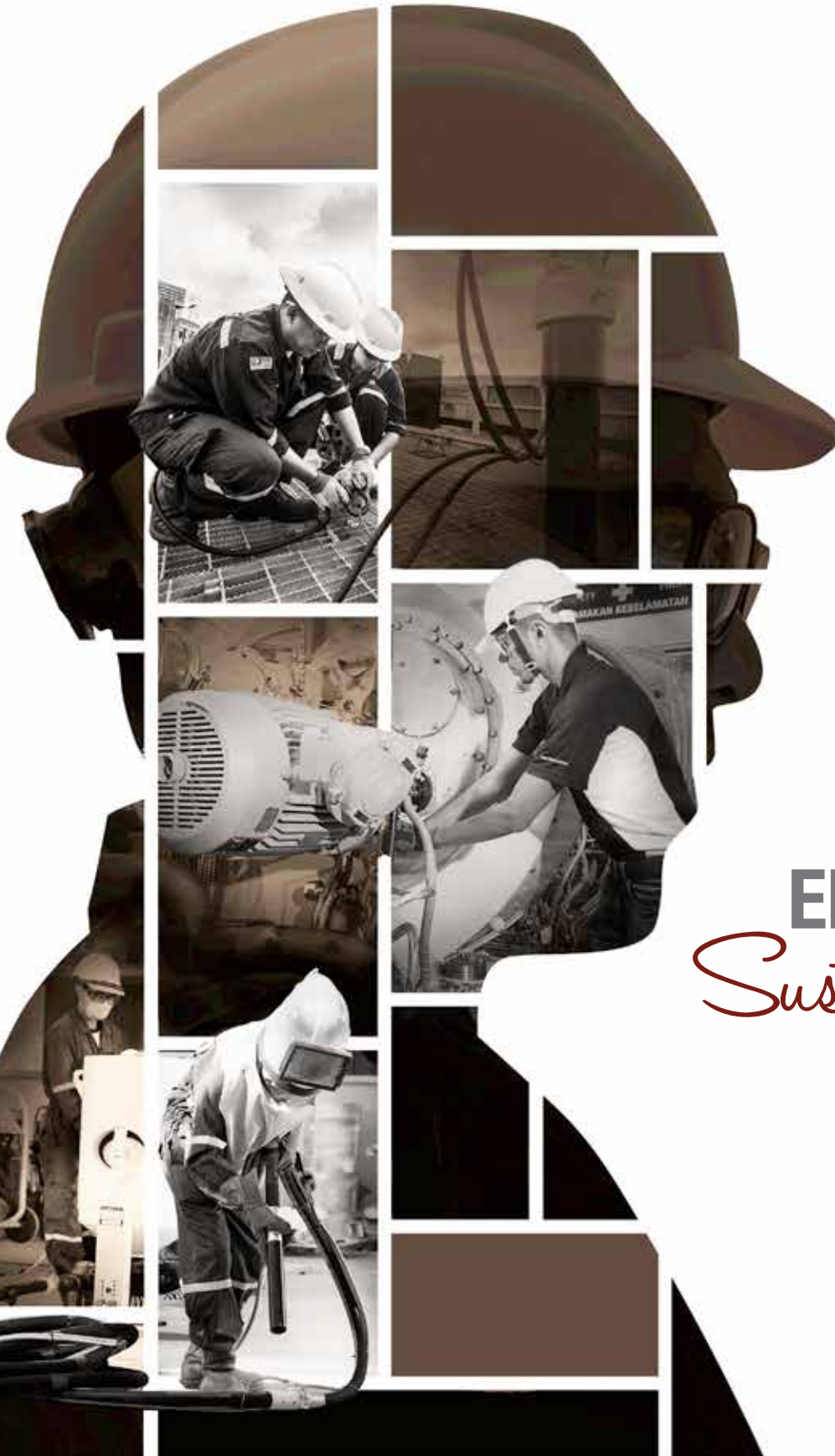




DELEUM



# ENHANCING *Sustainability*

2016 ANNUAL REPORT





## Enhancing Sustainability

This montage illustrates Deleum's value proposition as an Integrated Solutions Provider with its diversified services and products; delivering quality offerings through the synergy of our core business activities and our main asset, our people, who are at the heart of everything we do.

Together, the pieces form a silhouette that symbolises Deleum's fortitude and future-focused spirit of perseverance to continue enhancing our sustainability.



## Our Mission

To provide Sustainable Growth and Enhance Stakeholders' Value



## Our Vision

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



## Our Shared Values

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





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[www.deleum.com](http://www.deleum.com)











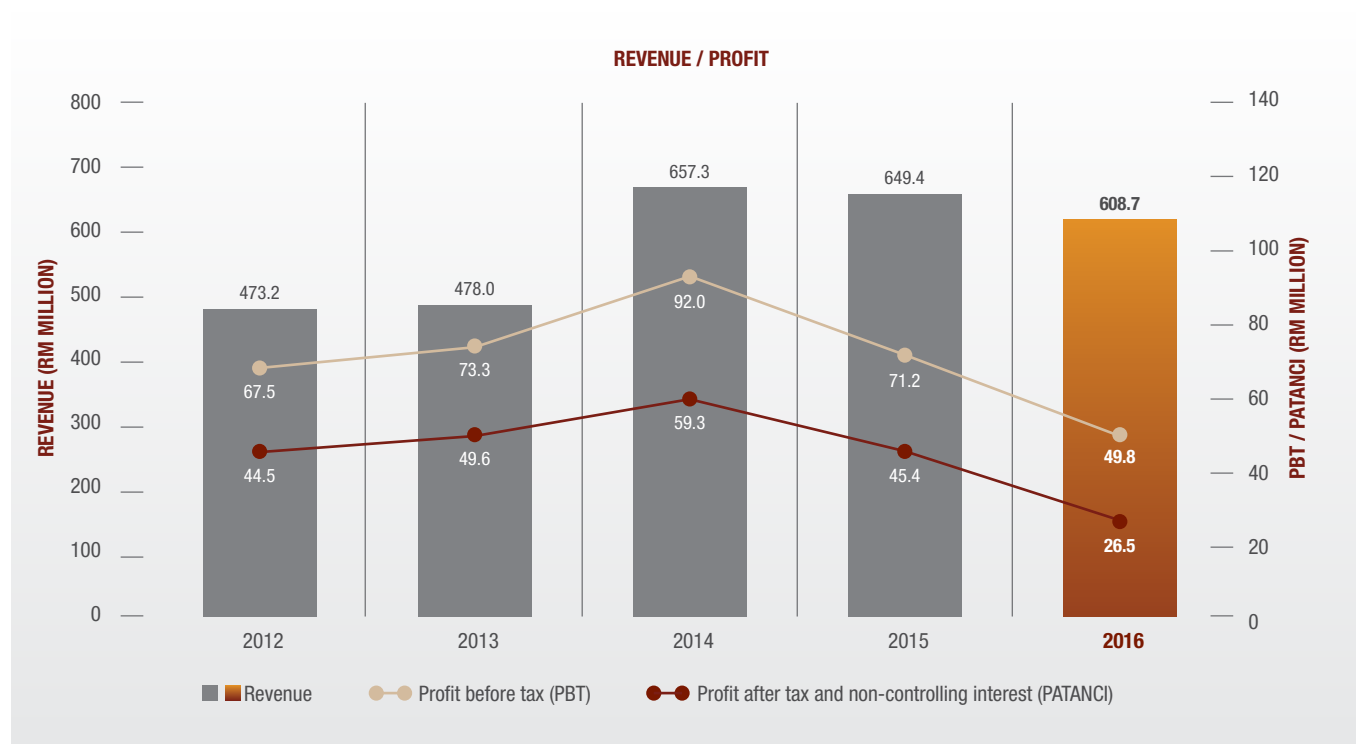
# Our People





# Financial Highlights

For The Financial Years Ended 31 December 2012 - 2016



	2012 (RM'000)	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)
Revenue	473,240	477,955 <sup>#</sup>	657,273 <sup>#</sup>	649,398	<b>608,652</b>
Gross profit	107,724	122,701 <sup>#</sup>	157,969 <sup>#</sup>	149,176	<b>128,521</b>
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	81,610	91,572	116,861	108,275	<b>87,502</b>
Share of associates' results	15,579	15,973	13,727	5,642	<b>223</b>
Share of joint venture's results	-	-	-	775	<b>684</b>
PBT	67,471	73,327 <sup>#</sup>	91,994 <sup>#</sup>	71,152	<b>49,767</b>
Profit after tax	54,214	58,662	70,651	55,539	<b>32,821</b>
Non-controlling interest	(9,764)	(9,103)	(11,327)	(10,131)	<b>(6,308)</b>
PATANCI	44,450	49,559	59,324	45,408	<b>26,513</b>
Number of Shares ('000)	150,000	150,000	400,000	400,000	<b>400,000</b>

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



## EBITDA

**RM87.5 mil**2015:  
**RM108.3 mil**

## Return on Equity

**8.8%**2015:  
**15.5%**

## Shareholders' Equity

**RM300.8 mil**2015:  
**RM292.7 mil**

## PATANGI

**RM26.5 mil**2015:  
**RM45.4 mil**

## Total Fixed Assets

**RM192.8 mil**2015:  
**RM227.7 mil**

## Dividend per Share

**3.5 sen**2015:  
**5.5 sen**

## FINANCIAL RATIOS

	2012 (RM'000)	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)
Return on equity	20.6%	20.5%	21.6%	15.5%	<b>8.8%</b>
Return on total assets	10.7%	9.9%	8.9%	6.7%	<b>4.0%</b>
Gearing ratio	8.8%	12.3%	56.5% <sup>#</sup>	46.9%	<b>36.4%</b>
Net asset per share (RM)	1.44	1.61	0.69 <sup>*</sup>	0.73	<b>0.75</b>
Dividend per share (Sen)	15.0	17.0	7.5 <sup>^</sup>	5.5	<b>3.5</b>
Dividend yield	7.7%	3.9%	4.7% <sup>*</sup>	5.0%	<b>3.5%</b>

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

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

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

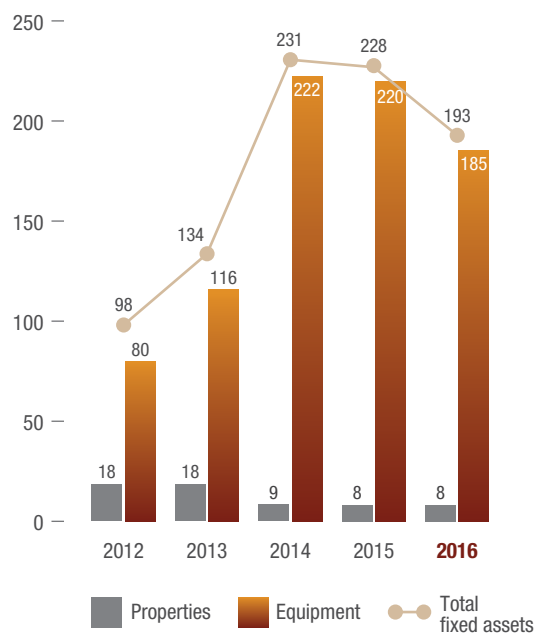


# Financial Highlights

For The Financial Years Ended 31 December 2012 - 2016

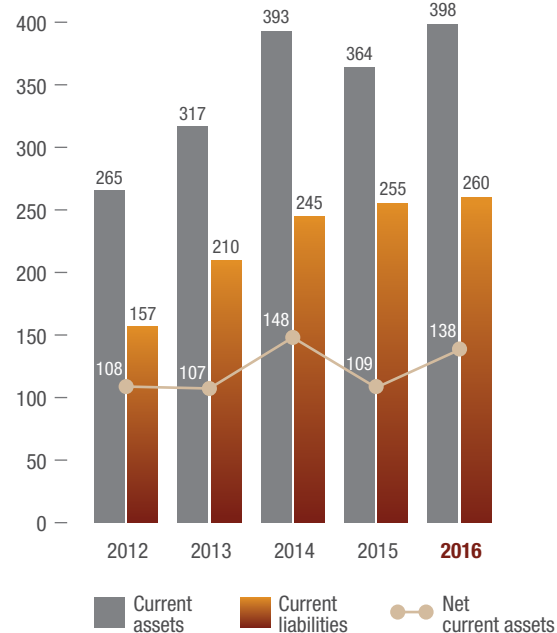
## PROPERTY, PLANT AND EQUIPMENT

(RM million)



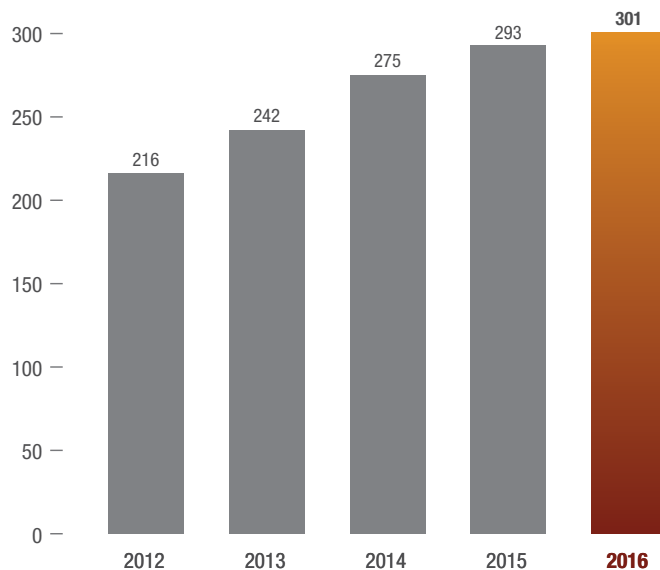
## NET CURRENT ASSETS

(RM million)



## SHAREHOLDERS' EQUITY

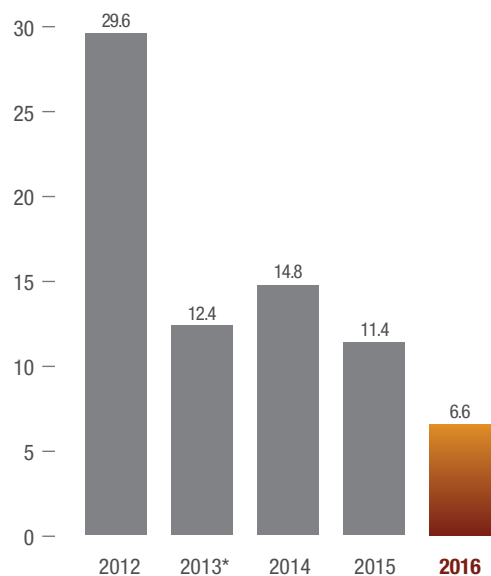
(RM million)





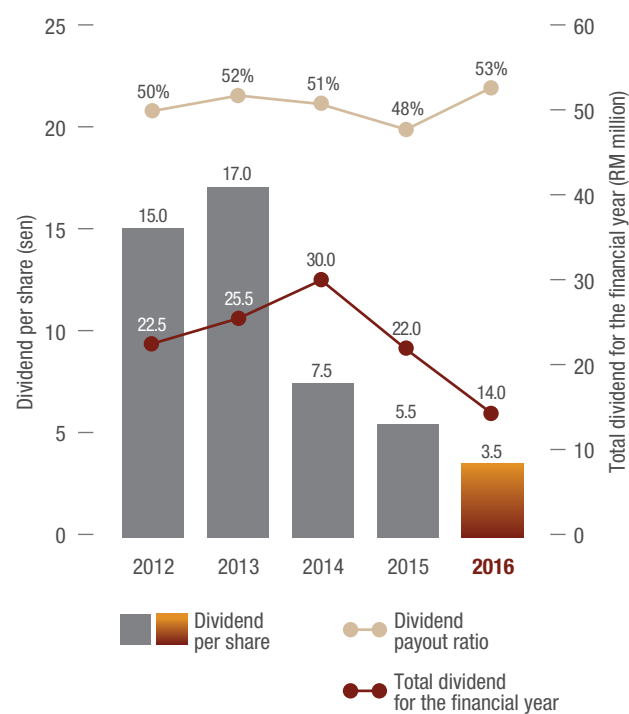
## EARNINGS PER SHARE

(Sen)

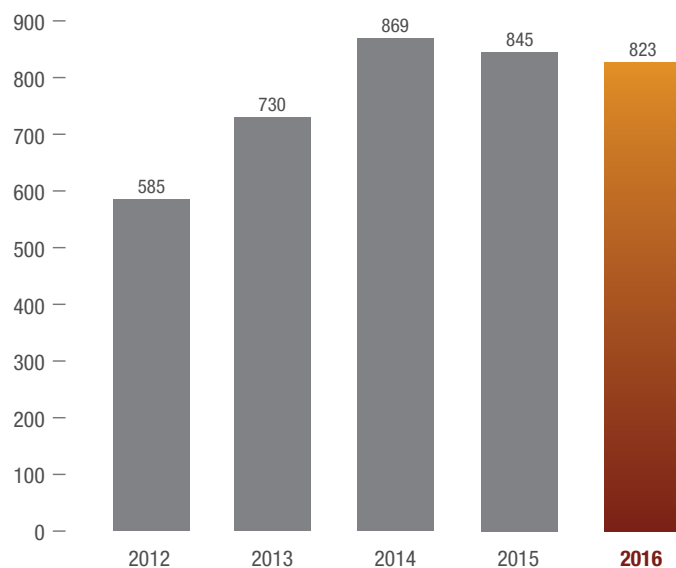


\* EPS for 2013 has been adjusted retrospectively pursuant to the bonus issue and share split during the financial year ended 31 December 2014

## 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

### DATUK ISHAK BIN IMAM ABAS

Independent Non-Executive Director

### DATUK CHIN KWAI YOONG

Independent Non-Executive Director

### DATUK IR (DR) ABDUL RAHIM

#### BIN HASHIM

Senior Independent  
Non-Executive Director

### DATUK NOOR AZIAN

#### BINTI SHAARI

Independent Non-Executive Director

## Audit Committee

### Datuk Ishak bin Imam Abas

(Chairman)

### Datuk Chin Kwai Yoong

#### Dato' Izhah bin Mahmud

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

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

## Joint Remuneration and Nomination Committee

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

(Chairman)

### Dato' Izhah bin Mahmud

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

#### Datuk Ishak bin Imam Abas

#### Datuk Chin Kwai Yoong

#### Datuk Noor Azian binti Shaari

## Risk Committee

### Datuk Chin Kwai Yoong

(Chairman)

### Nan Yusri bin Nan Rahimy

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

#### Datuk Noor Azian binti Shaari

## Company Secretaries

### Lee Sew Bee

MAICSA No. 0791319

### Lim Hooi Mooi

MAICSA No. 0799764

## Registered Office / Head Office

No. 2, Jalan Bangsar Utama 9  
Bangsar Utama

59000 Kuala Lumpur, Malaysia

Tel : 603-2295 7788

Fax : 603-2295 7777

Email : info@deleum.com

Website : www.deleum.com

## Share Registrars

### Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel : 603-7849 0777

Fax : 603-7841 8151/52

## Stock Exchange Listing

Bursa Malaysia Securities Berhad

Main Market

Stock Code: 5132

## Auditors

### PricewaterhouseCoopers

Level 10, 1 Sentral, Jalan Rakyat

Kuala Lumpur Sentral

P.O. Box 10192

50706 Kuala Lumpur, Malaysia

Tel : 603-2173 1188

Fax : 603-2173 1288

## Solicitors

### Zain & Co.

6th & 7th Floor, Akademi Etiqa

23, Jalan Melaka

50100 Kuala Lumpur, Malaysia

Tel : 603-2698 6255

Fax : 603-2693 6488

## Principal Bankers

HSBC Bank Malaysia Berhad

Standard Chartered Bank Malaysia Berhad

Malayan Banking Berhad

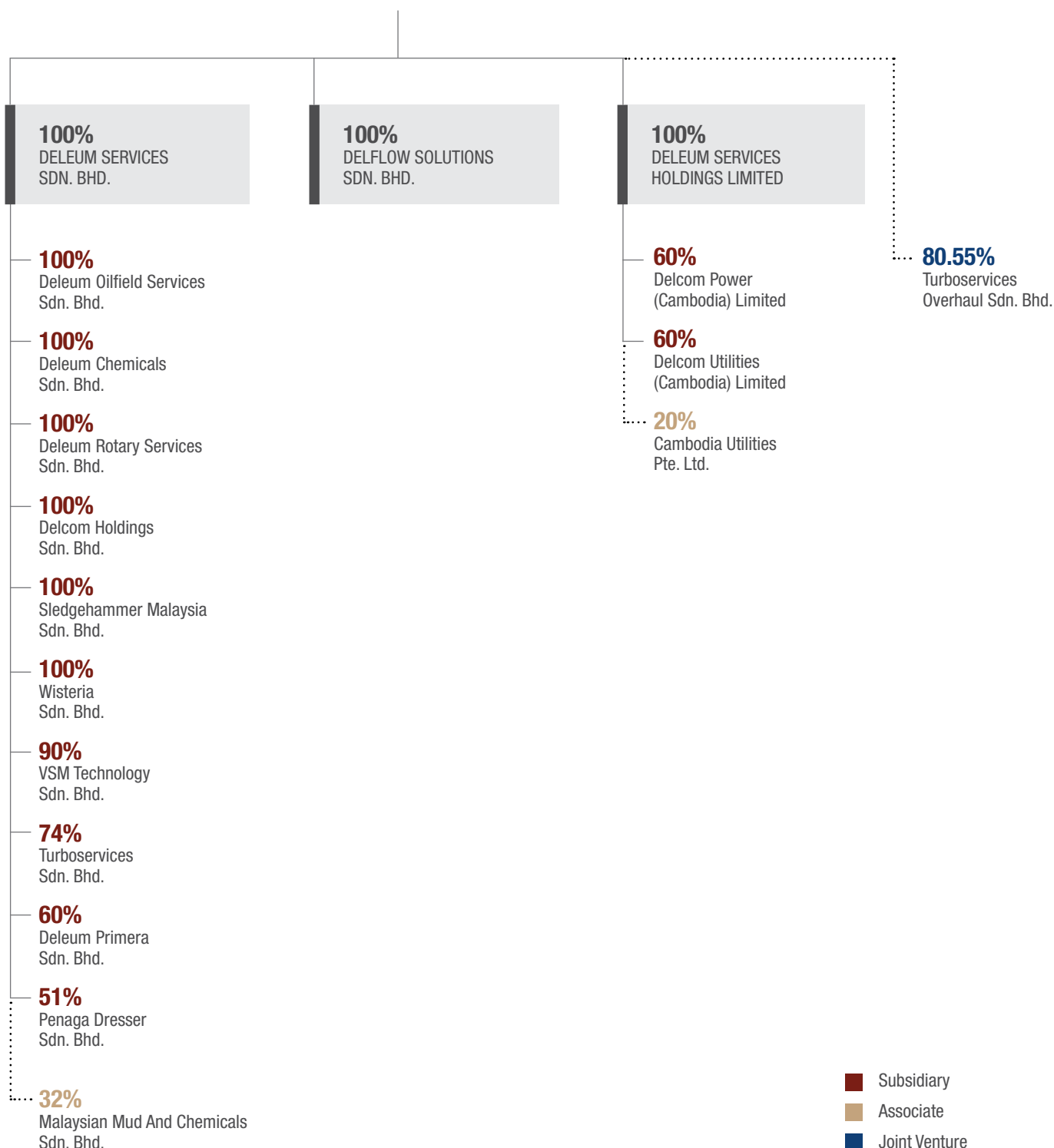
AmBank (M) Berhad



# Group Corporate Structure

as at 31 March 2017

## DELEUM BERHAD





# Profiles of Directors



## **DATO' IZHAM BIN MAHMUD**

**Non-Independent Non-Executive Chairman**

Dato' Izham bin Mahmud (Malaysian, aged 76, Male) was appointed to the Board on 21 December 2005.

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

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

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



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

**Non-Independent Non-Executive Deputy Chairman**

Datuk Vivekananthan a/l M.V. Nathan (Malaysian, aged 76, Male) was appointed to the Board on 21 December 2005. He is one of the co-founders of Deleum Services.

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

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

He sits on the Board of International Conference and Exhibition Professionals (iCEP) (formerly known as WGC 2012/National Organising Committee of the 25th World Gas Conference), the organiser of conferences and exhibitions hosted by PETRONAS. He is an Honorary Member of the Malaysian Gas Association since May 2016 after having served as its Council Member from 2004 and Treasurer from 2008 until May 2016. Datuk Vivekananthan is a Director of Malaysian Philharmonic Orchestra and a member of the Board of Trustees of Dewan Filharmonik PETRONAS since November 2014.





## **NAN YUSRI BIN NAN RAHIMY**

### **Group Managing Director**

Nan Yusri bin Nan Rahimy (Malaysian, aged 45, Male) was appointed to the Board on 1 March 2011.

He graduated from the Royal Melbourne Institute of Technology (now RMIT University), Australia with a Bachelor of Engineering Degree (Honours) in Mechanical Engineering in 1996. He has been a member of the Society of Petroleum Engineers since 2004 and a member of the American Society of Mechanical Engineers since 2014.

Nan Yusri joined Deleum Services as a Marketing Executive supporting the turbomachinery business in April 1996 and was later re-designated to Application Engineer in November 1996. He subsequently held several senior positions within the Group including Senior Marketing Manager, Assistant Vice President - Business Development, Vice President (VP) - Exploration and Production, Chief Operating Officer - Oilfield Services and Chief Executive Officer (CEO) of Deleum Oilfield Services Sdn. Bhd. (DOSSB). In September 2010, he was promoted to CEO of Deleum Services, the holding company of DOSSB, before being appointed to his current position.

He was appointed a Council Member of the Malaysian Gas Association in May 2016. He sits on the Board of International Conference and Exhibition Professionals (iCEP) (formerly known as WGC 2012/National Organising Committee of the 25th World Gas Conference) as Alternate Director to Datuk Vivekananthan a/l M.V. Nathan. He is also a member of the Student Development Advisory Council of Universiti Teknologi PETRONAS since December 2014.



## **DATUK ISHAK BIN IMAM ABAS**

### **Independent Non-Executive Director**

Datuk Ishak bin Imam Abas (Malaysian, aged 71, Male) was appointed to the Board on 21 March 2007. He is a Fellow of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants.

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

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

Datuk Ishak is currently the Non-Executive Chairman of Putrajaya Holdings Sdn. Bhd. He is also the Non-Executive Director of KLCC Property Holdings Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad, Kuala Lumpur City Park Berhad and KLCC REIT Management Sdn. Bhd, all of which are subsidiaries of PETRONAS.

His directorships in other public companies are as Independent Non-Executive Director of Standard Chartered Bank Malaysia Berhad and Standard Chartered Saadiq Berhad. He is also a Non-Executive Director of Integrated Petroleum Services Sdn. Bhd.



## Profiles of Directors



### **DATUK CHIN KWAI YOONG**

#### **Independent Non-Executive Director**

Datuk Chin Kwai Yoong (Malaysian, aged 68, Male) was appointed to the Board on 21 March 2007. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

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

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

Currently, Datuk Chin sits on the Boards of ASTRO Malaysia Holdings Berhad and Genting Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Bank Negara Malaysia since March 2010.



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

#### **Senior Independent Non-Executive Director**

Datuk Ir (Dr) Abdul Rahim bin Hashim (Malaysian, aged 63, Male) was appointed to the Board on 15 November 2013.

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

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

Datuk Ir (Dr) Abdul Rahim is the Past President of the International Gas Union (2009-2012), the host of the 25th World Gas Conference held in Kuala Lumpur in 2012. He helmed the presidency of Asia Pacific Natural Gas Vehicle Association from 2003 to 2007 and the presidency of the Malaysian Gas Association from 2003 to 2013. He has served as a Board Member of the Board of Engineers Malaysia.

Currently, he is the Vice Chancellor/CEO of Universiti Teknologi PETRONAS. He was a member of the National Science and Research Council of Malaysia and the Energy Commission of Malaysia. He is a director of Institute of Technology PETRONAS Sdn. Bhd. since September 2010 and Chairman of the Dewan Filharmonik PETRONAS and the Malaysian Philharmonic Orchestra since September 2013.

Datuk Ir (Dr) Abdul Rahim sits on the Board of SIRIM Berhad since 2004 and is also a director of LanzaTech NZ Ltd. He was appointed a member of the Board of Advisors of the Higher Education Leadership Academy under the Minister of Higher Education on 9 November 2015 for a period of 3 years.





### **DATUK NOOR AZIAN BINTI SHAARI**

#### **Independent Non-Executive Director**

Datuk Noor Azian binti Shaari (Malaysian, aged 68, Female) was appointed to the Board on 1 January 2015. She is a Barrister-At-Law of Lincoln's Inn London having been called to the English Bar in May 1971.

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

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

Datuk Noor Azian is a Registered Arbitrator with The Kuala Lumpur Regional Centre for Arbitration. She also sits on the Board of Affin Hwang Investment Bank Berhad.

#### **Notes:**

1. Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2016 are set out in the Statement on Corporate Governance and Audit Committee Report.
2. The above Directors have no family relationship with any Director and/or major shareholder of Deleum Berhad, have no conflict of interest with Deleum Berhad, have not been convicted of any offence within the past five (5) years, and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.



# Profiles of Key Senior Management



## JAYANTHI A/P GUNARATNAM

### Title

Group Chief Financial Officer

### Nationality / Age / Gender

Malaysian / 44 / Female

### Date of Appointment

1 January 2015

### Academic / Professional Qualifications

- Bachelor of Accountancy (Honours), Universiti Utara Malaysia
- Member of Malaysian Institute of Accountants (MIA)

### Working Experience

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

### Present Directorship

- (i) Listed Entity : Nil
- (ii) Other Public Companies : Nil



## LEE SEW BEE

### Title

Senior General Manager  
Group Corporate Services

### Nationality / Age / Gender

Malaysian / 55 / Female

### Date of Appointment

1 May 2013

### Academic / Professional Qualifications

- Associate Member of The Institute of Chartered Secretaries and Administrators, UK (ICSA)
- Associate Member of The Malaysian Chartered Secretaries and Administrators (MAICSA)

### Working Experience

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

### Present Directorship

- (i) Listed Entity : Nil
- (ii) Other Public Companies : Nil



## HENG PHOK WEE

### Title

Chief Operating Officer  
Deleum Services Sdn. Bhd.

### Nationality / Age / Gender

Malaysian / 45 / Male

### Date of Appointment

1 October 2010

### Academic / Professional Qualifications

- Bachelor of Chemical Engineering (Honours), Universiti Teknologi Malaysia
- Master of Business Administration (MBA), Universiti Malaya

### Working Experience

Joined Turboservices Sdn. Bhd. in 2008 as General Manager

### Present Directorship

- (i) Listed Entity : Nil
- (ii) Other Public Companies : Nil





### AHMAD UZHIR BIN KHALID

**Title**

Chief Operating Officer  
Deleum Oilfield Services Sdn. Bhd.

**Nationality / Age / Gender**

Malaysian / 51 / Male

**Date of Appointment**

1 September 2010

**Academic / Professional Qualifications**

- Bachelor of Electrical Engineering  
University of Idaho, USA

**Working Experience**

Joined Deleum Oilfield Services Sdn. Bhd. in 2010 with the current position

**Present Directorship**

- (i) Listed Entity : Nil
- (ii) Other Public Companies : Nil



### MAZRIN BIN RAMLI

**Title**

Chief Operating Officer  
Deleum Primera Sdn. Bhd.

**Nationality / Age / Gender**

Malaysian / 37 / Male

**Date of Appointment**

1 November 2011

**Academic / Professional Qualifications**

- Bachelor of Material (Honours)  
Universiti Kebangsaan Malaysia

**Working Experience**

Joined Deleum Primera Sdn. Bhd. in 2011 with the current position

**Present Directorship**

- (i) Listed Entity : Nil
- (ii) Other Public Companies : Nil



### AZMAN BIN JEMAAT

**Title**

Chief Operating Officer  
Penaga Dresser Sdn. Bhd.

**Nationality / Age / Gender**

Malaysian / 49 / Male

**Date of Appointment**

1 March 2015

**Academic / Professional Qualifications**

- Bachelor of Mechanical Engineering,  
University of Wollongong, Australia.

**Working Experience**

Joined Penaga Dresser Sdn. Bhd. in 2013 as General Manager

**Present Directorship**

- (i) Listed Entity : Nil
- (ii) Other Public Companies : Nil



## Message from the Chairman

*"Deleum remains  
resilient despite another  
challenging year in 2016."*

**DATO' IZHAM BIN MAHMUD**  
Chairman







## Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Consolidated Financial Statements of Deleum Berhad (Deleum or the Group) for the financial year ended 31 December 2016 (FY2016).

The year 2016 was another challenging year for the oil and gas industry. The resilience of all oil and gas players across the value chain continued to be tested by volatile crude oil prices, subdued trade growth and further pressures on already low operating margins. This state of affair was further aggravated by a prolonged period of low crude oil prices and excess supply. Coupled with cost-cutting measures by oil majors, many players suffered a marked contraction in business activities and registered significantly reduced margins.

Deleum was not spared the effect of the year's deteriorating market conditions. Despite implementing aggressive cost saving measures to defer non-critical capital spending as well as closely monitoring our working capital and cash flows to meet our scheduled commitments, we turned in a lackluster performance for the financial year under review. Our results were affected primarily by compressed margins and a lower level of oil and gas activities.

### PATANCI

FY2016:

**RM26.5 mil**

FY2015: RM45.4 mil

### SHAREHOLDERS' EQUITY

FY2016:

**RM300.8 mil**

FY2015: RM292.7 mil

### FINANCIAL PERFORMANCE

Against this backdrop, the Group posted a profit after tax and non-controlling interest (PATANCI) of RM26.5 million, 41.6% lower than the PATANCI of RM45.4 million posted in the financial year ended 31 December 2015 (FY2015). This decrease was attributed to a contraction in contributions from the Power and Machinery segment and lower associates' results. It was, however, cushioned by stronger performances from both the Oilfield Services and Integrated Corrosion Solution segments.

The Group's financial position at the end of FY2016 remained strong with total assets standing at RM664.6 million whilst shareholders' equity expanded by 2.7% to RM300.8 million from RM292.7 million in FY2015. Meanwhile, our cash and bank balances increased to RM140.4 million from RM134.7 million, whilst borrowings reduced to RM109.6 million from RM137.4 million in FY2015.

The details of the operational and financial performances of our three core business segments i.e. Power and Machinery, Oilfield Services and Integrated Corrosion Solution, can be found in the Management Discussion and Analysis section of this Annual Report.



## Message from the Chairman



### SHAREHOLDER RETURN

Your Board is grateful for your continued trust in us. Even as we remain focused on optimal business growth, we continue to commit to our dividend policy of distributing a gross dividend of 50% of the Group's annual profit attributable to the equity holders of the Company. However, this is subject to the availability of adequate distributable reserves, operating cash flows requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations and support future business growth.

In respect of FY2016, the Company paid a first interim single tier dividend of 1.25 sen per ordinary share on 26 September 2016 and subsequently paid a second interim single tier dividend of 2.25 sen per ordinary share on 28 March 2017. This brought the total dividend payout in respect of FY2016 to 3.50 sen per ordinary share totalling RM14.0 million, as compared to RM22.0 million for FY2015, which represented a dividend payout ratio of 52.8% of attributable earnings for the financial year.

Cumulatively, following Deleum's listing in 2007, the dividends we have paid to date amounted to RM174.5 million since the financial year ended 31 December 2007. We also take pride that Deleum is one of the few oil and gas service providers which is able to continue paying dividend during this challenging time.

FY2016 DIVIDEND  
per share

**3.50 sen**

TOTAL DIVIDEND PAID  
since listing

**RM174.5 mil**



DIVIDEND PAYOUT  
ratio of

**52.8%**

of earnings  
attributable  
to equity holders  
of the Company  
for FY2016

### CORPORATE GOVERNANCE

Deleum is committed to upholding the highest standards of corporate governance and to demonstrating ethical conduct in all its business undertakings. The Board recognises that maintaining a high level of ethics is critical to business integrity and performance and key to creating value. We also employ robust risk management and internal control practices. All these serve to ensure the sustainable growth of our business, strengthen investor confidence and enhance long-term shareholder value.

For our commitment to uphold excellent corporate governance practices, Deleum was awarded the Excellence Award for Top Corporate Governance and Performance by the Minority Shareholder Watchdog Group (MSWG) under the category of companies with a market capitalisation of between RM300 million and RM1 billion. This award marks the second consecutive year that Deleum has been recognised for its excellent corporate governance practices. We are honoured to receive this recognition and commit to strengthening our position in this area.





EXCELLENCE AWARD

## TOP CORPORATE GOVERNANCE AND PERFORMANCE

by the **Minority Shareholder  
Watchdog Group (MSWG)**

### OUTLOOK

The outlook moving forward is likely to remain cautiously optimistic. Deleum will enhance integration across our core activities by leveraging on our financial strengths and resources to create opportunities for growth in the future. We will continue to work closely with our stakeholders to deliver more comprehensive customer-centric solutions, especially in the production enhancement initiatives. At the same time, we will stay focused on managing our costs and working capital as well as conserving our free cash to maintain our competitiveness whilst we set our sights on long-term sustainability.

As Deleum ventures forth, we will set our sights on increasing the contributions from our international business through delivering specialised and quality products and services. We will also focus our efforts on elevating our performance standards to be recognised internationally.

### ACKNOWLEDGEMENTS

On behalf of your Board of Directors, I wish to extend my sincere gratitude to our Group Managing Director, Senior Management and staff for their hard work, professionalism and commitment to Deleum during the year under review. I also wish to convey my deep appreciation to all our shareholders as well as customers, suppliers, business partners and financiers for the steadfast support, trust and confidence in Deleum. We look forward to strengthening our ties as we strive ahead. Last but not least, my heartfelt thanks also goes to my fellow members of the Board, for their stewardship, astute guidance and valuable insights.

**DATO' IZHAB BIN MAHMUD**  
Chairman



# Management Discussion and Analysis

**In 2016, the oil and gas industry continued to face challenging business conditions as the global crude oil market experienced a prolonged period of low prices. Against this backdrop, Deleum continued to adapt to market pressures by focusing its efforts on consolidating its diverse capabilities and resources, strengthening operational efficiencies and optimising cost management. Nevertheless, we were still affected by a marked contraction in business activities that led to a weaker financial performance.**

Our strategic decision some five years ago in transforming ourselves into an integrated solutions provider from a product-centric player, continued to stand us in good stead as it enabled us to offer a wider spread of products and services as well as tap into diverse revenue streams. Over the course of the year, we implemented several measures to consolidate, integrate and innovate our businesses, all of which have strengthened the Group for a better future. Today, as a result of the many building blocks we have put in place to bolster our businesses, we remain confident of our ability to deliver sustainable growth for the long-term.



## BUSINESS AND STRATEGY

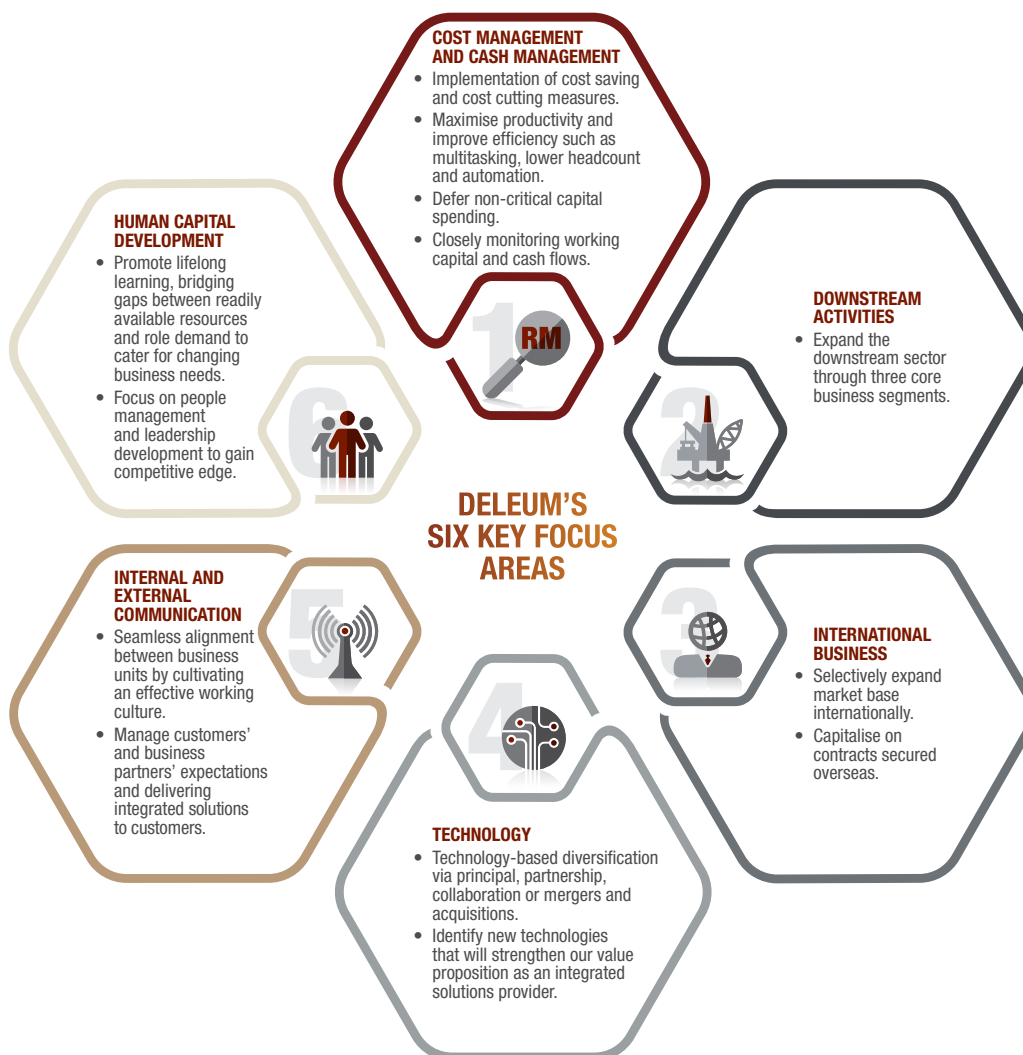
Deleum Berhad is an investment holding company and through our subsidiaries we provide a varied range of supporting specialised products and services to the oil and gas industry, particularly on the exploration and production front. Over the years, we have moved from leveraging on agent-principal relationships to embracing joint ventures, partnerships and self-operated operations. Today, we are an integrated solutions provider that is focused on providing value-added solutions via our three core business segments, namely Power and Machinery, Oilfield Services and Integrated Corrosion Solution.

In line with our mission statement which is to provide sustainable growth and enhance stakeholders' value, we continue to position our businesses to be resilient. Whilst we have mainly focused our efforts on activities in the upstream sector, moving forward we are looking to expand our business activities into other areas including the downstream sector. We continue to proactively explore new avenues to expand our existing businesses through strategic and synergistic alliances in the energy sector, predominantly in the oil and gas arena.

Deleum also has plans to expand its business activities both locally and regionally. Our self-operated businesses in the Oilfield Services and Integrated Corrosion Solution segments are focused on expanding their footprints into neighbouring countries, namely Brunei, Indonesia, Thailand and Singapore as well as the Middle East. Whilst there have been efforts to venture overseas, the impact to date has been somewhat muted due to the current industry slowdown. We shall continue to explore these markets with a cautious approach to further understand the trading and regulatory conditions and the overall environment of the targeted countries. Furthermore, we believe that our success is going to be based on the strong belief of achieving an equitable business advantage by forging strong relationships with our business partners as well as customers.



In light of the new market realities, a three-year Strategic Plan was developed which set its sights on Six Key Focus Areas. These six areas which aimed at streamlining, strengthening and making our businesses more sustainable, are outlined as follows:



## FINANCIAL PERFORMANCE

For the financial year ended 31 December 2016 (FY2016), Deleum registered revenue of RM608.7 million and profit after tax and non-controlling interest (PATANCI) of RM26.5 million. This was a 6.3% and 41.6% decline in revenue and PATANCI respectively in comparison with revenue of RM649.4 million and PATANCI of RM45.4 million for the financial year ended 31 December 2015 (FY2015).

The year under review saw the Power and Machinery segment generating lower segment results of RM35.9 million (FY2015: RM63.8 million) and revenue totalling RM429.1 million (FY2015: RM465.9 million). The Oilfield Services segment delivered higher segment results of RM12.5 million (FY2015: RM8.3 million) on the back of revenue of RM135.5

million (FY2015: RM137.9 million). The Integrated Corrosion Solution segment recorded a commendable 326.1% increase in its FY2016's segment results amounting to RM4.1 million (FY2015: RM1.0 million) supported by revenue of RM43.6 million (FY2015: RM45.2 million).

Despite the oil and gas sector's challenging operating environment and the decrease in profitability in FY2016, Deleum's revenue has been growing at a five-year compounded annual growth rate (CAGR) of 6.5%, with the Power and Machinery segment contributing some 70.5% of total revenue in FY2016. Moving forward, the Group has set its sights on strengthening all three of its core business segments with the aim of deriving a more equitable percentage contribution from the self-operated segments, namely the Oilfield Services and Integrated Corrosion Solution segments in the future.



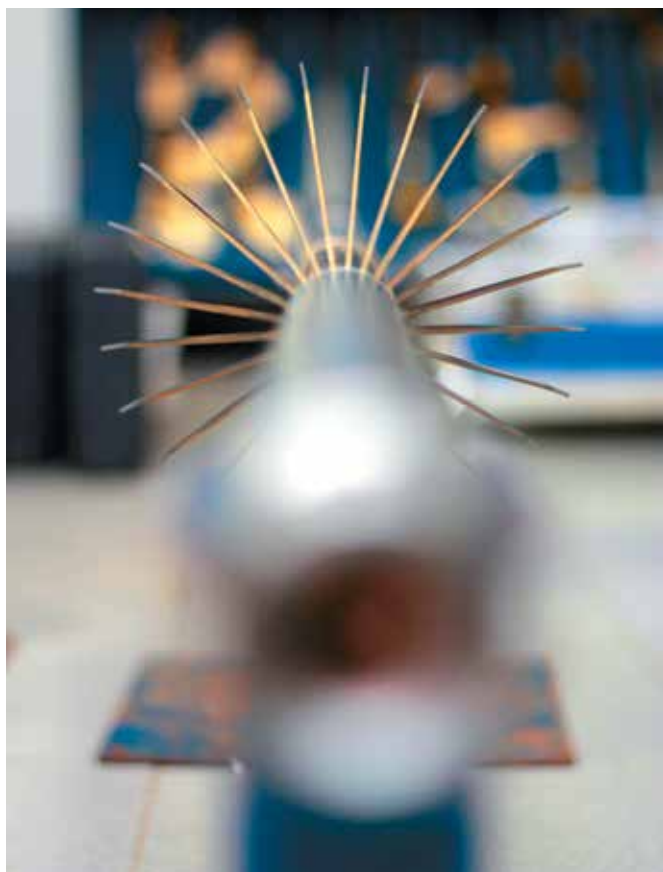
# Management Discussion and Analysis

## Liquidity and Capital Resources

The Group's cash and cash equivalents increased to RM129.6 million as at 31 December 2016 from RM123.8 million previously. The slight increase of RM5.8 million was mainly attributable to the lower capital expenditure incurred in FY2016 resulting from the Group deferring non-critical capital expenditure and the fulfilment of major capital-intensive contracts in the previous year. However, the increase in cash and cash equivalents was slightly offset by the repayment of borrowings amounting to RM31.7 million as well as the dividend payout of RM19.1 million in FY2016.

## Gearing Ratio

The gearing ratio of the Group as at 31 December 2016 improved to 0.36 times as compared to 0.47 times as at 31 December 2015. The gearing ratio is calculated as total debt (RM109.6 million) divided by total shareholders' equity (RM300.8 million). The improved gearing ratio was attributable to the scheduled repayment of borrowings raised in prior years.



## Contingent Liabilities

The Group has provided guarantees amounting to RM26.9 million to third parties in respect of operating requirements, utilities and maintenance contracts.

## Capital Management

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

## Future Commitments and Funding Sources

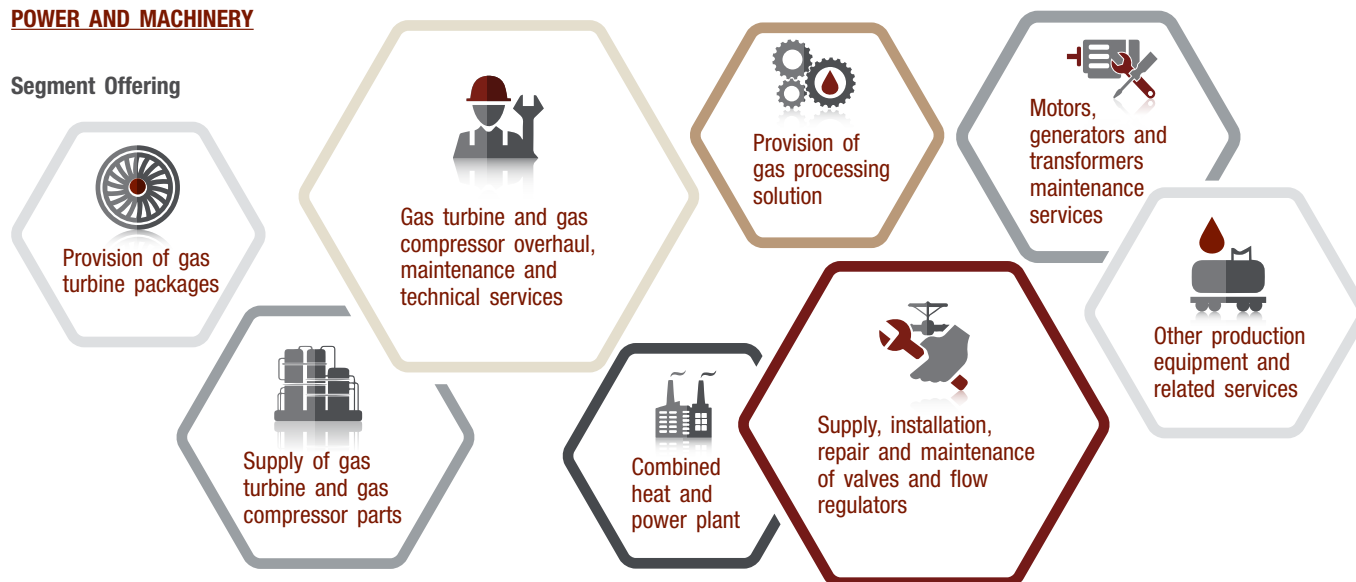
The Group's total capital commitments authorised for property, plant and equipment amounted to RM10.0 million as at 31 December 2016, of which RM0.2 million of capital expenditure has been contracted for, but not incurred. The remaining capital expenditure of RM9.8 million has not been contracted for. The capital commitment that has been authorised and contracted for relates to general contract requirements and enhancements to our workshop facilities, in addition to the purchase of other equipment to prepare the Group for its current operations and future expansion. Details of the borrowings and maturity profile of such borrowings are disclosed accordingly in Note 24 of the consolidated financial statements.



## PERFORMANCE BY BUSINESS SEGMENTS

### POWER AND MACHINERY

#### Segment Offering



#### Performance Highlights

For FY2016, the Power and Machinery (P&M) segment recorded lower segment results of RM35.9 million, some 43.8% lower than FY2015's segment results of RM63.8 million. The segment's revenue for FY2016 was RM429.1 million, a decrease of 7.9% from the previous year's revenue of RM465.9 million, attributable mainly to lower revenue from parts and services for scheduled maintenance and retrofit projects. The situation was further exacerbated by cost pressures affecting our customers and a one-off restructuring charge relating to the rotary business, resulting in reduced margin contributions from the P&M segment.

#### Operational Highlights

Consolidation continued to be a key theme for the P&M segment in FY2016. Customers deferred spending as cost pressures escalated which continued to make for a more challenging operating environment. Margins dropped further as a result of renegotiated pricing for existing contracts despite the ongoing belt tightening activities undertaken. Whilst the level of oil and gas activities remained low, the P&M segment continued to concentrate on supporting its existing installation base, working closely with customers to provide innovative solutions to optimise the efficiency of their equipment.

The year saw Deleum Rotary Services Sdn. Bhd. (DRSSB) which provides maintenance, repair and overhaul of motors and generators sets, facing difficult trading conditions as customers in general reduced their budgets and deferred maintenance activities. In line with the P&M segment's efforts to streamline its operations and optimise efficiencies, an internal restructuring exercise was carried out which resulted in the

closing down of the Kemaman Service Facility and impairment of certain tools and equipment. Notwithstanding that, DRSSB successfully updated its ISO Quality Management Systems certification to ISO9001:2015, underscoring its commitment towards delivering quality products and services to its customers.

Penaga Dresser Sdn. Bhd. (PDSB), which is in the control and safety valves business, too, faced downward pressure on its margins. However, due to the diversified nature of its business in servicing the exploration and production, refining, gas processing, petrochemicals and power generation sectors, PDSB remained resilient and profitable.

Over the course of the year, PDSB launched a new service facility in Miri, Sarawak to support all its activities in East Malaysia. Known as the Sabah-Sarawak Engineering Centre, the service facility has improved its operational efficiency and after-sales services to its customers in East Malaysia.

#### Looking Ahead

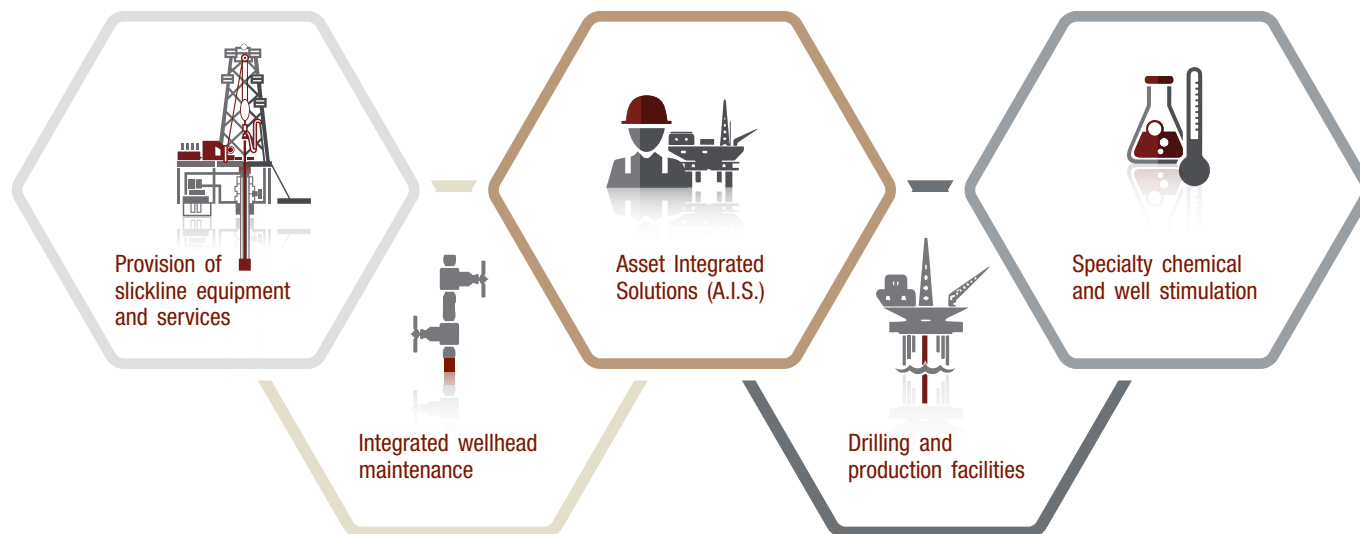
The outlook for the P&M segment for the financial year ending 31 December 2017 (FY2017) is expected to be similar to the preceding year with the segment facing continuous pressure on its revenue and margins. In view of this, the segment will continue to enhance its capabilities via consolidation and cross-training exercises to be able to cater to a broader range of technical requirements as well as to support its principals' local and regional expansion plans. The P&M segment is also looking to expand its scope and offerings in its overhaul, maintenance and technical services and valve business via technical collaboration with its principals and partners in response to new requirements from existing customers.



# Management Discussion and Analysis

## OILFIELD SERVICES

### Segment Offering



### Performance Highlights

The Oilfield Services (OS) segment turned in segment results of RM12.5 million, an increase from RM8.3 million in FY2015 despite a slight reduction in revenue to RM135.5 million in the year under review from RM137.9 million in FY2015. The improved results from this segment despite compressed margins in the slickline business was attributable to lower finance costs through the paring down of borrowings raised in prior years as well as favourable foreign exchange differences reported.

### Operational Highlights

The OS segment mainly focuses on upstream activities, predominantly in the sub-surface section. Its three main business units are the Oilfield Operations (including Slickline business), Asset Integrated Solutions (A.I.S.) and Specialty Chemical and Well Stimulation. In FY2016, the products and services offered by the segment remained largely the same, albeit with a more subdued level of activity.

The Slickline business forms the core business of the OS segment. The Group operates the largest slickline packages in the country providing slickline equipment and services for the drilling programmes and production operations of Production Sharing Contract (PSC) operators in the Peninsular and East Malaysia. FY2016 saw a margin compression in the Slickline business due to fluctuating demands for slickline assets and price renegotiations by customers which led to a slight reduction in revenue.

The A.I.S. unit, a well data analysis and integrated services solutions provider which was set up in 2013, continued to show encouraging progress during the year under review. The A.I.S. unit offers a diverse range of products, services and customised solutions such as well intervention, subsurface engineering, drilling and completions as well as cased hole logging activities through the innovative and viable integration of resources and capabilities within the OS segment and across the Group.

In order for the OS segment to address industry challenges and to remain competitive in the market, the segment underwent a consolidation exercise to strengthen and expand its capabilities and services so as to be better equipped to capitalise on any future opportunities. The segment embarked on aggressive cost cutting measures to ensure its sustainability whilst optimising its manpower resources and assets utilisation.

In December 2016, the OS segment undertook a restructuring exercise and consolidated the subsurface functions (wellbore clean-up and well stimulation) within Deleum Chemicals Sdn. Bhd. (DCSB) and the well stimulation function within A.I.S. unit. The combined functionalities are now residing under the sphere of operations of the newly formed Specialty Chemical and Well Stimulation unit. The reorganisation and consolidation exercise has broadened and enhanced the product and service offerings of the OS segment whilst providing greater opportunities for cross-functional sales.





The Specialty Chemical and Well Stimulation unit will now focus its efforts on developing technical solutions utilising in-house developed chemical solutions aiming at facilitating production enhancement, flow assurance, well stimulation as well as efficiency improvements for hydrocarbon processing facilities and their related services. Its other activities include integrated tank cleaning and waste management, de-bottle necking of hydrocarbon processing equipment, integrated pipeline cleaning, integrated Improved Oil Recovery (IOR) services and integrated water desalination, as well as treatment and injection services.

In addition to the reorganisation and consolidation within the OS segment, the year also saw the Electronic Data Acquisition System (EDAS) business transferred from the Oilfield Operation unit to the A.I.S. unit and rebranded as the Cased Hole Logging Services business. This reorganisation has helped in the streamlining of the Cased Hole Logging Services business and Well Intervention business activities within the A.I.S. unit. Subsequently, it has also driven integration across the OS segment towards providing more collective and comprehensive solutions to its customers. The existing Pan Malaysia Slickline Contracts also provide a suitable platform for the execution of Cased Hole Logging and Well Intervention services using slickline as a conveyance. This has already made an impact on the business model and direction of the OS segment.

The year also saw the OS segment conducting a 'tool exercise' or a trial run in collaboration with a multinational innovation and technology company for a new technology known as Thru-Tubing Electrical Submersible Pump (TTESP) at Deleum's Training Well facility located at the Asian Supply Base, Labuan. The tool exercise, which involves a major oil and gas operator in Malaysia, provides a new alternative for enhancing oil production for low pressure wells by way of delivering an artificial lift during production activities without the need for well workovers. The installation of the first TTESP in the pilot well offshore is scheduled to commence activities in 2017.

DCSB offers a wide range of Specialty Performance Chemicals and Integrated Production Chemicals designed to support activities such as well stimulation, tubing and wellbore cleaning. Three new chemical solutions were developed by DCSB in 2016, namely, the DeWis, Del-DelMul LT and De-Del-HScide. This brings the number of chemical solutions developed in-house to 15 solutions. The year also saw DCSB making improvements to its existing chemical solutions, namely, Antifoulant GP-HX AQUA and Antifoulant GP-HX (Version 2.0), which can now be used to dissolve deposited foulants due to the predominant composition of insoluble inorganics and corrosion components.

In FY2016, both Deleum Oilfield Services Sdn. Bhd. and DCSB successfully updated their respective ISO Quality Management Systems certifications to ISO9001:2015. DCSB also completed the transition of its existing ISO Environmental Management Systems certification to ISO14001:2015. These international accreditations underscore Deleum's commitment towards delivering quality products and improving the environmental aspects and impact of its product offerings.

### Looking Ahead

The OS segment will continue to focus on strengthening its capabilities and expanding its products and services as it ventures into new frontiers. Not only will it aim to bolster its position as a market leader in Slickline services in Malaysia, the segment will also continue to explore opportunities in the mid and downstream sectors, driving research activities to improve its existing products range and ramping up penetration into regional and international markets. Meanwhile, the A.I.S. unit will continue to develop its technical expertise and to acquire the necessary tools for provision of required services especially for Cased Hole Logging Services. There are also plans to pursue and forge technical partnerships with multinational technology establishments. The Specialty Chemical and Well Stimulation unit will focus on implementing a more aggressive marketing plan to capitalise on the local opportunities previously unexplored whilst maintaining its efforts to pursue business opportunities abroad.

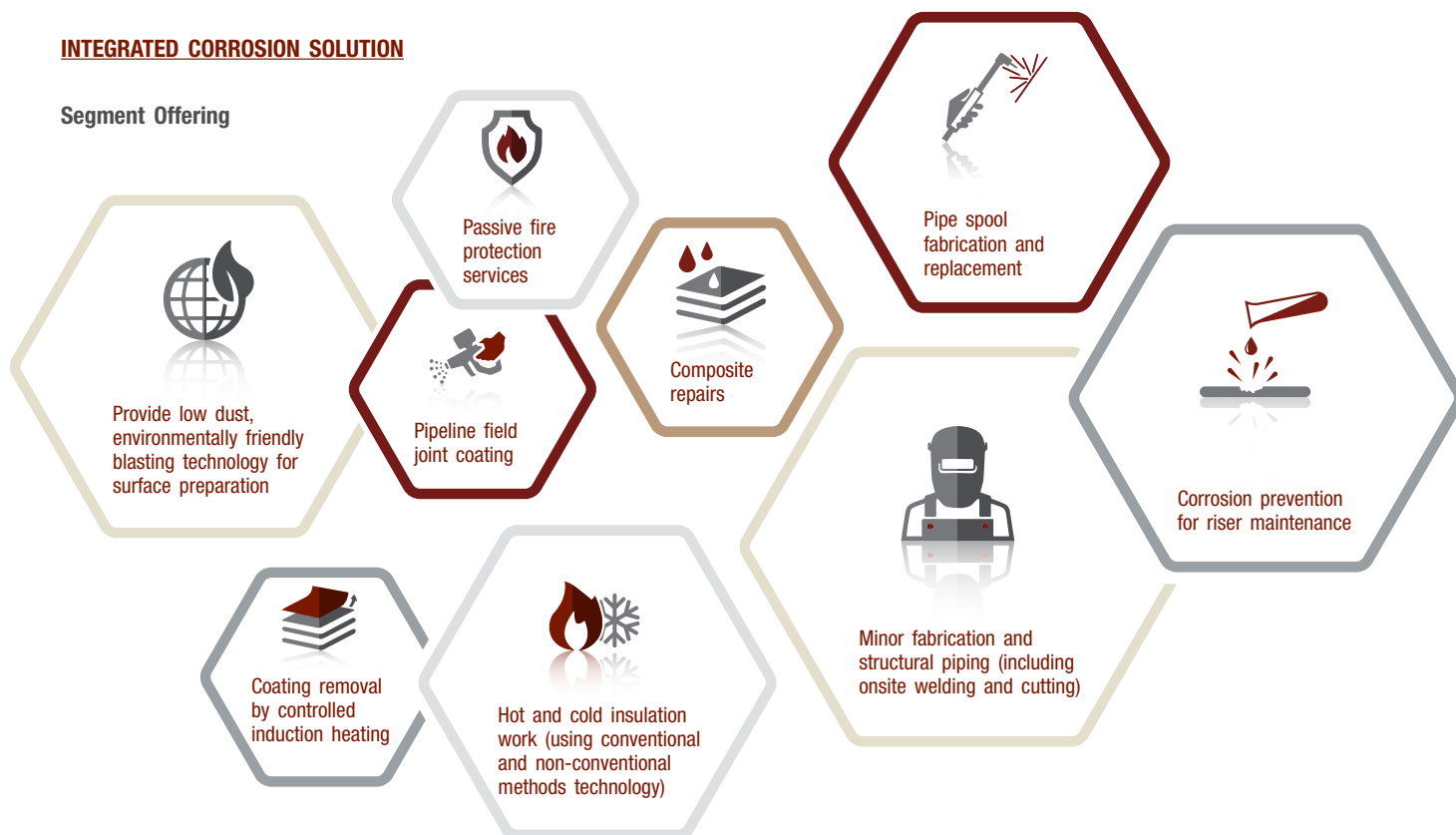




## Management Discussion and Analysis

### INTEGRATED CORROSION SOLUTION

#### Segment Offering



#### Performance Highlights

The Integrated Corrosion Solution (ICS) segment posted improved segment results of RM4.1 million for FY2016. This was a 326.1% leap from the RM1.0 million recorded in the previous year despite only a marginal decrease in revenue to RM43.6 million in FY2016 from RM45.2 million previously. This was attributable mainly to improved margins as a result of cost reduction initiatives implemented in particular lower equipment rental charges, increased utilisation of company owned assets, improvements in logistic management and manpower utilisation. This was achieved despite a slight reduction in work orders for corrosion protection and maintenance from the Pan Malaysia Painting and Alternative Blasting Contracts.

#### Operational Highlights

The ICS segment, which comes under the ambit of Deleum Primera Sdn. Bhd. (DPSB), underwent challenging conditions in FY2016 including project deferments. To keep its operations profitable, DPSB continued to leverage on intensive cost control measures which included the redeployment of human capital and a reduction in external manpower resources. As a result of these measures, the business was successful in enhancing its margins. DPSB also focused its efforts on enhancing its operational performance by strengthening customer engagement and market penetration activities.

The ICS segment was successful in securing several major brownfield maintenance contracts in FY2016, reflecting its proven ability to deliver quality works on a timely basis. In September 2016, DPSB received one-year contract extensions for its existing contracts from PETRONAS Carigali Sdn. Bhd., both of which run from November 2016 until November 2017. These contracts cover works relating to the provision of painting and alternative blasting for Peninsular and East Malaysia operations.



DPSB also succeeded in executing a contract for the provision of Passive Fire Protection (PFP) works for the Malikai platform. Covering a 12,000 m<sup>2</sup> area, this contract highlights DPSB's capabilities and strengthens its credentials as a credible PFP provider. DPSB was also appointed the sole contractor for a de-sanding campaign on Three Centre's Cargo-Oil-Tank (COT) for works relating to Floating Production, Storage and Offloading (FPSO) activities at the Kikeh Field in Sabah.

The ICS team continues to focus its efforts on surface preparation and maintenance projects through creating opportunities and diversifying its services. The team is leveraging on a suite of environmental friendly green technologies that have brought proven cost savings and all around improvements to operational safety. These include the Sponge-Jet technology which features an abrasive blasting method that produces low fugitive emissions to effectively and delicately clean aggressive profiling of industrial substrates, whilst remaining safe to the environment. DPSB is the sole distributor for this technology in Malaysia, Indonesia, Singapore, Brunei, Turkmenistan, Kuwait and Iraq. DPSB is also the sole distributor in Malaysia, Indonesia, Singapore and Brunei for Rust and Paint Removal (RPR) technology, a highly cost-effective, environmental friendly and extremely efficient method for removing paint and corrosion products from steel surfaces. This technology is already showing promising potential with DPSB securing its first contract for the RPR technology within the first few months of its appointment.

For FY2016, DPSB achieved 2.5 million free lost time injury (LTI) man-hours for works on the Plant Rejuvenation and Revamp 4 (PRR4) Project in Kerteh, Terengganu. DPSB also successfully attained ISO9001:2015 Quality Management Systems certification which demonstrates DPSB continuous commitment in delivering quality products and services to all of its customers.



### Looking Ahead

As DPSB ventures forth, it will continue to source and bid for jobs whilst establishing its brand name. It will continue to focus on promoting its green technologies as demand for innovation in this area by oil and gas players begins to pick up. This unit will also work on tank-water de-sanding and cleaning works which will enable it to venture into the earlier phase of the maintenance value chain thereby providing opportunities to offer blasting, painting or coating services. The segment is also well-equipped to execute maintenance projects for pipelines and vessels as well as undertake structural integrity activities. It is currently exploring opportunities to offer its services in other industries such as marine, shipping, construction and power plants.

### JOINT VENTURE

Turboservices Overhaul Sdn. Bhd., a joint venture (80.55%) with Solar Turbines International Company (19.45%), continues to enhance its ability to repair and overhaul a wide range of Solar Turbines' equipment in Malaysia.

### ASSOCIATE COMPANIES







The Group has two associate companies, namely Malaysian Mud And Chemicals Sdn. Bhd. (2MC) and Cambodia Utilities Pte. Ltd. (CUPL). For FY2016, 2MC recorded lower results which was attributable to the decrease in drilling activities in the oil and gas industry which led to lower results from its operations. CUPL, on the other hand, remains dormant since the expiry of its build, operate and transfer agreement with Electricite Du Cambodge, Cambodia in 2015.



# Management Discussion and Analysis

## BUSINESS RISKS

In line with Bursa Malaysia Securities Berhad's new disclosure requirements, we are highlighting the key anticipated or known risks that we are exposed to that may have a material effect on our operations, performance, financial condition, and liquidity. We also discuss the plans or strategies to mitigate these risks.

KEY RISK	DESCRIPTION	MITIGATION MEASURES
<b>Operational</b> 	Operational risk relates to the risk of loss as a consequence of inadequate or ineffective process, people and systems and events beyond our control. The key operational risk is the risk of not generating sufficient income against a challenging operating environment following the slump in crude oil prices.	<ul style="list-style-type: none"> <li>The Group ensures integration across the business segments to offer customers holistic solutions, new technological products and services in collaboration with and support from partners and suppliers.</li> <li>The Group has introduced and continues to implement cost effective processes in managing operational risks to prevent financial loss or damage to the Group's reputation.</li> </ul>
<b>Market</b> 	Market risk is the risk of market volatilities affecting exchange rates and interest rates which may affect the values of our financial assets and liabilities. The key market risk is currency volatility as a portion of the Group's revenue and costs are conducted in foreign currencies.	<ul style="list-style-type: none"> <li>The Group has established a Foreign Exchange (FOREX) Management policy to minimise potential FOREX impact.</li> <li>The Group undertakes close monitoring of foreign currency assets and liabilities denominated in the same currency to maximise the benefit of natural hedges.</li> </ul>
<b>Legal</b> 	Legal risk is the risk of financial loss or damage to the Group's reputation arising from failure to comply with contractual terms or the Group's interest is not properly protected.	<ul style="list-style-type: none"> <li>The Group's Legal Department has assessed and identified the key terms and conditions of the existing major contracts for ongoing monitoring and management of the contracts by the respective business units.</li> </ul>
<b>Safety</b> 	The safety of people and assets is of utmost priority in the oil and gas industry and any adverse incident could result in significant financial loss and damage to the Group's reputation.	<ul style="list-style-type: none"> <li>The Group has established comprehensive safety policies and processes that clearly set out the safety measures which must be strictly adhered to by our employees and contractors.</li> <li>Periodic audits of our health and safety procedures and practices, drills, continuous health and safety meetings and reviews are conducted internally and externally.</li> </ul>
<b>Regulatory</b> 	Regulatory risk is the risk of inability to participate in business activities as a consequence of the withdrawal or suspension of licenses / permits by the regulators and the issuing authorities. All oil and gas industry participants in Malaysia are required to be licensed by PETRONAS.	<ul style="list-style-type: none"> <li>The Group has procedures and processes in place to ensure that its activities are conducted in compliance with the licensing requirements.</li> <li>Continuous monitoring is done to ensure the validity of our licenses / permits including updates or changes to the regulatory requirement of the licenses / permits.</li> </ul>
<b>Human Capital</b> 	Human capital risk is the risk of execution failures caused by not having the right personnel within the Group to execute operations effectively. The oil and gas industry demands highly skilled and technically competent personnel.	<ul style="list-style-type: none"> <li>The Group has in place a Human Resource Framework and a progressive compensation scheme for the employees.</li> <li>The emphasis on human capital development coupled with talent management and incentive-driven remuneration aim to motivate employees to move towards continuous improvement whilst supporting the Group's operations.</li> </ul>





## MOVING FORWARD

The agreement between the Organisation of Petroleum Exporting Countries (OPEC) and a number of non-OPEC countries to cap surplus crude oil production has indeed provided some positivity in the potential recovery of crude oil prices. However, there are still uncertainties about OPEC's efforts to curb the world's oil glut with the disruption to inventories by unconventional producers which may lead to oil prices falling back under USD50 per barrel. This may alter the outlook of USD50-60 per barrel as forecasted earlier stemming from the OPEC agreement to hold down production.

Nevertheless, amidst this guarded and uncertain outlook, Deleum expects the level of the Group's operating activities to be maintained. We are confident that given our cautious approach, ongoing contracts and strong principal partnerships, our activity levels will not be materially affected. However, the compression on margins will remain, thereby providing a challenge in maintaining our net earnings moving forward.

The sustainability of the Group's business has become crucial and we have established a task force to spearhead the initiatives under our Six Key Focus Areas and bring them to fruition. For FY2017, whilst

predominantly focusing in the domestic market, there will be a particular emphasis on Cost Management and Cash Management, Downstream Activities and International Business. This will see Management staying vigilant and focusing our efforts on optimising cost efficiencies and working capital as well as conserving our free cash. On the downstream front, we will continue to explore opportunities through our three core business segments. We will also selectively expand our market base internationally in potential markets, though these markets may take slightly longer to commercialise. This is expected to help reduce our dependency on the domestic market whilst moderating our risk in the longer term. Looking into the future, we would like to see bigger contributions from our self-operated businesses through these initiatives.

The Group will continue to focus its efforts in strengthening its business fundamentals and core competencies to remain profitable. Our revitalised strategy, organisational and operational structure, all have been designed to see us through the industry downturn and we will continue to be guided by our shared values as well as our commitment to upholding integrity and ensuring good compliance. As a Group, we have weathered many storms and have shown our mettle. As we continue to exhibit a spirit of excellence in all that we undertake, we are confident of the prospects of Deleum's sustainable long-term growth.



# Quality, Health, Safety and Environment (QHSE)

**DELEUM REMAINS STEADFAST IN OUR COMMITMENT TO SAFEGUARD THE WELFARE OF OUR EMPLOYEES, ASSETS, ENVIRONMENT AND SOCIETY AT LARGE IN LINE WITH OUR HSE SLOGAN WHICH IS “COLLECTIVE RESPONSIBILITY TOWARDS HSE EXCELLENCE”.**

We continue to cultivate an organisational culture that reinforces the importance of QHSE in work-life and day-to-day operations with emphasis on aligning to industry's best practices. Our employees supported by the Board and Management are committed towards taking necessary measures to improve QHSE performance by adhering to the Group's established policies and procedures and customers' requirements at all times.

As of 31 March 2017, the Group has achieved 7.8 million free lost time injury (LTI) man-hours since 25 August 2012. Total Recordable Case Frequency (TRCF) of 1.04 for the year is below the average local oil and gas industry target of 1.24.

As part of our efforts to provide excellent service to our customers, the Group subscribes to certifications of internationally recognised quality and environmental management systems. During the year under review, Deleum Primera Sdn. Bhd. attained ISO 9001:2015 Quality Management System (QMS) certification. The QMS certifications for Turboservices Sdn. Bhd., Deleum Oilfield Services Sdn. Bhd. and Deleum Rotary Services Sdn. Bhd. (DRSSB) were successfully updated from ISO 9001:2008 to ISO 9001:2015. Deleum Chemicals Sdn. Bhd. successfully updated its Environmental Management System certification from ISO 14001:2004 to ISO 14001:2015. These certifications were issued by Det Norske Veritas – Germanischer Lloyd (DNV-GL).

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

The recognitions we received in testimony of our commitment to QHSE practises and standards included the following:

- PCSB-SBO : Certificate of Appreciation For Outstanding Performance and Lasting Contribution in achievement of 3 Million Man-hours without LTI for year 2016
- PCSB-SBO : Certificate of Appreciation For Outstanding Performance and Lasting Contribution in achievement of Highest UAUC Contribution for the year 2016
- JX Nippon Oil EX : Certificate of Recognition for Contribution To HSE Performance for the year 2016
- PCSB-SKO : HSE Achievement Award For Contributing In 8 million Safe Man-hours Without LTI for the year 2009 – 2016

## HSE CAMPAIGN AND AWARENESS

In line with the Group's objective of creating a culture of safety, Deleum held its annual HSE Campaign and various briefings and employee engagement programmes to emphasise on safety, health and environmental awareness. We also conducted our first Contractor Engagement Programme during the financial year where our expectations were conveyed to the contractors.

We continue to publish our Monthly Safety Bulletin that provides latest information and best practices for HSE in the workplace, home and environment. Safety meetings are held regularly by the Group QHSE and the Safety and Health Committee to address and update on QHSE matters such as safety performance, QHSE plan and policies. The Group QHSE also participated in various safety meetings and engagement sessions conducted by customers.

The Health Safety and Environment Manual System (HSEMS) is reviewed and updated regularly and routine safety inspections at the operations sites are conducted on a monthly basis.

## EMPLOYEE TRAINING

In ensuring continuous improvement of our HSE performance, relevant trainings were provided to enhance employees' knowledge and competencies including those governed by contractual and regulatory requirements, as well as ISO standards to which Deleum subscribes to.

Among the key training programmes held during the year included:

- Lead Auditor Training - Competence ISO 9001 Lead Auditor certified by IRCA
- Radiation Protection Officer (RPO)
- H2S Awareness
- Basic Offshore Safety Induction and Emergency Training (BOSIET)
- Scheduled Waste Management
- Safe Chemical Handling and Spillage Control



# Corporate Responsibility

**AT DELEUM, WE BELIEVE IN THE IMPORTANCE OF SUSTAINABILITY IN OUR BUSINESS OPERATIONS WHILE ALSO SAFEGUARDING THE INTEREST OF THE RELEVANT STAKEHOLDERS, NAMELY OUR EMPLOYEES, THE COMMUNITY AT LARGE, THE ENVIRONMENT AND THE MARKETPLACE IN WHICH WE OPERATE. AS A RESPONSIBLE CORPORATE CITIZEN, DELEUM IS COMMITTED TO BALANCING OUT ITS ECONOMIC AMBITIONS WITH ENVIRONMENTAL AND SOCIAL CONSIDERATIONS FOCUSING ON THREE KEY AREAS I.E. COMMUNITY, ENVIRONMENT AND WORKPLACE.**

## COMMUNITY OUTREACH AND DEVELOPMENT

Over the years, we have undertaken various community development initiatives with growing participation from our employees who continue to actively devote their time and resources towards these initiatives. Our flagship initiative, the Deleum Community Enrichment Programme, which supports national and economic development initiatives, continues to make good advances in the area of providing equitable access to quality education for the underprivileged communities. Our involvement in the PINTAR school adoption programme is in line with the national aspiration to develop human capital to be adequately prepared to face future challenges. PINTAR, which stands for Promoting Intelligence, Nurturing Talent and Advocating Responsibility, is a programme launched by Khazanah in 2008 and driven by PINTAR Foundation that promotes school adoptions with the objectives to help achieve better education outcomes.

In FY2016, we continued with our adoption of Sekolah Kebangsaan Kampung Bakam, a primary school in Miri, Sarawak. We are grateful that through our efforts here, attendance at the school and the Ujian Pencapaian Sekolah Rendah (UPSR) results has improved in comparison to the previous years.

## THE ENVIRONMENT AND WORKPLACE

In line with the belief that sustainability comes from within, the Group continues to improve its efforts towards preserving the surrounding environment, and raising awareness on environmental issues is embedded in our workforce. We have been mindful with the consumption of resources such as energy and water as well as managing solid waste reduction through our 3R (Reduce, Reuse and Recycle) activities.

Our workforce is our greatest asset and an essential component of our overall strategy to grow sustainably and to remain competitive. We embrace workplace diversity and provide equal employment opportunity for all without regard to gender, age and ethnicity. We believe that through the diversity in the workforce, we have a better understanding of the needs of our various customers, partners and stakeholders. In line with our shared values, the Group aims at recognising and rewarding talents with the opportunity to develop themselves towards excellence.

To this end, Deleum continues to prioritise continuous development and skills upgrading for our people. Under our Human Resource Strategic Plan, various initiatives are in place to develop leadership qualities, technical and non-technical competencies, as well as the development of our employees into high-performing talents.



Raya celebration with Pusat Aktiviti Kanak-kanak (PAKK) Chow Kit at Bukit Kiara Equestrian & Country Resort.

## MOVING FORWARD

As we continue to grow our business, our people carry out our commitment to corporate responsibility and focus on providing impactful effort and to uphold the highest standards of ethics that will translate into socially responsible behaviours to our stakeholders within the three focal areas.



## Corporate Responsibility



**22-23 JANUARY 2016**

### LEADERSHIP CAMP FOR SK KAMPUNG BAKAM, MIRI

Deleum co-organised a Leadership Camp in collaboration with Curtin University Sarawak for the students of SK Kampung Bakam, Miri to motivate and inspire the students to be future leaders.



**2 MAY 2016**

### PERSONAL FINANCIAL MANAGEMENT TALK

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



**1 JULY 2016**

### RAMADHAN DONATION DRIVE

Deleum organised a Donation Drive for Rumah Kebajikan Nur Hati in conjunction with the holy month of Ramadhan where contributions in the forms of monetary, goods and essential items were made.



**26 JULY 2016**

### DELEUM PRIMERA RAYA OPEN HOUSE

Deleum Primera shared the joy of welcoming the month of Syawal with the children of Rumah Anak-Anak Yatim Darul Taqwa by hosting a lively Raya open house.



**27 JULY 2016**

### RAYA CELEBRATION WITH PUSAT AKTIVITI KANAK-KANAK (PAKK) CHOW KIT

In conjunction with the month of Syawal, a Raya Celebration was hosted with the children from the PAKK Chow Kit at Bukit Kiara Equestrian & Country Resort.

**1 JULY 2016**

### GOTONG-ROYONG DAY

Gotong-Royong Day was organised in Bangsar HQ to promote Health, Safety and Environment at workplace to cultivate cleanliness and safety habit among employees which included tidying up of workstations and common areas and management of documents.



**28 AUGUST 2016**

### TREASURE HUNT WITH ASRAMA DARUL FALAH (ASDAF) PERKIM

Deleum organised a Treasure Hunt with children from the ASDAF PERKIM at Forest Research Institute of Malaysia (FRIM), Kepong that aimed to foster problem-solving and interpersonal skills. This activity was also a platform to educate the children on the importance of preserving and protecting of the environment.





## 22 SEPTEMBER 2016

### BLOOD DONATION DRIVE 2016

The annual 'Blood Donation Drive' campaign was held in collaboration with Pusat Darah Negara (PDN). The event received overwhelming response and good support from both employees and public. A total of 69 pints were collected.



## 24 SEPTEMBER 2016

### MURAL PAINTING

Deleum contributed to mural paintings that graced the walls of SK Kampung Bakam, Miri providing to an attractive learning environment with support and collaboration from Curtin University College, Miri as part of 'Deleum Community Enrichment Programme'.



## 25 OCTOBER 2016

### DEEPAVALI DONATION DRIVE

In the spirit of Deepavali, contributions were given to Siddharthan Care Centre to enhance their daily living.



## 6 OCTOBER 2016

### FEEDING THE NEEDY

In this maiden collaboration with Feeding The Needy (FTN), Deleum's employees banded together in helping the less fortunate by distributing food and snacks to them along Jalan Tuanku Abdul Rahman, Kuala Lumpur.



## 25 NOVEMBER 2016

### SAFETY AND SELF-DEFENCE TALK

This 2-hour educational talk focused on the daily aspects of safety, crime prevention and self defence.



## 15 DECEMBER 2016

### CHRISTMAS DONATION DRIVE

During this season of joy and giving, aids were given to Salvation Army Joyhaven Elderly Home to assist in their daily needs.



# Activities of 2016

## CORPORATE AND BUSINESS ACTIVITIES



### 22 – 25 MARCH 2016

#### OFFSHORE TECHNOLOGY CONFERENCE ASIA 2016 (OTC ASIA 2016)

Deleum participated in the OTC Asia 2016 in Kuala Lumpur Convention Centre to further promote the Group's diverse range of supporting specialised products and services. Deleum was also selected to present a technical paper titled: *'Remediation Of Well Impaired By Complex Organic Deposits Embedded With Naphthenate and Contaminated With Inorganics'*.



### 24 MAY 2016

#### 11TH ANNUAL GENERAL MEETING

The 11<sup>th</sup> Annual General Meeting was held at the Sime Darby Convention Centre, Kuala Lumpur and attended by a diverse group of shareholders.



### 7-9 OCTOBER 2016

#### PRESTIGE PROGRAMME

Deleum lent its support as part of the Organising Committee in the 2016's PRESTIGE Programme held and organised by Malaysian Gas Association in The Saujana Hotel Kuala Lumpur where selected engineering students from participating universities were given the opportunity and exposure to learn from the professionals in the oil and gas industry.



### 13-16 NOVEMBER 2016

#### ABU DHABI INTERNATIONAL PETROLEUM EXHIBITION & CONFERENCE 2016 (ADIPEC 2016)

Deleum exhibited in the ADIPEC 2016 to explore international opportunities and to promote its products and services in the dynamic oil and gas market.





## EMPLOYEES' SPORTS AND RECREATIONAL ACTIVITIES



**28 JANUARY 2016**

### TREKKING

Miri employees banded together to conquer Canada Hill in Miri being part of a healthy and adventurous initiative.



**20 FEBRUARY 2016**

### WHITE WATER RAFTING

The participants were elated with the thrill of paddling and rafting for 9 km through the serrated Selangor River.



**2 MARCH 2016**

### VOLLEY PONG TOURNAMENT

Employees of Miri office organised a Volley Pong Tournament where great team spirit was demonstrated throughout the event.



**17 MARCH 2016**

### PILOXING CLASS

Employees in Miri enjoyed a session of Piloxing which was a creative mix between Pilates and boxing which was fun and entertaining.



**24 JULY & 26 JULY 2016**

### RAYA OPEN HOUSE

The Raya Open House occasions in Bangsar and Kemaman respectively witnessed employees, some dressed in traditional costumes sharing the festive spirit whilst enjoying an array of delectable local delicacies.





## Activities of 2016

### EMPLOYEES' SPORTS AND RECREATIONAL ACTIVITIES



**12 AUGUST 2016**

#### NIGHT GO-KART

This adrenaline-pumped activity saw active participation and healthy competition among the employees who raced to their hearts' content for the champion's spot in KL Sepang International Kart Circuit.



**7 SEPTEMBER &  
29 NOVEMBER 2016**

#### BADMINTON TOURNAMENT

A badminton tournament was held for Miri employees that witnessed great participation and sportsmanship.



**2 NOVEMBER 2016**

#### DEEPAVALI GATHERING

A delightful gathering that celebrated the Festival of Lights with the employees donning the traditional Indian attires with delicious arrays of food in tow.



**30 NOVEMBER 2016**

#### SNOOKBALL LEAGUE

This fun and interactive game gathered football fanatics and pool players alike at the Snookball Game Center, Evolve Concept Mall where employees had a fun time competing with one another in this one-of a kind sporting event.



# Statement on Corporate Governance

**THE BOARD OF DIRECTORS (THE BOARD) OF DELEUM BERHAD (DELEUM OR THE COMPANY) REMAINS STEADFAST IN ITS COMMITMENT IN ENSURING THAT THE HIGH STANDARDS OF CORPORATE GOVERNANCE (CG) ARE CONSISTENTLY OBSERVED AND PRACTISED THROUGHOUT DELEUM AND ITS SUBSIDIARIES (COLLECTIVELY THE GROUP) IN FURTHERANCE OF THE GROUP'S MISSION, VISION AND SHARED VALUES.**

As a testament to Deleum's corporate governance commitments, Deleum was recognised by the Minority Shareholder Watchdog Group (MSWG) as a recipient of the "Excellence Award for Top CG and Performance" under the category of companies with a market capitalisation of between RM300 million and RM1 billion. This award marks the second consecutive year that Deleum has been recognised for its excellent corporate governance practices.

This statement describes the main corporate governance practices of the Company and how the Company has applied the main principles of corporate governance, in particular those set out in the Malaysian Code on Corporate Governance (MCCG) 2012.

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Clear functions of the Board and Management

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

It has the ultimate and overall responsibility for the entire affairs of the Group and the proper and effective conduct of its business. It directs the Company's strategic planning, financial, operational and resource management, key policies, risk assessment and management and provides effective oversight of Management. There are matters reserved set out in the Board Charter for the Board's collective decision, which include the following:

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

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

Whilst the Board retains full responsibility for guiding and monitoring the Company in discharging its responsibilities, it delegates the performance of certain of its functions to the Board Committees as detailed in this statement which provide the Board with recommendations and advice.

The Board has also delegated limits of authority to the Group Managing Director as specified in the Delegation of Authority Guidelines (DAG) on corporate and operational matters. The DAG sets out the specific approval thresholds for the Group Managing Director and it is regularly reviewed to reflect the dynamic changes within the Group. The Group Managing Director further delegates the authorities granted to him to the operational management team and other executives separately as provided in the operational DAG. Such authorities included the approval of sales, procurement, capital expenditure, operational banking matters, human resources matters and other operational matters.

All matters not specifically reserved to the Board and which are necessary for the day-to-day operations of the Group are delegated to Management to operate within the DAG. Specifically, the responsibilities of Management, amongst others, are:

- formulating, recommending and implementing the approved strategies and policies of the Group;
- managing the Group's resources, including but not limited to the Group's human, physical and financial resources to achieve the Group's objectives;
- developing, implementing and managing the Group's risk management and internal compliance and control systems and operate within the risk appetite set by the Board;
- keeping pace with industry and economic trends in the Group's operating environment; and
- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.



## Statement on Corporate Governance

### 1.2 Clear roles and responsibilities

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

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

The Board plays a pivotal role in reviewing the Group's strategic direction and approving strategic plan of the Group. The Board deliberated annually on the Group's strategic and business plans as proposed and presented by the Management including the annual capital and budget for the ensuing year.

The Board reviews and deliberates on the Management's views and assumptions in ensuring the best decisions are reached after considering all relevant aspects. It gives input and provides guidance to the Management. In furtherance of this, the Board then reviews and approves the annual budget for the ensuing year.

On 30 November 2016, the Board approved the Strategic Plan and Budget for 2017 of the Group.

- (ii) Reviewing, adopting and approving the Group's key operational initiatives, major investments and funding decisions including major capital commitments, participation in tenders or projects exceeding the prescribed value, material acquisitions and disposals and key policies.
- (iii) Overseeing the conduct of the Group's businesses whereby the Group Managing Director is responsible for the day-to-day management of the business and operations of the Group and implementation of the Group strategies and policies as approved by the Board. He is well supported by the management team.

The Board is well informed of the progress of the Group. The Group Managing Director appraises the Board on a quarterly basis on industry, business, prospects and issues faced by the Group.

- (iv) Reviewing the risk management processes within the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risk.

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

Details of the Group's risk management framework are set out in the Statement on Risk Management and Internal Control (SRMIC) of this Annual Report.

- (v) Maintaining shareholders and investors relations whereby the Group strives to maintain an open and transparent channel of communication with its shareholders, investors, analysts and the public at large with the objective of providing a clear and complete picture of the Group's performance and financial position. The Group believes that a constructive and effective investor relationship is important and essential factor in enhancing value for its shareholders. Further details on the shareholders and investors relations are set out in Section 8 under this Statement.

- (vi) Reviewing the adequacy and integrity of the Group's internal control and management information systems in compliance with relevant laws, rules, regulations directives and guidelines.

Details of the Group's internal control systems and its effectiveness are set out in the SRMIC of this Annual Report.

- (vii) Reviewing the establishment of succession planning framework of Senior Management which are aligned to the Group's objectives.

The Board, through the Joint Remuneration and Nomination Committee (JRNC), ensures that there is effective succession planning of the Senior Management in the Group.



During the year, the JRNC had deliberated the matter on succession planning at JRNC meeting held on 15 March 2016, and proposed that a Talent Management Framework be established which was duly agreed by the Board. The framework includes the establishment of leadership competencies model and assessment of key roles through various assessment tools. This will include the establishment of role requirement for the role of the Group Managing Director and the identification and assessment of potential successors to determine the gaps and to ascertain the level of readiness.

The Board also assumes the following duties and other functions and responsibilities:

- approval of annual and quarterly financial results and annual reporting;
- reviewing the effectiveness of the external auditors and their independence;
- reviewing and approving remuneration practices of the Group with particular emphasis on compensation payable to Senior Management;
- reviewing, adopting and implementing appropriate corporate disclosure policies and procedures; and
- appointment of senior management positions, such as Group Managing Director, Chief Financial Officer, Chief Operating Officer and Senior General Manager, and assuming responsibility in succession planning within the Group.

### 1.3 Ethical standards through Code of Conduct

#### Directors' Code of Ethics

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

Under the Code, the Directors are required to avoid situation where there is a real or apparent conflict of interest between them as individuals and the interest of the Group or situation where Board members have an interest in any entity or matter that may influence their judgement in the discharge of responsibilities. A Board member who has a clear and substantial interest in a matter under consideration by the Board should declare that interest at any meeting where the matter is to be discussed. He should withdraw from the meeting and abstain during the relevant discussion or decision. The Board confirmed that no conflict of interest situation arose in the financial year just ended.

The Code is available on the Company's corporate website [www.deleum.com](http://www.deleum.com).

#### Code of Business Conduct

The corporate culture of integrity and honesty is applicable across the Group. The Group has in place a Code of Business Conduct (COBC) as a guidance to its directors and employees as well as its contractors, subcontractors, consultants, agents and other service providers with regard to the Group's standard of integrity and rules of conduct to be observed in the performance of work and business practices. They are refrained from all improper conduct, dishonest or unethical behaviour in their business dealings with the Group.

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

The COBC was last updated in November 2015 in line with the current business environment. Employees were briefed on the COBC annually by the Group Managing Director at the town hall briefing. All new employees are briefed on the COBC and other key policies of the Group by the Human Resource department to ensure their awareness and conformity of the same. Employees are also required to ascertain their understanding of the COBC via online awareness test annually. The COBC is available in both English and Bahasa Malaysia to ensure maximum accessibility especially for the large number of offshore based employees and is accessible via the Group's intranet and posted in the Company's corporate website.



# Statement on Corporate Governance

## Whistleblowing Policy

Deleum has established a Whistleblowing Policy to provide an avenue and an independent feedback channel through which employees, customers, suppliers, professional advisers, contractors, sub-contractors and any other third parties providing services to the Group may, in good faith and have reasonable grounds, report any wrongdoing in accordance with the procedures in the policy without fear of reprisal. Under the policy, a whistleblower will be accorded with protection of confidentiality of identity. Any employee or external party who has knowledge or is aware that any improper conduct has been, is being, or is likely to be committed within the Group is encouraged to report through the reporting channels as prescribed below. All cases will be dealt with in accordance with the policy and the investigation procedures.

The policy prescribes in details the reporting channels that are available including a dedicated email: [whistle@deleum.com](mailto:whistle@deleum.com) which is administered by the Company Secretary and accessible by the Senior Independent Director. Letters/documents/reports may also be addressed to the Senior Independent Director. The Audit Committee (AC) shall be updated as and when there are cases reported. There were no cases reported in 2016.

The policy is reviewed regularly and was last reviewed on 27 February 2017 and is available on the Company's corporate website.

## **1.4 Strategies promoting sustainability**

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

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

## **1.5 Access to information and advice**

The members of the Board have full and unrestricted access to all information pertaining to the business and affairs of the Group. Prior to the meetings of the Board and Board Committees, all Directors are furnished with the agenda together with comprehensive Board papers containing information relevant to the business of the meetings. As a practice, Board papers in general are circulated an average five (5) days before the meetings. This allows the Directors to have sufficient time to read the papers and to obtain further information, explanations or clarifications, where necessary, in order that deliberations at the meetings are focused and constructive.

The Board is updated with the overview of the Group's financial performance and business activities at quarterly meetings. The financial performance is measured against the approved budget and the corresponding periods.

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

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

External advisors may also be invited to relevant Board or Board Committee meetings, if necessary. During the year, external consultants were invited to present to the JRNC proposal on the succession management programme for the Group.



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

## 1.6 Company Secretaries

The Board is supported by suitably qualified, experienced and competent Company Secretaries in the discharge of its duties and responsibilities and has unhindered access to their advice and services. The Company Secretaries are members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretaries play an advisory and consultancy role to the Board in relation to the Company's constitution, Board's policies and procedures, and compliance with corporate governance matters and relevant regulatory requirements, codes, guidelines and legislations. Besides, they are responsible for organising and facilitating Board and Board Committee meetings, the preparation and/or circulation of notices, agendas and Board papers. Prior to the meetings, the agendas for the meetings were established in consultation with the respective Chairs. At the meetings, the Company Secretaries are responsible for ensuring that all relevant procedures are complied with. The Company Secretaries ensure that the deliberations at the meetings are well captured and minuted and the resolutions passed are recorded properly and accurately and kept in the statutory books at the registered office of the Company. Matters that required the necessary actions are communicated to the relevant Management personnel.

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

## 1.7 Board Charter

The Board Charter was adopted by the Board in 2012 and reviewed from time to time to ensure its consistency with the Board's objectives and responsibilities, the relevant standards of corporate governance and best practices and relevance to the current environment.

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

The Board Charter was last reviewed and revised on 27 February 2017 and is available on the Company's corporate website.

## 2. STRENGTHEN COMPOSITION

The Board has established three (3) Board Committees namely the AC, the JRNC, and the RC. The Board Committees operate within their own clearly defined Terms of Reference.

The Board Committees will deliberate and review matters within their Terms of Reference in greater detail and report on matters deliberated together with their recommendations to the Board. The Board is kept apprised of the activities and the decisions of the Board Committees through circulation of minutes of the meetings of the Board Committees and oral presentations made by the Chairman of the respective Board Committees at Board meetings.

### 2.1 Joint Remuneration and Nomination Committee

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

NO.	NAME	DESIGNATION
1	Datuk Ir (Dr) Abdul Rahim bin Hashim	Chairman of JRNC / Senior Independent Non-Executive Director
2	Dato' Izham bin Mahmud	Member / Non-Independent Non-Executive Chairman
3	Datuk Vivekananthan a/I M.V. Nathan	Member / Non-Independent Non-Executive Deputy Chairman



## Statement on Corporate Governance

NO.	NAME	DESIGNATION
4	Datuk Ishak bin Imam Abas	Member / Independent Non-Executive Director
5	Datuk Chin Kwai Yoong	Member / Independent Non-Executive Director
6	Datuk Noor Azian binti Shaari	Member / Independent Non-Executive Director

The JRNC is primarily responsible for the following:

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

During the financial year ended 31 December 2016 (FY2016), two (2) meetings of the JRNC were held which were attended by all members.

The Board is satisfied that the JRNC is discharging its duties in accordance with its Terms of Reference which is available on the Company's corporate website.

As appointed by the Board, the JRNC also undertook the role of the Plan Committee for the implementation and administering of the Group's Long-Term Incentive Plan (LTIP) in accordance with the By-Laws of the LTIP. The LTIP which is aimed at driving performance as well as retention strategy for key and senior positions, was approved by the shareholders on 27 May 2014.

During FY2016, the following activities were undertaken by the JRNC:

- (i) discussed and reviewed the annual bonus for the employees and the Group Managing Director in respect of FY2015 and made recommendations for the Board's approval;
- (ii) discussed salary adjustments in respect of FY2016 to employees and the Group Managing Director taking into consideration the economic climate and challenges of the oil and gas industry;
- (iii) conducted annual evaluation of the Board's effectiveness and performance covering the assessment of the Board as a whole, each individual Director, each Board Committee, and independence of the Independent Directors;
- (iv) assessed and recommended the retention of two (2) Independent Directors, who have served for a cumulative term of more than nine (9) years but less than twelve (12) years, to continue to act as Independent Directors of the Company. This was in line with the Group's policy;
- (v) reviewed the training courses attended by the Directors;
- (vi) reviewed the Directors who are due for re-election/re-appointment at the Company's Eleventh Annual General Meeting (AGM) and recommended their re-election/re-appointment;
- (vii) reviewed the proposed key performance indicators (KPIs) for the Group Managing Director and recommended the same for the Board's approval;
- (viii) discussed the succession planning for the Group Managing Director and senior management and the establishment of the proposed Talent Management Framework;
- (ix) reviewed the second grant allocation, performance targets and participants of the LTIP.



The second grant of 4,641,900 ordinary shares in the Company (Deleum Shares) under the LTIP (2nd Grant) comprising 1,598,700 Deleum Shares under Restricted Share Incentive Plan (RS Award) and 3,043,200 Deleum Shares under Performance Share Incentive Plan (PS Award) to selected eligible employees was made on 22 March 2016. The relevant announcement in respect of the 2nd Grant was made to Bursa Securities on the same day. The RS Award was segregated into three (3) tranches over three (3) years with annual vesting depending on the achievement of the performance targets with the first vesting due on 22 March 2017. The PS Award set the performance targets over a three-year accumulative results with the vesting due in March 2019. The first vesting cycle of the RS Award in relation to the 2nd Grant did not vest as the pre-determined performance targets in respect of FY2016 was not met mainly on the back of the challenges affecting the oil and gas industry. The second vesting of the RS Award in relation to the 2nd Grant will be dependent on the Group meeting the pre-determined targets.

### **Board and Workforce Diversity**

The Board believes that the requirement for diversity in gender, age and ethnicity can bring a greater range of viewpoints to boardroom debate and improve board dynamics. In this regard, the Board takes into consideration a candidate's background, gender, age and ethnicity and will make the necessary appointment based on good blend of competencies, skills, merits, extensive experience and knowledge and contribution to the overall working of the Board and the needs of the Group. Presently the Board has one female Director. On balance if the candidates are of equal standing, the Board will do so to ensure there is greater women representation on the Board.

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

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

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

As at 31 December 2016, the workforce of the Group comprised 823 employees in the proportion of 77% male and 23% female. The higher ratio of male employees is due to the nature of the Group's activities which are largely performed offshore. Currently, there are 36 employees holding senior management positions of the Group, of which 10 are female.

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

### **Appointment and Re-election of Directors**

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

In general, the Board appoints its members through a selection process which involves the identification of candidate for directorship, evaluation and deliberation of suitability of candidate by the JRNC and recommendation to the Board. The JRNC in recommending new appointments to the Board will assess the suitability of an individual to be appointed to the Board by giving due consideration to the individual's skills, industry experience and knowledge, character, integrity and time to effectively discharge his or her role, gender, age and ethnic diversity. In respect of Independent Directors, the JRNC will assess whether the individual is able to exercise independent judgement and to demonstrate the values and principles associated with independence.

There was no appointment in FY2016.

In accordance with the Company's Constitution, at each AGM, one-third (1/3) of the Directors for the time being, or if their number is not three (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.



## Statement on Corporate Governance

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

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

The JRNC had assessed one (1) Director namely Datuk Ir (Dr) Abdul Rahim bin Hashim, the Senior Independent Director standing for re-election pursuant to Article 78 of the Company's Constitution.

The JRNC also assessed the re-appointment of three (3) Directors namely Dato' Izham bin Mahmud, the Chairman, Datuk Vivekananthan a/l M.V. Nathan, the Deputy Chairman and Datuk Ishak bin Imam Abas, an Independent Director who retired and re-appointed as Directors at the last AGM held on 24 May 2016 pursuant to Section 129 of the Companies Act 1965 (CA 1965). With the repeal of the CA 1965, a person of or over the age of seventy (70) years is not required to retire and seek re-appointment at AGM. However, as their re-appointment at the last AGM was for a term ending at the conclusion of the forthcoming AGM, they have consented to seek shareholders' approval for re-appointment as Directors of the Company at the Twelfth AGM to be held on 18 May 2017. Subsequent thereof, they will be subject to retirement by rotation and re-election in accordance with the Company's Constitution.

The JRNC agreed that the abovementioned four (4) Directors met the criteria of character, experience and knowledge, integrity, competence and time commitment to effectively discharge their respective roles as Directors and recommended to the Board for endorsement of the Directors for re-election/re-appointment at the forthcoming Twelfth AGM.

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

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

In January 2017, questionnaires were distributed to each member of the Board and Board Committees for the assessment/self-assessment in respect of the Board of Directors, individual Directors and Board Committees. The parameters used in the assessment are briefly as below:

- (a) Board as a whole - structure, operation and interaction as well as Board's roles and responsibilities;
- (b) Individual Directors - contribution to interaction, quality of input, understanding of his/her role and training needs;
- (c) Independent Directors are further measured on his/her ability to exercise independent judgement and ability to demonstrate the values and principles associated with independence; and
- (d) Board Committees namely AC, JRNC and RC - structure and composition, operation and interaction, accountability and responsibilities.

During the meeting held in February 2017, summary of results of the assessments were tabled at the JRNC meeting for deliberation. Subsequently, the Chairman of the JRNC made an oral presentation to the Board based on the results of the assessments at the Board meeting held on 27 February 2017.

The outcome of the evaluation highlighted that a management risk committee should be set up to deal dynamically and proactively with risk matters which are integral to business operations.

At the Board meeting held on 27 February 2017, the Board confirmed that:

- the Board's size and composition is appropriate given the scale of the Group's business and operations, and well balanced, thereby constituting an effective Board able to discharge its duties professionally and efficiently;
- individual Directors of the Company possessed the required competence and character to manage the Group's affairs and created value for the organisation and its shareholders; and
- the Board Committees are effective in discharging their duties and responsibilities in accordance with their Terms of Reference.



## 2.3 Remuneration policies and procedures

The details of Directors' remuneration for FY2016 are as follows:

### Remuneration of Executive Director (Group Managing Director)

For FY2016, the Group Managing Director received the following total remuneration from the Company and did not receive any remuneration from the subsidiaries of the Group:

DIRECTOR / GROUP MANAGING DIRECTOR	REMUNERATION (RM)					TOTAL
	FEES	SALARIES AND BONUSES	DEFINED CONTRIBUTION PLAN	ESTIMATED MONETARY VALUE OF BENEFITS-IN-KIND	OTHER* EMOLUMENTS	
Nan Yusri bin Nan Rahimy	-	1,350,000	202,500	31,150	6,763	1,590,413

\* Other emoluments comprised club subscription fees and contribution to Social Security Organisation (SOCSO)

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

- Monthly salary;
- LTIP;
- 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.

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

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

During FY2016, Encik Nan Yusri bin Nan Rahimy was granted 218,200 Deleum Shares under RS Award and up to maximum of 680,600 Deleum Shares under PS Award pursuant to the 2nd Grant of the LTIP as announced on 22 March 2016. The shares granted will be vested only upon fulfilment of vesting conditions including performance targets.

### Remuneration of Non-Executive Directors

Non-Executive Directors are entitled to Directors' fees and additional fees for chairing or sitting in Board Committees except for the Chairman and Deputy Chairman who do not receive any additional fees. They are each provided a car, a driver and club subscriptions. Non-Executive Directors are not entitled to participate in the LTIP of Deleum or any incentive plan for employees of the Group.

#### Directors' Fees:

DESIGNATION	FEE PER MONTH (RM)
Chairman	25,000
Deputy Chairman	25,000
Members of the Board	4,000

#### Board Committees' Fees:

DESIGNATION	AC (FEE PER MONTH) (RM)	JRNC (FEE PER MONTH) (RM)	RC (FEE PER MONTH) (RM)
Chairman	2,500	1,000	1,000
Members of the Committee	2,000	1,000	1,000



## Statement on Corporate Governance

Fixed meeting allowances are also paid to Non-Executive Directors covering expenses incurred in the course of their duties except for the Chairman and Deputy Chairman.

The Board as a whole determines the remuneration of Non-Executive Directors which is subject to the approval of the shareholders at the AGM. There is no change in the Non-Executive Directors' remuneration framework during FY2016 and no increase in fees payable to any Director during the financial year.

For FY2016, the total remuneration paid by the Company to the Non-Executive Directors individually are set out below. They did not receive any remuneration from the subsidiaries of the Group:

DIRECTORS	FEES (RM)	SALARIES AND BONUSES (RM)	DEFINED CONTRIBUTION PLAN (RM)	ESTIMATED MONETARY VALUE OF BENEFITS-IN-KIND (RM)	MEETING ALLOWANCES (RM)	OTHER* EMOLUMENTS (RM)	TOTAL (RM)
<b>Dato' Izham bin Mahmud</b> Chairman of Board	300,000	-	-	35,200	-	4,323	<b>339,523</b>
<b>Datuk Vivekananthan</b> <b>a/I M.V. Nathan</b> Deputy Chairman of Board	300,000	-	-	35,200	-	21,047	<b>356,247</b>
<b>Datuk Ishak bin Imam Abas</b> Chairman of AC	90,000	-	-	-	22,500	-	<b>112,500</b>
<b>Datuk Chin Kwai Yoong</b> Chairman of RC	96,000	-	-	-	24,500	-	<b>120,500</b>
<b>Datuk Ir (Dr) Abdul Rahim bin Hashim</b> Chairman of JRNC	84,000	-	-	-	18,500	-	<b>102,500</b>
<b>Datuk Noor Azian binti Shaari</b>	72,000	-	-	-	15,000	-	<b>87,000</b>
<b>Total</b>	<b>942,000</b>	<b>-</b>	<b>-</b>	<b>70,400</b>	<b>80,500</b>	<b>25,370</b>	<b>1,118,270</b>

\* Other emoluments comprised club subscription fees

Directors and Officers of the Group are covered 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.

The number of Directors whose total remuneration received during the financial year falls within the required disclosure band is as follows:

### Executive Director (Group Managing Director)

REMUNERATION BAND (RM)	NUMBER OF DIRECTORS
RM1,550,001 – RM1,600,000	1

### Non-Executive Directors

REMUNERATION BAND (RM)	NUMBER OF DIRECTORS
RM50,001 – RM100,000	1
RM100,001 – RM150,000	3
RM300,001 – RM350,000	1
RM350,001 – RM400,000	1



### 3. REINFORCE INDEPENDENCE

#### 3.1 Annual Assessment of Independence

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

Based on the evaluation, the JRNC and the Board concluded that all the Independent Directors of the Company continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Board was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders. None of the Independent Directors have any interests in the Company other than shares held amounting to less than 1% and no other areas of business conflicts.

#### 3.2 Tenure of Independent Directors

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

Both Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong, who are the Independent Directors of the Company, have served more than nine (9) years but less than 12 years at the forthcoming AGM to be held on 18 May 2017. The JRNC and the Board have assessed, reviewed and determined that Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong have remained objective and continued to be independent and unbiased in expressing their views and in participating in deliberations. They continued to bring

independent thought and provided objectivity in decision making of the Board and Board Committees.

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

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

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

#### 3.3 Seeking Shareholders' Approval

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

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

The Board practises a clear demarcation of responsibilities whilst maintaining the balance of power and authority. The positions of the Chairman, Deputy Chairman and Group Managing Director are held by separate persons and the clear separation of powers, roles and responsibilities ensures a balance of power and authority and further enhances the independence of the Board. There is no family relationship between the Chairman, Deputy Chairman and Group Managing Director.



## Statement on Corporate Governance

The Chairman leads the Board and is responsible for the leadership and governance of the Board, ensuring its effectiveness on all aspects of its role. He presides over Board meetings and encourages positive contributions of all Directors at Board meetings and promoting an environment for open, robust and effective debate between all Board members. He is primarily responsible for the orderly conduct and effective working of the Board, and acts as a liaison between the Board and Management. The Chairman is non-executive and he is not involved in the day-to-day management of the Group.

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

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

### 3.5 Board Composition and Balance

The Board, as of the date of this statement, comprises seven (7) Directors with one (1) Executive Director and six (6) Non-Executive Directors, as follows:

NO.	NAME	DESIGNATION
1	Dato' Izham bin Mahmud	Non-Independent Non-Executive Chairman
2	Datuk Vivekananthan a/l M.V. Nathan	Non-Independent Non-Executive Deputy Chairman
3	Nan Yusri bin Nan Rahimy	Group Managing Director
4	Datuk Ishak bin Imam Abas	Independent Non-Executive Director
5	Datuk Chin Kwai Yoong	Independent Non-Executive Director
6	Datuk Ir (Dr) Abdul Rahim bin Hashim	Senior Independent Non-Executive Director
7	Datuk Noor Azian binti Shaari	Independent Non-Executive Director

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

The Chairman of the Board is non-executive and non-independent by virtue of him being a substantial shareholder in which case in accordance with the MCGG 2012, Independent Directors should account for more than 50% of the Board members. In this regard, during FY2016 and presently, Independent Directors accounted for more than 50% of the Board members.

The profiles of each Director are presented on pages 10 to 13 of this Annual Report.

## 4. FOSTER COMMITMENT

### 4.1 Time Commitment

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

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

The Board Charter of Deleum provides that any Director, subject to the limitations on the number of directorships under the Listing Requirements or applicable laws, may accept new directorships which are not in conflict with the interests of Deleum's business and do not detrimentally affect his performance as a Director. In accepting such appointment, a Director shall take into consideration time spent on the appointment to enable him to devote sufficient time to carry out his duties to the Company. A Director shall seek guidance from the Chairman of the Board if there is any potential conflict of interest and shall upon appointed, notify the Company Secretary who shall inform the Chairman and other members of the Board accordingly.



All Directors are expected to devote sufficient time for the effective discharge of their functions. None of the Directors of Deleum serve in more than five (5) listed companies and the Group Managing Director of the Company does not serve as a director in other listed companies. The present directorships in external organisations held by Deleum's Directors do not give rise to any conflict of interests nor impair their ability to discharge their responsibilities to the Company.

The Board recognises the need to spend time with Senior Management to discuss on the business strategies, plans and performances of the Group. All Board members have committed their time to this effect. In preparing the strategies and budget for the Group for 2017, the Group Managing Director had met with the Directors individually to discuss and obtain their views.

During FY2016, seven (7) meetings of the Board were held to approve quarterly financial results, statutory financial statements, the annual report, dividends, business plans as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters. The Board is satisfied with the level of time commitment given by Directors towards fulfilling their roles and responsibilities as Directors as evidenced by their attendance at the Board, Board Committee meetings and the AGM as follows:

#### Attendance of Directors to the meetings held during FY2016

NAME OF DIRECTOR	BOARD MEETINGS	AGM	BOARD COMMITTEE MEETINGS		
			AC	JRNC	RC
Dato' Izham bin Mahmud	7/7	1/1	4/4	2/2	-
Datuk Vivekananthan a/l M.V. Nathan	6/7	1/1	4/4	2/2	4/4
Nan Yusri bin Nan Rahimy	7/7	1/1	-	-	4/4
Datuk Ishak bin Imam Abas	7/7	1/1	4/4	2/2	-
Datuk Chin Kwai Yoong	7/7	1/1	4/4	2/2	4/4
Datuk Ir (Dr) Abdul Rahim bin Hashim	7/7	1/1	4/4	2/2	-
Datuk Noor Azian binti Shaari	6/7	1/1	-	2/2	4/4
<b>Total number of meetings</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>4</b>

#### 4.2 Directors' Training and Induction

The Board believes that continuous training for Directors is vital for the Directors to gain insight and be kept updated on changes and developments in the market place, state of economy and corporate regulatory framework.

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

In addition, the Directors also attended various training programmes, seminars and conferences including those organised by the relevant regulatory authorities to be apprised, updated and to further enhance their knowledge and understanding of the business environment, regulatory requirements and corporate governance. All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

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



## Statement on Corporate Governance

For FY2016, Directors' attendance at briefings, seminars, conferences and training programmes are as follows:

DIRECTOR	PROGRAMMES
<b>Dato' Izham bin Mahmud</b>	<ul style="list-style-type: none"> <li>Corporate Governance (CG) Breakfast Series with Directors: "Future of Auditor Reporting – The Game Changer for Boardroom"</li> <li>SIDC &amp; UNGC Programme: "Creating a better world - The Role of Corporate ASEAN in driving the Sustainable Development Goals"</li> <li>Board Chairman Series: "Leadership Excellence From the Chair"</li> </ul>
<b>Datuk Vivekananthan a/I M.V. Nathan</b>	<ul style="list-style-type: none"> <li>CG Breakfast Series with Directors: "Improving Board Risk Oversight Effectiveness"</li> <li>Economic Outlook 2016</li> <li>Offshore Technology Conference Asia 2016</li> </ul>
<b>Nan Yusri bin Nan Rahimy</b>	<ul style="list-style-type: none"> <li>All About Redundancy &amp; Retrenchment</li> <li>An Industry in Transition</li> <li>Offshore Technology Conference Asia 2016</li> <li>Oil &amp; Gas Innovation Forum 2016</li> <li>Offshore Technology Conference 2016, Houston</li> <li>Malaysian Investor Relations Association (MIRA) Insight: "Predicting The Next Cycle"</li> <li>7th National Energy Forum</li> <li>Advocacy Sessions on Management Discussion &amp; Analysis for Chief Executive Officers and Chief Financial Officers</li> <li>Malaysia Petroleum Resources Corporation (MPRC) Industry Networking Talk on Oil &amp; Gas Business Opportunities in Kazakhstan</li> </ul>
<b>Datuk Ishak bin Imam Abas</b>	<ul style="list-style-type: none"> <li>CG Breakfast Series with Directors: "Anti-Corruption &amp; Integrity – Foundation of Corporate Sustainability"</li> </ul>
<b>Datuk Chin Kwai Yoong</b>	<ul style="list-style-type: none"> <li>CG Breakfast Series with Directors: "The Strategy, the Leadership, the Stakeholders and the Board"</li> <li>The Lean Enterprise - Driving Innovation and Agility in the Development of New Products Based on the Principles of: "Accept That You Know Nothing; Test Smart; Measure Smart and Iterate at Speed"</li> <li>Global Entertainment &amp; Media Outlook 2016 – 2020</li> <li>Strategic Discussions - Telecommunications, Media and Technology</li> </ul>
<b>Datuk Ir (Dr) Abdul Rahim bin Hashim</b>	<ul style="list-style-type: none"> <li>Inaugural Lecture: "Engineering Resources for Future Life - The need for radical innovation"</li> <li>Offshore Technology Conference Asia 2016 – as Panel Speaker</li> <li>Professorial Lecture: "Embedding Carbon Nanotubes into Separation Technology - A Chemical Engineer's Perspective"</li> <li>Academy of Sciences Malaysia (ASM) Envisioning Malaysia 2050 Foresight Initiative Workshop</li> <li>Universiti Teknologi PETRONAS Management Forum</li> <li>Human Resource Programme</li> <li>International Engineering Alliance (IEA) Workshop</li> <li>PETRONAS Cultural Beliefs (PCB) Forum</li> <li>World Engineering Science and Technology Congress (ESTCON) 2016</li> <li>Global Innovation Summit</li> </ul>
<b>Datuk Noor Azian binti Shaari</b>	<ul style="list-style-type: none"> <li>Ring the Bell for Gender Equality</li> <li>Women Power Network</li> <li>Risk Management Programme For Audit and Risk Committee: "I am Ready to Manage Risks!"</li> <li>Empowering Women Series: "For Senior Women Leaders"</li> <li>Amendments to Listing Requirements of Bursa Securities, Companies Act 2016, Proposed Code of CG 2016 and Policy Document on CG</li> <li>FIDE Forum: "Strategy to Leverage Technology for Business Solutions"</li> <li>CG Breakfast Series with Directors: "The Cybersecurity Threat and How Board Should Mitigate the Risks"</li> </ul>

The Board through the JRNC had assessed the training needs of each Director and is satisfied that the Directors have received the necessary training during FY2016.



## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with applicable financial reporting standards

#### Financial Reporting

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

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

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

The Board is satisfied that in preparing the financial statements of the Group for FY2016, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the MFRS, IFRS, the CA 1965 and any material departures have been disclosed and explained in the financial statements;
- made estimates and judgments which are reasonable and prudent;
- ensured the financial statements have been prepared on a going concern basis; and
- inquired of Management and the Auditors in respect of any fraud or irregularities impacting the Group. No such matter was reported to the Board in 2016.

#### Audit Committee

The composition of the AC and a summary of its activities during the financial year are set out in the AC Report on pages 59 to 64 of this Annual Report.

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

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

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

The external auditors also submitted their independence statement to the Board as part of their audit process. In order to further maintain independence of the external auditors, the audit partner-in-charge is rotated every five (5) years with the next rotation in financial year 2017.

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

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Establishment of sound framework to manage risks

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



## Statement on Corporate Governance

### Risk Committee

The RC comprises the following Directors and during FY2016, four (4) meetings of the RC were held and attended by all members:

NO.	NAME	DESIGNATION
1	Datuk Chin Kwai Yoong	Chairman of RC / Independent Non-Executive Director
2	Datuk Vivekananthan a/l M.V. Nathan	Member / Non-Independent Non-Executive Deputy Chairman
3	Nan Yusri bin Nan Rahimy	Member / Group Managing Director
4	Datuk Noor Azian binti Shaari	Member / Independent Non-Executive Director

The RC is primarily responsible for the following:

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

The Terms of Reference of the RC was last reviewed on 27 February 2017 and is available on the Company's corporate website.

During FY2016, the following activities were undertaken by the RC:

- (i) reviewed the Group key risks profile comprising Operational, Financial, Regulatory, Legal, Human Capital and Safety and Environmental risks. Action plans established to prevent and mitigate the risks were also reviewed and discussed;
- (ii) reviewed COBC Questionnaire for Employees' online awareness test; and
- (iii) reviewed Control Self-Assessment Checklist for Quality, Health, Safety and Environment Function of the business units.

More comprehensive information is set out in the SRMIC on pages 54 to 58 of this Annual Report.

### 6.2 Internal Audit Function

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

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

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policies

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

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



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

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

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

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

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

**Ms. Lee Sew Bee**

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

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage shareholder participation at general meetings

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

The Notice of AGM is sent to shareholders at least 21 days ahead of the meeting date together with the Audited Financial Statements and agenda for the meeting. The forthcoming Twelfth AGM of the Company will be convened

on 18 May 2017. At the AGM, the Group Managing Director presents the Group's financial highlights and business activities to the shareholders.

The external auditors are also requested to be present at each AGM to answer questions on the conduct of the audit.

### 8.2 Poll voting

Pursuant to the Listing Requirements, all resolutions as set out in the Notice of the forthcoming Twelfth AGM will be voted by poll and the results will be published in the Company's corporate website.

### 8.3 Effective communication and proactive engagements

The Group continued to engage with the analysts and fund managers on investor relations. The Group held analyst briefings quarterly to provide constant updates to the investment community. Additional briefings and small group meetings and tele-conferences were also held as and when required. The presentation of the analysts briefings were posted on website to ensure universal access to the same. These investor relations initiatives provide an avenue for dialogue between institutional investors, fund managers and analysts with the Senior Management. It also serves as an effective platform for the fund managers and analysts to receive a balanced and complete view of the business operations, financial performance, key operating statistics and corporate development and challenges facing the Group.

### 8.4 Dividends

Deleum continues to commit to its dividend policy of distributing 50% of the Group's annual profit attributable to the equity holders of the Company, subject to the availability of adequate distributable reserves, operating cash flow, financial commitments and expansion plans. For FY2016, the Company declared two (2) dividend payments amounting to 3.5 sen per share which were paid within 30 days from the entitlement date.

## 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 FY2016.

The Board has deliberated, reviewed and approved this Statement on Corporate Governance on 27 February 2017.



# Statement on Risk Management And Internal Control

**THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL IS MADE IN ACCORDANCE WITH PARAGRAPH 15.26 (B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES) AND IS IN LINE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (MCCG) 2012.**

## BOARD RESPONSIBILITIES

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

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

## RISK MANAGEMENT

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

The duties and responsibilities of the RC are set out in the Statement of Corporate Governance.

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

The RC has noted the key risks faced by the Group comprising of operational risk, market risk, legal risk, safety risk, regulatory risk and human capital risk. This also includes the potential impact and likelihood of the risks occurring, the effectiveness of controls and the action plans being undertaken to manage the risks to the desired levels. These key risks are reviewed by the Board on a quarterly basis.

## KEY RISKS FOR 2016

### Operational Risk

Operational risk relates to the risk of loss as a consequence of inadequate or ineffective processes, people and systems and events beyond our control. Operational risk is the risk of not generating sufficient income against a challenging operating environment following the slump in crude oil prices since 2014. To manage this and other operational risks, the Group is widening its integration across the business units to offer customers holistic solutions, new technological products and services in collaboration with partners whilst emphasising on strict cost disciplines.

The Management's mandate is to manage operational risks in a cost effective manner to prevent financial loss or damage to the Group's reputation. The risk management processes adopted by the Group are described later in this Statement.

### Market Risk

Market risk is the risk of market volatilities affecting exchange rates and interest rates which may affect the values of our financial assets and liabilities.

One of the Group's key market risk is currency volatility. A major portion of the Group's revenue and costs are conducted in foreign currencies, primarily the USD. Traditionally these currency exposures were mitigated by a relative stable RM / USD relationship and that of a natural hedge in that foreign currency receivables and payables were denominated in the same currencies. For these reasons, the Group did not engage in currency hedging. However, following the collapse in crude oil prices, the stated aim of the US Reserve Bank to normalise interest rates and the recent ruling from Bank Negara Malaysia on Foreign Exchange Administration have heightened currency volatilities. Following this, a Foreign Exchange (FOREX) Management Policy for the Group has now been established to address the potential FOREX impact.



### Legal Risk

Legal risk is the risk of financial loss or damage to the Group's reputation arising from failure to comply with contractual terms or the Group's interest is not properly protected.

The Group's Legal Department has assessed and identified the key terms and conditions of the existing major contracts for ongoing monitoring and management of the contracts by the respective business units to mitigate the risk of loss arising from failure to comply with key contractual obligations.

### Safety Risk

The safety of people and assets is of utmost priority in the oil and gas industry and any adverse incident could result in significant financial loss and damage to the Group's reputation. Hence, the Group has in place comprehensive safety policies and processes to address this risk and its effectiveness could be measured by the fact that the Group had recorded 7.8 million free lost time injury (LTI) man-hours with 1678 days without LTI since 25 August 2012. In recognition of this record, in 2016, the Group was awarded HSE Achievement Awards by PETRONAS Carigali Sdn. Bhd. (PCSB), a major oil and gas operator in Malaysia.

### Regulatory Risk

Regulatory risk is the risk of inability to participate in business activities as a consequence of the withdrawal or suspension of licences/permits by the regulators and the issuing authorities.

All oil and gas industry participants in Malaysia are required to be licensed by PETRONAS. Accordingly, the Group's operations are governed by a number of licences issued by PETRONAS. The Group has procedures and processes in place to ensure that its activities are conducted in compliance with the licensing requirements.

### Human Capital Risk

Human capital risk is the risk of execution failures caused by not having the right personnel within the Group to execute operations effectively.

Strong execution of the Group's business strategies require employees with the necessary balance of knowledge and skills demanded by customers. But competition for skilled and competent personnel is a key challenge given that these personnel are highly sought not only within the country but regionally and globally. The Group recognises that it must have the ability to attract, motivate and above all retain key talents. To mitigate these risks, the Group has in place a Human Resource Framework and a progressive compensation scheme for the employees. In the quest to retain key talents, the Group has established a Long-Term Incentive Plan in 2014 comprising both performance and restricted shares.

### Risk Management Process

The risk management process in Deleum is consistent with The Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework.

The risk management approach taken in Deleum is a bottom-to-top review process. The development of risk profiles requires assessment at the business unit level before escalating upwards to the executive suite and the RC. These assessments require considerable inputs from all levels of employees and a clear understanding by all employees that managing risks is a collective responsibility of all employees.

### Risk Briefings and Awareness Sessions

During the year, risk briefings were held with senior managers on a quarterly basis whilst an awareness session was also conducted during the year with middle management of a business unit to ensure the processes involved are understood.

### Risk Assessments

Risk assessments were conducted at the three key business units and at the Group level, where the existing risk profiles were reviewed and updated. In the case of large-scale projects, they are assessed through a formalised Project Risk Management process. The assessment would consider relevant internal and external factors that may expose the Group to potential risks classified under the key risks classifications that the Group had identified.



# Statement on Risk Management And Internal Control

## 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 (JRNC), Audit Committee (AC) and RC. Their terms of reference and responsibilities are defined, and together with the Board Charter are available for reference on the Company's corporate website.

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

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

A strategic plan and budget, setting out the overall objectives and strategies is prepared and approved by the Board in November before the commencement of the new financial year. Comprehensive budgets are prepared by the business units and corporate resources units, and submitted to Group Finance Department which consolidated these into a Group Budget and thereafter presented to the Board on an annual basis for approval.

The strategic plan covers the key focus areas of the Group for the coming year, operating and financial performance, key business indicators, Quality, Health, Safety and Environment (QHSE), resource utilisation, cash flow performance, project achievement, facilities management and human resource initiatives.

Upon approval of the strategy and budget paper, the Group's performances are tracked and measured against the budget on a monthly basis. The performances are monitored monthly by the GMD and follow up action taken by the heads of business units, where necessary.

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

- **Audit Committee**

The AC evaluates the adequacy and integrity of the Group's internal control systems. The AC reviews internal control matters raised by the internal and external auditors and Management. Where appropriate, the AC is briefed on matters pertaining to corporate governance, financial reporting standards, Listing Requirements, legal and regulatory requirements as well as key matters affecting the interim and annual financial statement. Details of the AC's activities and responsibilities are further discussed and are set out in the Audit Committee Report on pages 59 to 64 of this Annual Report.

- **Internal Audit**

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

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

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

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

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

The cost incurred for the outsourced Internal Audit Function in respect of the financial year ended 31 December 2016 amounted to RM89,724 (2015: RM96,618).

Details of the Internal Audit reviews conducted during the year can be referred to the Audit Committee Report.



During the year under review, one private meeting was held with the AC without the presence of Executive Director and Management or employees of the Group to discuss areas of concern. No material concerns affecting the conduct of its audits were raised by the internal auditors at the meeting.

- **Group Values and Code of Business Conduct (COBC)**

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

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

The COBC has been communicated to all relevant stakeholders and is published in the intranet and the Company's corporate website. For contractors, subcontractors, vendors and other service providers, the COBC is directly communicated through the updated terms and conditions of purchase of goods and/or services.

To ensure that all employees are aware and familiar with the COBC, Management conducted a questionnaire based awareness test program for the employees to affirm their acceptance of the COBC and to assess their understanding and compliance of the COBC. The test is to be conducted on an annual basis.

- **Authorisation Limits**

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

- **Policies and Procedures**

Documented internal policies and procedures are in place to ensure compliance with internal controls and the relevant rules and regulations. They are reviewed regularly by Management and periodically through the Internal Audits conducted to ensure that the gaps in policies and controls are addressed and where required, policies and procedures are augmented and revised to meet with the changing business dynamics. The Process Improvement section within the Group reviews the efficiency and effectiveness of the processes and procedures to ensure standardisation within the Group.

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

Annual audits by internal and external QMS and EMS auditors are carried out to ensure compliance with requirements of ISO 9001:2008 and ISO 14001:2004 certifications. In September 2016, the Group transited from ISO 9001:2008 to ISO 9001:2015 and ISO 14001:2004 to ISO 14001:2015. The certifications provide assurance to customers of the delivery of quality products and services.

During the year under review, audits for the purposes of ISO certification were performed by approved auditors on Turboservices Sdn. Bhd., Deleum Oilfield Services Sdn. Bhd., Deleum Chemicals Sdn. Bhd., Deleum Rotary Services Sdn. Bhd., the Human Resource Department and Procurement Department. Deleum Primera Sdn. Bhd. was included into the Quality Management System when the transition into ISO 9001:2015 was made. The audits confirmed these companies continued in compliance with the relevant ISO standards.

- **Corporate Secretariat**

The Company Secretarial function is under the stewardship of the Company Secretaries whose roles and responsibilities are discussed in the Statement of Corporate Governance.



## Statement on Risk Management And Internal Control

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

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

The Board is satisfied with the Group's ongoing process for identifying, evaluating, managing and monitoring the risks of the business, including the scope and frequency of reports on both risk management and internal controls.

The Board is of the opinion that there are sound and sufficient controls and appropriate management action plans in place to meet the business objectives and strategies of the Group.

No weaknesses in internal control that have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report were noted. Deleum's internal control systems are not extended to the associate companies in which the Group's interests are safeguarded through board representation.

### CONCLUSION

The external and internal auditors, in the course of executing their work based on the pre-approved review plans had highlighted their findings and recommendations for addressing the deficiencies and lapses in controls noted during their work. On the basis of the work conducted, they did not note any significant deficiencies in internal controls.

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

### REVIEW OF THIS STATEMENT

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

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

This statement is made in accordance with the resolution of the Board dated 27 February 2017.



# Audit Committee Report

**THE BOARD OF DIRECTORS (THE BOARD) OF DELEUM BERHAD (DELEUM OR THE COMPANY) IS PLEASED TO PRESENT THE REPORT OF THE AUDIT COMMITTEE (AC) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (FY2016).**

During FY2016, the AC has continued to play a key oversight role on behalf of the Board. The AC provides assistance to the Board in fulfilling the Board's responsibilities to Deleum and its shareholders by reviewing and monitoring integrity of the financial reporting process and accounting records of Deleum and its subsidiaries (the Group). The AC also reviews the Group's management of risk, system of internal control, audit process, compliance and governance. In addition, the AC monitors the independence and effectiveness of the external auditors, and receives reports and presentations from internal auditors relating to their internal control review.

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

## (I) CONSTITUTION

The AC had discharged its function and carried out its duties as set out in the Terms of Reference (TOR) of the AC which is accessible through the Company's corporate website at [www.deleum.com](http://www.deleum.com) under the 'Corporate Profile' section. Where necessary, the TOR will be reviewed accordingly.

## (II) MEMBERSHIP

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

NO.	NAME	APPOINTMENT DATE	DESIGNATION
1	Datuk Ishak bin Imam Abas	21 March 2007	Chairman of AC / Independent Non-Executive Director
2	Datuk Chin Kwai Yoong	21 March 2007	Member / Independent Non-Executive Director
3	Dato' Izham bin Mahmud	16 August 2010	Member / Non-Independent Non-Executive Chairman
4	Datuk Vivekananthan a/l M.V. Nathan	16 August 2010	Member / Non-Independent Non-Executive Deputy Chairman
5	Datuk Ir (Dr) Abdul Rahim bin Hashim	15 November 2013	Member / Senior Independent Non-Executive Director

## (III) COMMITTEE MEETINGS

During FY2016, the AC held four (4) meetings which were attended by all members as reflected below:

NAME	NO. OF ATTENDANCE AND MEETINGS
Chairman : Datuk Ishak bin Imam Abas	4/4
Members : Datuk Chin Kwai Yoong	4/4
: Dato' Izham bin Mahmud	4/4
: Datuk Vivekananthan a/l M.V. Nathan	4/4
: Datuk Ir (Dr) Abdul Rahim bin Hashim	4/4

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

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

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



## Audit Committee Report

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

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

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

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

#### 1. Financial Results and Annual Reporting

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

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

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

#### Asset Impairment Testing

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

This review was centred on two entities that were trading at a loss in the current and previous years giving rise to an impairment indicator that these assets might not be used profitably. Management had reviewed the usage of these assets consisting mainly plant and equipment against the related business plans for the coming year. The review indicated that assets with a carrying value of RM4.4 million were unlikely to be used for the generation of income. Accordingly, an impairment charge of the same amount was recognised in the financial statements of the current year.

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

#### Deferred tax asset recognition

The level of deferred tax asset recognition in relation to accumulated tax losses are underpinned by a range of judgements. Deferred tax asset is recognised for deductible temporary differences and unutilised tax losses only to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.



A review was carried out on certain companies of the Group that suffered losses in the current and prior years to ascertain whether the deferred tax assets recognised in the books could be utilised to relieve tax charges arising from future profits. The review was conducted by Management against the approved business plans of the companies under consideration and it was concluded that deferred tax assets amounting to RM3.1 million be reversed hence accounting for the higher tax rate in relation to the pre-tax profit of the current year.

The AC considered the Management's policy and assessment on the Group's entities' deferred tax asset recognition, and considered the views of the external auditors and is satisfied that the policy has been applied consistently and appropriately.

#### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group has diversified range of business activities that different recognition method is applied for goods, services and performance milestone.

The AC is satisfied that the Group has applied the policy consistently and appropriately regarding the revenue recognition.

- (b) Reviewed the annual consolidated audited financial statements for the year under review before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were updated and in compliance with:
  - Listing Requirements of Bursa Securities;
  - Provisions of the Companies Act 1965 and other relevant legal and regulatory requirements; and
  - Applicable approved Malaysian Financial Reporting Standards and International Financial Reporting Standards.
- (c) Reviewed the Statement on Corporate Governance, Statement on Risk Management and Internal Control and AC Report to ensure adherence to legal and regulatory reporting requirements prior to the Board's approval for inclusion into the Annual Report.

## **2. External Audit**

- (a) Reviewed the external auditors' scope of work, audit plan and audit strategy for FY2016 to ensure appropriate focus on the key risk areas.
- (b) Reviewed the external auditors' report to the AC in relation to the reviews of the quarterly results and announcements along with resolution of issues highlighted in their report to the AC.
- (c) Reviewed the external auditors' report to the AC for the year under review in relation to the audit and accounting issues arising from the audit and Management's responses.
- (d) Reviewed the internal control findings, system of internal control, discussed the impact on the overall soundness of the internal control procedures and processes which included a review of the post implementation of the Enterprise Resource Planning (ERP) system with recommendation for further improvement.
- (e) Reviewed other matters relating to accounting, auditing, financial reporting practices and processes, legal, regulatory and taxation matters of the Group.
- (f) Reviewed the independence and objectivity of the external auditors.
- (g) Monitored the non-audit related fees paid to the external auditors, Messrs PricewaterhouseCoopers (PwC) so that the services provided did not affect the objectivity and independence of the external auditors. The fees paid to PwC in FY2016 in relation to non-audit services were RM103,450 compared to the fees paid in relation to the statutory audit and other audit related fees of RM457,410.
- (h) Reviewed the performance and effectiveness of the external auditors and recommended to the Board for their re-appointment, remuneration and fees for statutory audit.
- (i) Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements and the extent of compliance.
- (j) Discussed with the external auditors on the impact of the requirements under the new and revised International Standards on Auditing released by the International Auditing and Assurance Standards Board which was effective for audit reports for financial statements with a financial year/period ended on or after 15 December 2016, including key audit matters and other information.



## Audit Committee Report

- (k) Held two (2) private meetings with the external auditors without the presence of the Executive Director and Management or employees of the Company. The meetings focused on an assessment by the external auditors on management attitudes and responses to adherence to the Group's core values of ethics and integrity, adequacy and competencies of the Group's accounting staff, in addition to discussions on key audit matters. The AC is satisfied that where appropriate actions were taken to address the issues and concerns raised by the external auditors arising from these meetings.
- (l) Carried out evaluation of the external auditors and internal auditors, the details of which are in Section (VI) of this Report.

### 3. Internal Audit

- (a) Reviewed and approved the Internal Audit Plan prepared by the internal auditors, BDO Governance Advisory Sdn. Bhd. (BDO) to ensure the adequacy of its scope and coverage of the Group's activities.
- (b) Reviewed and assessed the resources, performance and competency of the internal auditors.
- (c) Reviewed the Internal Audit reports, audit recommendations made and Management's responses to these recommendations, including actions taken to improve the system of internal control and procedures, amongst others, covering the following areas:
  - review of the inventory management systems of Deleum Oilfield Services Sdn. Bhd. (DOSSB) on East Malaysia operations to ensure compliance with DOSSB's policies on inventory management as well as adequacy of insurance policies, security measures and safeguarding of the assets;
  - follow-up review on contract compliance review on DOSSB's Pan Malaysia Slickline Contracts where all audit findings had been resolved;
  - internal control review on Group Quality, Health, Safety and Environment (QHSE) to ensure compliance with Group QHSE policies and procedures as well as HSE legal and other requirements such as Occupational Safety & Health Administration;
  - review of Deleum Primera Sdn. Bhd.'s business operations and compliance with key contract requirements as part of the organisation's ongoing process to evaluate the adequacy and effectiveness of internal controls within the Group; and
  - post implementation review of the ERP system at DOSSB and Turboservices Sdn. Bhd. to assess the extent to which the intended improvements to the Group's control environment have been achieved through the implementation of the system.

- (d) Ensured that appropriate and prompt remedial actions and improved procedures were implemented by Management arising from the findings raised in the internal audit reviews and in respect of outstanding issues identified from the follow-up audits.
- (e) Reviewed the Statement on Risk Management and Internal Control to ensure that it is consistent with their understanding of the state of internal controls of the Group.
- (f) Held one (1) private meeting with the internal auditors without the presence of the Executive Director and Management or employees of the Company to discuss any areas of concern.

### 4. Related Party Transactions

- (a) Apprised of the recurrent related party transactions to ensure that the amounts transacted were within the approved shareholders' mandate obtained. During FY2016, announcement was made to Bursa Securities pursuant to the Listing Requirements where the actual value of the recurrent related party transactions of Penaga Dresser Sdn. Bhd., a 51% owned subsidiary of the Group with related parties had exceeded 10% of the estimated value under the approved shareholders' mandate.
- (b) Reviewed the related party transactions of the Group to ensure that they are based on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.
- (c) Reviewed the adequacy of procedures and processes in identifying, monitoring, reviewing and reporting of related party transactions.
- (d) Reviewed the circular to shareholders in respect of the annual shareholders' mandate for recurrent related party transactions prior to recommendation to the Board for consideration and approval.

### 5. Whistleblowing

The Group has put in place a Whistleblowing Policy to provide an avenue for employees and any other parties who deal or provide services to the Group to report, in genuine concerns, any wrongdoing in accordance with the procedures in the policy. The AC shall be updated as and when there are cases reported or any concerns raised. There was no reported case of wrongdoing in 2016.

Further details of the Whistleblowing Policy is set out in the Statement on Corporate Governance of this Annual Report.



## 6. Training

Members of the AC are encouraged to stay abreast of developments in accounting, finance and relevant regulatory matters in order to discharge their duties effectively. During FY2016, the AC members attended seminars and training sessions offered by regulators and other appropriate bodies or organisations. They were also briefed by Management, external and internal auditors on corporate governance practices, changes to accounting, taxation, auditing and reporting requirements as well as the Listing Requirements.

## (V) INTERNAL AUDIT FUNCTION

The AC is supported by BDO, a well-established firm that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors, as the Internal Audit Function (IAF) of the Group.

The IAF's primary role is to assist the AC in reviewing the state of the systems of internal control maintained by Management and provide assurance to the AC on the adequacy and integrity of the internal control and governance framework of the Group. The IAF reviews and assesses whether the systems of internal control procedures are effective, and provides recommendations to strengthen internal control procedures and processes.

The IAF, based on its findings, noted that there was no material absence or lapses in internal controls that could result in the Group being exposed to major downside risks, material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. Deleum's internal control system is not extended to the associate companies, in which the Group's interests are safeguarded through board representation.

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

During the financial year, the internal auditors attended all four (4) AC meetings and the cost incurred for the outsourced IAF in respect of FY2016 amounted to RM89,724. The activities carried out by the IAF were as follows:

- (a) Conducted Internal Audit engagements consistent with the annual audit plan presented and approved by the AC. The plan adopts a risk-based methodology by focusing on key risk areas. The work performed included financial and operational reviews across the three (3) main business segments with emphasis on contract compliance and project management, and the ERP implementation. Their findings, together with related recommendations and Management's responses thereto, were reported to the AC on a quarterly basis.

- (b) Reviewed the adequacy and integrity of the system of controls to ensure there is a systematic methodology in identifying, assessing and managing risk areas with regard to:

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets and resources; and
- compliance with laws, regulations and contractual obligations within the Company's governance, operations and information systems.

- (c) Conducted follow-up reviews on actions taken by Management in implementing their recommendations within the agreed timelines.

The Company continues to outsource its IAF to BDO as opposed to establishing an in-house IAF after considering a few factors, such as the size of the Group as well as in-house resources and difficulty in attracting and retaining qualified and competent internal audit staff. Since its engagement in 2007, BDO has built up a good understanding of the Group's business and the peculiarities of the industry in which the Group operates, and is capable of focusing its time on the higher risk auditable areas.

The AC is satisfied with the services provided by BDO, which have added value and are cost effective. The AC intends to continue with the engagement of BDO as IAF of the Group due to the knowledge of and familiarity with the operations of the Group and industry that BDO has accumulated through its tenure of experience with Deleum.

## (VI) EVALUATION

### 1. External Auditors

The AC reviewed and evaluated the suitability, performance and independence of external auditors with feedback obtained from the AC members, Management and senior Finance personnel engaged with the audit. Self-assessment by the external auditors, PwC was also carried out for this purpose. Summary of the results of the completed questionnaires were tabled to the AC for review and deliberation at AC meeting. The evaluation of the external auditors covered the areas of:

- governance and independence;
- communication and interaction with the AC with focus on their audit planning/audit strategy, audit findings/audit finalisation and completion;
- quality of services and sufficiency of resources in respect of the firm, processes, technical knowledge and audit team; and
- audit fee.



## Audit Committee Report

In the evaluation, the AC also takes into account the relevant professional and regulatory requirements, the effectiveness of the audit process and the relationship with the external auditors as a whole, including the provision of any non-audit services.

As part of the annual audit exercise, the Company also obtained written assurance from PwC confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. PwC was appointed as the external auditors of Deleum since its inception in 2005. PwC has complied with the requirement of the MIA and the firm's Guidelines in rotating audit partners every five (5) years with FY2016 being the last year of the current engaging partner. The Group also restricted the employment of former employees of the external auditors to ensure independence of the external auditors and for avoidance of any conflict of interest. During FY2016, there was no employment of former employees of the external auditors reported to the AC.

The non-audited services conducted during FY2016 comprised mainly of tax services including workshops for Goods and Services Tax. As a policy, before appointing the external auditors to undertake any non-audit services, considerations would be given as to whether this would create a threat to the external auditors' independence or objectivity. The Management is obliged to obtain confirmation from the external auditors on their independence. All engagements of the external auditors to provide non-audit services are subject to the approval of the AC.

During FY2016, the amount of audit fees and non-audit fees paid/payable to PwC or a firm or corporation affiliated to PwC by the Company and the Group respectively were as follows:

	COMPANY (RM)	GROUP (RM)
Statutory audit fee	231,340	457,410
Non-audit fee	16,102	103,450

The provision of non-audit services by PwC during FY2016 did not compromise its independence and objectivity as the non-audit services was conducted by different teams from the statutory audit team of PwC. The AC concluded that it continued to be satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances.

The Board on the recommendation of the AC, is satisfied that PwC remains effective, objective and independent in carrying out its role as external auditors of the Company. The Board has at the Board meeting held on 27 February 2017 approved the AC's recommendation for the re-appointment of PwC for the ensuing year to be tabled at the forthcoming Twelfth Annual General Meeting for shareholders' approval.

### 2. Internal Auditors

The AC had reviewed and evaluated the suitability, adequacy of scope, competency, quality of services and sufficiency of resources of the IAF in respect of FY2016 with feedback obtained from the AC members, Management and external auditors as well as self-assessment by the internal auditors prior to the meeting. Summary of results of the assessment was tabled to the AC for deliberation at the meeting.

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

### 3. Audit Committee

The Board through the Joint Remuneration and Nomination Committee (JRNC) had conducted annual evaluation and assessment on the performance of the AC and its members in respect of FY2016. The AC members had also carried out a self-assessment on an annual basis to monitor their overall effectiveness in meeting their responsibilities.

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

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



# Financial Statements

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# Directors' Report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

## 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	26,513,191	13,788,711
- Non-controlling interest	6,307,971	0
Profit for the financial year	32,821,162	13,788,711

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2015 were as follows:

	RM
In respect of the financial year ended 31 December 2015, as shown in the Directors' report of that year, a second interim single tier dividend of 3.5 sen per share on 400,000,000 ordinary shares, paid on 25 March 2016	14,000,000
In respect of the financial year ended 31 December 2016, first interim single tier dividend of 1.25 sen per share on 400,000,000 ordinary shares, paid on 26 September 2016	5,000,000
	19,000,000

The Directors, had on 27 February 2017 declared a second interim single tier dividend of 2.25 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2016 totalling RM9,000,000, payable on 28 March 2017.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2016.

## RESERVES AND PROVISIONS

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



**SHARE CAPITAL AND DEBENTURES**

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

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

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

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

During the financial year, the Company made the second grant of LTIP up to maximum of 4,641,900 ordinary shares of RM0.50 each to selected eligible employees of the Group which comprises the RS Award of 1,598,700 shares and PS Award of 3,043,200 shares based on outstanding performance target ("2<sup>nd</sup> Grant").

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

Date of Grant	Type of Grant	At 1.1.2016	Granted	Lapsed/ Forfeited	At 31.12.2016
2 March 2015 (1 <sup>st</sup> Grant)	RS Award	1,104,000	0	(397,800) <sup>^</sup>	706,200
	PS Award	1,041,000	0	(27,300) <sup>#</sup>	1,013,700
22 March 2016 (2 <sup>nd</sup> Grant)	RS Award	0	1,598,700	(79,200) <sup>#</sup>	1,519,500
	PS Award	0	1,521,600	(41,300) <sup>#</sup>	1,480,300

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

Notes: <sup>^</sup> Shares lapsed due to non-vesting as the performance targets in respect of financial year ended 31 December 2015 were not met or forfeited due to the resignation of employees.

<sup>#</sup> Shares forfeited due to the resignation of employees.

**DIRECTORS**

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

Dato' Izham bin Mahmud  
Datuk Vivekananthan a/l M.V. Nathan  
Datuk Ishak bin Imam Abas  
Datuk Chin Kwai Yoong  
Nan Yusri bin Nan Rahimy  
Datuk Ir (Dr) Abdul Rahim bin Hashim  
Datuk Noor Azian binti Shaari

In accordance with Article 78 of the Company's Articles of Association, Datuk Ir (Dr) Abdul Rahim bin Hashim retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Dato' Izham bin Mahmud, Datuk Vivekananthan a/l M.V. Nathan and Datuk Ishak bin Imam Abas who were re-appointed as Directors at the last Annual General Meeting pursuant to Section 129 of the Companies Act, 1965, which was then in force, to hold office until the conclusion of the forthcoming Annual General Meeting, have offered themselves for re-appointment.



# Directors' Report

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company was a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than those arising from the LTIP as disclosed in Directors' Interests in Shares.

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

## DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.50 each in the Company			
	At 1.1.2016	Acquired	Sold	At 31.12.2016

### Direct interest

Dato' Izham bin Mahmud	11,200,000	0	0	11,200,000
Datuk Vivekananthan a/l M.V. Nathan	42,699,300	100,000	0	42,799,300
Datuk Ishak bin Imam Abas	2,392,998	50,000	(480,000)	1,962,998
Datuk Chin Kwai Yoong	750,000	0	0	750,000
Nan Yusri bin Nan Rahimy	397,332	0	0	397,332

### Indirect interest

Dato' Izham bin Mahmud	138,264,398	0	0	138,264,398
Datuk Vivekananthan a/l M.V. Nathan	81,718,800	0	0	81,718,800
Datuk Chin Kwai Yoong	50,000	0	0	50,000
Nan Yusri bin Nan Rahimy	76,332	0	0	76,332

	Number of ordinary shares of RM1.00 each in a subsidiary, VSM Technology Sdn. Bhd.			
	At 1.1.2016	Acquired	Sold	At 31.12.2016

### Direct interest

Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400
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By virtue of their interest in shares in the Company pursuant to Section 6A of the Companies Act, 1965 (now Section 8 of the new Companies Act, 2016), Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.



**DIRECTORS' INTERESTS IN SHARES (CONTINUED)**

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

	Date of Grant	Type of Grant	Number of ordinary shares of RM0.50 each granted under LTIP			
			At 1.1.2016	Granted	Lapsed	At 31.12.2016
Nan Yusri bin Nan Rahimy	2 March 2015	RS Award	145,800	0	(48,600)	97,200
		PS Award	226,200	0	0	226,200
	22 March 2016	RS Award	0	218,200	0	218,200
		PS Award	0	680,600*	0	680,600

Note: \* The number of shares granted on 22 March 2016 under the PS Award was up to maximum based on outstanding performance targets.

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

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

**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:

- 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
- 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:

- 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
- which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- 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.



## Directors' Report

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

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 other than the impairment on non-financial assets as disclosed in Note 3(a)(iii); 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.

### 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 27 February 2017.

**DATO' IZHAM BIN MAHMUD**  
DIRECTOR

**NAN YUSRI BIN NAN RAHIMY**  
DIRECTOR



# Statements of Comprehensive Income

for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Continuing operations					
Revenue	5	<b>608,651,926</b>	649,397,527	<b>27,328,300</b>	42,789,555
Cost of sales		<b>(480,130,677)</b>	(500,221,541)	<b>(11,741,100)</b>	(12,831,300)
Gross profit		<b>128,521,249</b>	149,175,986	<b>15,587,200</b>	29,958,255
Other operating income		<b>2,056,906</b>	2,192,153	<b>1,997,853</b>	1,739,847
Selling and distribution costs		<b>(28,140,051)</b>	(31,684,785)	<b>0</b>	0
Administrative expenses		<b>(44,275,410)</b>	(49,662,762)	<b>(5,645,521)</b>	(7,088,144)
Other operating (losses)/gains		<b>(3,954,899)</b>	2,147,573	<b>2,232,528</b>	(24,421)
Operating profit		<b>54,207,795</b>	72,168,165	<b>14,172,060</b>	24,585,537
Finance cost	8	<b>(5,348,170)</b>	(7,433,136)	<b>(1,432,573)</b>	(1,555,537)
Share of results of a joint venture (net of tax)	16	<b>684,182</b>	774,888	<b>0</b>	0
Share of results of associates (net of tax)	17	<b>223,513</b>	5,642,114	<b>0</b>	0
Profit before tax	6	<b>49,767,320</b>	71,152,031	<b>12,739,487</b>	23,030,000
Tax expense	9	<b>(16,946,158)</b>	(16,653,413)	<b>1,049,224</b>	859,211
Profit from continuing operations		<b>32,821,162</b>	54,498,618	<b>13,788,711</b>	23,889,211
Discontinued operation					
Profit from discontinued operation (net of tax)		<b>0</b>	1,040,712	<b>0</b>	0
Profit for the year		<b>32,821,162</b>	55,539,330	<b>13,788,711</b>	23,889,211
Other comprehensive income:					
Item that may be subsequently reclassified to profit or loss					
Currency translation differences		<b>238,211</b>	1,110,952	<b>0</b>	0
Other comprehensive income (net of tax)		<b>238,211</b>	1,110,952	<b>0</b>	0
Total comprehensive income for the financial year		<b>33,059,373</b>	56,650,282	<b>13,788,711</b>	23,889,211



# Statements of Comprehensive Income

for the financial year ended 31 December 2016

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Profit attributable to:					
Equity holders of the Company		<b>26,513,191</b>	45,407,801	<b>13,788,711</b>	23,889,211
Non-controlling interest		<b>6,307,971</b>	10,131,529	<b>0</b>	0
		<b>32,821,162</b>	55,539,330	<b>13,788,711</b>	23,889,211
Total comprehensive income attributable to:					
Equity holders of the Company		<b>26,594,737</b>	45,722,023	<b>13,788,711</b>	23,889,211
Non-controlling interest		<b>6,464,636</b>	10,928,259	<b>0</b>	0
		<b>33,059,373</b>	56,650,282	<b>13,788,711</b>	23,889,211
Earnings per share (sen)					
- Basic	10				
- From continuing operations		<b>6.63</b>	11.09		
- From discontinued operation		<b>0.00</b>	0.26		
		<b>6.63</b>	11.35		
- Diluted	10				
- From continuing operations		<b>6.56</b>	11.04		
- From discontinued operation		<b>0.00</b>	0.26		
		<b>6.56</b>	11.30		

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



# Statements of Financial Position

as at 31 December 2016

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	192,002,549	226,786,470	3,428,521	3,799,227
Investment properties	13	841,574	865,150	0	0
Intangible assets	14	2,371,281	3,091,447	292,372	211,790
Subsidiaries	15	0	0	135,365,103	135,095,308
Joint venture	16	27,706,371	27,022,189	29,375,937	29,375,937
Associates	17	39,744,617	44,750,474	0	0
Deferred tax assets	27	3,525,646	6,305,754	2,074,053	1,024,829
		266,192,038	308,821,484	170,535,986	169,507,091
CURRENT ASSETS					
Amounts due from subsidiaries	18	0	0	76,790,117	97,848,456
Tax recoverable		2,695,422	3,656,701	27,437	27,437
Inventories	19	22,078,366	20,440,414	0	0
Trade and other receivables	20	228,500,381	194,118,139	343,656	2,496,945
Deferred cost		4,604,834	9,226,198	0	0
Amounts due from associates	21	13,153	1,615,602	0	2,341
Amounts due from a joint venture	22	105,492	177,221	104,126	162,165
Cash and bank balances	23	140,433,965	134,712,278	7,905,165	4,454,000
		398,431,613	363,946,553	85,170,501	104,991,344



# Statements of Financial Position

as at 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>LESS: CURRENT LIABILITIES</b>					
Amounts due to subsidiaries	18	0	0	12,225,967	22,461,856
Amounts due to associates	21	7,847,000	7,517,125	108	0
Amounts due to a joint venture	22	77,589	299,050	0	0
Borrowings	24	54,218,044	57,425,513	28,900,000	30,800,000
Taxation		2,117,456	2,945,804	0	0
Dividends payable		146,537	343,250	0	74,008
Deferred revenue		7,361,717	8,883,125	0	0
Trade and other payables	25	187,833,798	177,715,103	2,620,708	4,421,676
Financial guarantee liabilities	26	8,712	26,779	8,712	26,779
		<b>259,610,853</b>	<b>255,155,749</b>	<b>43,755,495</b>	<b>57,784,319</b>
<b>NET CURRENT ASSETS</b>		<b>138,820,760</b>	<b>108,790,804</b>	<b>41,415,006</b>	<b>47,207,025</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	27	21,221,976	18,662,483	0	0
Borrowings	24	55,349,295	79,960,337	0	0
		<b>76,571,271</b>	<b>98,622,820</b>	<b>0</b>	<b>0</b>
		<b>328,441,527</b>	<b>318,989,468</b>	<b>211,950,992</b>	<b>216,714,116</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Ordinary shares	28	200,000,000	200,000,000	200,000,000	200,000,000
Share based payment	29	654,488	206,323	654,488	206,323
Retained earnings		152,769,314	145,256,123	11,296,504	16,507,793
Merger deficit	30	(50,000,000)	(50,000,000)	0	0
Foreign currency translation		(2,653,945)	(2,735,491)	0	0
Shareholders' equity		<b>300,769,857</b>	<b>292,726,955</b>	<b>211,950,992</b>	<b>216,714,116</b>
<b>NON-CONTROLLING INTEREST</b>		<b>27,671,670</b>	<b>26,262,513</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY</b>		<b>328,441,527</b>	<b>318,989,468</b>	<b>211,950,992</b>	<b>216,714,116</b>

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



# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2016

Group	Note	Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.50 each		Share based payment RM	Foreign currency translation RM	Non-distributable		Distributable	Total RM	Non-controlling interest RM	Total equity RM
		Number of shares	Nominal value RM			Merger deficit RM	Retained earnings RM				
At 1 January 2016		400,000,000	200,000,000	206,323	(2,735,491)	(50,000,000)	145,256,123	292,726,955	26,262,513	318,989,468	
Profit for the financial year		0	0	0	0	0	26,513,191	26,513,191	6,307,971	32,821,162	
Other comprehensive income for the financial year		0	0	0	81,546	0	0	81,546	156,665	238,211	
Total comprehensive income for the financial year		0	0	0	81,546	0	26,513,191	26,594,737	6,464,636	33,059,373	
Share based payment		29	0	0	448,165	0	0	448,165	0	448,165	
Dividends		11	0	0	0	0	(19,000,000)	(19,000,000)	(5,055,479)	(24,055,479)	
At 31 December 2016		400,000,000	200,000,000	654,488	(2,653,945)	(50,000,000)	152,769,314	300,769,857	27,671,670	328,441,527	
At 1 January 2015		400,000,000	200,000,000	0	(3,049,713)	(50,000,000)	127,843,825	274,794,112	30,129,565	304,923,677	
Profit for the financial year		0	0	0	0	0	45,407,801	45,407,801	10,131,529	55,539,330	
Other comprehensive income for the financial year		0	0	0	314,222	0	0	314,222	796,730	1,110,952	
Total comprehensive income for the financial year		0	0	0	314,222	0	45,407,801	45,722,023	10,928,259	56,650,282	
Share based payment		29	0	0	206,323	0	0	206,323	0	206,323	
Change in ownership interest in a subsidiary		0	0	0	0	0	4,497	4,497	(3,173,497)	(3,169,000)	
Dividends		11	0	0	0	0	(28,000,000)	(28,000,000)	(11,621,814)	(39,621,814)	
At 31 December 2015		400,000,000	200,000,000	206,323	(2,735,491)	(50,000,000)	145,256,123	292,726,955	26,262,513	318,989,468	

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



# Company Statement of Changes in Equity

for the financial year ended 31 December 2016

Company	Note	Issued and fully paid ordinary shares of RM0.50 each		Non- distributable Share based payment RM	Distributable Retained earnings RM	Total RM
		Number of shares	Nominal value RM			
<b>At 1 January 2016</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>206,323</b>	<b>16,507,793</b>	<b>216,714,116</b>
Total comprehensive income for the financial year		0	0	0	13,788,711	13,788,711
Share based payment	29	0	0	448,165	0	448,165
Dividends	11	0	0	0	(19,000,000)	(19,000,000)
<b>At 31 December 2016</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>654,488</b>	<b>11,296,504</b>	<b>211,950,992</b>
<b>At 1 January 2015</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>0</b>	<b>20,618,582</b>	<b>220,618,582</b>
Total comprehensive income for the financial year		0	0	0	23,889,211	23,889,211
Share based payment	29	0	0	206,323	0	206,323
Dividends	11	0	0	0	(28,000,000)	(28,000,000)
<b>At 31 December 2015</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>206,323</b>	<b>16,507,793</b>	<b>216,714,116</b>

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



# Statements of Cash Flows

for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		32,821,162	55,539,330	13,788,711	23,889,211
Adjustments for:					
Impairment loss on investment in subsidiaries		0	0	0	1,400,000
Impairment for doubtful debts					
- Trade receivables					
- impairment made		506,684	636,273	0	0
- write back of impairment		(60,552)	(300,927)	0	0
Impairment for doubtful debts					
- Other receivables					
- write back of impairment		0	(1,500,000)	0	(1,500,000)
Allowance for slow moving inventories					
- allowance made		283,492	219,760	0	0
- write back of allowance made		(88,641)	(49,364)	0	0
Amortisation of intangible assets		1,108,535	903,933	51,911	41,540
Amortisation cost on financial liabilities		0	(68)	0	0
Depreciation					
- property, plant and equipment		32,706,473	28,879,528	460,606	829,370
- investment properties		23,576	22,886	0	0
Impairment of property, plant and equipment		4,357,087	0	0	0
Bad debts written off					
- trade receivables		63,262	114,394	0	0
- other receivables		18,502	102,334	0	0
Provision for liquidated damages					
- provision made		459,203	1,535	0	0
Losses/(gains) on disposal of property, plant and equipment		110,167	(161,840)	0	0
Write-off					
- property, plant and equipment		1,023,066	242,970	1,357	1,784
- intangible assets		5,577	0	0	0
- inventories		1,175,345	0	0	0
Interest income		(1,452,419)	(1,163,901)	(435,897)	(1,621,879)
Amortisation of financial guarantee liabilities		(18,067)	(15,876)	(18,067)	(21,167)
Dividend income		0	0	(15,000,000)	(29,316,655)
Inter-company interest income		0	0	(1,515,334)	(96,800)
Finance cost		5,348,170	7,461,213	1,432,573	1,555,537
Share based payment expense		448,165	206,323	178,370	75,533
Share of results of associates		(223,513)	(5,642,114)	0	0
Share of results of a joint venture		(684,182)	(774,888)	0	0
Tax expense		16,946,158	16,631,702	(1,049,224)	(859,211)
Unrealised foreign exchange gains		(5,904,444)	(5,560,322)	0	0
Gain from sale of discontinued operation		0	(1,126,885)	0	0
Operating profit/(loss) before working capital changes		88,972,806	94,665,996	(2,104,994)	(5,622,737)



# Statements of Cash Flows

for the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<u>Changes in working capital</u>					
Amounts due from subsidiaries		0	0	2,866,686	(11,082,300)
Inventories		(3,008,148)	7,691,543	0	0
Trade and other receivables		(31,587,603)	53,499,560	2,154,635	(369,838)
Deferred cost		4,621,364	(833,205)	0	0
Amounts due from a joint venture		41,478	(145,300)	41,478	(145,300)
Amounts due to subsidiaries		0	0	(10,235,890)	6,794,015
Trade and other payables		9,840,768	(5,803,372)	(1,870,960)	684,768
Deferred revenue		(1,521,408)	638,431	0	0
Cash generated from/(used in) operation		67,359,257	149,713,653	(9,149,045)	(9,741,392)
Tax paid		(11,473,626)	(14,477,651)	0	0
Interest paid		(5,257,148)	(7,374,672)	(1,362,580)	(1,494,907)
Net cash generated from/(used in) operating activities		50,628,483	127,861,330	(10,511,625)	(11,236,299)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		1,442,488	1,154,435	2,629,020	561,775
Purchase of property, plant and equipment	12	(4,008,947)	(26,295,541)	(91,257)	(298,310)
Proceeds from disposal of property, plant and equipment		596,075	496,266	0	0
Purchase of intangible assets	14	(416,600)	(758,997)	(416,600)	(822,958)
Amounts due from associates		2,449	(13,111)	2,448	0
Amounts due to associates		329,875	7,517,125	0	0
Amounts due from a joint venture		52,905	(290,226)	39,215	47,095
Amounts due to a joint venture		(221,461)	393,603	0	0
Dividends received from subsidiaries		0	0	23,600,000	32,216,655
Dividends received from associates		7,200,000	5,528,092	0	0
Repayment from/(advances) to subsidiaries		0	0	9,173,972	(2,191,931)
Net cash generated from/(used in) investing activities		4,976,784	(12,268,354)	34,936,798	29,512,326



	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Term loan:					
- drawn down		0	0	0	0
- repayments		(24,600,000)	(18,598,645)	0	0
Revolving credit:					
- drawn down		1,150,000	7,500,000	650,000	4,500,000
- repayments		(5,050,000)	(7,000,000)	(2,550,000)	0
Loans against import					
- drawn down		2,780,496	6,595,828	0	0
- repayments		(2,073,322)	(6,595,828)	0	0
Finance lease liabilities					
- repayments		(25,685)	(34,573)	0	0
Dividends paid to:					
- shareholders		(19,074,008)	(27,959,283)	(19,074,008)	(27,959,283)
- non-controlling interest		(5,178,184)	(11,848,791)	0	0
Acquisition of non-controlling interest		0	(3,169,000)	0	0
Increase/(decrease) in restricted cash		58,692	(10,158,754)	74,008	(40,717)
Net cash used in financing activities		(52,012,011)	(71,269,046)	(20,900,000)	(23,500,000)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>3,593,256</b>	<b>44,323,930</b>	<b>3,525,173</b>	<b>(5,223,973)</b>
<b>FOREIGN CURRENCY TRANSLATION</b>		<b>2,187,123</b>	<b>4,667,420</b>	<b>0</b>	<b>0</b>
<b>DISPOSAL OF DISCONTINUED OPERATION</b>		<b>0</b>	<b>(5,877,480)</b>	<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>123,830,695</b>	<b>80,716,825</b>	<b>4,379,992</b>	<b>9,603,965</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	23	<b>129,611,074</b>	<b>123,830,695</b>	<b>7,905,165</b>	<b>4,379,992</b>

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



# Summary of Significant Accounting Policies

## for the financial year ended 31 December 2016

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

### A BASIS OF PREPARATION

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

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

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

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

The amendments to published standards that are effective for the Group's and the Company's financial year beginning on or after 1 January 2016 are as follows:

- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127 Separate Financial Statements – Equity Accounting in Separate Financial Statements
- Annual Improvements to MFRS 2012 – 2014 cycle (Amendments to MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, MFRS 7 Financial Instruments: Disclosures, MFRS 119 Employee Benefits and MFRS 134 Interim Financial Reporting)
- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101 Presentation of Financial Statements – Disclosure Initiatives
- Amendments to MFRS 11 Joint Arrangement – Accounting for Acquisition of Interest in Joint Operations

The adoption of these amendments did not have any impact on the current period or any prior period.

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

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

##### (i) Financial year beginning on or after 1 January 2017

- Annual Improvements to MFRS 2012 – 2014 cycle (Amendments to MFRS 12 Disclosure of Interests in Other Entities)
- Amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiatives
- Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses



**A BASIS OF PREPARATION (CONTINUED)**

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

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

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

- Annual Improvements to MFRS 2012 – 2014 cycle (Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investment in Associates and Joint Ventures)
- Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 140 Transfer of Investment Property
- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments
- IC Interpretations 22 Foreign Currency Transactions and Advance Consideration

- (iii) Financial year beginning on or after 1 January 2019

- MFRS 16 Leases

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

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

**MFRS 15 Revenue from Contracts with Customers**

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

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

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

**MFRS 16 Leases**

MFRS 16 will replace the existing leasing standard MFRS 117 Leases and related interpretations. Under MFRS 16, a lease is a contract (or part of a contracts) that conveys the right to control the use of an identified assets for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance lease (on balance sheet) or operating lease (off balance sheet) and requires lessee to recognise "right-of-use" of the underlying asset and the corresponding lease liability to reflect the future obligations on these lease payments.

The adoption of MFRS 16 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 16.



# Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

## B CONSOLIDATION

### (a) Subsidiaries

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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



**B CONSOLIDATION (CONTINUED)****(a) Subsidiaries (continued)**

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

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

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

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as a non-distributable reserve. Any share premium, capital redemption reserve and any other 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 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 transactions with equity owners of the Group. Any change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

**(c) Disposal of subsidiaries**

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

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



## Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

### B CONSOLIDATION (CONTINUED)

#### (d) Joint Ventures

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

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

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

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

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

#### (e) Associates

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

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

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

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



**B CONSOLIDATION (CONTINUED)****(e) Associates (continued)**

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

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

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

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

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

**C INTANGIBLE ASSETS****(a) Goodwill**

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

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

**(b) Contracts**

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



## Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

### C INTANGIBLE ASSETS (CONTINUED)

#### (c) Distributorship agreement

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

#### (d) Software costs

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

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

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

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

### D INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

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

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

### E PROPERTY, PLANT AND EQUIPMENT

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

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



**E PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

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

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

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

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

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

**F INVESTMENT PROPERTIES**

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

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

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

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

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

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

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

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



# Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

## G INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. Cost of purchased inventories for resale purpose is determined after deducting discounts and rebates. For other inventories, the cost comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs.

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

## H LEASES

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

### Accounting by lessee

#### Finance leases

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

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

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

#### Operating leases

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

## I CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments (less than 3 months maturity) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



**J IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

**K FINANCIAL ASSETS****(a) Classification**

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'amounts due from subsidiaries', 'trade and other receivables (excluding prepayments)', 'amounts due from associates', 'amounts due from a joint venture', and 'cash and bank balances' in the statements of financial position (Notes 18, 20, 21, 22 and 23).

**(b) Recognition and initial measurement**

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

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss.

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

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

**(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.



## Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

### K FINANCIAL ASSETS (CONTINUED)

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

##### Assets carried at amortised cost (continued)

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

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

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

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

#### (e) De-recognition

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

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

### L FINANCIAL LIABILITIES

#### (a) Classification

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

Financial liabilities, within the scope of MFRS139, are recognised in the statement of financial positions when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group classifies all its financial liabilities as other financial liabilities. The Group's and the Company's other financial liabilities comprise 'amounts due to subsidiaries', 'amounts due to associates', 'amounts due to a joint venture', 'borrowings', 'trade and other payables (excluding statutory obligations)' and 'financial guarantee liabilities' in the statements of financial position (Notes 18, 21, 22, 24, 25 and 26).



**L FINANCIAL LIABILITIES (CONTINUED)****(b) Recognition and initial measurement**

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

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

**(c) De-recognition**

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

**M OFFSETTING FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

**N FINANCIAL GUARANTEE CONTRACTS**

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

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

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

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

**O SHARE CAPITAL****(a) Classification**

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



# Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

## O SHARE CAPITAL (CONTINUED)

### (b) Share issue costs

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

### (c) Dividends to shareholders of the Company

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

## P TRADE AND OTHER RECEIVABLES

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

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

The net amount of GST recoverable from the government is presented as 'other receivable' in the statement of financial position.

## Q TRADE AND OTHER PAYABLES

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

Trade and other payables are recognised initially at fair value with the amount of goods and services tax ("GST") included. The net amount of GST payable to the government is presented as 'other payables' in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows which are recoverable from, or payable to the government are classified as operating cash flows.

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

## R BORROWINGS AND BORROWINGS COSTS

### (a) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.



**R BORROWINGS AND BORROWINGS COSTS (CONTINUED)****(b) Borrowings Costs**

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

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

**S REVENUE RECOGNITION**

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

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

Revenues are measured at the fair value of the consideration received or receivable by the Group. In arrangements whereby the criteria set out below are not met, the marketing fee earned on the sale is recognised as revenue:

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

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

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

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

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.



## Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

### T EMPLOYEE BENEFITS

#### (a) Short term employee benefits

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

#### (b) Defined contribution plans

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

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

#### (c) Share based payment transactions

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

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

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

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

### U CURRENT AND DEFERRED INCOME TAXES

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

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

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



## U CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

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

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

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

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

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

## V FOREIGN CURRENCIES

### (a) Functional and presentation currency

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

### (b) Transactions and balances

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

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

### (c) Group companies

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

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



# Summary of Significant Accounting Policies

for the financial year ended 31 December 2016

## V FOREIGN CURRENCIES (CONTINUED)

### (c) Group companies (continued)

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

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

## W SEGMENT REPORTING

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

## X CONTINGENT LIABILITIES

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



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

### Market risk

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

#### (i) Foreign currency exchange risk

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

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:

	2016		Group 2015	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
US Dollar	195,311,379	127,978,630	147,550,508	111,035,287
Others	414,186	183,566	112,281	153,794
	<b>195,725,565</b>	<b>128,162,196</b>	147,662,789	111,189,081



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 2 FINANCIAL RISK MANAGEMENT POLICIES

### Market risk (continued)

#### (i) Foreign currency exchange risk (continued)

##### 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:

	2016 RM	Group 2015 RM
<u>Weaken by 10% impact to profit or loss</u>		
US Dollar	(6,733,275)	(3,651,522)
<u>Strengthen by 10% impact to profit or loss</u>		
US Dollar	6,733,275	3,651,522

#### (ii) Interest rate risk

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

##### Interest rate sensitivity

This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit before tax would increase by RM1,095,563 (2015: RM1,373,491). 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.



**2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**Credit risk (continued)

## (i) Receivables

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

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

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

	2016 RM	Group 2015 RM
Neither past due nor impaired:		
Counterparties without external credit rating		
- New customers during the year	181,730	5,888,569
- Existing customers with no defaults in the past	180,102,254	149,481,052
Total unimpaired trade receivables	180,283,984	155,369,621
Past due but not impaired:		
Counterparties without external credit rating		
- New customers during the year	167,691	858,590
- Existing customers with no defaults in the past	37,594,827	19,238,649
Total past due but not impaired trade receivables	37,762,518	20,097,239
Past due and impaired:		
Counterparties without external credit rating		
- New customers during the year	82,512	0
- Existing customers	2,550,858	2,217,364
Total past due and impaired trade receivables	2,633,370	2,217,364



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

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

The Company provides unsecured loans and advances to subsidiaries and a joint venture. The amounts due from associates are in relation to dividends receivable and payment of operating expenses on behalf of the associates. The Company monitors the results of the subsidiaries, associates and joint venture regularly. As at 31 December 2016, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries, associates and a joint venture are stated at the realisable values. As at 31 December 2016, there was no indication that the loans and advances extended to the subsidiaries and a joint venture and amounts due from associates are not recoverable.

#### (iii) Bank balances

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
AAA	<b>140,344,366</b>	134,617,272	<b>7,851,958</b>	4,329,558
AA	<b>62,290</b>	61,358	<b>51,535</b>	50,434

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 a bank in respect of banking facilities granted to a joint venture. The Company monitors on an ongoing basis the results of the joint venture and repayment made by the joint venture.

The maximum exposure to credit risk for the Company amounts to RM379,663 (2015: RM1,106,423), representing the outstanding banking facilities of a joint venture as at end of reporting period. As at the end of the reporting period, there was no indication that the joint venture would default on repayment.

### 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.



## 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.

					2016
	On demand or within one year RM	One to two years RM	Two to five years RM	More than five years RM	Total RM
<u>Group</u>					
<u>Financial liabilities</u>					
Trade and other payables (excluding statutory obligations)	180,419,162	0	0	0	180,419,162
Financial guarantee liabilities	8,712	0	0	0	8,712
Borrowings	57,075,931	26,348,235	31,561,862	0	114,986,028
Total undiscounted financial liabilities	237,503,805	26,348,235	31,561,862	0	295,413,902
<u>Company</u>					
<u>Financial liabilities</u>					
Amounts due to subsidiaries	12,225,967	0	0	0	12,225,967
Borrowings	29,023,518	0	0	0	29,023,518
Financial guarantee liabilities	8,712	0	0	0	8,712
Other payables and accruals (excluding statutory obligations)	2,494,077	0	0	0	2,494,077
Total undiscounted financial liabilities	43,752,274	0	0	0	43,752,274



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Liquidity risk (continued)

					2015
	On demand or within one year RM	One to two years RM	Two to five years RM	More than five years RM	Total RM
<u>Group</u>					
<u>Financial liabilities</u>					
Trade and other payables (excluding statutory obligations)	171,366,567	0	0	0	171,366,567
Financial guarantee liabilities	26,779	0	0	0	26,779
Borrowings	62,014,611	27,989,657	58,526,682	0	148,530,950
Total undiscounted financial liabilities	233,407,957	27,989,657	58,526,682	0	319,924,296

### Company

#### Financial liabilities

Amounts due to subsidiaries	22,461,856	0	0	0	22,461,856
Borrowings	30,800,000	0	0	0	30,800,000
Financial guarantee liabilities	26,779	0	0	0	26,779
Other payables and accruals (excluding statutory obligations)	4,293,420	0	0	0	4,293,420
Total undiscounted financial liabilities	57,582,055	0	0	0	57,582,055



### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

##### (i) Deferred tax assets

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

##### (ii) Revenue recognition

The Group is 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.

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

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

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

During the financial year, the Group performed an impairment assessment in accordance to its accounting policy Note J on impairment of non-financial assets. The recovery amount of three businesses, being defined as three cash generating units ("CGU"), was assessed accordingly. These CGUs are referred to its repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps ("CGU 1") and provision of oilfield chemicals ("CGU 2" and "CGU 3"). Consequently, an impairment loss of RM4,357,087, being the excess of the carrying amount over its recoverable amount for CGU 1, has been charged to the profit or loss during the financial year ended 31 December 2016. The recoverable amount of CGU 2 and CGU 3 are in excess of their carrying amount and there are no impairment losses on these CGUs.

The recoverable amount was determined based on the value-in-use calculation based on a five-year cash flow projection expected to be generated by these assets. The cash flow projections include approved budgeted financials for first year and forecasted financials for the subsequent four years based on the following assumptions:

##### (i) CGU 1

The key assumptions for the five-year cash flow projections for this CGU are zero revenue growth rate with EBITDA margin of below 4% based on past historical trend, at a discount rate of 12.53%. As the projections has resulted in negative recoverable amount, the plant and equipment is fully impaired. In view of this, there is no impact on its value-in-use calculations.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (a) Critical accounting estimates and judgments (continued)

#### (iii) Impairment of non-financial assets (continued)

##### (ii) CGU 2

The chemical business has been re-organised during the financial year with renewed focus on unbundling products sales and its related services. Certain assets have been transferred to another CGU. The remaining assets are tested for impairment with a five-year cash flow projection to determine its recoverable amount. The key assumption for the five-year cash flow projections for this CGU is the projected revenue with a growth rate of 5%, at a discount rate of 12.54%. The key estimation uncertainty over the assumption used in the value-in-use calculations is the achievability of the projected revenue. The sensitivity of the assumption to the recoverable amount, with all other variables remain constant, is that impairment loss will occur when the estimated projected revenue of the chemical business drops by more than 46.66%.

##### (iii) CGU 3

The assets transferred following the reorganisation in note (ii) above are consolidated into a sub-segment of another business within the Group and defined as a separate CGU. The key assumption for the five-year cash flow projections for this CGU is the projected revenue with a growth rate of 3%, at a discount rate of 12.54%. The key estimation uncertainty over the assumption used in the value-in-use calculations is the achievability of the projected revenue. The sensitivity of the assumption to the recoverable amount, with all other variables remain constant, is that impairment loss will occur when the projected revenue estimated drops by more than 24.43%.

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of these plant and equipment to exceed its recoverable amount.

#### (iv) Impairment of equity investment

The Group assesses impairment of the equity investment are incurred if, and only if, there is objective evidence of an impairment as a result of one or more events that occurred after the initial recognition of the equity investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows on the issuer of the equity investment.

In assessing whether there is a 'loss event' (or events) that has an impact on the estimated future cash flows on the issuer of the equity investment, the Group will consider the significant changes with an adverse effect, if any, that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment of which the carrying amount of the investment is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for the equity investment and its value in use. The value in use is the net present value of future projected cash flow expected to be generated by the investment discounted at an appropriate discount rate.

During the financial year, the Group reviewed its material associate for potential impairment as the associate recorded a loss of RM1,158,869.



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

(a) Critical accounting estimates and judgments (continued)

(iv) Impairment of equity investment (continued)

The recoverable amount was determined based on the value-in-use calculation based on a five-year cash flow projection expected to be generated by the associate and its terminal value cash flows after adjusting for the annual estimated costs of asset replacement that will be shared by the Group based on its equity interest in the associate. The cash flow projections include approved budgeted financials for first year and forecasted financials for the subsequent four years based on the following assumptions, with additional new projects forecasted to be secured in third year. Cash flows beyond the five-year period which includes the annual estimated costs of asset replacement were extrapolated to perpetuity with no growth rate assumed based on the following assumptions:

Revenue growth rate	5.0%
Inflation rate	3.0%
Weighted average cost of capital	13.39%
EBITDA margin	54% - 72%

The key estimation uncertainty over the assumptions used in the value-in-use calculations is the achievability of the projected revenue and the additional projects and the projected cost savings by the associate of which impairment loss will occur when the projected revenue estimated drops by more than 39.44%.

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any equity investment to exceed its recoverable amount.

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

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

### 4 SEGMENTAL REPORTING

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

- Power and Machinery ("P&M") – Mainly consists of:
  - Sale of gas turbines and related parts, and overhaul of turbines, maintenance and technical services, including complete installation turnkey for new installations, package renewal and retrofit;
  - Supply and commission of combined heat and power plants;
  - Supply, install, repair and maintenance of valves, flow regulators and other production related equipment; and
  - Repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 4 SEGMENTAL REPORTING (CONTINUED)

- Oilfield Services (“OS”) – Mainly consists of:
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of oilfield chemicals; and
  - Provision of drilling equipment and services and other oilfield products and technical services.
- Integrated Corrosion Solution (“ICS”) – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2016.

The P&M and OS segments comprise four main business activities within each of this segment within the Group. These business activities are aggregated to form a reportable segment due to the similar nature and economic characteristics of the products and services.

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

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

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

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

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

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



#### 4 SEGMENTAL REPORTING (CONTINUED)

##### (a) Business Segments

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
<b>Financial year ended 31 December 2016</b>				
<b>SEGMENT REVENUE</b>				
External revenue	429,105,019	135,514,274	43,633,433	608,252,726
Other non-reportable segment				399,200
				608,651,926
<b>SEGMENT RESULTS</b>				
Segment operating profit	35,884,492	12,515,475	4,098,868	52,498,835
Other non-reportable segment				19,200
				52,518,035
Profit from operations				52,518,035
Unallocated income				482,565
Unallocated corporate expenses				(4,140,975)
Share of results of a joint venture				684,182
Share of results of associates				223,513
Profit before tax				49,767,320
Tax expense				(16,946,158)
Profit for the year				32,821,162



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 4 SEGMENTAL REPORTING (CONTINUED)

### (a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
<b>Financial year ended 31 December 2016</b>				
Other information:				
Depreciation and amortisation	1,973,300	28,568,581	1,669,728	32,211,609
Other material non-cash items				
Impairment for property, plant and equipment	4,357,087	0	0	4,357,087
Impairment for doubtful debts	231,275	213,640	61,769	506,684
Write back of impairment for doubtful debts	0	(60,552)	0	(60,552)
Write-off of property, plant and equipment	273,977	726,889	20,843	1,021,709
Write-off of inventories	0	1,173,542	1,803	1,175,345
Allowance for slow moving inventories	283,492	0	0	283,492
Reversal of allowance for slow moving inventories	(88,641)	0	0	(88,641)
Provision for liquidated damages	459,203	0	0	459,203
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(106,421,970)	(50,893,257)	(41,531,899)	(198,847,126)
- Customer B	(43,374,014)	(46,423,555)	0	(89,797,569)
- Customer C	(92,468,299)	0	0	(92,468,299)
Segment assets	278,036,400	250,691,920	33,347,864	562,076,184
Unallocated corporate assets				102,547,467
Total assets				664,623,651
Segment liabilities	160,044,567	125,084,221	16,920,041	302,048,829
Unallocated corporate liabilities				34,133,295
Total liabilities				336,182,124



#### 4 SEGMENTAL REPORTING (CONTINUED)

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

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



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 4 SEGMENTAL REPORTING (CONTINUED)

### (a) Business Segments (continued)

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

### (b) Geographical information

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



## 5 REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of equipment	131,154,844	195,563,139	0	0
Rendering of services	474,355,281	444,160,673	0	0
Marketing fee	2,742,601	9,400,115	0	0
Dividend income	0	0	15,000,000	29,316,655
Management fee	399,200	273,600	12,328,300	13,472,900
	<b>608,651,926</b>	<b>649,397,527</b>	<b>27,328,300</b>	<b>42,789,555</b>

## 6 PROFIT BEFORE TAX

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM

The following items have been charged/(credited)  
in arriving at profit before tax:

Purchase of products, parts and consumables	266,448,892	301,418,712	0	0
Cost of services purchased	43,996,916	97,625,616	0	0
Inter-company interest income	0	0	(1,515,334)	(96,800)
Impairment for doubtful debts:				
- Trade receivables				
- impairment made	506,684	636,273	0	0
- write back of impairment	(60,552)	(300,927)	0	0
- Other receivables				
- write back of impairment	0	(1,500,000)	0	(1,500,000)
Bad debts recovered	(2,421,344)	0	(2,300,000)	0
Amortisation of financial guarantee liabilities	(18,067)	(15,876)	(18,067)	(21,167)
Amortisation of intangible assets	1,108,535	903,933	51,911	41,540
Depreciation:				
- property, plant and equipment	32,706,473	28,879,528	460,606	829,370
- investment properties	23,576	22,886	0	0
Fees to PricewaterhouseCoopers Malaysia:				
- statutory audit services				
- current year	344,560	349,920	118,490	118,490
- audit related services	112,850	142,850	112,850	142,850
- non-audit related services	103,450	184,800	16,102	20,300
Statutory audit fees to other auditors				
- current year	83,841	76,043	0	0
Loss/(gain) on disposal of property, plant and equipment	110,167	(161,840)	0	0



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 6 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
The following items have been charged/(credited) in arriving at profit before tax (continued):				
Impairment loss on investment in subsidiaries	0	0	0	1,400,000
Impairment of property, plant and equipment	4,357,087	0	0	0
Loss/(gain) on foreign exchange:				
- realised	3,567,743	2,234,325	(9,742)	58,458
- unrealised	(5,904,444)	(5,560,322)	0	0
Allowance for slow moving inventories	283,492	219,760	0	0
Reversal of allowance for slow moving inventories	(88,641)	(49,364)	0	0
Write off:				
- property, plant and equipment	1,023,066	242,970	1,357	1,784
- trade receivables	63,262	114,394	0	0
- other receivables	18,502	102,334	0	0
- inventories	1,175,345	0	0	0
- intangible assets	5,577	0	0	0
Provision for liquidated damages	459,203	1,535	0	0
Interest income	(1,452,419)	(1,163,901)	(435,897)	(1,621,879)
Rental income	(129,652)	(524,538)	0	0
Rental expense:				
- business premises	3,465,166	3,596,231	0	0
- equipment	13,911,579	22,330,481	0	0
Staff cost (including executive directors' remuneration as disclosed in Note 7)				
- Wages, salaries and others	72,581,533	76,962,144	10,716,173	11,626,697
- Retirement gratuity	0	100,000	0	0
- Defined contribution plan	8,463,015	7,010,553	1,206,444	1,090,180



**7 DIRECTORS' REMUNERATION**

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Executive Directors:				
- salaries and bonuses	<b>1,350,000</b>	1,665,000	<b>1,350,000</b>	1,595,000
- defined contribution plan	<b>202,500</b>	253,880	<b>202,500</b>	239,250
- retirement gratuity	<b>0</b>	100,000	<b>0</b>	0
- other emoluments	<b>6,763</b>	11,417	<b>6,763</b>	4,314
- estimated monetary value of benefits-in-kind	<b>31,150</b>	31,150	<b>31,150</b>	31,150
Non-executive Directors:				
- fees	<b>942,000</b>	962,000	<b>942,000</b>	962,000
- other emoluments	<b>105,870</b>	102,736	<b>105,870</b>	102,736
- estimated monetary value of benefits-in-kind	<b>70,400</b>	70,400	<b>70,400</b>	70,400
	<b>2,708,683</b>	3,196,583	<b>2,708,683</b>	3,004,850

**8 FINANCE COST**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest on revolving credit facility	<b>1,490,139</b>	1,641,016	<b>1,432,573</b>	1,555,537
Interest on loan against import	<b>25,289</b>	59,126	<b>0</b>	0
Interest on term loans	<b>3,831,674</b>	5,730,355	<b>0</b>	0
Interest on finance lease	<b>1,068</b>	2,639	<b>0</b>	0
	<b>5,348,170</b>	7,433,136	<b>1,432,573</b>	1,555,537

During the current financial year, finance cost incurred of RM1,420,825 (2015: RM1,542,353) at the Company level had been re-charged to its subsidiaries for the utilisation of the revolving credit facility.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 9 TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Income tax expense on continuing operations				
Current tax:				
- Malaysian tax	12,342,751	17,346,326	0	0
(Over)/Under provision in prior periods:				
- Malaysian tax	(736,194)	(778)	0	0
Deferred tax (Note 27):				
- Origination and reversal of temporary differences	508,803	(692,135)	(1,049,224)	(859,211)
- Reversal of deferred tax assets recognised in prior periods	3,068,945	0	0	0
- Deferred tax asset not recognised	1,761,853	0	0	0
	16,946,158	16,653,413	(1,049,224)	(859,211)

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

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	24	25	24	25
Tax effects of:				
- expenses not deductible for tax purposes	2	1	3	3
- joint venture and associates results reported net of tax	0	(3)	0	0
- income not subject to tax	(1)	0	(33)	(32)
- reversal of deferred tax assets recognised in prior periods	6	0	0	0
- deferred tax asset not recognised	3	0	0	0
- overprovision in prior periods	0	0	(2)	0
Effective tax rate	34	23	(8)	(4)



**10 EARNINGS PER SHARE**

## Basic earnings per share

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

	2016 RM	Group 2015 RM
Profit from continuing operations attributable to equity holders of the Company	<b>26,513,191</b>	44,367,089
Profit from discontinued operation attributable to equity holders of the Company	<b>0</b>	1,040,712
Profit for the financial year attributable to equity holders of the Company	<b>26,513,191</b>	45,407,801
Number of ordinary shares at the beginning of the year	<b>400,000,000</b>	400,000,000
Adjusted weighted average number of ordinary shares	<b>400,000,000</b>	400,000,000
Basic earnings per share (sen)		
- From continuing operations	<b>6.63</b>	11.09
- From discontinued operation	<b>0.00</b>	0.26
	<b>6.63</b>	11.35



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 10 EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

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

		Group
	2016	2015
	RM	RM
Profit from continuing operations attributable to equity holders of the Company	26,513,191	44,367,089
Profit from discontinued operation attributable to equity holders of the Company	0	1,040,712
Profit for the financial year attributable to equity holders of the Company	26,513,191	45,407,801
Adjusted weighted average number of ordinary shares as per basic earnings per share	400,000,000	400,000,000
Effect of potential vesting of LTIP	4,005,078	2,002,555
Adjusted weighted average number of ordinary shares	404,005,078	402,002,555
Diluted earnings per share (sen)		
- From continuing operations	6.56	11.04
- From discontinued operation	0.00	0.26
	6.56	11.30



**11 DIVIDENDS**

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

	2016		2015	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
<u>In respect of the financial year ended 31 December 2014</u>				
Second interim single tier dividend, on 400,000,000 ordinary shares, paid on 26 March 2015	0	0	5.0	20,000,000
<u>In respect of the financial year ended 31 December 2015</u>				
First interim single tier dividend, on 400,000,000 ordinary shares, paid on 25 September 2015	0	0	2.0	8,000,000
Second interim single tier dividend, on 400,000,000 ordinary shares, paid on 25 March 2016	3.5	14,000,000	0	0
<u>In respect of the financial year ended 31 December 2016</u>				
First interim single tier dividend, on 400,000,000 ordinary shares, paid on 26 September 2016	1.25	5,000,000	0	0
		<b>19,000,000</b>		<b>28,000,000</b>

The Directors had on 27 February 2017 declared a second interim single tier dividend of 2.25 sen per share of RM0.50 each in respect of the financial year ended 31 December 2016, totaling RM9,000,000, payable on 28 March 2017.

Total dividend for the financial year ended 31 December 2016 is 3.50 sen (2015: 5.5 sen) based on ordinary shares of 400,000,000 (2015: 400,000,000).

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2016.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 12 PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & renovations RM	Plant, machinery and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
<u>Year ended 31 December 2016</u>							
<u>Net book value</u>							
At 1 January 2016	3,379,155	3,835,270	10,963,218	207,633,629	841,444	133,754	226,786,470
Additions	0	0	1,651,385	2,242,522	115,040	0	4,008,947
Written off	0	0	(274,724)	(748,342)	0	0	(1,023,066)
Transfer	0	0	511,506	(377,752)	0	(133,754)	0
Disposals	0	(147,405)	(14,822)	(390,722)	(153,293)	0	(706,242)
Depreciation charge	(87,757)	(180,906)	(3,668,077)	(28,410,934)	(358,799)	0	(32,706,473)
Impairment charge	0	0	0	(4,357,087)	0	0	(4,357,087)
At 31 December 2016	3,291,398	3,506,959	9,168,486	175,591,314	444,392	0	192,002,549
<u>At 31 December 2016</u>							
Cost	4,387,284	5,885,747	30,919,492	290,402,534	4,141,191	0	335,736,248
Accumulated depreciation	(1,095,886)	(2,378,788)	(21,751,006)	(110,454,133)	(3,696,799)	0	(139,376,612)
Accumulated impairment	0	0	0	(4,357,087)	0	0	(4,357,087)
Net book value	3,291,398	3,506,959	9,168,486	175,591,314	444,392	0	192,002,549
<u>At 31 December 2015</u>							
Cost	4,387,284	6,152,947	29,277,063	293,262,912	4,385,557	133,754	337,599,517
Accumulated depreciation	(1,008,129)	(2,317,677)	(18,313,845)	(85,629,283)	(3,544,113)	0	(110,813,047)
Net book value	3,379,155	3,835,270	10,963,218	207,633,629	841,444	133,754	226,786,470



## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Motor vehicles RM	Total RM
<u>Year ended 31 December 2016</u>					
<u>Net book value</u>					
At 1 January 2016	2,106,446	1,099,980	491,666	101,135	3,799,227
Additions	0	0	91,257	0	91,257
Written off	0	0	(1,357)	0	(1,357)
Depreciation charge	(48,892)	(26,190)	(284,392)	(101,132)	(460,606)
At 31 December 2016	2,057,554	1,073,790	297,174	3	3,428,521
<u>At 31 December 2016</u>					
Cost	2,444,000	1,309,500	4,390,933	2,227,587	10,372,020
Accumulated depreciation	(386,446)	(235,710)	(4,093,759)	(2,227,584)	(6,943,499)
Net book value	2,057,554	1,073,790	297,174	3	3,428,521
<u>At 31 December 2015</u>					
Cost	2,444,000	1,309,500	5,352,061	2,227,587	11,333,148
Accumulated depreciation	(337,554)	(209,520)	(4,860,395)	(2,126,452)	(7,533,921)
Net book value	2,106,446	1,099,980	491,666	101,135	3,799,227



## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2016 RM	Group 2015 RM
Net book value of property, plant and equipment of the Group pledged as security:		
- long term leasehold land	1,233,844	1,272,711
- long term leasehold buildings	1,292,734	1,563,875
- office equipment, furniture & fittings and renovations	1,638,017	2,168,481
- plant, machinery and other equipment	168,849,463	195,084,495
- motor vehicles	194,679	279,398
	<b>173,208,737</b>	<b>200,368,960</b>

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

The net book value of motor vehicles acquired under hire purchase arrangement amounted to RM20,426 (2015: RM49,650).

## 13 INVESTMENT PROPERTIES

	2016 RM	Group 2015 RM
<u>Net book value</u>		
At 1 January	865,150	888,036
Depreciation charge	(23,576)	(22,886)
At 31 December	<b>841,574</b>	<b>865,150</b>
Cost	1,178,764	1,178,764
Accumulated depreciation	(305,727)	(282,151)
Accumulated impairment loss	(31,463)	(31,463)
	<b>841,574</b>	<b>865,150</b>
Fair value of investment properties	<b>1,018,050</b>	<b>1,156,875</b>



**13 INVESTMENT PROPERTIES (CONTINUED)**

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

	2016 RM	Group 2015 RM
Rental income	85,152	85,152

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

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

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

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

Description	Valuation technique	Unobservable input	Unobservable input	Relationships of unobservable inputs to fair value
Office lot – Mutiara Bangsar	Sales comparison approach	Price per square metre	RM330	The higher the price per square metre, the higher fair value



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 14 INTANGIBLE ASSETS

	Goodwill RM	Contracts RM	Software costs RM	Software costs for assets in progress RM	Total RM
<u>Group</u>					
<u>2016</u>					
At 1 January	108,997	430,210	1,841,927	710,313	3,091,447
Additions	0	0	0	416,600	416,600
Transfer	0	0	982,954	(982,954)	0
Written off	0	0	(5,577)	0	(5,577)
Re-charge to a joint venture	0	0	(22,654)	0	(22,654)
Amortisation	0	(430,210)	(678,325)	0	(1,108,535)
At 31 December	108,997	0	2,118,325	143,959	2,371,281
Cost	108,997	3,953,810	3,501,010	143,959	7,707,776
Accumulated amortisation	0	(3,953,810)	(1,382,685)	0	(5,336,495)
At 31 December	108,997	0	2,118,325	143,959	2,371,281
<u>2015</u>					
At 1 January	108,997	860,420	1,285,595	979,851	3,234,863
Additions	0	0	0	822,958	822,958
Transfer	0	0	1,021,932	(1,021,932)	0
Re-charge to a joint venture	0	0	0	(70,564)	(70,564)
Amortisation	0	(430,210)	(465,600)	0	(895,810)
At 31 December	108,997	430,210	1,841,927	710,313	3,091,447
Cost	108,997	3,953,810	2,546,286	710,313	7,319,406
Accumulated amortisation	0	(3,523,600)	(704,359)	0	(4,227,959)
At 31 December	108,997	430,210	1,841,927	710,313	3,091,447



**14 INTANGIBLE ASSETS (CONTINUED)**

	Software costs RM	Software costs for assets in progress RM	Total RM
<u>Company</u>			
<u>2016</u>			
At 1 January	174,759	37,031	211,790
Additions	0	416,600	416,600
Transfer	309,672	(309,672)	0
Re-charge to subsidiaries	(261,453)	0	(261,453)
Re-charge to a joint venture	(22,654)	0	(22,654)
Amortisation	(51,911)	0	(51,911)
At 31 December	148,413	143,959	292,372
Cost	270,108	143,959	414,067
Accumulated amortisation	(121,695)	0	(121,695)
	148,413	143,959	292,372
<u>2015</u>			
At 1 January	116,966	67,999	184,965
Additions	0	822,958	822,958
Transfer	99,333	(99,333)	0
Re-charge to subsidiaries	0	(684,029)	(684,029)
Re-charge to a joint venture	0	(70,564)	(70,564)
Amortisation	(41,540)	0	(41,540)
At 31 December	174,759	37,031	211,790
Cost	244,543	37,031	281,574
Accumulated amortisation	(69,784)	0	(69,784)
	174,759	37,031	211,790



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 15 SUBSIDIARIES

	Company	
	2016 RM	2015 RM
Unquoted shares at cost	144,765,103	144,495,308
Less: Impairment loss	(9,400,000)	(9,400,000)
	<b>135,365,103</b>	135,095,308

During the financial year, the Company increased its investment in its subsidiaries by RM269,795 (2015: RM130,790) through grant of shares to selected eligible employees of subsidiaries in the Group under the LTIP.

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

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

	Penaga Dresser Sdn. Bhd.	Delcom Utilities (Cambodia) Limited	Turboservices Sdn. Bhd.	Other individually immaterial subsidiaries	Total
In RM					
<u>Year ended 31 December 2016</u>					
NCI percentage of ownership interest and voting interest	49%	40%	26%		
Carrying amount of NCI	13,866,238	5,930,647	4,506,894	3,367,891	27,671,670
<u>Year ended 31 December 2015</u>					
NCI percentage of ownership interest and voting interest	49%	40%	26%		
Carrying amount of NCI	14,350,242	5,521,475	4,267,813	2,122,983	26,262,513



**15 SUBSIDIARIES (CONTINUED)**

Summarised financial information on subsidiaries with material NCI

Summarised statements of comprehensive income

	<b>Penaga Dresser Sdn. Bhd.</b>		<b>Delcom Utilities (Cambodia) Limited</b>		<b>Turboservices Sdn. Bhd.</b>	
	<b>For the financial year ended 31 December</b>		<b>For the financial year ended 31 December</b>		<b>For the financial year ended 31 December</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
Revenue	<b>53,824,077</b>	66,086,003	<b>0</b>	1,197,781	<b>352,829,704</b>	380,797,651
Profit before tax	<b>11,915,969</b>	21,587,586	<b>(21,683)</b>	1,179,763	<b>1,770,985</b>	370,410
Tax expense	<b>(2,903,733)</b>	(5,510,823)	<b>0</b>	0	<b>(253,450)</b>	514,364
Profit for the year	<b>9,012,236</b>	16,076,763	<b>(21,683)</b>	1,179,763	<b>1,517,535</b>	884,774
Other comprehensive income						
Currency translation differences	<b>0</b>	0	<b>79,633</b>	732,523	<b>0</b>	0
Total comprehensive income for the financial year	<b>9,012,236</b>	16,076,763	<b>57,950</b>	1,912,286	<b>1,517,535</b>	884,774
Total comprehensive income allocated to NCI	<b>4,415,996</b>	7,877,614	<b>23,180</b>	764,914	<b>394,561</b>	230,041
Dividends to NCI	<b>4,900,000</b>	8,575,000	<b>0</b>	1,817,854	<b>155,479</b>	310,960



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of financial position

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.	
	As at 31 December		As at 31 December		As at 31 December	
	2016	2015	2016	2015	2016	2015
	RM	RM	RM	RM	RM	RM
<u>Current</u>						
Assets	35,858,190	45,866,171	4,541,137	4,503,935	174,877,327	169,809,188
Liabilities	(9,810,257)	(18,765,555)	(8,016,020)	(7,812,128)	(160,968,889)	(156,886,170)
Total current net assets/(liabilities)	26,047,933	27,100,616	(3,474,883)	(3,308,193)	13,908,438	12,923,018
<u>Non-current</u>						
Assets	2,323,816	2,218,595	5,412,420	5,187,780	3,425,770	3,491,655
Liabilities	0	(11,042)	0	0	0	0
Total non-current net assets	2,323,816	2,207,553	5,412,420	5,187,780	3,425,770	3,491,655
Net assets	28,371,749	29,308,169	1,937,537	1,879,587	17,334,208	16,414,673

Summarised statements of cash flows

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2016	2015	2016	2015	2016	2015
	RM	RM	RM	RM	RM	RM
Cash flows from operating activities						
Cash generated from/(used in) operations	14,488,514	17,516,802	(14,164)	183,323	(16,737,686)	41,650,639
Tax paid	(4,241,883)	(5,014,409)	0	0	0	(556,250)
Interest (paid)/received	(24,420)	(40,852)	0	0	372,220	517,099
Net cash generated from/(used in) operating activities	10,222,211	12,461,541	(14,164)	183,323	(16,365,466)	41,611,488
Net cash (used in)/generated from investing activities	(336,264)	(583,877)	0	1,197,781	(764,054)	(1,219,377)
Net cash (used in)/generated from financing activities	(10,025,685)	(17,534,573)	(134,520)	2,972,489	(2,397,492)	1,380,727



**15 SUBSIDIARIES (CONTINUED)**

Summarised statements of cash flows (continued)

	<b>Penaga Dresser Sdn. Bhd.</b>		<b>Delcom Utilities (Cambodia) Limited</b>		<b>Turboservices Sdn. Bhd.</b>	
	<b>For the financial year ended 31 December</b>		<b>For the financial year ended 31 December</b>		<b>For the financial year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Net (decrease)/increase in cash and cash equivalents	<b>(139,738)</b>	(5,656,909)	<b>(148,684)</b>	4,353,593	<b>(19,527,012)</b>	41,772,838
Foreign currency translation	<b>(18,556)</b>	(152,794)	<b>194,419</b>	(238,110)	<b>1,195,524</b>	3,722,509
Cash and cash equivalents at beginning of the financial year	<b>13,193,435</b>	19,003,138	<b>4,430,405</b>	314,922	<b>56,754,272</b>	11,258,925
Cash and cash equivalents at end of the financial year	<b>13,035,141</b>	13,193,435	<b>4,476,140</b>	4,430,405	<b>38,422,784</b>	56,754,272

**16 JOINT VENTURE**

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	<b>29,375,937</b>	29,375,937

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Group's share of net assets of joint venture	<b>27,706,371</b>	27,022,189

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

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



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 16 JOINT VENTURE (CONTINUED)

Summarised statements of comprehensive income

	TOSB For the financial year ended	
	2016 RM	2015 RM
Revenue	6,427,568	3,929,150
Depreciation	(2,597,628)	(1,660,618)
Interest expense	(51,337)	(70,568)
Interest income	191,997	91,794
Profit before tax	1,166,782	1,319,283
Tax expense	(317,394)	(357,286)
Profit for the year/Total comprehensive income for the financial year	849,388	961,997
Interest in joint venture (80.55%) Share of results	684,182	774,888

Summarised statements of financial position

	TOSB As at 31 December	
	2016 RM	2015 RM
<u>Current</u>		
Cash and bank balances	7,929,145	5,204,464
Other current assets (excluding cash)	4,180,093	5,076,029
Total current assets	12,109,238	10,280,493
Financial liabilities (excluding trade payables)	(685,330)	(1,570,424)
Other current liabilities (including trade payables)	(137,491)	(272,870)
Total current liabilities	(822,821)	(1,843,294)
<u>Non-current</u>		
Assets	23,180,449	25,288,629
Financial liabilities	0	(379,669)
Other liabilities	(535,066)	(263,749)
Total non-current liabilities	(535,066)	(643,418)
Net assets	33,931,800	33,082,410



**16 JOINT VENTURE (CONTINUED)**

Reconciliation of summarised financial information

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

	<b>TOSB</b>	
	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Opening net assets		
1 January	<b>27,022,189</b>	0
Investment during the year	<b>0</b>	26,247,301
Share of profit for the year	<b>684,182</b>	774,888
Closing net assets	<b>27,706,371</b>	27,022,189
Interest in joint venture (80.55%)	<b>27,706,371</b>	27,022,189
Carrying value	<b>27,706,371</b>	27,022,189

**17 ASSOCIATES**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Group's share of net assets of associates	<b>39,744,617</b>	44,750,474

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

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

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

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired in May 2015. Upon its expiration, the Company will continue to equity account for the results of CUPL until it ceases to be an associate. The Company's interest in CUPL at that date will be represented by current assets which are expected to be liquidated and returned to the Company in the form of cash. The share of results from this associate and its contribution attributable to the shareholders of the Company in the financial year ended 31 December 2016 amounted to RM594,351 (2015: RM2,221,293) and RM356,611 (2015: RM1,332,776) respectively.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 17 ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income

	MMC For the financial year ended		CUPL For the financial year ended		Total For the financial year ended	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	<b>34,471,308</b>	51,123,087	<b>0</b>	27,412,722	<b>34,471,308</b>	78,535,809
Depreciation	<b>(17,179,977)</b>	(17,874,115)	<b>0</b>	(159,126)	<b>(17,179,977)</b>	(18,033,241)
Interest expense	<b>(154,178)</b>	(838,654)	<b>0</b>	(5,707)	<b>(154,178)</b>	(844,361)
Interest income	<b>0</b>	0	<b>37,188</b>	125,571	<b>37,188</b>	125,571
(Loss)/profit before tax	<b>(983,476)</b>	14,030,965	<b>3,059,049</b>	12,683,405	<b>2,075,573</b>	26,714,370
Tax expense	<b>(175,393)</b>	(3,340,898)	<b>(87,294)</b>	(1,576,940)	<b>(262,687)</b>	(4,917,838)
(Loss)/Profit for the year	<b>(1,158,869)</b>	10,690,067	<b>2,971,755</b>	11,106,465	<b>1,812,886</b>	21,796,532
Other comprehensive income						
Currency translation differences	<b>0</b>	0	<b>1,853,150</b>	1,259,303	<b>1,853,150</b>	1,259,303
Total comprehensive (loss)/income for the financial year	<b>(1,158,869)</b>	10,690,067	<b>4,824,905</b>	12,365,768	<b>3,666,036</b>	23,055,835
Interest in associates (32%; 20%) Share of results	<b>(370,838)</b>	3,420,821	<b>594,351</b>	2,221,293	<b>223,513</b>	5,642,114
Dividends received from associate	<b>7,200,000</b>	3,200,000	<b>0</b>	2,328,092	<b>7,200,000</b>	5,528,092



**17 ASSOCIATES (CONTINUED)**

Summarised statements of financial position

	MMC		CUPL		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2016	2015	2016	2015	2016	2015
	RM	RM	RM	RM	RM	RM
Current						
Cash and bank balances	<b>3,073,042</b>	3,551,820	<b>2,564,396</b>	6,797,628	<b>5,637,438</b>	10,349,448
Other current assets (excluding cash)	<b>23,416,982</b>	45,292,031	<b>39,553,328</b>	37,895,861	<b>62,970,310</b>	83,187,892
Total current assets	<b>26,490,024</b>	48,843,851	<b>42,117,724</b>	44,693,489	<b>68,607,748</b>	93,537,340
Financial liabilities (excluding trade payables)	<b>(872,194)</b>	(11,441,440)	<b>0</b>	(3,029,976)	<b>(872,194)</b>	(14,471,416)
Other current liabilities (including trade payables)	<b>(5,174,406)</b>	(9,608,113)	<b>(472,322)</b>	(4,843,016)	<b>(5,646,728)</b>	(14,451,129)
Total current liabilities	<b>(6,046,600)</b>	(21,049,553)	<b>(472,322)</b>	(7,872,992)	<b>(6,518,922)</b>	(28,922,545)
Non-current Assets	<b>89,948,225</b>	101,121,776	<b>0</b>	0	<b>89,948,225</b>	101,121,776
Financial liabilities	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0
Other liabilities	<b>(12,218,095)</b>	(12,083,651)	<b>0</b>	0	<b>(12,218,095)</b>	(12,083,651)
Total non-current liabilities	<b>(12,218,095)</b>	(12,083,651)	<b>0</b>	0	<b>(12,218,095)</b>	(12,083,651)
Net assets	<b>98,173,554</b>	116,832,423	<b>41,645,402</b>	36,820,497	<b>139,818,956</b>	153,652,920



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 17 ASSOCIATES (CONTINUED)

Reconciliation of summarised financial information

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

	MMC		CUPL		Total	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Opening net assets						
1 January	116,832,423	111,142,356	36,820,497	25,396,883	153,652,920	136,539,239
(Loss)/profit for the year	(1,158,869)	10,690,067	2,971,755	11,106,465	1,812,886	21,796,532
Other comprehensive income	0	0	1,853,150	1,259,303	1,853,150	1,259,303
Foreign exchange differences	0	0	0	5,037,214	0	5,037,214
Dividends	(17,500,000)	(5,000,000)	0	(5,979,368)	(17,500,000)	(10,979,368)
Closing net assets	98,173,554	116,832,423	41,645,402	36,820,497	139,818,956	153,652,920
Interest in associates (32%; 20%)	31,415,537	37,386,375	8,329,080	7,364,099	39,744,617	44,750,474
Carrying value	31,415,537	37,386,375	8,329,080	7,364,099	39,744,617	44,750,474

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2016 RM	2015 RM
Amounts due from subsidiaries	76,790,117	97,848,456
Amounts due to subsidiaries	(12,225,967)	(22,461,856)

Included in amounts due from subsidiaries are amounts due from a subsidiary amounting to RM2,200,000 (2015: RM2,200,000) in relation to finance the purchase of equipment. These amounts are unsecured, charged interest at 4.15% per annum (2015: 4.4% per annum) and are repayable on demand.

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

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



**19 INVENTORIES**

	2016 RM	Group 2015 RM
At cost:		
Raw material	0	1,308,727
Finished goods	22,756,392	19,614,862
	22,756,392	20,923,589
Less: Allowance for slow moving inventories	(962,501)	(679,009)
Add: Reversal of allowance for slow moving inventories	284,475	195,834
	22,078,366	20,440,414

**20 TRADE AND OTHER RECEIVABLES**

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Retention sum	828,799	2,239,307	0	0
Accrued revenue	92,654,056	69,630,014	0	0
Trade receivables	127,197,017	105,814,903	0	0
	220,679,872	177,684,224	0	0
Less: Impairment of receivables	(2,633,370)	(2,217,364)	0	0
Trade receivables, net	218,046,502	175,466,860	0	0
Other receivables	5,262,014	13,838,662	160,606	3,946,946
Less: Impairment of receivables	0	(2,300,000)	0	(2,300,000)
	5,262,014	11,538,662	160,606	1,646,946
Deposits	1,669,882	1,696,786	21,100	87,250
Prepayments	3,521,983	5,415,831	161,950	762,749
	10,453,879	18,651,279	343,656	2,496,945
	228,500,381	194,118,139	343,656	2,496,945



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency profile of trade receivables is as follows:

	2016 RM	Group 2015 RM
- Ringgit Malaysia	75,604,400	84,273,233
- US Dollar	142,358,281	91,193,627
- Euro	83,821	0
	<b>218,046,502</b>	<b>175,466,860</b>

Credit terms of trade receivables range from 30 to 90 days (2015: 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.

76% of the Group's trade receivables as at 31 December 2016 (2015: 71%) relates to 6 (2015: 6) main customers while the remaining balance is spread over a large number of customers. The major customers are primarily players in the oil and gas industry.

### Ageing Analysis of trade receivables

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

	2016 RM	Group 2015 RM
Neither past due nor impaired	180,283,984	155,369,621
1 to 30 days past due not impaired	21,687,772	10,985,840
31 to 60 days past due not impaired	12,259,901	2,663,727
61 to 90 days past due not impaired	2,501,947	2,232,569
91 to 120 days past due not impaired	353,004	3,278,442
More than 121 days past due not impaired	959,894	936,661
Past due and impaired:		
61 to 90 days past due and impaired	42,683	60,552
More than 121 days	2,590,687	2,156,812
	<b>220,679,872</b>	<b>177,684,224</b>
Less: Impairment of receivables	<b>(2,633,370)</b>	<b>(2,217,364)</b>
	<b>218,046,502</b>	<b>175,466,860</b>



**20 TRADE AND OTHER RECEIVABLES (CONTINUED)**Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM37,762,518 (2015: RM20,097,239) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

Movement in impairment of receivables is as follows:

	2016 RM	Group 2015 RM
<u>Trade receivables</u>		
At 1 January	2,217,364	1,922,108
Impairment made during the year	506,684	636,273
Written off during the year	(34,124)	(40,090)
Reversal of impairment losses	(60,552)	(300,927)
Exchange differences	3,998	0
At 31 December	2,633,370	2,217,364
<u>Other receivables</u>		
At 1 January	2,300,000	3,800,000
Reversal of impairment losses	0	(1,500,000)
Bad debts recovered	(2,300,000)	0
At 31 December	0	2,300,000

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

During the year, the impaired other receivables relate to earnest deposit paid for the proposed subscription for new shares in a group of companies of RM2,300,000 was fully recovered. The proposed subscription had been terminated during 2014. The entire sum of the earnest deposit was impaired in view of the uncertainty on the collectability of the amount in 2015.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 21 AMOUNTS DUE FROM/(TO) ASSOCIATES

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Amounts due from associates	13,153	1,615,602	0	2,341
Amounts due to associates	(7,847,000)	(7,517,125)	(108)	0

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

The amounts due from associates are in relation to payments made on behalf for operating expenses. As at the financial year ended 31 December 2016, the amount includes dividend receivable of Nil (2015: RM1,600,000).

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

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Amounts due from a joint venture	105,492	177,221	104,126	162,165
Amounts due to a joint venture	(77,589)	(299,050)	0	0

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

## 23 CASH AND BANK BALANCES

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Cash and cash equivalents	129,611,074	123,830,695	7,905,165	4,379,992
Add:				
Cash held in trust for dividends	0	74,008	0	74,008
Cash held in a designated account	5,322,891	5,307,575	0	0
Deposits pledged as security	5,500,000	5,500,000	0	0
Total cash and bank balances	140,433,965	134,712,278	7,905,165	4,454,000
Represented by:				
Deposits with licensed banks	97,194,357	96,909,786	7,730,000	3,950,000
Cash and bank balances	43,239,608	37,802,492	175,165	504,000
Total cash and bank balances	140,433,965	134,712,278	7,905,165	4,454,000



## 23 CASH AND BANK BALANCES (CONTINUED)

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

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
- Ringgit Malaysia	87,150,502	78,243,116	7,905,165	4,454,000
- US Dollar	52,953,098	56,356,881	0	0
- Euro	216,971	932	0	0
- Singapore Dollar	92,488	90,333	0	0
- Hong Kong Dollar	20,906	21,016	0	0
	140,433,965	134,712,278	7,905,165	4,454,000

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

	2016	Group 2015	2016	Company 2015
Interest rate (%)	0.10 - 3.25	0.06 - 2.91	2.40 - 2.80	2.40 - 2.91
Maturities (days)	1 - 34	1 - 31	1 - 31	1 - 30

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

## 24 BORROWINGS

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Revolving credits	28,900,000	32,800,000	28,900,000	30,800,000
Finance lease liabilities	11,042	36,727	0	0
Term loan	79,949,123	104,549,123	0	0
Loans against import	707,174	0	0	0
	109,567,339	137,385,850	28,900,000	30,800,000
<u>Less: amount repayable within 12 months</u>				
Revolving credits	(28,900,000)	(32,800,000)	(28,900,000)	(30,800,000)
Finance lease liabilities	(11,042)	(25,685)	0	0
Term loan	(24,599,828)	(24,599,828)	0	0
Loans against import	(707,174)	0	0	0
	(54,218,044)	(57,425,513)	(28,900,000)	(30,800,000)
Amount repayable after 12 months	55,349,295	79,960,337	0	0



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 24 BORROWINGS (CONTINUED)

### (a) Term loan (secured)

The above term loan was structured as follows:

	2016 RM	Group 2015 RM
Term loan	<b>79,949,123</b>	104,549,123

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

The term loan carries an interest of 4.12% per annum (0.85% per annum above the bank's cost of funds of 3.27%) (2015: 4.92%). The loan is repayable by way of 60 monthly principal instalments of RM2,049,986. The first instalment commences on the 18<sup>th</sup> month from the date of the first drawdown or the 6<sup>th</sup> month from the date of the full drawdown, whichever is earlier. The first instalment payment was made in April 2015. The tenure of the loan is 5 years.

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

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2016 is RM5,322,891 (2015: RM5,307,575) (Note 23).

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

	2016 RM	Group 2015 RM
Not later than 1 year	<b>24,599,828</b>	24,599,828
Later than 1 year but not later than 2 years	<b>24,599,828</b>	24,599,828
Later than 2 years but not later than 5 years	<b>30,749,467</b>	55,349,467
Later than 5 years	<b>0</b>	0
	<b>79,949,123</b>	104,549,123

### (b) Revolving credit (unsecured)

The revolving credit facility was draw down to part finance the purchase of additional slickline equipment and tools and for working capital requirements. The amount was rolled-over on a monthly basis at an average rate of 4.91% (1.20% per annum above the bank's cost of fund). The interest is fixed at the date of each draw down and subsequently revised at the commencement of each roll-over period. No securities have been pledged under this facility.

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



**24 BORROWINGS (CONTINUED)****(c) Loans against import (unsecured)**

The loans against import facility was draw downs to finance the import of inventories. The facility carries an interest rate of 4.66% (1.15% per annum above the bank's cost of fund). No securities have been pledged under this facility.

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

**(d) Finance lease liabilities**

	2016 RM	Group 2015 RM
<u>Future minimum lease payments</u>		
Not later than 1 year	11,212	26,753
Later than 1 year but not later than 2 years	0	11,212
Later than 2 years but not later than 5 years	0	0
	11,212	37,965
Less: Future finance charges	(170)	(1,238)
Present value of finance lease liabilities	11,042	36,727
<u>Analysis of present value of finance lease liabilities</u>		
Not later than 1 year	11,042	25,685
Later than 1 year but not later than 2 years	0	11,042
	11,042	36,727

The finance lease liabilities bear interests of 2.56% per annum (2015: 2.55% to 2.56% per annum).



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 25 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables	165,202,739	144,471,099	0	0
Other payables	10,431,574	16,681,714	391,601	1,085,461
Staff related accruals	6,561,017	9,042,097	1,427,634	1,792,695
Other accruals	5,638,468	7,520,193	801,473	1,543,520
	12,199,485	16,562,290	2,229,107	3,336,215
	22,631,059	33,244,004	2,620,708	4,421,676
	187,833,798	177,715,103	2,620,708	4,421,676

The currency profile of trade payables is as follows:

	Group	
	2016 RM	2015 RM
- Ringgit Malaysia	37,040,543	33,282,018
- US Dollar	127,978,630	111,035,287
- Singapore Dollar	179,881	7,300
- Euro	3,685	146,494
	165,202,739	144,471,099

Credit terms of payment granted by the suppliers of the Group are 30 to 60 days (2015: 30 to 45 days).

## 26 FINANCIAL GUARANTEE LIABILITIES

	Group and Company	
	2016 RM	2015 RM
Financial guarantee contracts	8,712	26,779

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



**27 DEFERRED TAX**

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	<b>3,525,646</b>	6,305,754	<b>2,074,053</b>	1,024,829
Deferred tax liabilities	<b>(21,221,976)</b>	(18,662,483)	<b>0</b>	0
At 1 January	<b>(12,356,729)</b>	(13,048,864)	<b>1,024,829</b>	165,618
(Charged)/credited to profit or loss (Note 9)				
- property, plant and equipment	<b>(3,331,285)</b>	(3,304,317)	<b>59,430</b>	72,001
- unutilised tax losses	<b>(1,575,110)</b>	2,036,784	<b>1,102,594</b>	239,839
- deferred cost	<b>661,649</b>	193,711	<b>0</b>	0
- deferred revenue	<b>(152,084)</b>	(248,209)	<b>0</b>	0
- intangible assets*	<b>106,952</b>	106,928	<b>0</b>	0
- accruals	<b>(367,306)</b>	1,815,819	<b>(97,733)</b>	545,200
- others	<b>(682,417)</b>	91,419	<b>(15,067)</b>	2,171
	<b>(5,339,601)</b>	692,135	<b>1,049,224</b>	859,211
	<b>(17,696,330)</b>	(12,356,729)	<b>2,074,053</b>	1,024,829
<u>Recognised deferred tax assets</u>				
<u>Deferred tax assets (before offsetting)</u>				
Property, plant and equipment	<b>453,592</b>	4,375,514	<b>284,153</b>	224,723
Unutilised tax losses	<b>2,808,214</b>	4,383,324	<b>1,342,433</b>	239,839
Deferred revenue	<b>2,041,466</b>	2,193,550	<b>0</b>	0
Accruals	<b>1,448,513</b>	1,815,819	<b>447,467</b>	545,200
Others	<b>394,552</b>	1,233,756	<b>0</b>	15,067
Less: Offsetting	<b>7,146,337</b>	14,001,963	<b>2,074,053</b>	1,024,829
	<b>(3,620,691)</b>	(7,696,209)	<b>0</b>	0
Deferred tax assets (after offsetting)	<b>3,525,646</b>	6,305,754	<b>2,074,053</b>	1,024,829

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



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 27 DEFERRED TAX (CONTINUED)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>Recognised deferred tax liabilities</u>				
<u>Deferred tax liabilities (before offsetting)</u>				
Property, plant and equipment	(22,160,065)	(22,750,702)	0	0
Deferred cost	(1,623,474)	(2,285,123)	0	0
Intangible assets*	0	(106,952)	0	0
Others	(1,059,128)	(1,215,915)	0	0
	(24,842,667)	(26,358,692)	0	0
Less: Offsetting	3,620,691	7,696,209	0	0
Deferred tax liabilities (after offsetting)	(21,221,976)	(18,662,483)	0	0

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

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2016 RM	2015 RM
Property, plant and equipment	6,788,085	0
Unutilised tax losses	11,898,760	0
Deferred revenue	1,023,152	0
Deferred costs	(63,742)	0
Accruals	490,745	0
Other	(8,750)	0
Total unrecognised deferred tax assets	20,128,250	0

The unabsorbed capital allowances, unutilised tax losses and other deductible temporary difference do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profits will be available against which Group can utilise the benefits therefrom.



**28 SHARE CAPITAL**

	Group and Company	
	2016 RM	2015 RM
<u>Authorised ordinary shares of RM0.50 each:</u>		
At 1 January/31 December	500,000,000	500,000,000
<u>Issued and fully paid ordinary shares of RM0.50 each:</u>		
At 1 January/31 December	200,000,000	200,000,000

**29 SHARE BASED PAYMENT**

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

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

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



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 29 SHARE BASED PAYMENT (CONTINUED)

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

Date of Grants	Type of Grant	At 1.1.2016	Granted	Lapsed/ Forfeited	At 31.12.2016
2 March 2015 (1 <sup>st</sup> Grant)	RS Award	1,104,000	0	(397,800) <sup>^</sup>	706,200
	PS Award	1,041,000	0	(27,300) <sup>#</sup>	1,013,700
22 March 2016 (2 <sup>nd</sup> Grant)	RS Award	0	1,598,700	(79,200) <sup>#</sup>	1,519,500
	PS Award	0	1,521,600	(41,300) <sup>#</sup>	1,480,300

The vesting periods for the Grants are as follows:

### 1<sup>st</sup> Grant

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

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

### 2<sup>nd</sup> Grant

RS Award - One-third annually from the date of 2<sup>nd</sup> Grant over 3 years, with the first vesting commencing on 22 March 2017 or such other date to be determined by the Plan Committee.

PS Award - Over 3 years from the date of 2<sup>nd</sup> Grant, with vesting on 22 March 2019 or such other date to be determined by the Plan Committee.

Notes: <sup>^</sup> Shares lapsed due to non-vesting as the performance targets in respect of financial year ended 31 December 2015 were not met or forfeited due to the resignation of employees.

<sup>#</sup> Shares forfeited due to the resignation of employees.

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

	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant
Date of grant	2 March 2015	22 March 2016
Fair value at grant date	RM1.51	RM1.08
Vesting period	3 years	3 years
Weighted average share price at grant date	RM1.72	RM1.21
Expected dividend yield	4.70%	5.00%
Risk free interest rates	3.51%	3.27%
Expected volatility	41.83%	44.95%

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



**30 MERGER DEFICIT**

	2016 RM	Group 2015 RM
Arising from the Company's business combination with Deleum Services Sdn. Bhd.	50,000,000	50,000,000

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

**31 FINANCIAL INSTRUMENTS**

Financial instruments by category

Year ended 31 December 2016

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<u>Group</u>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	224,614,651	0	224,614,651
Amounts due from associates	13,153	0	13,153
Amounts due from a joint venture	105,492	0	105,492
Cash and bank balances	140,433,965	0	140,433,965
	365,167,261	0	365,167,261
<u>Liabilities</u>			
Trade and other payables (excluding statutory obligations)	0	180,419,162	180,419,162
Amounts due to associates	0	7,847,000	7,847,000
Amounts due to a joint venture	0	77,589	77,589
Borrowings	0	109,567,339	109,567,339
Financial guarantee liabilities	0	8,712	8,712
	0	297,919,802	297,919,802



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2016

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<u>Company</u>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	34,477	0	34,477
Amounts due from subsidiaries	76,790,117	0	76,790,117
Amounts due from a joint venture	104,126	0	104,126
Cash and bank balances	7,905,165	0	7,905,165
	<b>84,833,885</b>	<b>0</b>	<b>84,833,885</b>
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations)	0	2,494,077	2,494,077
Amounts due to associate	0	108	108
Amounts due to subsidiaries	0	12,225,967	12,225,967
Borrowings	0	28,900,000	28,900,000
Financial guarantee liabilities	0	8,712	8,712
	<b>0</b>	<b>43,628,864</b>	<b>43,628,864</b>



**31 FINANCIAL INSTRUMENTS (CONTINUED)****Financial instruments by category (continued)**

Year ended 31 December 2015

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<u>Group</u>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	188,455,184	0	188,455,184
Amounts due from associates	1,615,602	0	1,615,602
Amounts due from a joint venture	177,221	0	177,221
Cash and bank balances	134,712,278	0	134,712,278
	324,960,285	0	324,960,285
<u>Liabilities</u>			
Trade and other payables (excluding statutory obligations)	0	171,366,567	171,366,567
Amounts due to associates	0	7,517,125	7,517,125
Amounts due to a joint venture	0	299,050	299,050
Borrowings	0	137,385,850	137,385,850
Financial guarantee liabilities	0	26,779	26,779
	0	316,595,371	316,595,371
<u>Company</u>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	1,614,173	0	1,614,173
Amounts due from subsidiaries	97,848,456	0	97,848,456
Amounts due from associates	2,341	0	2,341
Amounts due from a joint venture	162,165	0	162,165
Cash and bank balances	4,454,000	0	4,454,000
	104,081,135	0	104,081,135
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations)	0	4,293,420	4,293,420
Amounts due to subsidiaries	0	22,461,856	22,461,856
Borrowings	0	30,800,000	30,800,000
Financial guarantee liabilities	0	26,779	26,779
	0	57,582,055	57,582,055



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 32 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

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

	Company	
	2016	2015
	RM	RM
- Management fees	11,929,100	13,472,900
- Dividend income	15,000,000	29,316,655
- Inter-company interest income	1,515,334	96,800
- Re-charge of expenses	3,802,465	6,759,278

(b) The following transactions are with a joint venture of the Company

	Company	
	2016	2015
	RM	RM
- Management fees	399,200	273,600
- Re-charge of expenses	110,711	176,070

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

	Group	
	2016	2015
	RM	RM
Solar Turbines International Company		
- Purchases	264,881,371	276,523,051
- Technical fees	1,058,264	1,056,410

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

	Group	
	2016	2015
	RM	RM
Amount due to Solar Turbines International Company	101,384,237	83,365,232



**32 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

- (d) 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.

	2016 RM	Group 2015 RM
Sales to related parties of Dresser Italia S.R.L	43,340	0
Purchases from Dresser Italia S.R.L	49,340	16,366
Purchases from related parties of Dresser Italia S.R.L	25,558,693	29,948,874
	25,608,033	29,965,240

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

	2016 RM	Group 2015 RM
Amount due to related parties of Dresser Italia S.R.L	5,464,678	7,903,052

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

	2016 RM	Group 2015 RM
Sales to STICO	5,600,000	4,915,366
Rental income from affiliate company of STICO	827,568	620,676
	6,427,568	5,536,042

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

	2016 RM	Group 2015 RM
Amount due from STICO	1,198,291	1,062,435



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 32 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	2016 RM	Group 2015 RM
Purchase of shares in Delcom Holdings Sdn. Bhd.	0	3,169,000

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

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Directors' fees	942,000	962,000	942,000	962,000
Salaries and bonuses	8,975,862	7,380,593	2,963,750	1,928,400
Defined contribution plans	1,205,729	983,706	408,805	268,734
Other remuneration	1,086,719	904,189	193,208	83,079
Share based payment	453,577	206,323	178,372	75,530
Estimated monetary value of benefits-in-kind	361,290	495,065	192,444	221,877
	13,025,177	10,931,876	4,878,579	3,539,620

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

## 33 CORPORATIONS IN THE GROUP

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

Name of Company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2016 %	2015 %	

### SUBSIDIARIES:

Deleum Services Sdn. Bhd.	Malaysia	100	100	Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry.
Deleum Services Holdings Limited *	Hong Kong	100	100	Investment holding.
Delflow Solutions Sdn. Bhd.	Malaysia	100	100	Dormant.



**33 CORPORATIONS IN THE GROUP**

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

Name of Company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2016	2015	
		%	%	
SUBSIDIARIES (CONTINUED):				
Subsidiaries of <u>Deleum Services Sdn. Bhd.</u>				
Deleum Oilfield Services Sdn. Bhd.	Malaysia	100	100	Provision of slickline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield related products and services for the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	74	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry.
VSM Technology Sdn. Bhd.	Malaysia	90	90	Dormant.
Deleum Chemicals Sdn. Bhd.	Malaysia	100	100	Development and provision of solid deposit removal solutions for enhancement of crude oil production and the supply of oilfield chemicals and services to the oil and gas industry.
Wisteria Sdn. Bhd.	Malaysia	100	100	Dormant.
Delcom Holdings Sdn. Bhd.	Malaysia	100	100	Investment holding.
Deleum Rotary Services Sdn. Bhd.	Malaysia	100	100	Servicing, repair and maintenance of motors, generators, transformers, pumps and valves.
Sledgehammer Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
Deleum Primera Sdn. Bhd.	Malaysia	60	60	Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.
Subsidiary of <u>Deleum Holdings Sdn. Bhd.</u>				
Penaga Dresser Sdn. Bhd. *	Malaysia	51	51	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 33 CORPORATIONS IN THE GROUP

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

Name of Company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2016	2015	
		%	%	

### SUBSIDIARIES (CONTINUED):

#### Subsidiaries of Deleum Services Holdings Limited

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

### JOINT VENTURE:

#### Joint venture of Deleum Berhad

Turboservices Overhaul Sdn. Bhd.	Malaysia	80.55	80.55	Overhaul of gas turbine and maintenance services to oil and gas companies.
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### ASSOCIATES:

#### Associate of Deleum Services Sdn. Bhd.

Malaysian Mud and Chemicals Sdn. Bhd.*	Malaysia	32	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil and gas companies.
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#### Associate of Delcom Utilities (Cambodia) Limited

Cambodia Utilities Pte. Ltd. ^	Cambodia	12 <sup>®</sup>	12 <sup>®</sup>	Maintain and operate a power plant in Cambodia in line with the power generation business.
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^ Audited by member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

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

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



**34 OPERATING LEASE COMMITMENTS**

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

	2016 RM	Group 2015 RM
Within one year	836,628	667,208
Between two to five years	549,702	771,300
More than five years	0	9,000

**35 CAPITAL COMMITMENTS**

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Authorised and contracted for at the end of the reporting period but not yet incurred				
- Plant and machinery	188,408	433,142	0	0
- Others	2,599	471,851	0	205,900
Authorised but not contracted for at the end of the reporting period				
- Plant and machinery	7,125,614	18,011,873	0	0
- Others	2,646,270	6,367,895	1,406,160	3,708,600
	9,962,891	25,284,761	1,406,160	3,914,500
Share of capital commitment of a joint venture	0	1,420,347	0	0
	9,962,891	26,705,108	1,406,160	3,914,500

**36 CONTINGENT LIABILITIES**

In the ordinary course of business, the Group has given guarantees amounting to RM26,861,182 (2015: RM30,729,080) to third parties in respect of operational requirements, utilities and maintenance contracts.

In addition, the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a joint venture which amounts to RM379,663 (2015: RM1,016,423), representing the outstanding banking facilities of the joint venture as at end of reporting period.



# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 37 CAPITAL MANAGEMENT

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

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	129,611,074	123,830,695	7,905,165	4,379,992
Less: Total borrowings	(109,567,339)	(137,385,850)	(28,900,000)	(30,800,000)
	20,043,735	(13,555,155)	(20,994,835)	(26,420,008)
Total equity	328,441,527	318,989,468	211,950,992	216,714,116

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

## 38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2017.



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

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Securities 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 Securities 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:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total retained profits of the Group and its subsidiaries:				
Realised	<b>137,847,363</b>	115,243,718	<b>9,222,451</b>	15,482,964
Unrealised	<b>(12,927,529)</b>	(7,550,572)	<b>2,074,053</b>	1,024,829
	<b>124,919,834</b>	107,693,146	<b>11,296,504</b>	16,507,793
Total share of retained profits from associate companies:				
Realised	<b>39,816,386</b>	45,200,227	<b>0</b>	0
Unrealised	<b>(3,909,790)</b>	(3,917,145)	<b>0</b>	0
	<b>35,906,596</b>	41,283,082	<b>0</b>	0
Total share of retained profits from a joint venture:				
Realised	<b>1,946,870</b>	987,338	<b>0</b>	0
Unrealised	<b>(487,800)</b>	(212,450)	<b>0</b>	0
	<b>1,459,070</b>	774,888	<b>0</b>	0
Less: Consolidation adjustments	<b>(9,516,186)</b>	(4,494,993)	<b>0</b>	0
	<b>27,849,480</b>	37,562,977	<b>0</b>	0
Total Group's and Company's retained profits	<b>152,769,314</b>	145,256,123	<b>11,296,504</b>	16,507,793

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 71 to 156 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 2016 and of its financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 39 on page 157 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 27 February 2017.

**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 71 to 156 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 : 27 February 2017

Before me :

*COMMISSIONER FOR OATHS*



# Independent Auditors' Report

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Deleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 156.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There are no key audit matters in relation to the Financial Statements of the Company.



## Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment review of plant and equipment in repair, servicing, maintenance and overhaul of motors business- Cash Generating Unit (CGU 1) (RM4.4 mil)</b></p> <p>Due to historical losses, management had performed an impairment review of the plant and equipment in CGU 1 amounting to RM4.4 mil in accordance with the requirements of MFRS 136 'Impairment of Assets'. Refer to page 86 (Note E Summary of significant accounting policies), page 103 (Note 3 Critical accounting estimates and judgements).</p> <p>We focused on this area due to the quantum of plant and equipment of RM4.4 mil as at 31 December 2016, and because management's estimate of the entity's recoverable amount based on the 'Value in Use' method involved the use of key assumptions in deriving the future cash flows which are judgmental and therefore sensitive to estimate changes.</p> <p>The discounted cash flow projection of 5 years relied on the use of key assumptions as disclosed in Note 3 to the financial statements. The key assumptions used are revenue growth rate and EBITDA margins.</p> <p>During the financial year, a full impairment loss of RM4.4 mil was recorded in the statement of comprehensive income for the plant and equipment.</p>	<ul style="list-style-type: none"> <li>• Evaluated management's cash flow projections and the process by which they were developed to ensure key inputs are in line with cash flow projections approved by the Board of Directors;</li> <li>• Compared management key assumptions comprising revenue growth rate and EBITDA margins to historical trend and industry forecasts;</li> <li>• Checked the achievability of the budget used in the cash flow projections to prior actual and budgeted outcome.</li> </ul> <p>Based on the procedures performed, the results of our findings are consistent with management's assessment.</p>
<p><b>Impairment review of plant and equipment in provision of oilfield chemicals business - (CGU 2 &amp; 3) (RM2.7 mil)</b></p> <p>Chemicals business reported a net loss after tax for two consecutive years in 2015 and 2016 amounting to RM4.2 mil and RM3.7 mil respectively.</p> <p>To improve the profitability of the chemical business, management has reorganised the business during the year with renewed focus in unbundling product sales and its related services. Certain assets have been transferred to another CGU.</p> <p>We focused on this area due to the quantum of plant and equipment of RM2.7 mil as at 31 December 2016, and because management's estimate of the entity's recoverable amount based on the 'Value in Use' method involved the use of key assumptions in deriving the future cash flows which are judgmental and therefore sensitive to estimate changes.</p> <p>The key assumption for the five-year cash flow projections for the remaining CGU post reorganisation (CGU 2) is the projected revenue with a growth rate of 5%. The key estimation uncertainty is the achievability of the projected revenue.</p>	<ul style="list-style-type: none"> <li>• Evaluated the determination of the cash generating units;</li> <li>• Evaluated the models used in determining the value in use of the assets in CGU 2 and CGU 3, as well as assessed the key assumptions used being revenue projections and the growth rate;</li> <li>• Compared the cash flow projections to approved budgets and tested the underlying mathematical calculations used in the impairment model; and</li> <li>• Independently performed sensitivity analysis of key assumptions used in the impairment models which as disclosed is the revenue projections and growth rate.</li> </ul> <p>Based on the procedures performed, the results of our findings are consistent with management's assessment.</p>



# Independent Auditors' Report

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

## Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment review of plant and equipment in provision of oilfield chemicals business - (CGU 2 &amp; 3) (RM2.7 mil) - (cont'd)</b></p> <p>The assets transferred following the reorganisation are consolidated into a sub-segment of another business within the Group and defined as a separate CGU (CGU 3). The key assumption for the five-year cash flow projections for this CGU is the projected revenue with a growth rate of 3%.</p> <p>The key estimation uncertainty is the achievability of the projected revenue.</p> <p>Based on the assessment, the recoverable amounts were higher than the carrying values and accordingly, no adjustments to carrying values were made by management.</p>	
<p><b>Review of impairment assessment on investment in a material associate - (RM31 mil)</b></p> <p>As at 31 December 2016, one of the Group's material associate recorded a loss for the year of RM 1.1 mil. As a result of the losses incurred during the year by the associate which is an impairment indicator, an impairment assessment was made on the carrying amount of the equity investment at year end.</p> <p>We focused on this area because the impairment assessment involved the use of significant judgments about the future results of the associate where the value in use of the investment is ascertained by estimating the share of the present value of the estimated future cash flows expected from the associate. The estimated future results comprised the use of key assumptions such as revenue projections and EBITDA margins.</p> <p>Based on the assessment, the recoverable amounts were higher than the carrying value and accordingly, no adjustments to carrying value was made by management.</p>	<ul style="list-style-type: none"> <li>• Evaluated management's cash flow projections and the process by which they were developed to ensure key inputs are in line with cash flow projections approved by the Board of Directors;</li> <li>• Checked revenue projections and growth rate and EBITDA margins to historical trend and budget for 2017 including the secured order book;</li> <li>• Checked the discount rate used in the model by comparing them to market data and industry research;</li> <li>• Independently performed sensitivity analysis of key assumptions used in the impairment models which as disclosed is the revenue projections and EBITDA margins.</li> </ul> <p>Based on the procedures performed, the results of our findings are consistent with management's assessment.</p>



**REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Statement on Corporate Governance, Statement on Risk Management and Internal Control, Audit Committee Report, Corporate Information, Group Corporate Structure, List of Properties which we obtained prior to the date of this auditors report, and Financial highlights, Message from the Chairman, Management Discussion and Analysis which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



# Independent Auditors' Report

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 33 to the financial statements.
- (c) We are satisfied that the 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 auditors' 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 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

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

## PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur  
27 February 2017

## SUBATHRA A/P GANESAN

03020/08/2018 J

Chartered Accountant



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of DELEUM BERHAD (the Company) will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 18 May 2017 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 2016 together with the Reports of the Directors and Auditors thereon.

**Please refer to Explanatory Note A**

2. To re-elect Datuk Ir (Dr) Abdul Rahim bin Hashim who retires by rotation pursuant to Article 78 of the Company's Constitution and, being eligible, has offered himself for re-election.
3. To re-appoint the following Directors to hold office from the date of this Annual General Meeting:

**Ordinary Resolution 1**

- (a) Dato' Izham bin Mahmud
- (b) Datuk Vivekananthan a/l M.V. Nathan
- (c) Datuk Ishak bin Imam Abas

**Ordinary Resolution 2**

**Ordinary Resolution 3**

**Ordinary Resolution 4**

**Please refer to Explanatory Note B**

4. To approve the payment of Directors' fees of RM942,000 to Non-Executive Directors in respect of the financial year ended 31 December 2016. [2015: RM962,000]
5. To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,750,000 from 1 January 2017 until the next Annual General Meeting of the Company.

**Ordinary Resolution 5**

**Ordinary Resolution 6**

**Please refer to Explanatory Note C**

6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 7**

### AS SPECIAL BUSINESS:

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

7. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016**

**Ordinary Resolution 8**

"**THAT** subject always to the Companies Act 2016, the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and any other governmental/regulatory authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to allot and issue not more than ten percent (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Please refer to Explanatory Note D**



8. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTIONS 2.5(i)(1) AND 2.5(ii)(1)&(2) OF THE CIRCULAR TO SHAREHOLDERS DATED 26 APRIL 2017**

**Ordinary Resolution 9**

"**THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given 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 Sections 2.5(i)(1) and 2.5(ii)(1)&(2) of the Circular to Shareholders dated 26 April 2017 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

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

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (the Act) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

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

**Please refer to Explanatory Note E**

9. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTIONS 2.5(i)(2) AND 2.5(ii)(3)&(4) OF THE CIRCULAR TO SHAREHOLDERS DATED 26 APRIL 2017**

**Ordinary Resolution 10**

"**THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given 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 Sections 2.5(i)(2) and 2.5(ii)(3)&(4) of the Circular to Shareholders dated 26 April 2017 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

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

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (the Act) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

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

**Please refer to Explanatory Note E**



# Notice of Annual General Meeting

## 10. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Ordinary Resolution 11

“**THAT** subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Datuk Ishak bin Imam Abas, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**Please refer to Explanatory Note F**

## 11. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Ordinary Resolution 12

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

**Please refer to Explanatory Note F**

12. To transact any other business of which due notice shall have been given.

## BY ORDER OF THE BOARD

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

26 April 2017

## Notes on Proxy

1. A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

## Explanatory Notes to the Agenda

### A. For Agenda Item 1

**To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon**

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 (the Act) for discussion only under this Agenda item. They do not require shareholders' approval and hence, will not be put for voting.



**B. For Agenda Item 3**  
**Re-Appointment of Directors**

Agenda Item 3 relates to the re-appointment of Directors who are above 70 years old and who were re-appointed under the resolutions passed at the Eleventh AGM of the Company held on 24 May 2016 pursuant to Section 129 of the Companies Act 1965 which was then in force. Their re-appointment was for a term ending at the conclusion of this AGM. The proposed Ordinary Resolutions 2, 3 and 4, if passed, will approve and authorise the continuation of Dato' Izham bin Mahmud, Datuk Vivekananthan a/l M.V. Nathan and Datuk Ishak bin Imam Abas as Directors to hold office from the date of this AGM onwards without limitation in tenure. They will then, moving forward, be subject to retirement by rotation and re-election in accordance with the Company's Constitution.

**C. For Agenda Item 5**  
**To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,750,000 from 1 January 2017 until the next Annual General Meeting of the Company**

Pursuant to Section 230(1) of the Act which came into force on 31 January 2017, fees and benefits payable to the Directors of the Company will have to be approved at a general meeting.

The amount of up to RM1,750,000 under Ordinary Resolution 6 comprising Directors' fees and benefits to Non-Executive Directors of the Company is estimated for the period from 1 January 2017 until the next AGM of the Company to be held in 2018.

Directors' benefits comprises fixed meeting allowances payable to Independent Non-Executive Directors for attendance of Board and/or Board Committee meetings and the provision of company car, driver and club subscriptions for Non-Executive Chairman and Non-Executive Deputy Chairman of the Company.

The estimated amount of Directors' fees and benefits is based on the estimated number of scheduled meetings of Board and Board Committees, no change in the Non-Executive Directors' remuneration framework and no increase in fees to any Director for the financial year ending 31 December 2017 up to the next AGM of the Company in 2018.

**D. For Agenda Item 7**  
**Authority to allot and issue shares pursuant to Section 75 of the Companies Act 2016**

The Company had at the Eleventh AGM held on 24 May 2016, obtained its shareholders' approval for the renewal of the general mandate for issuance of shares pursuant to Section 132D of the Companies Act 1965. The Company however did not issue any new shares pursuant to this mandate obtained as at the date of this notice.

The proposed Ordinary Resolution 8 is a renewal mandate for the issue of shares under Section 75 of the Act. If passed, it will give the Directors of the Company from the date of this AGM, authority to allot and issue shares not exceeding 10% of the total number of issued shares of the Company.

A renewal of this general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate 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.

**E. For Agenda Items 8 and 9**  
**Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(i)(1), 2.5(ii)(1)&(2), 2.5(i)(2) and 2.5(ii)(3)&(4) of the Circular to Shareholders dated 26 April 2017**

Please refer to the Circular to Shareholders dated 26 April 2017 accompanying the Company's Annual Report for the financial year ended 31 December 2016 for detailed information. The Ordinary Resolutions proposed under Agenda Items 8 and 9, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.



## Notice of Annual General Meeting

### F. For Agenda Items 10 and 11 Retention of Independent Non-Executive Directors

The Joint Remuneration and Nomination Committee and the Board of Directors have assessed the independence of Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong, who have each served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. Based on the assessment, the Board is satisfied that Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong continue to be independent and the Board recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

- (a) they are able to exercise independent and objective judgement and to act in the best interest of the Company, notwithstanding their tenure of service;
- (b) they have met the independence guidelines set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (c) they have contributed sufficient time and efforts and exercised due care in all undertakings of the Company and have acted and carried out their fiduciary duties in the interest of the Company during their tenure as Independent Directors;
- (d) they are independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company; and
- (e) Datuk Ishak bin Imam Abas, having held various senior positions in the oil and gas industry before retirement, has vast experience and a depth of knowledge of the industry. Datuk Chin Kwai Yoong has extensive experience in audits of major companies which included oil and gas companies. Their in-depth knowledge of the industry, understanding of the Company's objectives, strategies and business operations and proven commitment, experience and competency will continue to benefit the Board in discharging its duties and providing advice and critical oversight to Management effectively.

The proposed Ordinary Resolutions which are in line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, will enable Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong to hold office as Independent Non-Executive Directors until the conclusion of the next AGM of the Company.

### Members Entitled to Attend

For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 11 May 2017 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote in his/her stead.

## Statement Accompanying Notice of Annual General Meeting (Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no person seeking election as Director of the Company at this AGM.

Details of the general mandate to issue shares in the Company pursuant to Section 75 of the Companies Act 2016 are set out in Explanatory Note D of the Notice of this AGM.



# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2016 (FY2016).

## 2. LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan (LTIP) implemented on 10 October 2014 is the only share scheme of the Company in existence during FY2016.

- (a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during the financial year ended 31 December 2015 (FY2015) and FY2016 are set out below:

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2015</b>		
Granted		
- First Grant of Restricted Share Incentive Plan (RS)	1,254,300	145,800
- First Grant of Performance Share Incentive Plan (PS)	1,142,200	226,200
Vested		
- First Grant of RS	-	-
- First Grant of PS	-	-
Forfeited		
- First Grant of RS	150,300 <sup>#</sup>	-
- First Grant of PS	101,200 <sup>#</sup>	-
Outstanding as at 31 December 2015		
- First Grant of RS	<b>1,104,000</b>	<b>145,800</b>
- First Grant of PS	<b>1,041,000</b>	<b>226,200</b>
<b>FY2016</b>		
Granted		
- Second Grant of RS	1,598,700	218,200
- Second Grant of PS	1,521,600	680,600 <sup>*</sup>
Vested		
- First Grant of RS	-	-
- First Grant of PS	-	-
- Second Grant of RS	-	-
- Second Grant of PS	-	-
Lapsed/Forfeited		
- First Grant of RS	397,800 <sup>^</sup>	48,600 <sup>+</sup>
- First Grant of PS	27,300 <sup>#</sup>	-
- Second Grant of RS	79,200 <sup>#</sup>	-
- Second Grant of PS	41,300 <sup>#</sup>	-
Outstanding as at 31 December 2016		
- First Grant of RS	706,200	97,200
- First Grant of PS	1,013,700	226,200
- Second Grant of RS	1,519,500	218,200
- Second Grant of PS	1,480,300	680,600
Total Outstanding of First Grant and Second Grant as at 31 December 2016		
- RS	<b>2,225,700</b>	<b>315,400</b>
- PS	<b>2,494,000</b>	<b>906,800</b>



## Additional Compliance Information

### Notes:

- # Shares forfeited due to the resignation of employees.
  - ^ Shares lapsed due to non-vesting as the performance targets in respect of FY2015 were not met or forfeited due to the resignation of employees.
  - \* The number of shares granted to the Group Managing Director under the Second Grant of PS was up to maximum based on outstanding performance targets.
  - + Shares lapsed due to non-vesting as the performance targets in respect of FY2015 were not met.
- (b) Percentages of shares granted to Executive Director and selected eligible senior management and key employees under the LTIP during the financial year and since its commencement up to FY2016 are set out below:

Executive Director and Senior Management and key employees	Percentage (%)	
	During the financial year	Since commencement up to FY2016
(i) Aggregate maximum allocation	100	100
(ii) Actual shares granted	7.80	13.80

- (c) The Non-Executive Directors are not eligible to participate in the LTIP.

### 3. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and/or its subsidiaries involving the interests of Directors and/or chief executive and/or major shareholders, either still subsisting at the end of FY2016 or entered into since the end of the previous financial year.



# 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 @31/12/16	Revaluation, if any	Date of acquisition
1	Deleum Berhad (Corporate Head Office)	No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	6-storey corner shop office	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 03/12/2085	18 years	3,131,344		02/05/2006
2	Deleum Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey corner shop office	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 03/12/2085	28 years	462,005		19/09/1988
3	Deleum Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey shop office	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 03/12/2085	28 years	476,573		28/09/1988
4	Deleum Services Sdn. Bhd.	Unit No. 8-11-3, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar, 59100 Kuala Lumpur, Malaysia	Office Lot	Office	141.00 sq metres/ 141.00 sq metres	Freehold	14 years	410,151		03/02/1997
5	Deleum Services Sdn. Bhd.	Unit No. 8-11-4, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar, 59100 Kuala Lumpur, Malaysia	Office Lot	Office	147.00 sq metres/ 147.00 sq metres	Freehold	14 years	431,423		03/02/1997
6	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 shop office	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/09/2066	12 years	888,000		20/08/2004
7	Deleum Services Sdn. Bhd. (Operations)	Asian Supply Base, Ranca Ranca Industrial Estate, P.O. Box 81730, 87027 Labuan, Federal Territory, Malaysia	Warehouse	Warehouse	5,700.00 sq metres/ 1,776.43 sq metres	On Lease / 30/09/2024	16 years	700,001		-
8	Deleum Services Sdn. Bhd. (Operations)	Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman, Malaysia	Warehouse	Warehouse	4,134.00 sq metres/ 1,456.00 sq metres	On Lease/ 31/03/2019	8 years	31		-
9	Penaga Dresser Sdn. Bhd. (Operations)	No. A1-A2, Kawasan MIEL, Jakar Phase III, 24000 Kemaman, Terengganu Darul Iman, Malaysia	2 units of semi-detached factory	Assembly Plant	A1-1723 sq metres A2-1229 sq metres	Leasehold/ 19/04/2053	24 years	1,140,434	04/11/2009	12/04/2004



# Analysis of Shareholdings

## as at 31 March 2017

Total number of issued shares : 400,000,000 ordinary shares  
Voting rights : One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	Total Shareholdings	% of Shareholdings
less than 100 shares	221	4.89	6,237	0.00
100 to 1,000 shares	509	11.25	339,765	0.09
1,001 to 10,000 shares	2,512	55.54	13,075,651	3.27
10,001 to 100,000 shares	1,090	24.10	33,966,824	8.49
100,001 to less than 5% of issued shares	187	4.13	155,837,305	38.96
5% and above of issued shares	4	0.09	196,774,218	49.19
<b>Total</b>	<b>4,523</b>	<b>100.00</b>	<b>400,000,000</b>	<b>100.00</b>

### 30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	Lantas Mutiara Sdn. Bhd.	81,718,800	20.43
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	48,165,418	12.04
3.	Datuk Vivekananthan a/l M.V. Nathan	42,530,000	10.63
4.	IM Holdings Sdn. Bhd.	24,360,000	6.09
5.	Datin Che Bashah @ Zaiton binti Mustaffa	19,024,000	4.76
6.	Dato' Izham bin Mahmud	11,200,000	2.80
7.	Salient Lifestyle Sdn. Bhd.	10,000,000	2.50
8.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (Margin)	8,666,998	2.17
9.	Datin Che Bashah @ Zaiton binti Mustaffa	7,741,600	1.94
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Vcam Equity FD)	3,420,700	0.86
11.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	3,333,000	0.83
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Cheu Leong	3,277,000	0.82



No.	Name of Shareholders	No. of Shares	Percentage (%)
13.	Dilip Manharlal Gathani	2,961,800	0.74
14.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	2,901,066	0.73
15.	Goh Thong Beng	2,820,000	0.71
16.	Neoh Choo Ee & Company, Sdn. Berhad	2,749,332	0.69
17.	Hj. Abd Razak bin Abu Hurairah	2,691,946	0.67
18.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Credit Suisse (SG BR-TST-ASING)	2,689,100	0.67
19.	Lee Sew Bee	2,560,000	0.64
20.	Saudah binti Hashim	2,500,000	0.63
21.	Amanahraya Trustees Berhad Affin Hwang Growth Fund	2,326,300	0.58
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	2,294,500	0.57
23.	Chandran Aloysius Rajadurai	2,212,600	0.55
24.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustafa (PBCL-OG0239)	2,050,000	0.51
25.	Datuk Ishak bin Imam Abas	1,846,332	0.46
26.	Amanahraya Trustees Berhad Affin Hwang Principled Growth Fund	1,813,800	0.45
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustafa (CEB)	1,700,000	0.43
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Swee Leong (PBCL-OG0165)	1,660,000	0.42
29.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustafa (PBCL-OG0054)	1,650,000	0.41
30.	Celine D'Cruz a/p Francis D'Cruz	1,630,000	0.41



# Analysis of Shareholdings

as at 31 March 2017

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Lantas Mutiara Sdn. Bhd.	81,718,800	20.43	0	0
Hartapac Sdn. Bhd.	48,165,418	12.04	0	0
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.70	81,718,800 <sup>(1)</sup>	20.43
Datin Che Bashah @ Zaiton binti Mustaffa	32,185,598	8.05	0	0
IM Holdings Sdn. Bhd.	24,360,000	6.09	0	0
Dato' Izham bin Mahmud	11,200,000	2.80	138,264,398 <sup>(2)</sup>	34.57
Datin Sian Rahimah Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.04
Faye Miriam Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.04
Hugh Idris Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.04
Farid Riza Izham	0	0	24,360,000 <sup>(4)</sup>	6.09
Faidz Raziff Izham	0	0	24,360,000 <sup>(4)</sup>	6.09
Hana Sakina Izham	0	0	24,360,000 <sup>(4)</sup>	6.09

### Notes:

- <sup>(1)</sup> Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 (the Act).  
<sup>(2)</sup> Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.  
<sup>(3)</sup> Deemed interested by virtue of his/her shareholdings in Hartapac Sdn. Bhd. pursuant to Section 8 of the Act.  
<sup>(4)</sup> Deemed interested by virtue of his/her shareholdings in IM Holdings Sdn. Bhd. pursuant to Section 8 of the Act.

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Izham bin Mahmud	11,200,000	2.80	138,264,398 <sup>(1)</sup>	34.57
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.70	81,718,800 <sup>(2)</sup>	20.43
Datuk Ishak bin Imam Abas	1,962,998	0.49	0	0
Datuk Chin Kwai Yoong	750,000	0.19	50,000 <sup>(3)</sup>	0.01
Nan Yusri bin Nan Rahimy <sup>(4)</sup>	397,322	0.10	76,332 <sup>(3)</sup>	0.02

### Notes:

- <sup>(1)</sup> Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.  
<sup>(2)</sup> Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act.  
<sup>(3)</sup> Deemed interested by virtue of shares held by his spouse.  
<sup>(4)</sup> Nan Yusri bin Nan Rahimy is also deemed to have interest in the shares of Deleum Berhad to the extent of the shares granted to him pursuant to the Long-Term Incentive Plan (LTIP) of Deleum Berhad as follows:  
(a) 48,600 shares granted under the first grant of the LTIP under Restricted Share Incentive Plan (RS Award)  
(b) 226,200 shares granted under the first grant of the LTIP under Performance Share Incentive Plan (PS Award)  
(c) 145,466 shares granted under the second grant of the LTIP under RS Award  
(d) Up to maximum of 680,600 shares granted under the second grant of the LTIP under PS Award, based on outstanding performance targets  
(e) 99,500 shares granted under the special grant of the LTIP under RS Award

The shares granted under Note (4)(a) to (d) will be vested only upon fulfilment of vesting conditions which include achievement of service period and performance targets.



# Corporate Directory

## HEAD OFFICE

**Deleum Berhad and its subsidiaries:**

**Deleum Services Sdn. Bhd.**

**Deleum Oilfield Services Sdn. Bhd.**

**Deleum Chemicals Sdn. Bhd.**

**Turboservices Sdn. Bhd.**

No. 2, Jalan Bangsar Utama 9  
Bangsar Utama, 59000  
Kuala Lumpur, Malaysia  
Tel : +603-2295 7788  
Fax : +603-2295 7777  
Email : info@deleum.com

## BRANCH OFFICE

### **Miri**

Lot 1315, Miri Waterfront  
Commercial Centre  
98008 Miri  
Sarawak, Malaysia  
Tel : +6085-413528/417 020  
Fax : +6085-418 037  
Email : info@deleum.com

### **Kota Kinabalu**

Unit No. J-55-3A, 4th Floor  
Block J, KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : info@deleum.com

## SUBSIDIARIES

### **Deleum Rotary Services Sdn. Bhd.**

No. 3, Jalan P4/8, Seksyen 4  
Bandar Teknologi Kajang  
43500 Kajang  
Selangor Darul Ehsan, Malaysia  
Tel : +603-8723 7070  
Fax : +603-8723 3070  
Email : info@deleum.com

### **Turboservices Sdn. Bhd.**

Unit No. B-23-1, Level 23, Tower B  
Menara UOA Bangsar  
No.5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur, Malaysia  
Tel : +603-2280 2200  
Fax : +603-2280 2249/2250

### **Deleum Primera Sdn. Bhd.**

No. 1-2, Jalan Tasik Utama 8  
Medan Niaga Tasik Damai  
Sungai Besi, 57100  
Kuala Lumpur, Malaysia  
Tel : +603-9054 4441  
Fax : +603-9054 4442  
Email : info@deleum.com

### **Penaga Dresser Sdn. Bhd.**

Business Suite, 19A-9-1  
Level 9, UOA Centre, No. 19  
Jalan Pinang, 50450  
Kuala Lumpur, Malaysia  
Tel : +603-2163 2322  
Fax : +603-2161 8312  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Kota Kinabalu Sales Office)  
Unit No. J-55-3A, 4th Floor  
Block J, KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : sales@penagadresser.com

## OPERATIONS AND SUPPLY BASES

### **Kemaman**

Kemaman Supply Base  
Warehouse 28, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-863 1407/1408  
Fax : +609-863 1379  
Email : info@deleum.com

### **Labuan**

Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-413 935/583 205  
Fax : +6087-425 694  
Email : info@deleum.com

## SERVICE CENTRE/ FACILITY

### **Miri**

(Miri Service Facility)  
Lot 3017,  
Permy Jaya Teknologi Park  
Bandar Baru Permy Jaya  
98000 Miri  
Sarawak, Malaysia  
Tel : +6085-418364/436571  
Fax : +6085-418 037  
Email : info@deleum.com

### **Deleum Rotary Services Sdn. Bhd.**

(Bintulu Service Facility)  
Lot 3955, Block 32  
Jalan Sungai Nyigu  
97000 Bintulu, Sarawak, Malaysia  
Tel : +6086-339 964  
Fax : +6086-339 984  
Email : info@deleum.com

### **Penaga Dresser Sdn. Bhd.**

(Terengganu Engineering Centre)  
Lot A1-A2, Kawasan Miel  
Jakar Phase III, 24000 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-868 6799  
Fax : +609-868 3453  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Sabah Sarawak Engineering Centre)  
Lot 3326 & 3327, Piasau Industrial  
Shophouse, Off Jalan Piasau Utara  
98000 Miri, Sarawak, Malaysia  
Tel : +6085-419 126  
Fax : +6085-412 127  
Email : sales@penagadresser.com

### **Penaga Dresser Sdn. Bhd.**

(Labuan Engineering Service Centre)  
Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Email : sales@penagadresser.com

## OTHER FACILITIES

### **Research & Development Facility**

No. 26-G, Block I, Tingkat G  
Jalan PJS 5/28, Pusat  
Perdagangan Petaling Jaya Selatan  
46150 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : +603-7772 3028  
Email : info@deleum.com

### **Integrated Workshop Facility**

Lot 4019, Kawasan Industri Teluk  
Kalong, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-8634 588  
Fax : +609-8632 588  
Email : info@deleum.com

## JOINT VENTURE

### **Turboservices Overhaul Sdn. Bhd.**

(Turboservices: Solar Turbines  
Integrated Service Centre)  
Lot 26197, Kawasan Perindustrian  
Tuanku Jaafar, 71450 Seremban  
Negeri Sembilan Darul Khusus  
Malaysia  
Tel : +606-6798 270/207  
Fax : +606-6798 267  
Email : info@deleum.com

## ASSOCIATES

### **Malaysian Mud And Chemicals Sdn. Bhd.**

Asian Supply Base  
Rancha Rancha Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-415 922  
Fax : +6087-415 921  
Email : mc2@tm.net.my

### **Cambodia Utilities Pte. Ltd.**

Power Plant #2, Road #2  
Sangkat Chak Angre Leu  
Khan Meanchey, Phnom Penh  
Kingdom of Cambodia  
Tel : +855-23 425 592  
Fax : +855-23 425 050  
Email : adminisrationcupl@cupl.com.kh







# Proxy Form

CDS Account No.	No. of Shares Held

I/We \_\_\_\_\_ (Full name in block letters)

I.C/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_ (Address in full)

being a member of **DELEUM BERHAD** hereby appoint \_\_\_\_\_ (Full name in block letters)

I.C/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address in full)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at **Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 18 May 2017 at 10:00 a.m.** and at any adjournment thereof.

No.	Resolutions	For	Against
	<b>Ordinary Business</b>		
1.	To re-elect Datuk Ir (Dr) Abdul Rahim bin Hashim as Director.		
2.	To re-appoint Dato' Izham bin Mahmud as Director.		
3.	To re-appoint Datuk Vivekananthan a/l M.V. Nathan as Director.		
4.	To re-appoint Datuk Ishak bin Imam Abas as Director.		
5.	To approve the payment of Directors' fees of RM942,000 to Non-Executive Directors in respect of the financial year ended 31 December 2016. (2015: RM962,000)		
6.	To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,750,000 from 1 January 2017 until the next Annual General Meeting of the Company.		
7.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
	<b>Special Business</b>		
8.	Authority to allot and issue shares pursuant to Section 75 of the Companies Act 2016.		
9.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(i)(1) and 2.5(ii)(1)&(2) of the Circular to Shareholders dated 26 April 2017.		
10.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(i)(2) and 2.5(ii)(3)&(4) of the Circular to Shareholders dated 26 April 2017.		
11.	Retention of Datuk Ishak bin Imam Abas as an Independent Non-Executive Director of the Company.		
12.	Retention of Datuk Chin Kwai Young as an Independent Non-Executive Director of the Company.		

Please indicate with an "x" in the spaces provided how you wish your vote to be cast. If no instruction as to voting is given, the Proxy will vote as he or she thinks fit, or abstain from voting at his or her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Signature/ Common Seal of Shareholder(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

## Notes:

- A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 11 May 2017 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote on his/her stead.



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AFFIX  
STAMP

The Company Secretary

**DELEUM BERHAD**

(Company No. 715640-T)

(Incorporated in Malaysia)

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

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**DELEUM BERHAD** (715640-T)

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

Tel: 603-2295 7788

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