera Sdn. Bhd.) (Note 35)			
– Fair value of contracts	<b>0</b>	<b>1,213,547</b>	<b>1,213,547</b>
– Fair value of distributorship agreement	<b>0</b>	<b>979,028</b>	<b>979,028</b>
Amortisation	<b>0</b>	<b>(938,754)</b>	<b>(938,754)</b>
At 31 December	<b>108,997</b>	<b>1,510,019</b>	<b>1,619,016</b>
Cost	<b>108,997</b>	<b>4,080,218</b>	<b>4,189,215</b>
Accumulated amortisation	<b>0</b>	<b>(2,570,199)</b>	<b>(2,570,199)</b>
	<b>108,997</b>	<b>1,510,019</b>	<b>1,619,016</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 15 INTANGIBLE ASSETS (CONTINUED)

	Group		
	Goodwill RM	Contracts RM	Total RM
<b>2011</b>			
At 1 January	108,997	630,556	739,553
Amortisation	0	(374,358)	(374,358)
At 31 December	108,997	256,198	365,195
Cost	108,997	1,887,643	1,996,640
Accumulated amortisation	0	(1,631,445)	(1,631,445)
	108,997	256,198	365,195

### 16 SUBSIDIARIES

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares at cost	133,740,455	74,990,456	74,990,456

During the financial year, the Company increased its investment in its subsidiaries by RM58,749,999 (31.12.2011: Nil, 1.1.2011: Nil) through capitalisation of debts.

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

### 17 ASSOCIATES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Group's share of net assets of associates	46,526,548	44,053,829	41,435,937

The Group's effective equity interest in the associates, their respective principal activities and country of incorporation are set out in Note 31 to the financial statements.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 17 ASSOCIATES (CONTINUED)

In relation to the Group's interests in associates, the assets, liabilities, income and expenses are shown below.

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current assets	33,567,452	33,876,683	28,942,714
Non-current assets	27,834,614	20,265,240	22,900,583
Current liabilities	(11,741,962)	(7,523,440)	(8,161,944)
Non-current liabilities	(3,133,556)	(2,564,654)	(2,245,416)
	46,526,548	44,053,829	41,435,937
Revenue	47,526,335	43,211,923	35,345,832
Expenses	(28,754,498)	(26,817,914)	(23,916,100)
	18,771,837	16,394,009	11,429,732
Taxation	(3,193,112)	(2,714,744)	(1,685,917)
Share of post tax results from associates	15,578,725	13,679,265	9,743,815

The associates have no significant contingent liability to which the Group is exposed, nor has the Group any significant contingent liability in relation to its interest in the associates.

### 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<u>Non-current</u>			
Amount due from a subsidiary	0	10,952,374	0
<u>Current</u>			
Amounts due from subsidiaries	13,536,252	69,368,498	15,388,427
Amounts due to subsidiaries	(16,874,171)	(3,438,915)	(1,145,418)



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

Included in amounts due from subsidiaries under current assets are amounts due from two subsidiaries in relation to finance purchase of equipment and facilities. These amounts are unsecured, charged interest at 6.9% per annum (31.12.2011: 6.9% per annum, 1.1.2011: Nil) and are repayable on demand.

In the previous financial year, the non-current portion of the amount due from a subsidiary is stated at fair value, including an amount in relation to finance purchase of equipment and facilities. This amount is unsecured, charged interest at 6.9% per annum and is not expected to be repaid within the next twelve (12) months.

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

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

### 19 INVENTORIES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost:			
Raw material	2,101,407	503,573	0
Finished goods	13,762,803	12,972,931	9,045,679
	15,864,210	13,476,504	9,045,679
Less: Allowance for slow moving inventories	(39,745)	(47,335)	0
Add: Reversal of allowance for slow moving inventories	42,645	0	0
	15,867,110	13,429,169	9,045,679

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 20 TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2012	31.12.2011 (Restated)	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Retention sum	681,343	1,658,054	2,488,762	0	0	0
Accrued revenue	67,340,461	32,135,074	16,854,172	0	0	0
Trade receivables	76,043,299	58,813,533	118,880,801	0	0	0
	144,065,103	92,606,661	138,223,735	0	0	0
Less: Impairment for doubtful debts	(2,183,612)	(1,001,961)	(99,200)	0	0	0
Trade receivables, net	141,881,491	91,604,700	138,124,535	0	0	0
Other receivables	5,536,681	4,812,154	2,829,413	0	3,840	3,724
Deposits	2,008,742	2,270,911	513,632	43,558	22,320	16,820
Prepayments	10,478,277	1,320,096	1,137,792	186,460	64,764	82,494
	18,023,700	8,403,161	4,480,837	230,018	90,924	103,038
	159,905,191	100,007,861	142,605,372	230,018	90,924	103,038

The currency profile of trade receivables is as follows:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
– Ringgit Malaysia	53,256,471	21,913,700	27,246,898
– US Dollar	87,942,502	67,784,917	110,178,289
– Australian Dollar	0	295,948	687,824
– Euro	682,518	665,146	11,524
– Singapore Dollar	0	944,989	0
	141,881,491	91,604,700	138,124,535

Credit terms of trade receivables range from 30 to 60 days (31.12.2011: 30 to 60 days, 1.1.2011: 30 to 60 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

60% of the Group's trade receivables as at 31 December 2012 (31.12.2011: 71%, 1.1.2011: 75%) relates to 5 (31.12.2011: 5, 1.1.2011: 5) main customers while the remaining balance is spread over a large number of customers. The major customers are primarily players in the oil and gas industry with high credit worthiness.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

#### Ageing Analysis of trade receivables

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Neither past due nor impaired	120,474,066	78,615,111	128,644,876
1 to 30 days past due not impaired	5,098,761	9,149,269	4,638,692
31 to 60 days past due not impaired	10,170,308	1,764,688	2,514,870
61 to 90 days past due not impaired	2,325,231	836,551	761,478
91 to 120 days past due not impaired	355,581	310,385	245,655
More than 121 days past due not impaired	3,457,544	928,696	1,318,964
Past due and impaired:			
More than 121 days	2,183,612	1,001,961	99,200
	144,065,103	92,606,661	138,223,735
Less: Impairment for doubtful debts	(2,183,612)	(1,001,961)	(99,200)
	141,881,491	91,604,700	138,124,535

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy 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 RM21,407,425 (31.12.2011: RM12,989,589, 1.1.2011: RM9,479,659) 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 never defaulted on payments but are slow paymasters hence, are periodically monitored.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

#### Receivables that are past due but not impaired (continued)

Movement in impairment for doubtful debts is as follows:

	Group	
	2012 RM	2011 RM
<b>Trade receivables</b>		
At 1 January	1,001,961	99,200
Impairment made during the year	2,073,688	1,001,961
Written off during the year	(389,188)	(99,200)
Reversal of impairment losses	(502,849)	0
At 31 December	2,183,612	1,001,961

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

The trade receivables of subsidiaries totalling RM32,164,363 (31.12.2011: RM24,265,976, 1.1.2011: RM15,199,228) have been pledged as security for borrowings as disclosed in Note 23 and the unutilised banking facilities as at financial year end.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 21 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Amounts due from associates	1,124,341	15,008	14,908	2,341	28	0
Amount due to associate	0	0	(124)	0	0	(124)

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

The amounts due from/(to) associates are in relation to payments made on behalf for operating expenses. As at the financial year ended 31 December 2012, the amount includes dividend receivable of RM1,122,000 (31.12.2011: Nil, 1.1.2011: Nil).

### 22 CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposits with licensed banks	68,626,375	63,639,767	44,053,039	29,566,200	18,098,584	11,598,584
Cash and bank balances	12,190,524	6,959,392	13,556,617	164,196	156,899	255,960
Total cash and bank balances	80,816,899	70,599,159	57,609,656	29,730,396	18,255,483	11,854,544
Less:						
Cash held in trust for dividends	(22,636)	(9,997)	(11,031)	0	0	0
Cash held in a designated account	(500,533)	(500,542)	(500,592)	0	0	0
Cash and cash equivalents	80,293,730	70,088,620	57,098,033	29,730,396	18,255,483	11,854,544

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

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
– Ringgit Malaysia	71,038,977	66,607,210	50,549,567	29,730,396	18,255,483	11,854,544
– US Dollar	9,759,323	3,835,179	6,358,759	0	0	0
– Euro	18,599	156,770	701,330	0	0	0
	80,816,899	70,599,159	57,609,656	29,730,396	18,255,483	11,854,544



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 22 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Interest rate (%)	0.10 – 2.95	1.75 – 2.70	1.10 – 2.75	2.00 – 2.95	1.85 – 2.70	1.10 – 2.75
Maturities (days)	1 – 35	1 – 43	1 – 35	1 – 35	1 – 35	1 – 35

Cash held in a designated account is required by the terms of the term loans undertaken by a subsidiary company (Note 23).

### 23 BORROWINGS

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Revolving credits	9,800,000	11,300,000	0	9,800,000	11,300,000	0
Finance lease liabilities	56,332	0	0	0	0	0
Term loans	6,214,560	11,995,941	17,185,367	0	0	0
Islamic term financing long term non-interest bearing facilities	2,889,603	3,621,553	4,435,982	0	0	0
	18,960,495	26,917,494	21,621,349	9,800,000	11,300,000	0
<u>Less: amount repayable within 12 months</u>						
Revolving credits	(9,800,000)	(11,300,000)	0	(9,800,000)	(11,300,000)	0
Finance lease liabilities	(15,505)	0	0	0	0	0
Term loans	(4,983,978)	(5,028,493)	(5,554,245)	0	0	0
Islamic term financing long term non-interest bearing facilities	(792,761)	(670,171)	(659,908)	0	0	0
	(15,592,244)	(16,998,664)	(6,214,153)	(9,800,000)	(11,300,000)	0
Amount repayable after 12 months	3,368,251	9,918,830	15,407,196	0	0	0

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 23 BORROWINGS (CONTINUED)

#### (a) Term loans (secured)

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Not later than 1 year	4,983,978	5,028,493	5,554,245
Later than 1 year but not later than 2 years	1,230,582	5,095,889	4,992,000
Later than 2 years but not later than 5 years	0	1,871,559	6,639,122
	<b>6,214,560</b>	11,995,941	17,185,367

On 3 April 2009, a subsidiary of the Group drew down on term loans to part finance the purchase of wireline equipment and tools. Under the loan covenant, the subsidiary is to open an escrow account under its own name. A minimum of one installment (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2012 is RM500,533 (31.12.2011: RM500,542, 1.1.2011: RM500,592) (Note 22). The term loans are secured by an "all monies" debenture creating charge over all the fixed and floating assets of the subsidiary as disclosed in Notes 13, 14 and 20, and corporate guarantee for RM20,000,000 furnished by the Company.

The above term loans were structured as follows:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
(i) Term loan 1	3,136,000	5,632,000	8,128,000
(ii) Term loan 2	3,078,560	6,363,941	8,495,123
	<b>6,214,560</b>	11,995,941	16,623,123

Term loan 1 carries an interest of 5.48% per annum (2% per annum above the bank's cost of funds of 3.48%) (31.12.2011: 5.35% per annum, 1.1.2011: 5.65% per annum). Term loan 2 carries a fixed interest rate of 5.40% per annum (31.12.2011: 5.40% per annum, 1.1.2011: 5.40% per annum). Term loan 1 and 2 are repayable by way of 47 monthly principal instalments of RM416,000 per month and a final principal instalment of RM448,000. The first instalment commences on the 13th month from the date of the first drawdown. The tenure of the loans is 5 years.

The fair value of the term loan 1 approximates its carrying amount due to floating rate instruments, and fair value of term loan 2 is estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the reporting date. Total fair value of the term loans are RM6,273,085 (31.12.2011: RM11,275,176, 1.1.2011: RM16,223,988).

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 23 BORROWINGS (CONTINUED)

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Not later than 1 year	792,761	670,171	659,908
Later than 1 year but not later than 2 years	834,749	756,736	706,664
Later than 2 years but not later than 5 years	1,262,093	2,194,646	3,069,410
	<b>2,889,603</b>	3,621,553	4,435,982

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

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

The facilities bear profit sharing margins of 6.55% to 7.00% per annum (31.12.2011: 6.55% to 7.00% per annum, 1.1.2011: 6.55% to 7.00% per annum) as at the financial year end and are secured by a first party fixed charge on the property and a debenture over all the fixed and floating assets of the respective subsidiary as disclosed in Notes 13, 14 and 20, and corporate guarantee for RM7,000,000 furnished by the Company.

The fair value amount of the Islamic term financing long term non-interest bearing facilities at the end of reporting date is RM3,170,587 (31.12.2011: RM3,969,679, 1.1.2011: RM4,734,060).

#### (c) Revolving credit (unsecured)

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

The first draw down was made on 5 July 2011 for an amount of RM7,300,000 and a second draw down on 15 August 2011 for an amount of RM4,000,000. The total draw down of RM11,300,000 was rolled-over on a monthly basis at an average rate of 4.85% (1.25% per annum above the bank's cost of funds). There is repayment during the year for an amount of RM1,500,000 on 2 April 2012. The interest is fixed at the date of each draw down and subsequently revised at the commencement of each roll-over period.

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 23 BORROWINGS (CONTINUED)

#### (d) Finance lease liabilities

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<u>Future minimum lease payments</u>			
Not later than 1 year	17,916	0	0
Later than 1 year but not later than 2 years	17,916	0	0
Later than 2 years but not later than 5 years	25,373	0	0
	61,205	0	0
Less: Future finance charges	(4,873)	0	0
Present value of finance lease liabilities	56,332	0	0
<u>Analysis of present value of finance lease liabilities</u>			
Not later than 1 year	15,505	0	0
Later than 1 year but not later than 2 years	16,320	0	0
Later than 2 years but not later than 5 years	24,507	0	0
	56,332	0	0

The finance lease liabilities bore interests of 2.56% per annum (31.12.2011: Nil, 1.1.2011: Nil).

### 24 TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade payables	109,133,008	70,120,404	111,391,170	0	0	0
Other payables	3,843,308	4,546,704	1,861,986	469,918	790,253	575,133
Accruals	14,527,636	8,540,689	10,057,349	2,499,551	899,292	1,466,766
	18,370,944	13,087,393	11,919,335	2,969,469	1,689,545	2,041,899
	127,503,952	83,207,797	123,310,505	2,969,469	1,689,545	2,041,899

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 24 TRADE AND OTHER PAYABLES (CONTINUED)

The currency profile of trade payables is as follows:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
– Ringgit Malaysia	18,751,708	7,289,533	17,397,747
– US Dollar	88,695,903	60,619,878	92,431,096
– Singapore Dollar	93,650	976,027	0
– Australian Dollar	0	282,194	654,126
– Euro	770,666	501,596	831,498
– Japanese Yen	821,081	451,176	76,703
	109,133,008	70,120,404	111,391,170

Credit terms of payment granted by the suppliers of the Group are 30 to 45 days (31.12.2011: 30 to 45 days, 1.1.2011: 30 to 45 days).

### 25 FINANCIAL GUARANTEE LIABILITIES

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Financial guarantee contracts	132,441	236,372	393,450

The financial guarantee amount relates to corporate guarantees provided by the Company to a bank for term loans and Islamic term financing long term non-interest bearing facilities taken by subsidiary companies (Note 23).



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 26 DEFERRED TAX

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

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deferred tax assets	2,261,693	475,743	69,856	0	0	4,700
Deferred tax liabilities	(7,235,981)	(5,796,846)	(5,087,129)	(435,800)	(28,100)	0

	Group			Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM	
At 1 January	(5,321,103)	(5,017,273)	(28,100)	4,700	
Acquisition of subsidiary (Note 35)	(548,144)	0	0	0	
(Charged)/credited to profit or loss (Note 10)					
– property, plant and equipment	(1,301,775)	(828,357)	(282,700)	(79,328)	
– unutilised tax losses	655,239	274,600	0	0	
– deferred cost	(998,780)	0	0	0	
– deferred revenue	2,131,058	0	0	0	
– intangible assets*	234,689	93,590	0	0	
– others	174,528	156,337	(125,000)	46,528	
	894,959	(303,830)	(407,700)	(32,800)	
	(4,974,288)	(5,321,103)	(435,800)	(28,100)	

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 26 DEFERRED TAX (CONTINUED)

	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
<b>Deferred tax assets (before offsetting)</b>				
Property, plant and equipment	4,423,315	4,730,792	0	0
Unutilised tax losses	929,839	274,600	0	0
Deferred revenue	2,131,058	0	0	0
Others	965,504	486,917	0	0
	8,449,716	5,492,309	0	0
Less: Offsetting	(6,188,023)	(5,016,566)	0	0
Deferred tax assets (after offsetting)	2,261,693	475,743	0	0
<b>Deferred tax liabilities (before offsetting)</b>				
Property, plant and equipment	(11,715,529)	(10,721,231)	(310,800)	(28,100)
Deferred cost	(998,780)	0	0	0
Intangible assets*	(377,505)	(64,050)	0	0
Others	(332,190)	(28,131)	(125,000)	0
	(13,424,004)	(10,813,412)	(435,800)	(28,100)
Less: Offsetting	6,188,023	5,016,566	0	0
Deferred tax liabilities (after offsetting)	(7,235,981)	(5,796,846)	(435,800)	(28,100)

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 26 DEFERRED TAX (CONTINUED)

The amounts of unabsorbed capital allowances and unutilised tax losses for which no deferred tax asset is recognised in the statements of financial position, as there is no probable taxable profit available against which these unabsorbed capital allowances and unutilised tax losses can be utilised, are as follows:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unabsorbed capital allowances	0	1,325,444	0
Unutilised tax losses	0	2,678,924	329,868
	0	4,004,368	329,868

### 27 SHARE CAPITAL

	Group/Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>Authorised ordinary shares of RM1 each:</b>			
At 1 January/31 December	500,000,000	500,000,000	500,000,000
<b>Issued and fully paid ordinary shares of RM1 each:</b>			
At 1 January	100,000,000	100,000,000	100,000,000
Bonus issue	50,000,000	0	0
At 31 December	150,000,000	100,000,000	100,000,000

During the financial year, the Company issued a bonus issue of 50,000,000 new ordinary shares of RM1 each, on the basis of one (1) new share for every two (2) existing shares held by the shareholders of the Company. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions whose entitlement date precedes the allotment date of the bonus issue.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 28 SHARE BASED PAYMENT

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Arising from acquisition of Deleum Primera Sdn. Bhd. (formerly known as Northern Primera Sdn. Bhd.) in respect of employees' services	10,931	0	0

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

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

### 29 MERGER DEFICIT

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Arising from the Company's business combination with Deleum Services Sdn. Bhd. (formerly known as Delcom Services Sdn. Bhd.)	50,000,000	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. (formerly known as Delcom Services Sdn. Bhd.) acquired of RM10,000,000.

### 30 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

	<b>Group</b>	
	<b>2012 RM</b>	<b>2011 RM</b>
Solar Turbines International Company		
– Purchases	<b>251,219,857</b>	133,643,005
– Technical fees	<b>2,429,502</b>	1,563,609

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

	<b>Group</b>		
	<b>31.12.2012 RM</b>	<b>31.12.2011 RM</b>	<b>1.1.2011 RM</b>
Amount due to Solar Turbines International Company	<b>49,128,855</b>	30,159,866	13,814,926

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

	<b>Group</b>	
	<b>2012 RM</b>	<b>2011 RM</b>
Sales to Dresser Italia S.R.L	<b>0</b>	(129,125)
Sales to related parties of Dresser Italia S.R.L	<b>(1,689)</b>	(9,062)
Purchases from Dresser Italia S.R.L	<b>429,451</b>	2,178,196
Purchases from related parties of Dresser Italia S.R.L	<b>17,183,133</b>	13,054,242
	<b>17,610,895</b>	15,094,251



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Amount due to related parties of Dresser Italia S.R.L	3,203,883	1,722,119	2,114,807

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors' fees	811,664	750,000	811,664	750,000
Salaries and bonuses	6,995,794	5,005,263	1,931,259	1,694,232
Defined contribution plans	932,841	683,508	274,356	248,209
Other remuneration	643,836	502,095	164,400	74,400
Estimated monetary value of benefits-in-kind	506,000	471,355	177,000	236,344
	9,890,135	7,412,221	3,358,679	3,003,185

The above are inclusive of directors' remuneration as disclosed in Note 8 to the financial statements.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 31 CORPORATIONS IN THE GROUP

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

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2012 %	2011 %	
SUBSIDIARIES:				
Deleum Services Sdn. Bhd. (formerly known as Delcom 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* (formerly known as Delcom Services Holdings Limited)	Hong Kong	100	100	Investment holding.
Turboservices Overhaul Sdn. Bhd.	Malaysia	100	100	Provision of gas turbine overhaul and maintenance services.
Delflow Solutions Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiaries of <u>Deleum Services Sdn. Bhd.</u> <u>(formerly known as Delcom</u> <u>Sevices Sdn. Bhd.)</u>				
Deleum Oilfield Services Sdn. Bhd. (formerly known as Delcom Oilfield Services Sdn. Bhd.)	Malaysia	100	100	Provision of wireline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield related products and services for the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	74	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry.
VSM Technology Sdn. Bhd.	Malaysia	90	90	Dormant.
Deleum Chemicals Sdn. Bhd. (formerly known as Delcom 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 31 CORPORATIONS IN THE GROUP (CONTINUED)

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2012 %	2011 %	
SUBSIDIARIES: (CONTINUED)				
Subsidiaries of				
<u>Deleum Services Sdn. Bhd.</u> <u>(formerly known as Delcom</u> <u>Sevices Sdn. Bhd.) (continued)</u>				
Wisteria Sdn. Bhd.	Malaysia	100	100	Dormant.
Delcom Holdings Sdn. Bhd.	Malaysia	80	80	Investment holding.
Deleum Rotary Services Sdn. Bhd. (formerly known as Rotary Technical Services Sdn. Bhd.)	Malaysia	100	100	Servicing, repair, and and maintenance of motors, generators, transformers, pumps and valves.
Sledgehammer Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
Deleum Primera Sdn. Bhd. (formerly known as Northern Primera Sdn. Bhd.) #	Malaysia	60	0	Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
Subsidiaries of				
<u>Delcom Holdings Sdn. Bhd.</u>				
Penaga Dresser Sdn. Bhd.*	Malaysia	41	41	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.
Subsidiaries of				
<u>Deleum Services Holdings Limited</u> <u>(formerly known as Delcom</u> <u>Services Holdings Limited)</u>				
Delcom Utilities (Cambodia) Limited*	British Virgin Islands	60	60	Investment holding.
Delcom Power (Cambodia) Limited*	British Virgin Islands	60	60	Dormant.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 31 CORPORATIONS IN THE GROUP (CONTINUED)

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2012 %	2011 %	
ASSOCIATES:				
Associates of				
<u>Deleum Services Sdn. Bhd.</u> <u>(formerly known as Delcom</u> <u>Sevices Sdn. Bhd.)</u>				
Malaysian Mud And Chemicals Sdn. Bhd.*	Malaysia	32	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil exploration companies.
Associate of				
<u>Delcom Utilities (Cambodia)</u> <u>Limited</u>				
Cambodia Utilities Pte Ltd^	Cambodia	12@	12@	Maintain and operate a power plant in Cambodia.

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

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

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 32 OPERATING LEASE COMMITMENTS

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

	Group	
	2012 RM	2011 (Restated) RM
Within one year	510,460	708,540
Between two to five years	11,475	187,275

### 33 CAPITAL COMMITMENTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Capital expenditure for property, plant and equipment				
Authorised and contracted for at the end of the reporting period but not yet incurred	2,415,073	2,336,500	0	0
Authorised but not contracted for at the end of the reporting period	11,123,360	8,693,686	180,000	1,397,984
	13,538,433	11,030,186	180,000	1,397,984

### 34 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM22,573,862 (31.12.2011: RM23,240,260) to third parties in respect of operating requirements, utilities and maintenance contracts.



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 35 ACQUISITION DURING THE YEAR

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

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

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

#### Purchase consideration

	31.12.2012 RM
Cash paid	3,180,000
Net assets acquired	(1,535,569)
	1,644,431
Represented by:	
Intangible assets (Note 15)	
– Fair value of contracts acquired	1,213,547
– Fair value of distributorship agreement	979,028
Deferred tax liabilities on contracts and distributorship agreement (Note 26)	(548,144)
	1,644,431

The provisional purchase price allocation of the acquisition will be finalised within the 12 months from the date of acquisition.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 35 ACQUISITION DURING THE YEAR (CONTINUED)

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

	31.12.2012 RM
Property, plant and equipment	1,041,160
Inventories	138,554
Trade and other receivables	5,774,934
Cash and cash equivalents	1,810
	<b>6,956,458</b>
Trade and other payables	3,874,174
Taxation	523,000
	<b>4,397,174</b>
Net assets acquired	2,559,284
Less: Non-controlling interest	(1,023,715)
	<b>1,535,569</b>
The cash outflow of the Group on acquisition of DPSB is as follows:	
Purchase consideration satisfied by cash	3,180,000
Cash and cash equivalents of subsidiary acquired	(1,810)
	<b>3,178,190</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 36 CAPITAL MANAGEMENT

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

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

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cash and cash equivalents	<b>80,293,730</b>	70,088,620	57,098,033	<b>29,730,396</b>	18,255,483	11,854,544
Less: Total borrowings	<b>(18,960,495)</b>	(26,917,494)	(21,621,349)	<b>(9,800,000)</b>	(11,300,000)	0
	<b>61,333,235</b>	43,171,126	35,476,684	<b>19,930,396</b>	6,955,483	11,854,544
Total equity	<b>246,295,594</b>	214,200,840	200,542,136	<b>156,333,705</b>	165,957,856	108,543,263

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

### 37 SUBSEQUENT EVENT

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

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

The Company and NSERC shall enter into a definitive subscription agreement in respect of the offer to subscribe the Subscription Shares subject to and conditional upon the fulfilment of certain conditions precedent.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 38 COMPARATIVES

The Group has re-aligned the functions within the organisation and has accordingly reclassified the costs presented in the statements of comprehensive income, statements of cash flows and segmental reporting. The effect of the reclassification is illustrated below:

#### (a) Impact on the statements of comprehensive income

##### For the financial year ended 31 December 2011

	As previously reported RM	Reclassification RM	As restated RM
<b>Group</b>			
Cost of sales	(312,260,143)	(4,468,641)	(316,728,784)
Selling and distribution costs	(3,501,302)	(13,578,320)	(17,079,622)
Administrative expenses	(44,745,760)	14,883,803	(29,861,957)
Other operating expenses	(5,213,336)	3,163,158	(2,050,178)

##### For the financial year ended 31 December 2011

	As previously reported RM	Reclassification RM	As restated RM
<b>Company</b>			
Selling and distribution costs	(867,949)	867,949	0
Administrative expenses	(2,972,879)	(2,878,541)	(5,851,420)
Other operating expenses	(1,951,907)	2,010,592	58,685

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 38 COMPARATIVES (CONTINUED)

#### (b) Impact on the statements of cash flows

For the financial year ended 31 December 2011

	As previously reported RM	Reclassification RM	As restated RM
<b>Group</b>			
Cash receipts from customers	445,143,095	3,635,175	448,778,270
Cash payments to suppliers	(335,554,996)	(2,007,190)	(337,562,186)
Cash payments to employees and for operating expenses	(64,066,353)	(1,627,985)	(65,694,338)

#### (c) Impact on the segmental reporting

For the financial year ended 31 December 2011

	As previously reported RM	Reclassification RM	As restated RM
<b>Segment Results</b>			
Segment operating profit/(loss)			
Power and machinery	43,058,808	(4,207,475)	38,851,333
Oilfield services	8,016,687	(4,183,789)	3,832,898
Maintenance, repair and overhaul	(778,026)	(1,263,197)	(2,041,223)
Unallocated income	620,658	9,998	630,656
Unallocated corporate expenses	(17,280,051)	8,036,447	(9,243,604)



## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 38 COMPARATIVES (CONTINUED)

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

#### (a) Impact on the statement of financial position

	As at 31 December 2011		
	As previously reported RM	Reclassification RM	As restated RM
<b>Group</b>			
Trade and other receivables	104,533,563	(4,525,702)	100,007,861
Deferred cost	0	4,525,702	4,525,702

### 39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 9 April 2013.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

### 40 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

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

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits of the Group and its subsidiaries:				
Realised	<b>107,601,040</b>	130,267,538	<b>6,333,705</b>	65,986,056
Unrealised	<b>(5,914,499)</b>	(5,330,018)	<b>0</b>	(28,200)
	<b>101,686,541</b>	124,937,520	<b>6,333,705</b>	65,957,856
Total share of retained profits from associate companies:				
Realised	<b>45,009,606</b>	40,837,312	<b>0</b>	0
Unrealised	<b>(3,091,050)</b>	(2,203,006)	<b>0</b>	0
	<b>41,918,556</b>	38,634,306	<b>0</b>	0
Less: Consolidation adjustments	<b>(24,144,836)</b>	(22,061,737)	<b>0</b>	0
	<b>17,773,720</b>	16,572,569	<b>0</b>	0
Total Group's and Company's retained profits	<b>119,460,261</b>	141,510,089	<b>6,333,705</b>	65,957,856

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

## Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Izham bin Mahmud and Nan Yusri bin Nan Rahimy, being two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 67 to 139 are drawn up in accordance with the provisions of Companies Act, 1965 and the Malaysian Financial Reporting Standards, and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of its financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 40 on page 140 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 9 April 2013.

**Dato' Izham bin Mahmud**  
Director

**Nan Yusri bin Nan Rahimy**  
Director

## Statutory Declaration

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

I, Jayanthi a/p Gunaratnam, the officer primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 139 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: 9 April 2013

Before me:

*Commissioner For Oaths*

# Independent Auditors' Report

To the members of Deleum Berhad (Incorporated in Malaysia)  
(Company No. 715640-T)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Deleum Berhad, which comprise the statements of financial position as at 31 December 2012 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 year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 39.

### Directors' Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

## Independent Auditors' Report

To the members of Deleum Berhad (Incorporated in Malaysia)  
(Company No. 715640-T)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 31 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 40 on page 140 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. I, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Pricewaterhousecoopers**

[No. AF: 1146]

Chartered Accountants

Kuala Lumpur

9 April 2013

**Irvin George Luis Menezes**

[No. 2932/06/14 (J)]

Chartered Accountant



## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Eighth Annual General Meeting of DELEUM BERHAD (“the Company”) will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 16 May 2013 at 10.00 a.m., for the following purposes:

### AGENDA

#### As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon.  
(Please refer to Note (i)).
2. To re-elect the following Directors who retire by rotation pursuant to Article 78 of the Company’s Articles of Association and being eligible, offer themselves for re-election:
  - (a) Datuk Ishak bin Imam Abas
  - (b) En. Nan Yusri bin Nan Rahimy
3. To approve the payment of the Directors’ fees of RM811,664 (2011: RM750,000) in respect of the financial year ended 31 December 2012.
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 1**

**Ordinary Resolution 2**

**Ordinary Resolution 3**

**Ordinary Resolution 4**

#### As Special Business:

To consider and if thought fit, to pass the following Resolutions:

5. **RE-APPOINTMENT OF DIRECTORS RETIRING PURSUANT TO SECTION 129(2) OF THE COMPANIES ACT, 1965**

“THAT Dato’ Izham bin Mahmud, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting.”

**Ordinary Resolution 5**

“THAT Datuk Vivekananthan a/l M.V. Nathan, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting.”

**Ordinary Resolution 6**

“THAT Dato’ Kamaruddin bin Ahmad, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting.”

**Ordinary Resolution 7**

## Notice of Annual General Meeting

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

#### Ordinary Resolution 8

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and any other governmental/regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to allot and issue not more than ten percent (10%) of the issued and paid-up share capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

### 7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 24 APRIL 2013**

#### Ordinary Resolution 9

"THAT approval be and is hereby given for the renewal of the Shareholders' Mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(1) of the Circular to the Shareholders dated 24 April 2013 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

AND THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in full force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate."

## Notice of Annual General Meeting

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(2) OF THE CIRCULAR TO SHAREHOLDERS DATED 24 APRIL 2013**

**Ordinary Resolution 10**

"THAT approval be and is hereby given for the renewal of the Shareholders' Mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(2) of the Circular to the Shareholders dated 24 April 2013 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

AND THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in full force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they 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."

**BY ORDER OF THE BOARD**

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

24 April 2013

## Notice of Annual General Meeting

### NOTES:

- i. The Agenda item No. 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 ("Act") and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting ("AGM"). As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.
- ii. A member of the Company entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply.
- iii. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds.  
  
Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- iv. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
- v. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.
- vi. For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 9 May 2013 and only a depositor whose name appears on this Record shall be entitled to attend this AGM.

### EXPLANATORY NOTES ON SPECIAL BUSINESS:

#### i) Ordinary Resolutions 5 to 7

##### **Re-appointment of Directors pursuant to Section 129(2) of the Companies Act, 1965**

The proposed Ordinary Resolutions 5 to 7 are to seek shareholders' approval for the re-appointment of Directors who are over the age of 70 years and retiring in accordance with Section 129(2) of the Act.

#### ii) Ordinary Resolution 8

##### **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 8, seeking a renewal of this general mandate, is to provide flexibility to the Company to issue new securities without the need to convene a separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions and/or for issuance of shares as settlement of purchase consideration.

#### iii) Ordinary Resolutions 9 and 10

##### **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and Trading Nature as set out under Section 2.5(1) and 2.5(2) of the Circular to Shareholders dated 24 April 2013**

For further information, please refer to the Circular to Shareholders dated 24 April 2013 accompanying the Company's Annual Report for the financial year ended 31 December 2012.

## Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no person seeking election as Director at this Annual General Meeting.



## Additional Compliance Information

### 1. SHARE BUYBACKS

During the financial year ended 31 December 2012, there were no share buybacks by the Company.

### 2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company had not issued any options, warrants or convertible securities during the financial year ended 31 December 2012.

### 3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2012.

### 4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

Save and except for the public reprimand and the fine of RM25,000 imposed on Dato' Kamaruddin bin Ahmad, Senior Independent Non-Executive Director, in his personal capacity as the Audit Committee Chairman of Intelligent Edge Technologies Berhad ("IE") by Bursa Malaysia Securities Berhad on 21 December 2012 for breaching ACE Market Listing Requirements in relation to IE, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, other Directors or Management by relevant regulatory bodies during the financial year ended 31 December 2012. Dato' Kamaruddin bin Ahmad has since resigned as director of IE.

### 5. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group for the financial year ended 31 December 2012 was RM339,000 which consisted of professional fees in connection with the review of quarterly announcements on the Main Market of Bursa Malaysia Securities Berhad, taxation and other advisory services.

### 6. VARIATION IN RESULTS

The Company did not release any profit estimate, forecast or projection for the financial year. There was no significant variance between results for the financial year and the unaudited results previously released by the Company.

### 7. PROFIT GUARANTEE

The Company did not receive any profit guarantee during the financial year ended 31 December 2012.

### 8. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors and major shareholders during the financial year ended 31 December 2012.

## 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 @ 31/12/12	Revaluation if any	Date of acquisition
1	Corporate Head Office Deleum Berhad	No. 2, Jalan Bangsar Utama 9 Bangsar Utama 59000 Kuala Lumpur Malaysia	6 storey corner shopoffice	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 3/12/2085	14 years	3,431,660		2/5/06
2	Deleum Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1 Bangsar Utama 59000 Kuala Lumpur Malaysia	5 storey corner shopoffice	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 3/12/2085	24 years	545,994		19/9/88
3	Deleum Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1 Bangsar Utama 59000 Kuala Lumpur Malaysia	5 storey shopoffice	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 3/12/2085	24 years	528,731		28/9/88
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	-/ 139.72 sq metres	Freehold	10 years	455,804		3/2/97
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	-/ 146.87 sq metres	Freehold	10 years	479,421		3/2/97
6	Miri Office Deleum Services Sdn. Bhd.	Lot 1315, Block 9 Miri Concession Land District Miri Waterfront Commercial Centre Jalan Bendahara, 98008 Miri, Sarawak Malaysia	4 storey corner shopoffice	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/9/2066	8 years	984,000		20/8/04
7	Operations Deleum Services Sdn. Bhd.	Asian Supply Base Ranca Ranca Industrial Estate 87027 Labuan Malaysia	Warehouse	Warehouse	5,700.00 sq metres/ 1,776.43 sq metres	Lease/ 30/9/2014	12 years	1,100,001		-
8	Operations Deleum Services Sdn. Bhd.	Kemaman Supply Base Warehouse 28 24007 Kemaman Terengganu Darul Iman Malaysia	Warehouse	Warehouse	4,341.00 sq metres/ 1,456.00 sq metres	Lease/ 30/9/2014	4 years	1,307,966		-
9	Operations Turboservices Overhaul Sdn. Bhd.	Lot 26197 Kawasan Perindustrian Tuanku Jaafar 71450 Seremban Negeri Sembilan Darul Khusus Malaysia	Integrated service centre	Turboservices: Solar Integrated Service Centre	14,495.00 sq metres/ 2,735.90 sq metres	Freehold	15 years	9,487,940		30/12/05
10	Operations Penaga Dresser Sdn. Bhd.	No A1-A2, Kawasan MIEL Jakar Phase III 24000 Kemaman Terengganu Darul Iman Malaysia	2 units of semi-detached factory	Assembly Plant	A1-1723 sq metres A2-1229 sq metres	Leasehold/ 19/4/2053	20 years	1,074,105	4/11/09	12/4/04
11	Deleum Services Sdn. Bhd.	Unit E-P 17, Bayu Beach Resort Port Dickson 71050 Negeri Sembilan Darul Khusus Malaysia	Apartment	Apartment	-/ 143.53 sq metres	Leasehold/ 12/6/2092	18 years	165,664		24/2/92

# Analysis of Shareholdings

As at 29 March 2013

Authorised share capital : RM500,000,000  
 Issued and paid-up capital : RM150,000,000  
 No. of shareholders : 2,217  
 Class of shares : Ordinary shares of RM1.00 each  
 Voting rights : One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	% of Holdings
less than 100 shares	158	6,834	*
100 to 1,000 shares	189	127,342	0.08
1,001 to 10,000 shares	1,354	5,205,058	3.47
10,001 to 100,000 shares	430	13,667,105	9.11
100,001 to less than 5% of issued shares	81	49,705,579	33.14
5% and above of issued shares	5	81,288,082	54.19
<b>Total</b>	<b>2,217</b>	<b>150,000,000</b>	<b>100.00</b>

Note:

\* Less than 0.01%

## TOP 30 SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	Lantas Mutiara Sdn. Bhd.	30,644,550	20.43
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	18,062,032	12.04
3.	Datuk Vivekananthan a/l M.V. Nathan	15,937,500	10.63
4.	IM Holdings Sdn. Bhd.	9,135,000	6.09
5.	Datin Che Bashah @ Zaiton binti Mustaffa	7,509,000	5.01
6.	Chandran Aloysius Rajadurai	7,259,387	4.84
7.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (DLR 065 – Margin)	6,000,000	4.00
8.	Dato' Izham bin Mahmud	4,200,000	2.80
9.	Datin Che Bashah @ Zaiton binti Mustaffa	3,023,100	2.02
10.	Goh Thong Beng	1,730,000	1.15

## Analysis of Shareholdings

As at 29 March 2013

No.	Name of Shareholders	No. of Shares	Percentage (%)
11.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB)	1,680,000	1.12
12.	Neoh Choo Ee & Company, Sdn. Berhad	1,206,000	0.80
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	1,195,800	0.80
14.	Hj. Abd Razak bin Abu Hurairah	1,191,705	0.79
15.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	1,087,000	0.72
16.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	1,000,000	0.67
17.	Lee Sew Bee	990,000	0.66
18.	Mohd Fauzi bin Ahmad	937,500	0.63
19.	Saudah binti Hashim	937,500	0.63
20.	Dilip Manharlal Gathani	805,800	0.54
21.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datuk Ishak bin Imam Abas (REM 851)	776,000	0.52
22.	Tan Swee Leong	730,000	0.49
23.	Celine D'Cruz a/p Francis D' Cruz	618,750	0.41
24.	Dato' Yahya bin Ya'acob	600,000	0.40
25.	Cheng Hon Sang	571,200	0.38
26.	Ong Say Kiat	514,650	0.34
27.	M & A Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account for Chandran Aloysius Rajadurai (M&A)	500,000	0.33
28.	Tan Lee Hwa	485,000	0.32
29.	Mohammad Zuki bin Abd Rahman	443,500	0.30
30.	Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	400,000	0.27

## Analysis of Shareholdings

As at 29 March 2013

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No of Shares	%	No of Shares	%
Lantas Mutiara Sdn. Bhd.	30,644,550	20.43	0	0
Hartapac Sdn. Bhd.	18,062,032	12.04	0	0
Datuk Vivekananthan a/l M.V. Nathan	15,945,000	10.63	30,644,550 <sup>(1)</sup>	20.43
Datin Che Bashah @ Zaiton binti Mustaffa	12,234,600	8.16	0	0
IM Holdings Sdn. Bhd.	9,135,000	6.09	0	0
Chandran Aloysius Rajadurai	7,759,387	5.17	0	0
Dato' Izham bin Mahmud	4,200,000	2.80	52,014,150 <sup>(2)</sup>	34.68
Datin Sian Rahimah Abdullah	0	0	18,062,032 <sup>(3)</sup>	12.04
Faye Miriam Abdullah	0	0	18,062,032 <sup>(3)</sup>	12.04
Hugh Idris Abdullah	0	0	18,062,032 <sup>(3)</sup>	12.04
Farid Riza Izham	0	0	9,135,000 <sup>(4)</sup>	6.09
Faidz Raziff Izham	0	0	9,135,000 <sup>(4)</sup>	6.09
Hana Sakina Izham	0	0	9,135,000 <sup>(4)</sup>	6.09

## Notes:

- <sup>(1)</sup> Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 ("Act").
- <sup>(2)</sup> Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act and shares held by his spouse.
- <sup>(3)</sup> Deemed interested by virtue of his/her shareholdings in Hartapac Sdn. Bhd. pursuant to Section 6A of the Act.
- <sup>(4)</sup> Deemed interested by virtue of his/her shareholdings in IM Holdings Sdn. Bhd. pursuant to Section 6A of the Act.

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No of Shares	%	No of Shares	%
Dato' Izham bin Mahmud	4,200,000	2.80	52,014,150 <sup>(1)</sup>	34.68
Datuk Vivekananthan a/l M.V. Nathan	15,945,000	10.63	30,644,550 <sup>(2)</sup>	20.43
Datuk Ishak bin Imam Abas	776,000	0.52	0	0
Chin Kwai Yoong	281,250	0.19	0	0
Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz	214,350	0.14	0	0
Nan Yusri bin Nan Rahimy	145,250	0.10	26,000 <sup>(3)</sup>	0

## Notes:

- <sup>(1)</sup> Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act and shares held by his spouse.
- <sup>(2)</sup> Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act.
- <sup>(3)</sup> Deemed interested by virtue of shares held by his spouse.



# Corporate Directory

## HEAD OFFICE

### Deleum Berhad and its Subsidiaries:

#### Deleum Services Sdn. Bhd.

#### Deleum Oilfield Services Sdn. Bhd.

#### Deleum Chemicals Sdn. Bhd.

#### Turboservices Sdn. Bhd.

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

Tel : +603-2295 7788

Fax : +603-2295 7777

Email : info@deleum.com

## SALES AND MARKETING OFFICE (EAST MALAYSIA)

### Miri

Lot 1315, Miri Waterfront  
Commercial Centre  
98008 Miri, Sarawak  
Malaysia

Tel : +6085-413 528/417 020

Fax : +6085-418 037

Email : info@deleum.com

## SERVICE CENTRE

### Turboservices Overhaul Sdn. Bhd.

#### (Turboservices: Solar Turbines Integrated Service Centre)

Lot 26197, Kawasan Perindustrian  
Tuanku Jaafar, 71450 Seremban  
Negeri Sembilan Darul Khusus  
Malaysia

Tel : +606-6798 270/207

Fax : +606-6798 267

Email : info@deleum.com

## OPERATIONS AND SUPPLY BASES

### Kemaman

Kemaman Supply Base  
Warehouse 28, 24007 Kemaman  
Terengganu Darul Iman  
Malaysia

Tel : +609-863 1407/1408

Fax : +609-863 1379

Email : info@deleum.com

### Labuan

Asian Supply Base  
Rancha Rancha Industrial Estate  
87000 Labuan  
Malaysia

Tel : +6087-413 935/583 205

Fax : +6087-425 694

Email : info@deleum.com

### Miri

Lot 3017, Permy Jaya Teknologi Park  
Bandar Baru Permy Jaya  
98000 Miri, Sarawak  
Malaysia

Tel : +6085-413 528/417 020

Fax : +6085-418 037

Email : info@deleum.com

## Research & Development Facility

No. 26-G, Block I, Tingkat G  
Jalan PJS 5/28  
Pusat Perdagangan Petaling Jaya Selatan  
46150 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Tel : +603-7773 0166

Email : info@deleum.com

## SUBSIDIARIES

### Deleum Rotary Services Sdn. Bhd.

#### Head Office & Service Centre

No. 3, Jalan P4/8, Seksyen 4  
Bandar Teknologi Kajang  
Selangor Darul Ehsan  
Malaysia

Tel : +606-8723 7070

Fax : +606-8723 3070

Email : info@deleum.com

### Pasir Gudang

No. 39, Jalan Masai Utama 1  
Taman Masai Utama  
81750 Masai, Johor Darul Takzim  
Malaysia

Tel : +607-253 2070

Fax : +607-255 3070

Email : info@deleum.com

### Bintulu

Lot 3955, Block 32  
Jalan Sungai Nyigu  
97000 Bintulu

Sarawak

Malaysia

Tel : +6086 339964

Fax : +6086 339984

Email : info@deleum.com

### Deleum Primera Sdn. Bhd.

No. 26-2, Jalan Tasik Utama 5  
Medan Niaga Tasik Damai  
Sungai Besi, 57100 Kuala Lumpur  
Malaysia

Tel : +603-9054 4441

Fax : +603-9054 4442

Email : info@deleum.com

### Penaga Dresser Sdn. Bhd.

#### Head Office

Business Suite, 19A-9-1, Level 9  
UOA Centre, No. 19, Jalan Pinang  
50450 Kuala Lumpur  
Malaysia

Tel : +603-2163 2322

Fax : +603-2161 8312

Email : sales@penagadresser.com

## Kemaman Office & Service Centre

Lot A1-A2, Kawasan Miel  
Jakar Phase III, 24000 Kemaman  
Terengganu Darul Iman  
Malaysia

Tel : +609-868 6799

Fax : +609-868 3453

Email : sales@penagadresser.com

## Miri Office

Lot 3483, Block 6  
Permy Jaya Technology Park  
Kuala Baram Land District  
98000 Miri, Sarawak  
Malaysia

Tel : +6085-419 126

Fax : +6085-412 127

Email : sales@penagadresser.com

## ASSOCIATES

### Malaysian Mud And Chemicals Sdn. Bhd.

Asian Supply Base  
Rancha Rancha Industrial Estate  
87000 Labuan  
Malaysia

Tel : +6087-415 922

Fax : +6087-415 921

Email : mc2@tm.net.my

### Cambodia Utilities Pte. Ltd.

Power Plant #2, Route 2  
Chak Angre District  
Khan Meanchey, Phnom Penh  
Kingdom of Cambodia

Tel : +855-23 425 592

Fax : +855-23 425 050

Email : administrationcupl@cupl.com.kh



# Proxy Form

CDS Account No.	No. of Shares Held

I/We \_\_\_\_\_ (Full name in block letters)

I.C/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_ (Address in full)

being a member of **DELEUM BERHAD** hereby appoint \_\_\_\_\_

\_\_\_\_\_ (Full name in block letters)

I.C/Passport/Company 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 Eighth Annual General Meeting of the Company to be held at **Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia** on **Thursday, 16 May 2013 at 10:00 a.m.** and at any adjournment thereof.

No.	Resolutions	For	Against
	<b>Ordinary Business</b>		
1.	To re-elect Datuk Ishak bin Imam Abas as Director.		
2.	To re-elect En. Nan Yusri bin Nan Rahimy as Director.		
3.	To approve the payment of Directors' fees of RM811,664 (2011: RM750,000) in respect of the financial year ended 31 December 2012.		
4.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	<b>Special Business</b>		
5.	To re-appoint Dato' Izham bin Mahmud as Director.		
6.	To re-appoint Datuk Vivekananthan a/l M.V. Nathan as Director.		
7.	To re-appoint Dato' Kamaruddin bin Ahmad as Director.		
8.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
9.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(1) of the Circular to Shareholders dated 24 April 2013.		
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 24 April 2013.		

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 \_\_\_\_\_ 2013.

Signature/Common Seal of Shareholder(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
<b>Total</b>		<b>100%</b>

## Notes:

- A member of the Company entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds.

Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.
- For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 9 May 2013 and only a depositor whose name appears on this Record shall be entitled to attend this AGM.

2nd fold here

Affix Stamp  
Here

The Company Secretary

**DELEUM BERHAD**

(Co. No. 715640-T)

(Incorporated in Malaysia)

**No. 2, Jalan Bangsar Utama 9**

**Bangsar Utama, 59000 Kuala Lumpur, Malaysia**

1st fold here