



DELEUM

# Strength & Stability





## **OUR MISSION**

To Provide Sustainable Growth  
and Enhance Stakeholders'  
Value

## **OUR VISION**

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

## **OUR CORE VALUES**

- Integrity
- Professionalism
- Sustainability
- Excellence



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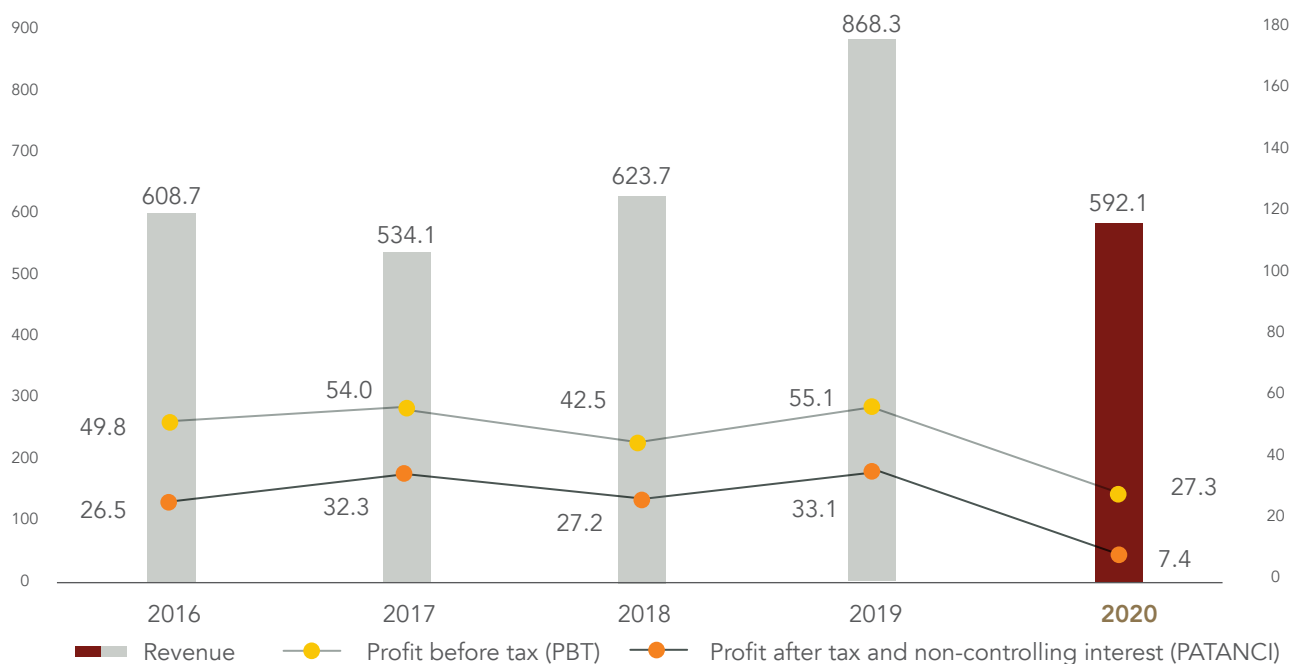
# FINANCIAL HIGHLIGHTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 - 2020

	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Revenue	608,652	534,058	623,685	868,299	<b>592,104</b>
Gross profit	128,521	139,868	124,451	143,616	<b>110,388</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	87,502	87,119	73,889	89,970	<b>64,911</b>
Share of associates' results	223	(385)	2,275	4,757	<b>5,007</b>
Share of joint venture's results	684	857	1,139	1,374	<b>512</b>
Profit before tax	49,767	54,025	42,548	55,073	<b>27,336</b>
Profit after tax	32,821	39,261	29,829	44,004	<b>15,362</b>
Non-controlling interest	(6,308)	(6,983)	(2,660)	(10,856)	<b>(7,933)</b>
Profit after tax and non-controlling interest	26,513	32,277	27,169	33,148	<b>7,429</b>
Number of shares ('000)	400,000	401,195	401,126	401,554	<b>401,554</b>

REVENUE  
(RM MILLION)

PBT/PATANCI  
(RM MILLION)



## FINANCIAL RATIOS

	2016	2017	2018	2019	2020
Return on equity (%)	8.8	10.0	8.2	9.5	<b>2.1</b>
Return on total assets (%)	4.0	5.3	4.1	4.4	<b>1.1</b>
Gearing ratio (%)	36.4	23.6	19.1	25.4	<b>22.5</b>
Net asset per share (RM)	0.75	0.80	0.83	0.87	<b>0.87</b>
Dividend per share (Sen)	3.5	4.3	3.5	4.4	<b>1.0</b>
Dividend yield (%)	3.5	4.5	3.6	4.6	<b>1.6</b>



▼  
2020

EBITDA  
**RM64.9**  
MILLION

2019: RM 90.0 MILLION

▼  
2020

RETURN ON EQUITY  
**2.1%**

2019: 9.5%

▼  
2020

SHAREHOLDERS' EQUITY  
**RM349.1**  
MILLION

2019: RM 350.0 MILLION

▼  
2020

PATANGI  
**RM7.4**  
MILLION

2019: RM 33.1 MILLION

▼  
2020

TOTAL FIXED ASSETS  
**RM155.1**  
MILLION

2019: RM 183.6 MILLION

▼  
2020

DIVIDEND PER SHARE  
**1.0**  
SEN

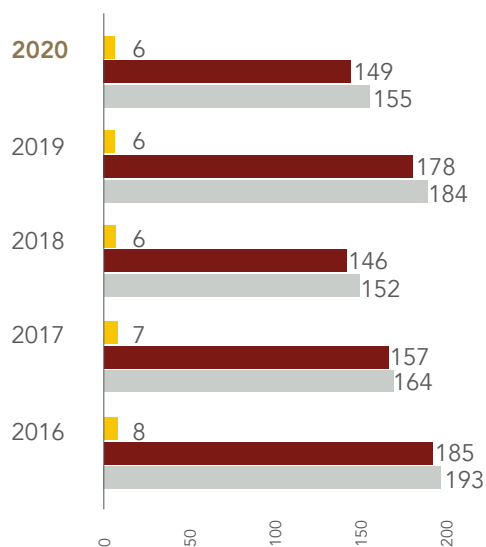
2019: 4.4 SEN

# FINANCIAL HIGHLIGHTS (Continued)

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2016 - 2020

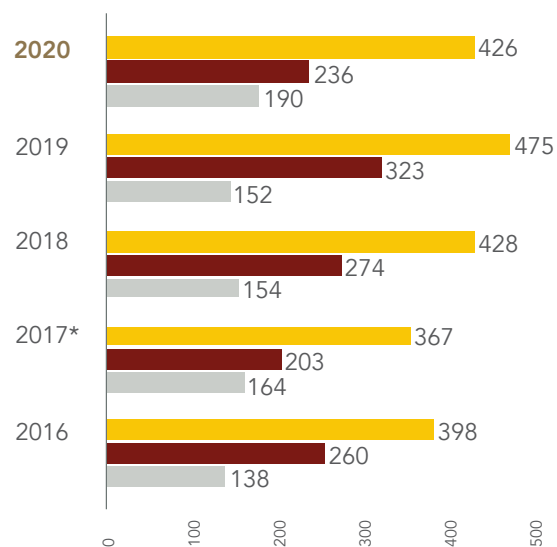
## PROPERTY, PLANT AND EQUIPMENT (RM MILLION)

Properties Equipment Total fixed assets



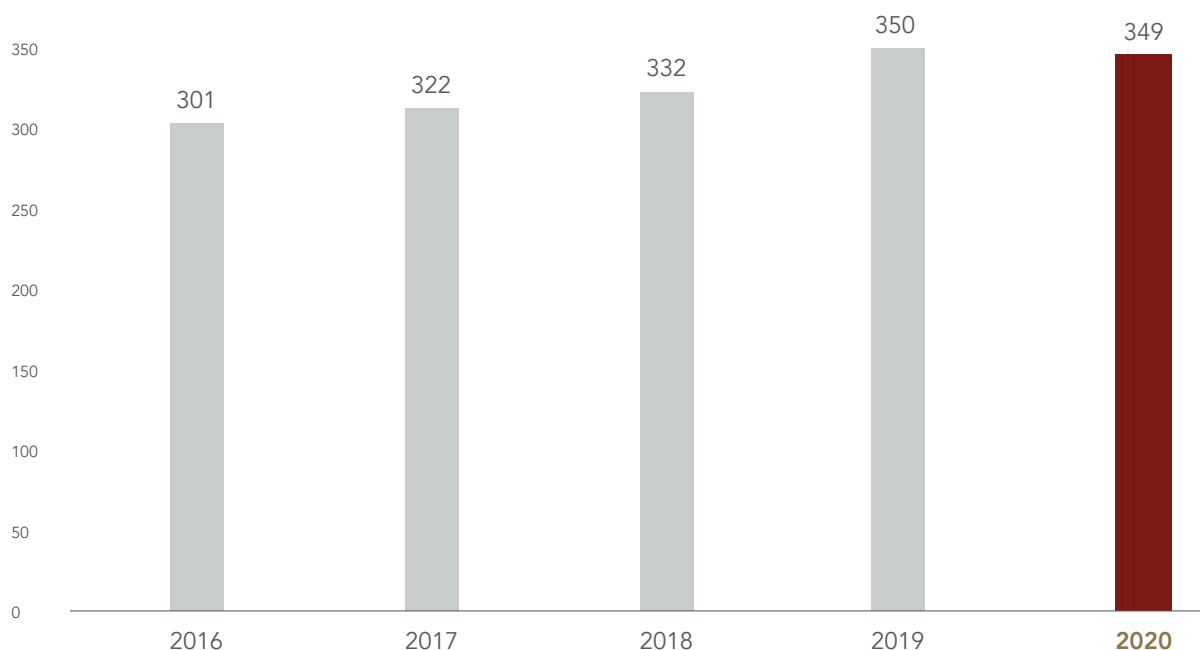
## NET CURRENT ASSETS (RM MILLION)

Current assets Current liabilities Net current assets

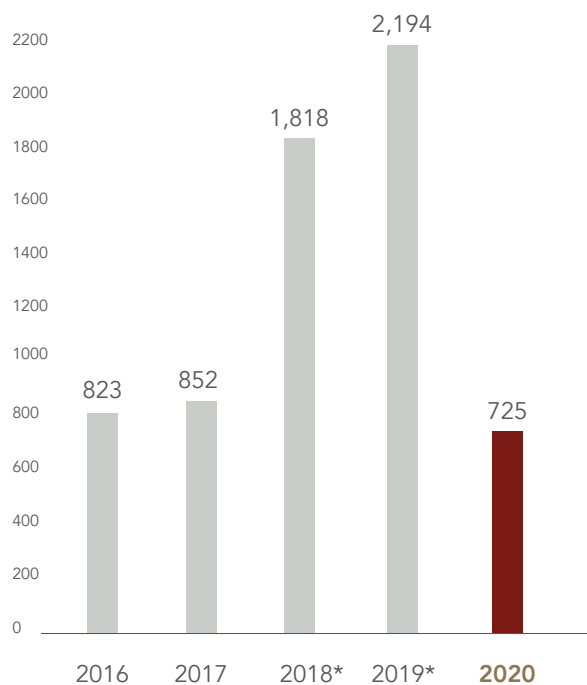


\* 2017 current assets and current liabilities have been restated prospectively to reflect the effects of changes in accounting policies and to conform with current year presentation. No restatement is done for financial years prior to 2017.

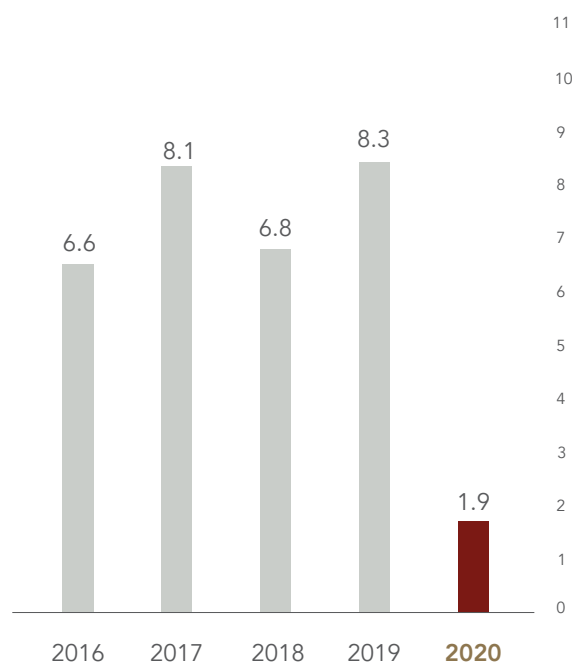
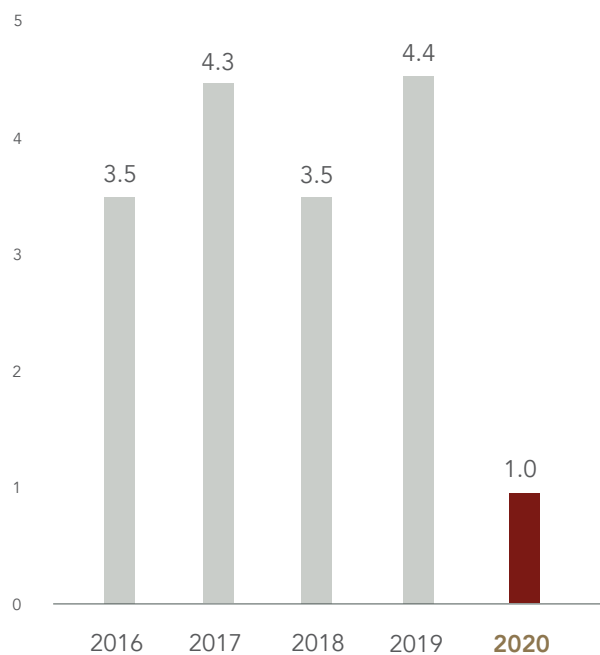
## SHAREHOLDERS' EQUITY (RM MILLION)



## EMPLOYEES

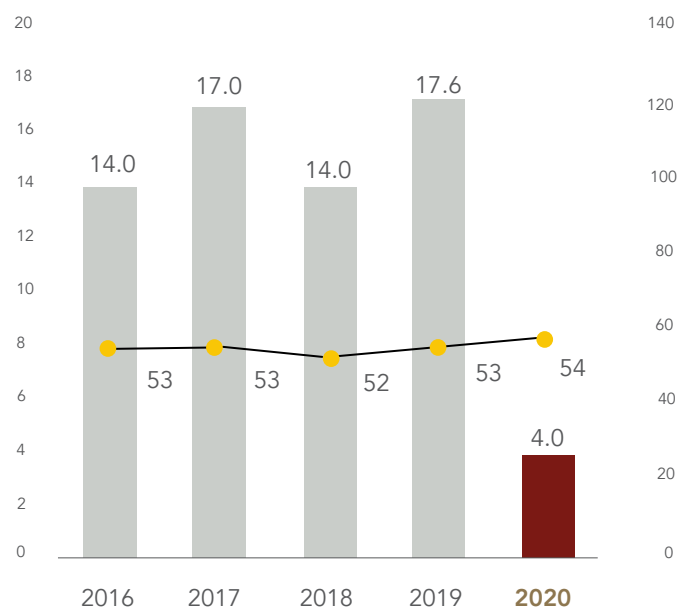


\* The surge in headcount was due to the hiring of casual workers for the Maintenance, Construction and Modification services contract. Further details can be found in the Sustainability Statement of this Annual Report.

EARNINGS PER SHARE  
(SEN)DIVIDEND PER SHARE  
(SEN)

■ TOTAL DIVIDEND FOR THE FINANCIAL YEAR (RM Million)

● DIVIDEND PAYOUT RATIO (%)



# 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 Ir (Dr) Abdul Rahim bin Hashim**

Senior Independent Non-Executive Director

**Datuk Noor Azian binti Shaari**

Independent Non-Executive Director

**Lee Yoke Khai**

Independent Non-Executive Director

**Datuk Manharlal a/l Ratilal**

Independent Non-Executive Director

## Audit Committee

**Datuk Ishak bin Imam Abas**  
(Chairman)

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

**Lee Yoke Khai**

**Datuk Manharlal a/l Ratilal**

## Joint Remuneration and Nomination Committee

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

**Dato' Izham bin Mahmud**

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

**Datuk Ishak bin Imam Abas**

**Datuk Noor Azian binti Shaari**

**Lee Yoke Khai**

**Datuk Manharlal a/l Ratilal**

## Board Risk Committee

**Lee Yoke Khai**

(Chairman)

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

**Datuk Noor Azian binti Shaari**

## Company Secretaries

**Lee Sew Bee**

(SSM PC No. 201908002727)  
(MAICSA 0791319)

**Lim Hooi Mooi**

(SSM PC No. 201908000134)  
(MAICSA 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

**Boardroom Share Registrars Sdn Bhd**

11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor, Malaysia  
Tel : 603-7890 4700  
Fax : 603-7890 4670

## Stock Exchange Listing

**Bursa Malaysia Securities Berhad**

Main Market  
Stock Code: 5132

## Auditors

**PricewaterhouseCoopers PLT**

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

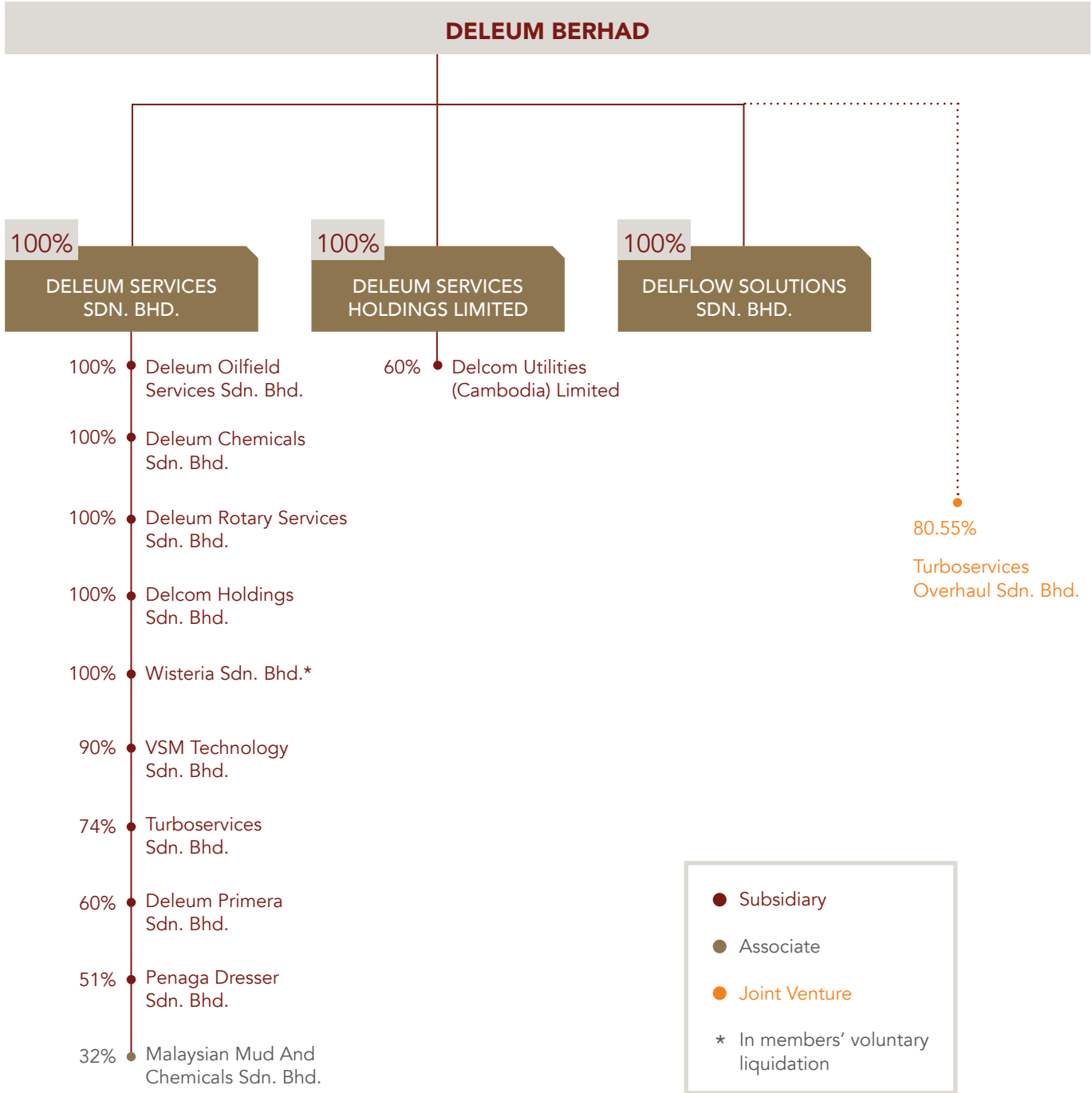
## Principal Bankers

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



# GROUP CORPORATE STRUCTURE

AS AT 30 APRIL 2021



# PROFILES OF DIRECTORS



## Dato' Izham bin Mahmud

*Non-Independent Non-Executive Chairman*

Malaysian  
Aged 80  
Male

### Board Committee

- Joint Remuneration and Nomination Committee

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

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

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

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



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

*Non-Independent Non-Executive Deputy Chairman*

Malaysian  
Aged 80  
Male

### Board Committees

- Joint Remuneration and Nomination Committee
- Board Risk Committee

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

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

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

He is an Honorary Member of the Malaysian Gas Association since May 2016 after having served as its Council Member from 2004 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*

Malaysian  
Aged 49  
Male

Nan Yusri bin Nan Rahimy 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 (Honours) in Mechanical Engineering in 1996. He is a member of the Society of Petroleum Engineers and the American Society of Mechanical Engineers and an alumni of the INSEAD Business School. He is a Professional Technologist (P.Tech.) registered with the Malaysia Board of Technologists (MBOT) in the field of Oil & Gas Technology.

Nan Yusri has been involved in the Oil & Gas and the Energy Industry for more than 20 years. He joined Deleum Services as a Marketing Executive supporting the turbo-machinery business in April 1996 and was later redesignated 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 - 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 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*

Malaysian  
Aged 75  
Male

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

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

During his tenure at PETRONAS, he held various senior positions including Deputy General Manager (GM) Commercial of PETRONAS Dagangan Berhad, Senior GM Finance of PETRONAS, Senior Vice President (VP) Finance of PETRONAS, CEO of KLCC (Holdings) Sdn. Bhd. and KLCC Property Holdings Berhad. He was also a member of the Board of Directors of PETRONAS and several of its subsidiaries. In April 2006, he retired from PETRONAS as Senior VP. He continued to be CEO of KLCC (Holdings) Sdn. Bhd. and KLCC Property Holdings Berhad until his retirement in April 2007. He also served on the Boards of KLCC Property Holdings Berhad, Kuala Lumpur City Park Berhad, KLCC REIT Management Sdn. Bhd. and Putrajaya Holdings Sdn. Bhd. until his retirement on 1 January 2020.

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

#### Board Committees

- Audit Committee (Chairman)
- Joint Remuneration and Nomination Committee

## PROFILES OF DIRECTORS (Continued)



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

Senior Independent  
Non-Executive Director

Malaysian  
Aged 67  
Male

#### Board Committees

- Joint Remuneration and Nomination Committee (Chairman)
- Audit Committee

Datuk Ir (Dr) Abdul Rahim bin Hashim was appointed to the Board on 15 November 2013.

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

He started his career in PETRONAS as an Electrical Engineer soon after graduation in 1976. 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, VP for Gas Business of PETRONAS and VP of Research and Technology Division of PETRONAS 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 and has helmed the presidencies of the Asia Pacific Natural Gas Vehicle Association and the Malaysian Gas Association. He was a commissioner at the Energy Commission of Malaysia and a board member of the Board of Engineers Malaysia and the Malaysia Convention & Exhibition Bureau (MyCEB). He was also a member of the National Science and Research Council of Malaysia and the Academy of Sciences Malaysia Council, and a member of the Board of Advisor of the Higher Education Leadership Academy under the Minister of Higher Education. He was the Vice Chancellor of Universiti Malaya and the Vice Chancellor/CEO of Universiti Teknologi PETRONAS.

He is currently a board member of ICE Petroleum Ventures Sdn. Bhd. and several of its group of companies, Joint-Chairman (Government) and Board of Director of Malaysian Industry-Government Group for High Technology (MiGHT), and a member of the National Monitoring Committee of the Board of Engineers Malaysia.



### Datuk Noor Azian binti Shaari

Independent Non-Executive  
Director

Malaysian  
Aged 72  
Female

#### Board Committees

- Joint Remuneration and Nomination Committee
- Board Risk Committee

Datuk Noor Azian binti Shaari 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 completing the Bar-at-Law, she joined the Malaysian Judicial and Legal Service and served for over 33 years until her retirement in July 2004. During her tenure with the said service, she held various positions, amongst them being Deputy Parliamentary Draftsman, Official Assignee Malaysia, Treasury Solicitor, Sessions Court Judge, Deputy Head of Civil Division, Chairman of the Special Commissioners for Income Tax and Chairman of Tribunal for Consumer Claims.

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

She is currently an Independent Non-Executive Director of Affin Hwang Investment Bank Berhad and she is a member of the Affin Bank Group Nomination and Remuneration Committee and Group Compliance Committee. She is a member of the Board Risk Management Committee of Affin Hwang Investment Bank Berhad.

Datuk Noor Azian is an Independent Non-Executive Director of Mesiniaga Berhad and she is a member of the Board Joint Audit and Risk Management Committee.

Datuk Noor Azian is a Registered Arbitrator with the Asian International Arbitration Centre (AIAC).



## Lee Yoke Khai

Independent Non-Executive Director

Malaysian  
Aged 63  
Male

### Board Committees

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

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

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

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

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

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

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



## Datuk Manharlal a/l Ratilal

Independent Non-Executive Director

Malaysian  
Aged 61  
Male

### Board Committees

- Audit Committee
- Joint Remuneration and Nomination Committee

Datuk Manharlal a/l Ratilal was appointed to the Board on 1 October 2020.

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

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

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

### Notes:

1. Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2020 are set out in the Corporate Governance Overview Statement.
2. The above Directors have no family relationship with any Directors 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 years, and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2020.



# PROFILES OF KEY SENIOR MANAGEMENT



**Jayanthi a/p  
Gunaratnam**

*Group Chief Financial Officer*

🇲🇾 Malaysian  
📅 Aged 48  
♀ Female

**Date of Appointment**

1 January 2015

**Academic / Professional Qualifications**

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

**Working Experience**

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



**Lee Sew Bee**

*Senior General Manager - Group  
Corporate Services/Company Secretary*

🇲🇾 Malaysian  
📅 Aged 59  
♀ Female

**Date of Appointment**

1 May 2013

**Academic / Professional Qualifications**

- The Institute of Chartered Secretaries and Administrators, UK (ICSA) (now known as The Chartered Governance Institute)
- 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



**Heng Phok Wee**

*Chief Executive Officer  
Deleum Services Sdn. Bhd.*

🇲🇾 Malaysian  
📅 Aged 49  
♂ Male

**Date of Appointment**

1 April 2018

**Academic / Professional Qualifications**

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

**Working Experience**

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



## Ahmad Uzhir bin Khalid

Chief Executive Officer  
Deleum Oilfield Services Sdn. Bhd.

🇲🇾 Malaysian  
📅 Aged 55  
♂ Male

### Date of Appointment

1 April 2018

### Academic / Professional Qualifications

- Bachelor of Electrical Engineering  
University of Idaho, USA

### Working Experience

Joined Deleum Oilfield Services Sdn. Bhd. in 2010 as Chief Operating Officer



## Azman bin Jemaat

Chief Executive Officer  
Penaga Dresser Sdn. Bhd.

🇲🇾 Malaysian  
📅 Aged 53  
♂ Male

### Date of Appointment

1 March 2018

### Academic / Professional Qualifications

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

### Working Experience

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

None of the Key Senior Management members above have:

- Any directorship in public companies and listed issuers in Malaysia.
- Any family relationship with any Director and/or major shareholder of Deleum Berhad.
- Any conflict of interest with Deleum Berhad.
- Any conviction for offences within the past five years other than traffic offences.
- Any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2020.

## MESSAGE FROM THE CHAIRMAN



### DEAR VALUED 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  
2020 (FY2020)

**DATO' IZHAM BIN MAHMUD**  
Chairman

### SUSTAINABLE AND RESILIENT

In assessing the financial performance of the Group for the period under review, I must admit that it had been a challenging year for the global oil and gas industry as it continued to experience difficult business conditions against the backdrop of oil price volatility. In FY2020, oil prices fluctuated to a low of USD18 per barrel due to the economic uncertainties brought on by the Coronavirus (COVID-19) pandemic. Despite a slow start at the beginning of 2021, the year brought by a sense of consistency as the oil price hovers above USD50 per barrel year-to-date. The Group's business was categorised as an essential service under the Movement Control Order and continued to operate throughout this pandemic in compliance with the standard operating procedures outlined by the government.

I am pleased to say that amidst these challenges faced in FY2020, Deleum managed to turn in a profit after taking into account impairment due to low asset utilisation and write-off of inventories. To ensure the sustainability of our operations, we focused our efforts on optimising cost, managing working capital utilisation and preserving free cash. We also enhanced our credit risk monitoring controls, reprioritised capital and operational expenditures and intensified cost management efforts throughout the Group. In all this, we capitalised on our strong foundation and relied on our Strategic Plan to guide us as we move forward with streamlining, strengthening and consolidating our businesses.

## FY2020 PERFORMANCE

In FY2020, Deleum registered a profit after tax and non-controlling interest (PATANCI) of RM7.4 million on the back of RM592.1 million in revenue. PATANCI dropped by 77.6% from RM33.1 million, in line with lower revenue when compared to FY2019's RM868.3 million. This was mainly attributable to a one-off impairment made on operating assets and write-off of inventories during the year. Having said that, excluding these non-recurring items, the Group's operating profit would have been RM59.4 million, an increase of 13.8% compared to the RM52.2 million in the preceding year.

The Power and Machinery (P&M) segment maintained its position as the biggest revenue generator for the Group, contributing 63.0% of the year's revenue. This was followed by the Oilfield Services (OS) and Integrated Corrosion Solution (ICS) segments, with each contributing 18.5% of the Group's revenue.

In FY2020, the performance of the P&M segment dropped due to reduced sales in valves and flow regulators services, lower exchange engine deliveries, a lesser supply of local field service representatives, weaker orders in third-party sales, and lower sales from retrofit projects but was mitigated by higher revenue contribution from turbine parts and repair services in comparison to FY2019.

The OS segment was impacted by a slowdown in slickline operations, depressed gas lift valve sales and services, lower chemical sales and services, lower activities in well intervention and enhancement services and one-off impairment charges on its operating assets and write-off of inventories. On the other hand, the ICS segment recorded a higher result despite reduced activity levels and one-off impairment charges on its assets due to better margins coupled with lower operating expenses as a result of various cost-savings measures.

The end of FY2020 saw the Group's total assets declining by 13.2% to RM648.5 million in comparison to RM747.5 million at the end of the previous financial year due to inventories written off and impairment of assets. Shareholders' fund marginally fell 0.3% to RM349.1 million from RM350.0 million in FY2019.

Our cash and bank balances remained at a healthy level, rising by 37.3% to RM219.6 million from RM160.0 million in the previous year mainly due to higher net cash inflows generated from operations. This sets us in a good position to seize opportunities that abound as the economy and the oil and gas industry recover. The Group's borrowings decreased by 11.9% to RM78.4 million from RM89.0 million in the previous year as we pared down various loans and credit facilities undertaken in our normal course of business.

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

## SHAREHOLDERS' RETURNS

On behalf of the Board of Directors, I would like to express my gratitude to our valued shareholders for your continued trust and confidence in Deleum, especially amidst the unprecedented challenges hampering the oil and gas industry. Despite these challenges, we remain optimistic and will strive to safeguard our shareholders' interests and enhance your value through our dividend policy.

In respect of FY2020, Deleum paid a first interim single-tier dividend of 1.00 sen per ordinary share amounted to RM4.0 million on 27 April 2021 (FY2019: Total dividend of 4.40 sen per ordinary share totalling RM17.6 million via two interim dividends payments). Despite these challenging times, Deleum is still committed to meeting our dividend policy of a payout ratio of at least 50% of attributable earnings for the financial year.

Deleum has cumulatively paid out a total of RM227.1 million in dividends since our listing on Bursa Malaysia in 2007. The Group's market capitalisation has stood between RM200 million to RM500 million these past three years.

## RESPONSIBLE BUSINESS PRACTICES

The Board acknowledges that good governance translates to good business and is committed to upholding transparent and ethical business practices that reinforce Deleum's reputation as a responsible, reliable and sustainable corporate entity. Concurrently, we promote ethical conduct and implement appropriate internal controls across our business operations, following our governance structure and policies. Above all, we continuously take appropriate measures to strengthen our risk framework and implement on-going risk-related assessments and activities.

The Group recognises the serious threat that corruption poses to corporates and the economy. As a part of our Anti-Bribery Management System, we rolled out our Anti-Bribery and Corruption Policy and associated policies and guidelines in FY2020 to prevent, detect and address bribery and corruption; whilst strengthening a culture of integrity, transparency and compliance. Deleum has always emphasised strong corporate governance and is committed to professional and ethical business practices by adopting a zero-tolerance approach against all forms of bribery and corruption.

## MESSAGE FROM THE CHAIRMAN (Continued)

The ongoing material litigation in relation to an alleged illegal scheme involving employees, suppliers, contractors of Deleum Primera Sdn Bhd (DPSB) (a 60% indirectly owned subsidiary of the Group) and employees of a client of DPSB arising from a forensic investigation is being handled by the appointed lawyers M/S Lim Chee Wee Partnership. The alleged illegal scheme was reported to the Malaysian Anti-Corruption Commission and the investigation is ongoing. The employees involved who were suspended have since been terminated.

The Group remain committed to upholding the principles of integrity, transparency and good governance in the conduct of our business.

We recognise the necessity of creating long-term value for our stakeholders and securing the sustainability of the Group. Hence, we remain steadfast to balance our financial performance with responsible environmental and social considerations. The details of the Group's sustainability performance can be found in the Sustainability Statement of this Annual Report.

### LOOKING AHEAD

I am pleased to report that as of 31 December 2020, Deleum's order and tender books stand at approximately RM1.2 billion and RM188.1 million respectively. We are actively pursuing and participating in tenders and projects concurrently with the activities planned for 2021.

In FY2021, we are confident that the collective measures we have put in place will enable us to weather the challenging times ahead. Our main focus is to achieve continuous value creation for all stakeholders of Deleum by leveraging our human capital, financial strength, and all other available resources to ensure business sustainability.

### APPRECIATION

I wish to convey my utmost appreciation to my fellow Board members for their wise counsel, invaluable insights and good stewardship, that have helped us navigate through the various challenges. On behalf of the Board of Directors, I am pleased to welcome our new Independent Non-Executive Director, Datuk Manharlal a/l Ratilal, who joined us on 1 October 2020.

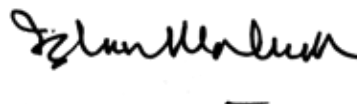
Encik Nan Yusri bin Nan Rahimy will be leaving us as Group Managing Director and retiring as a Director of Deleum Berhad upon the conclusion of the Company's forthcoming 16th Annual General Meeting on 23 June 2021. I thank him for his dedication throughout his tenure of 25 years with the Group.

I also wish to extend the Board's sincere appreciation to our Senior Management and all Deleum's personnel for their tireless dedication in carrying out their responsibilities.

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

**DATO' IZHAM BIN MAHMUD**

Chairman





In the financial year ended 31 December 2020 (FY2020), the global market was hit by the outbreak of the novel Coronavirus (COVID-19) pandemic, causing a global economic downturn and affecting millions of lives. Global oil and gas demand dropped significantly as major economies went into lockdown. Malaysia was no exception with nationwide lockdowns and travel restrictions imposed to contain the spread of the virus amidst research and development of vaccines for COVID-19.

The industry saw the steepest decline of crude oil prices throughout the year 2020, especially in the first few months following the COVID-19 outbreak. Brent crude oil was at a high at USD70 per barrel in January 2020 and took a fall to as low as USD18 per barrel in April 2020 before rebounding upwards to USD48 per barrel at the close of the year.

Against this backdrop, the Group reacted early by taking necessary countermeasures focusing on optimising cost efficiencies, managing our working capital and preserving our cash reserves. As a result, we managed to remain resilient and profitable in the FY2020. Given the oil price volatilities and softer operating activity levels, downward pressure on margins continued to pose a challenge for the Group.

The Group also recognises the need for strong corporate governance practices and will be guided by our Code of Business Conduct (COBC), Whistleblowing Policy and Investigation Procedure, and Anti-Bribery and Anti-Corruption Policy and related policies and guidelines. For the year under review, the Group continued to uphold and undertake measures to increase our employees' understanding of the principles outlined in the COBC. In accordance with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on Corporate Liability, the Group established the Anti-Bribery Management System and adopted the Anti-Bribery and Corruption Policy. The aforementioned corporate governance practices are further elaborated in the Sustainability Statement.

Despite the challenging market conditions and the global pandemic, Deleum continues to rely on its business strategies and other holistic measures that allow us to integrate and innovate our businesses.

## Business Overview

Deleum's primary business activities lie within the upstream of the oil and gas sector, particularly the exploration and production fronts. With almost four decades of operational experience, we have established ourselves as an integrated service provider for a diverse range of specialised products and support services in the oil and gas industry.

We remain dedicated to achieving sustainable growth and enhancing the value of stakeholders. With that in mind, we continue to strengthen business capabilities across our three business segments, namely Power & Machinery (P&M), Oilfield Services (OS), and Integrated Corrosion Solution (ICS). Details of these business segments are elaborated in the 'Performance by Business Segments' section.

## Strategic Overview

The pandemic brought on a new set of challenges and important lessons learnt that will shape the way we operate going forward. We are aware of the need to be proactive and agile in conducting our business and responding to the evolving business environment.

In April 2020, we introduced and rolled out a Four-Phase Framework under Cost and Cash Management, one of the Six Key Focus Areas outlined in Deleum's Strategic Plan. Designed to streamline, strengthen, and enhance our business sustainability, the Framework outlines the action plans to be implemented at each phase upon evaluation.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

We continued to be guided by our Strategic Plan in FY2020 that emphasises the Six Key Focus Areas of Deleum.



## FINANCIAL PERFORMANCE

### Overview

In FY2020, Deleum generated revenue of RM592.1 million, a 31.8% decline from the previous year's RM868.3 million due to slower business activities caused by the pandemic. Profit after tax and non-controlling interest (PATANCI) of RM7.4 million dropped 77.6% from RM33.1 million in the preceding year in line with revenue coupled with one-off assets impairment and inventories written-off. Excluding these one-off expenses, the Group's operating profit would have been RM59.4 million, an increase of 13.8% as compared to RM52.2 million in the preceding year.

The year saw the P&M segment registering slightly lower results of RM45.0 million (FY2019: RM49.8 million) and revenue of RM372.8 million (FY2019: RM486.2 million). The OS segment recorded lower revenue of RM109.4 million (FY2019: RM144.2 million) and an operating loss of RM21.8 million (FY2019: profit of RM0.9 million) that was mainly attributable to the impairment of operating assets and other write-offs for FY2020. The ICS segment's operating profit improved from RM1.8 million in FY2019 to RM4.1 million in FY2020 despite lower revenue of RM109.4 million (FY2019: RM237.3 million).

The P&M segment remained as a significant revenue contributor in FY2020. The Group will continue to undertake concerted efforts to improve contributions from the OS and ICS segments. Concurrently, we are undertaking group-wide measures to reduce costs and improve our profitability.

### Liquidity and Capital Resources

The Group's cash and bank balances improved to RM219.6 million as at 31 December 2020 from RM160.0 million in the preceding year. The increase of RM59.6 million was mainly attributed to net cash inflows generated from operations, dividend received from an associate, and interest income received.

### Gearing Ratio

The gearing ratio of the Group as at 31 December 2020 dropped marginally to 0.22 times as compared to 0.25 times as at 31 December 2019 as we pared down our borrowings and lease liabilities during the financial year.

Details of the borrowings and maturity profile of such borrowings are disclosed accordingly in Note 25 to the Financial Statements for FY2020.

### Contingent Liabilities

The Group has provided guarantees amounting to RM44.3 million (FY2019: RM36.2 million) to third parties in respect of operating requirements, utilities and maintenance contracts.

### Capital Management

The Group's capital management activities revolve around the ability to achieve a suitable capital structure that offers high shareholder value whilst ensuring the sustainability of the Group. To this end, the issue of new shares, debt financing, the quantum of dividends, as well as the return of capital to shareholders, may be adjusted to maintain an optimal capital structure.

### Capital Commitments and Funding Sources

The Group's total capital commitments authorised for investment, property, plant and equipment amounted to RM30.5 million as at 31 December 2020 (FY2019: RM69.0 million), of which RM3.7 million (FY2019: 16.4 million) of capital commitment has been contracted for but not incurred.

The remaining capital commitment of RM26.8 million (FY2019: RM52.6 million) relates to capital expenditure that has been authorised but not contracted for of RM26.0 million (FY2019: RM51.4 million) and share of capital commitment of a joint venture of RM0.8 million (FY2019: RM1.2 million). The capital commitment that has been authorised and contracted for relates to general contractual requirements and enhancement of workshop facilities and the purchase of equipment for current operations.

## PERFORMANCE BY BUSINESS SEGMENTS

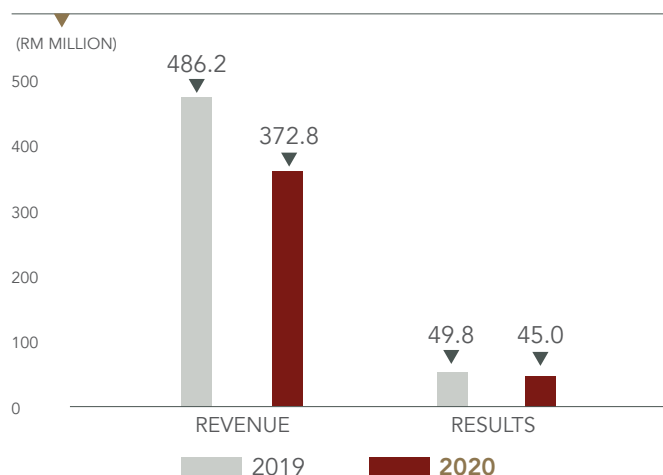
### Power and Machinery

#### Segment Offerings

- Provision of gas turbine packages, after-sales support and services
- Provision of printed circuit heat exchanger and operational spares
- Provision of multi-phase pump solution, after sales and spares
- Provision of thermal engineering products and solutions
- Supply, installation, repair and maintenance of valves and flow regulators
- Maintenance services and Condition Base Monitoring (CBM) for motors, generators, transformers, multistage pumps and impellers

FY2020 saw the Power and Machinery segment working to extend its product and service offerings via collaborations.

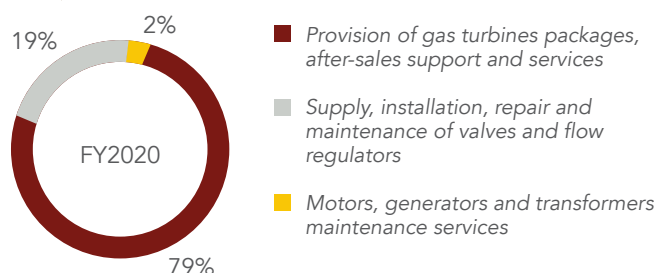
#### Performance Highlights (RM Million)



In FY2020, the segment results for P&M decreased by 9.6% or RM4.8 million to RM45.0 million from RM49.8 million previously as a result of weaker sales recorded. However, the lower segment results were cushioned by better margins earned due to favourable change in sales composition and lower foreign exchange losses. The segment's revenue decreased due to reduced sales in valves and flow regulators services, lower exchange engine deliveries, a lesser supply of local field service representatives, weaker orders and decline in third-party sales and services, lower sales from retrofit projects which were mitigated by higher revenue contribution from gas turbine parts and repair services in comparison to the corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Operational Highlights - Segment Offerings



In FY2020, the P&M segment worked towards extending its product and service offerings by collaborating with potential principals. The segment continues to work closely with its customers, delivering innovative solutions to optimise the equipment's efficiency.

Market demand in FY2020 was low due to the deferment of field development and upstream projects. Meanwhile, the levels of scheduled maintenance activities, retrofit projects and other after-sales activities within the segment remained consistent throughout the year.

Deleum Rotary Services Sdn. Bhd. (DRSSB) is an Original Equipment Manufacturer (OEM) Authorised Service Workshop for motors and generators with offerings including pumps and impeller services as well as other services for the power and water sectors. DRSSB continues to provide inter-functional support, especially in the area of maintenance, repair and overhaul (MRO) for motors and generators. It operates a Master Service Agreement (MSA) for the Maintenance and Service of High Voltage/Low Voltage Motors and Alternators for Petrolam Nasional Berhad (PETRONAS) Group of Companies.

In FY2020, DRSSB was heavily impacted by low demand for service as a result of work deferments as customers faced operational constraints, low oil prices and Movement Control Order (MCO) that was put in place by the Malaysian Government to contain the spread of the COVID-19 virus. Currently, DRSSB is undergoing rationalisation and consolidation exercise to further optimise its operating efficiency.

FY2020 saw a drop in the segment's control and safety valves business under Penaga Dresser Sdn. Bhd. (PDSB) and customers' spending compression across the oil and gas value chain.

PDSB's service facility located in Miri – the Sabah-Sarawak Engineering Centre – continued to provide after-sales services in East Malaysia throughout FY2020. Meanwhile, in Peninsular Malaysia, the Pengerang workshop in Johor has been fully operational since FY2019 to support the commissioning and start-up operations at PETRONAS' Refinery and Petrochemical Integrated Development (RAPID).

### Looking Ahead

The outlook for the P&M segment remains challenging due to the uncertainties brought on by the COVID-19 pandemic and low oil prices. The segment continues to focus on the aftermarket and new equipment sales as well as integration of existing products and offerings to fulfil customers' requirements.

Moving forward, the segment will continue to leverage its current resources to explore new market, mainly the renewable energy sector, whilst collaborating with existing and potential business partners to optimise market coverage and create new revenue streams.

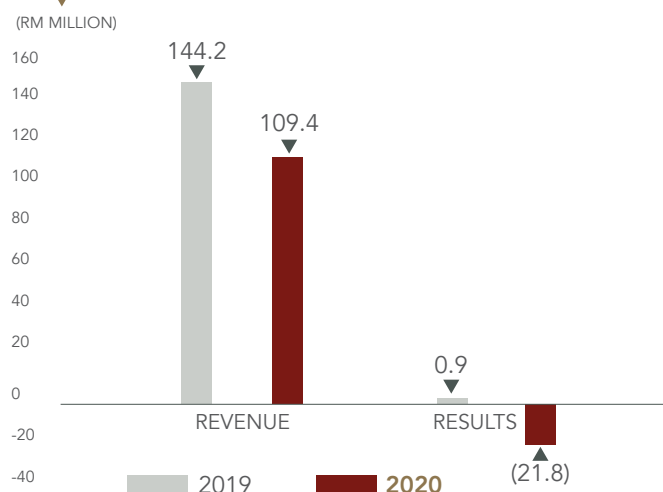
### Oilfield Services

#### Segment Offerings

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

Deleum Oilfield Services Sdn. Bhd. (DOSSB) remains as the market leader of slickline packages in operation, representing 45% of the total domestic market share.

### Performance Highlights (RM Million)

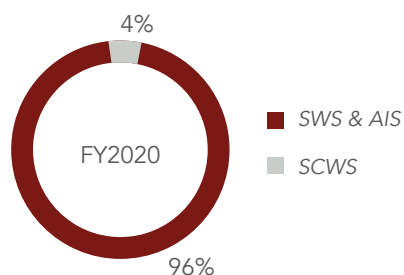


The OS segment's revenue decreased by 24.1% or RM34.8 million to RM109.4 million against the previous year of RM144.2 million. This was due to a slow down in slickline operations, depressed gas lift valve sales and services, lower chemical sales and services, lower activities in well intervention and enhancement services.

The segment recorded an operating loss of RM21.8 million in FY2020 against a profit of RM0.9 million in the previous year. This was attributable to the one-off impairment charges on its operating assets, provision for doubtful debts on

trade receivables and write-offs on its inventories and other receivables, without which the segment would have reported a smaller loss of RM3.4 million.

#### Operational Highlights - Segment Offerings



The OS segment operates predominantly via DOSSB and Deleum Chemicals Sdn. Bhd. (DCSB). The segment comprises three main business units, namely the Slickline and Well Services (SWS), Asset Integrated Solutions (AIS), and Specialty Chemical and Well Stimulation (SCWS).

The SWS unit, which is the core business of the OS segment, offers slickline equipment and services, integrated wellhead maintenance, and gas lift valve supply to Petroleum Arrangement Contractors (PACs) in Peninsular and East Malaysia. Overall, the unit's slickline activities marked a sharp decline in its utilisation rate for FY2020 in comparison with previous years. This came about as a result of the MCO during the COVID-19 pandemic coupled with oil prices fluctuations throughout the reporting period.

Despite these challenges, DOSSB continues to be the market leader in providing slickline packages with a 45% share in the domestic market. DOSSB was awarded a new contract for the provision of heavy-duty fishing services under the SWS unit in FY2020.

The AIS unit is an integrated services solutions provider offering cased hole logging, well intervention, drilling and completion services, and sub-surface engineering solutions. The unit provides niche solutions in an asset lifecycle by consolidating and integrating the products and services via slickline conveyance. Through the innovative and actionable integration of resources and capabilities within the OS segment, it continues to deliver comprehensive, high-quality, customised and cost-effective solutions to its customers. Equally important, the unit continuously improves its in-house expertise whilst strategically collaborating with other selected service providers to provide top-notch solutions to its customers and add value to the segment's slickline services offerings.

In line with this, AIS has invested in new technologies towards strengthening its logging interpretation and data processing offerings by adding new log processing and interpretation software to complement its data acquisition services. In addition, DOSSB has added two new non-explosive tools with enhanced safety features for the well intervention services in FY2020.

The SCWS unit, responsible for the provision of specialty chemicals and well stimulation services, offers all-inclusive chemical solutions for production enhancement, flow assurance, integrated pipeline cleaning, tank cleaning and well pumping services. The Group's in-house research and development facility carries out the development of chemical solutions.

For the year in review, the SCWS unit had successfully executed two chemical campaigns in East Malaysia operations. Having said that, the business was also challenged by the pandemic that resulted in cancellation and deferment of production enhancement activities in general. This also hindered the unit from taking up jobs outside of Malaysia.

#### Looking Ahead

Well intervention activities had stabilised towards the end of FY2020 albeit not to the same scale before the pandemic. Nonetheless, slickline activities, which are regarded as an essential requirement in well intervention and well maintenance works for producing wells, are typically the least affected type of activities during an economic downturn compared to other forms of well-intervention conveyance such as e-line and coil tubing activities. The level of utilisation will still be contingent on oil prices volatility and recovery post-COVID-19 pandemic. Barring any unforeseen circumstances, slickline-related activities are expected to pick up in FY2021.

Moving forward, the SCWS unit anticipates an increase in revenue following its investment in new assets catering for pumping jobs in the oil and gas industry. Further to this, the research and development lab has turned into a profit centre to undertake analysis assignments from both upstream and downstream.

#### Integrated Corrosion Solution

##### Segment Offerings

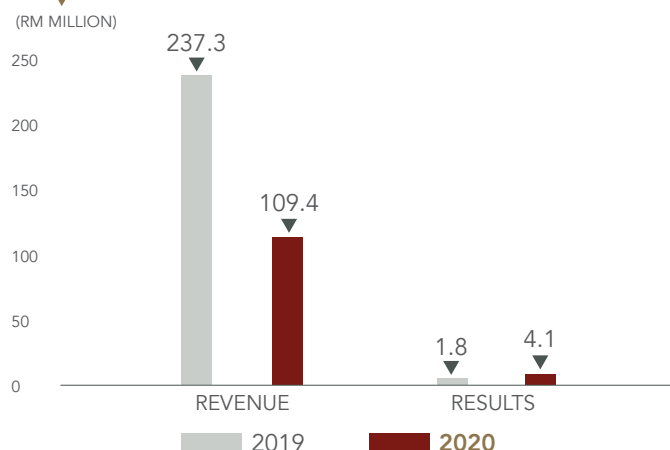
- Provision of low dust, environmentally friendly blasting technology for surface preparation
- Coating removal by controlled induction heating
- Passive fire protection services
- Integrated maintenance, construction and modification services
- Oil spillage combat equipment and services



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Integrated Corrosion Solution segment reported an improved profit of RM4.1 million for FY2020.

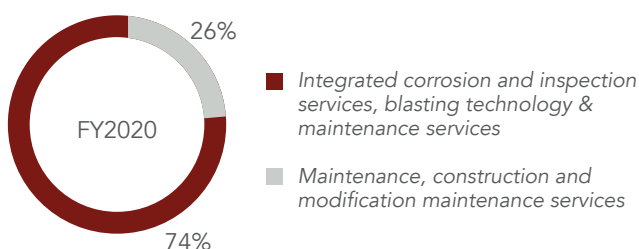
### Performance Highlights (RM Million)



The ICS segment's revenue slipped to RM109.4 million in FY2020, a 53.9% or RM128.0 million decrease compared to the preceding year. This was due to lower activity levels and work order deliveries recorded for its Maintenance, Construction and Modification Services (MCM) and Sponge-Jet Alternative Blasting and Painting contracts.

The segment reported an improved operating profit of RM4.1 million for FY2020 from RM1.8 million in the preceding year despite lower revenue reported for FY2020. The improved results were on the back of higher profit margins earned with better sales mix, lower foreseeable losses recognised and a decrease in overhead costs due to various cost savings initiatives undertaken even after taking account of a non-recurring impairment on its operating assets.

### Operational Highlights



The ICS segment is contributed by DPSB. Its competitive advantage lies in its ability to offer innovative, environmentally friendly and cost-effective solutions that promote the operational safety of its customers. The Sponge-Jet technology is a green technology alternative offered by DPSB.

To further enhance its servicing capabilities, DPSB is collaborating with Solidsvac to utilise and distribute its vacuum pump. DPSB is also an agent of Slickbar products and oil spill combat services.

The year saw DPSB's operational activities under the MCM contract, recording a lower revenue due to the pandemic and volatile oil prices. DPSB also underwent a major cost-cutting exercise to rein in operation costs.

During the year under review, Deleum appointed PwC Consulting Associates (M) Sdn. Bhd. to conduct a forensic investigation on DPSB, where the findings revealed an alleged illegal scheme that involved DPSB's employees, suppliers, contractors and employees of a client of DPSB. The Group lodged a formal report to Malaysian Anti-Corruption Commission and filed a civil suit against these parties. The DPSB's employees involved were suspended and had since been terminated.

On 25 March 2021, DPSB received a notification of suspension from PETRONAS of its licence for all Standardised Work and Equipment Categories (SWEC). DPSB is suspended from participating in future tenders and/or any new award until further notice. Notwithstanding the suspension, DPSB is still allowed to continue and complete its existing and ongoing contracts with PETRONAS including its subsidiaries and PACs in accordance with the terms and conditions of the contracts.

DPSB had undertaken a series of actions to further strengthen its internal controls including changes made to its overall organisation structure to support its operations and centralisation of the corporate resources functions for further standardisation of the processes and procedures with the Group.

### Looking Ahead

DPSB's business outside Malaysia, namely in Indonesia not requiring PETRONAS's licence, is not affected by the suspension and shall continue to operate accordingly. DPSB will endeavour to expand its business in Indonesia and explore other business opportunities outside of Malaysia.

DPSB is also taking steps to appeal to PETRONAS against the suspension of its licence.

### Joint Venture



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

### Associate Companies



For FY2020, the share of results of associates was contributed by Malaysian Mud and Chemicals Sdn. Bhd. (2MC), a 32% owned associate company of the Group. Cambodia Utilities Pte Ltd (CUPL), has completed its liquidation process during the year. Deleum has continued to equity account for the results of CUPL until it ceased to be an associate of the Group.


## BUSINESS RISKS

Against the backdrop of a challenging business environment, we will continue to identify and assess the Group's Key Risk areas that may impact our business operations, performance, financial condition and liquidity. In line with Bursa Malaysia Securities Berhad's disclosure requirements, we outlined the risks faced in FY2020 as well as the plans or strategies used to mitigate these risks.

Key Risk	Description	Mitigation Measures
 <b>Strategic</b>	<p>Strategic risk relates to the risks posed by poor business decisions or the lack of decision making that determines whether the Group is able to continue operating for the long-term or expand to meet its business objectives. It relies on the strategic decisions made and the direction taken in relation to Board-approved strategic and business plans.</p> <p>The risk of loss of business market share and margins were registered in 2020.</p>	<ul style="list-style-type: none"> <li>• In its effort to diversify, the Group is continuously pursuing business development initiatives, introducing new products and venturing into new markets.</li> <li>• Project Risk Assessments are conducted for potential business ventures overseas where potential threats such as emerging geopolitical threats, vulnerabilities and potential impact from issues related to the oil gas industry as well as the Group's areas of interest are assessed.</li> <li>• Whilst the Group has received various requests to provide supply as well as invitations to bid and explore business partnerships, it continues to prudently evaluate and assess the viability. The Group designs and reviews its strategies to best fit and respond to the threats as well as opportunities unique to the countries it operates in.</li> </ul>
 <b>Operational</b>	<p>Operational risk is associated with the risk of loss as a consequence of inadequate or ineffective processes, people and systems impacting the Group's ability to meet its business objectives.</p> <p>This risk has further heightened following the continuous fluctuations in oil prices which in turn, has affected the margins offered by the respective segments.</p>	<ul style="list-style-type: none"> <li>• The Group continues to widen its integration across the business units to offer its customers holistic solutions as well as new technological products and services in collaboration with partners.</li> <li>• Strict cost discipline is emphasised alongside measures to improve operational efficiency and productivity. Despite tough conditions, the Group remains profitable, and operating cash generation remains positive.</li> </ul>
 <b>Financial</b>	<p>Financial risk involves the risk of market volatility affecting exchange rates which may lead to losses in relation to foreign exchange (forex) transactions, thereby affecting the profitability of the Group.</p> <p>One of the Group's key financial risks is currency volatility. A major portion of the Group's revenue and costs are conducted in foreign currencies, primarily the US Dollar (USD).</p>	<ul style="list-style-type: none"> <li>• The Group manages currency fluctuations and monitors foreign currency-denominated business transactions in line with the Board-authorised hedging policy and procedures.</li> <li>• There are on-going efforts to improvise the process and the effectiveness of hedging to mitigate the Group's exposure. This was reflected in the reduction of net forex loss from RM1.2 million in FY2019 to RM0.5 million in FY2020. Furthermore, there was a fair value gain on forward foreign currency exchange contracts of RM0.8 million due to effective hedging exercise during FY2020 (FY2019: Loss of RM65,000).</li> </ul>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Key Risk	Description	Mitigation Measures
 <b>Financial</b>	<p>The major financial risks faced by the Group in 2020 are as follows:</p> <ul style="list-style-type: none"> <li>(i) Loss in demand for assets and services</li> <li>(ii) Asset impairment</li> <li>(iii) Going concern risk</li> <li>(iv) Cash flow risk</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of product and/or services, aggressive marketing for potential projects were part of the initiative to manage asset impairment.</li> <li>• Leasing of assets, stringent operational and administrative cost management, strict compliance to credit policies and a continuous reminder to employees were imposed to ensure business sustainability.</li> </ul>
 <b>Safety</b>	<p>The safety of people and assets is a top priority in the oil and gas industry, as any adverse incident could result in significant financial loss and damage to the Group's reputation.</p> <p>The Group recorded 2.97 million lost time injury (LTI) free man-hours up until 31 December 2020.</p>	<ul style="list-style-type: none"> <li>• The Group has in place comprehensive safety policies and processes that clearly spell out the safety measures which our employees and contractors must strictly comply with.</li> <li>• We undertake periodic audits of our health and safety procedures and practices, conduct drills, and implement health and safety awareness initiatives, meetings, reviews and programmes on an on-going basis.</li> <li>• The Group Quality, Health, Safety and Environment (QHSE) has identified the weaknesses in the safe work system, and the necessary measures to improve the system have been implemented.</li> <li>• HSE campaigns for continuous improvement are in place. These include the Adverse Weather Safety Campaign, the Effective Toolbox Talk Campaign and an expansion of the Behavioural Based Safety programme from the BeOb (Behavioural Observation) Programme set by EMEPMI for all workshops.</li> <li>• In view of the COVID-19 pandemic that continues to threaten the safety of the employees, Group QHSE, with relevant reference from the Ministry of Health, has established a few guidelines for all employees. Continuous safety updates and alerts were communicated to the Board and employees to ensure adherence by all to the requirements to stay safe.</li> </ul>
 <b>Major Contract</b>	<p>The Group continues to recognise a variety of risks and seek to minimise potential contracts downside. The Group's overall contracts risk predominantly focuses on the MCM contract serviced by DPSB, a 60%-owned subsidiary of the Group.</p> <p>Adverse effects from this contract may arise should DPSB underperform or be in breach of its contractual obligations. Other issues such as resource and supply chain failure, operational inefficiency, poor cost management as well as poor quality and safety may also pose a risk.</p>	<ul style="list-style-type: none"> <li>• Due to the alleged illegal scheme involving several employees of DPSB and its suppliers, contractors, and employees of a client, revisions were made to address the impact associated with the risk events towards the MCM contract's deliverables.</li> <li>• Despite challenges faced by DPSB during the reporting period, the Group further outlined mitigation plans at DPSB that focused on strengthening adherence to established governance structure concerning procurement and warehousing practices, human resource reorganisation, continuous monitoring of compliance of procedures and guidelines in project execution and customer relationship management.</li> </ul>

Key Risk	Description	Mitigation Measures
 <b>Corruption</b>	<p>Deleum recognises that its business dealings could pose the risk of corrupt practices conducted or involving Deleum Group and/or its personnel which will impact Deleum's business objectives, regulatory compliance and reputation.</p> <p>Hence, Deleum has taken necessary actions to comply with the new requirement of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and is guided by the principles of the Ministerial Guidelines and Bursa Securities Main Market Listing Requirement.</p>	<ul style="list-style-type: none"> <li>• A consultant was appointed to assist in the establishment of the Anti-Bribery Management System including identifying potential bribery and corruption risks in all business units and corporate supports.</li> <li>• Risk assessment was performed on existing policies and procedures to determine the gap in process controls, which may lead to bribery and corruption.</li> <li>• Anti-Bribery and Corruption Policy together with other relevant policies and guidelines were established, setting out the Group's requirements for internal and external parties working with, for, and on behalf of the Group in upholding the Group's commitment and stance against bribery and corruption.</li> <li>• Training and awareness briefings are conducted to the directors, management and employees.</li> </ul>

## MOVING FORWARD

The economic outlook for 2021 remains cautiously optimistic and the Group endeavours to be resilient and sustainable.

Oil prices have been averaging above USD50 per barrel year-to-date after the slump to a low of USD18 per barrel in early April 2020, injecting a sense of hope and positivity into the oil and gas industry. A rebound in activities is expected going forward albeit slowly as major oil and gas players are anticipated to take a careful stance in spending.

Malaysia's economic growth in 2021 is expected to be weighed down by output loss from the impact of MCO imposed by the Government due to the sporadic outbreaks. However, with the continuous efforts made by the government to spur the economy, the Group remains hopeful that the economic condition will eventually improve.

We will continue to fulfil our customers' needs during this uncertain period whilst taking the necessary precautionary measures to safeguard our employees as their health and safety remain our top priority.

Deleum is grateful to our shareholders for their utmost trust and support to the Group, especially during these uncertain times. Going forward, we pledge to safeguard our shareholder's interests and uphold our dividend policy of distributing a gross dividend totalling at least 50% of the Group's annual profit attributable to the equity holders. The distribution is subject to the availability of sufficient distributable reserves, operating cash flow requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations.

Amidst the challenging operating environment, we are actively monitoring, planning and implementing strategic measures in line with our key focus areas, including preserving the sustainability of our business and building resilience in 2021.

# SUSTAINABILITY STATEMENT

## OUR COMMITMENT TO SUSTAINABILITY

Deleum Berhad (Deleum or the Group) continues to provide a range of specialised products and support services predominantly within the upstream oil and gas sector. In line with the Group's mission to deliver sustainable growth and create long-term value for our stakeholders, we are dedicated to upholding responsible management and development on the Economic, Environmental and Social fronts.

This Sustainability Statement has been prepared in accordance with Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements, which depicts the Group's pledge to conduct business in a transparent, efficient and responsible manner.

## REPORTING SCOPE AND BOUNDARY

This Statement covers the Group's sustainability efforts and initiatives between 1 January 2020 and 31 December 2020 (FY2020). The information provided here encompasses our operations in Malaysia, over which Deleum has controlling interests and includes a joint venture entity. This Statement has been reviewed and approved by our Board of Directors.

## OUR APPROACH TO SUSTAINABILITY

The agenda of sustainability complements the Group's plans to remain resilient whilst delivering long-term value to our stakeholders. We have in place a sustainability governance structure that we integrate into our business.

The roles and responsibilities of our sustainability governing bodies are illustrated below:

### Deleum's Sustainability Governance Structure

▶ BOARD OF DIRECTORS	<ul style="list-style-type: none"> <li>Assumes ultimate responsibility</li> <li>Ensures business strategies consider sustainability</li> </ul>
▶ BOARD RISK COMMITTEE	<ul style="list-style-type: none"> <li>Evaluates overall risk profiling and assessments</li> </ul>
▶ GROUP MANAGING DIRECTOR	<ul style="list-style-type: none"> <li>Approves targets and market disclosures (as delegated by the Board)</li> <li>Oversees overall implementation of sustainability strategies</li> </ul>
▶ MANAGEMENT RISK COMMITTEE	<ul style="list-style-type: none"> <li>Provides leadership over the implementation of sustainability strategies</li> <li>Oversees departments/functions in ensuring the robustness of systems of sustainability management</li> </ul>
▶ HEAD OF BUSINESS UNITS & CORPORATE RESOURCES	<ul style="list-style-type: none"> <li>Supports the implementation of strategies</li> <li>Reports on the performance of processes and controls</li> <li>Reports management targets</li> <li>Develops the plan and timeline for disclosures</li> </ul>



## MATERIAL SUSTAINABILITY MATTERS

Material sustainability matters could significantly impact the Group's ability to create value for its key stakeholders over the short, medium and long term. The Group's material sustainability matters are identified through a materiality assessment process that is annually reviewed and updated to account for significant changes within our business operations or the external market environment. It is structured according to the three Pillars of Sustainability, i.e. the Economic, Environmental, and Social or EES Pillars.

### Material Sustainability Matters




Pillars	Key Themes	Material Matters
 <p><b>ECONOMIC</b></p> <p>Refers to the impact that our business has on the economic conditions in relation to our stakeholder</p>	<p>► <b>Economic Performance and Impact</b> Features how economic performance is balanced out against environmental and social considerations</p> <p>► <b>Corporate Governance</b> Defines how we manage our business in an ethical and responsible manner to maintain good governance and best practices</p> <p>► <b>Enterprise Risk Management</b> Underscores how we assess, categorise and quantify risks that threaten our financial well-being and opportunities in the market</p>	<p>► • Remaining resilient</p> <p>► • Leveraging on digitalisation</p> <p>► • Good procurement practices</p> <p>► • Customer engagement and product responsibility</p> <p>► • Good governance and best practices</p> <p>► • Business Continuity Management</p>
 <p><b>ENVIRONMENTAL</b></p> <p>Refers to the impact of our business on living and non-living natural systems, including land, air, water and environmental ecosystems</p>	<p>► <b>Environment</b> Demonstrates our commitment to managing our environmental impact</p>	<p>► • Environmental impact</p>
 <p><b>SOCIAL</b></p> <p>Refers to the impact our business has on the social system within our community</p>	<p>► <b>Managing Our People</b> Defines how we manage our people and build a sustainable workforce</p> <p>► <b>Safety</b> Demonstrates our commitment to maintaining a safe working environment</p> <p>► <b>Corporate Social Responsibility</b> Highlights our community outreach and development programmes</p>	<p>► • Human capital management</p> <p>► • Employee engagement</p> <p>► • Safety</p> <p>► • Community outreach</p>






## SUSTAINABILITY STATEMENT (Continued)

### STAKEHOLDER ENGAGEMENT

Our stakeholders are any individual, group or party that impact our business or are affected by our operations. As such, they remain an integral component of our business. We continually undertake stakeholder engagement activities to better understand our diverse stakeholder groups' interests and concerns, as the information may affect the Group's ability to create and sustain value.

Our material sustainability matters of significant priority are highlighted in the following Stakeholder Engagement Matrix:

Stakeholder Groups	Engagement Platforms	Frequency	Topics Discussed	Material Sustainability Matters
 Customers	Meetings and engagement sessions	Ad hoc	Products and services information, performance, feedback and complaints	Customer engagement
	Virtual networking events	Ad hoc		
	Corporate website	Ad hoc		
 Employees	Group Managing Director briefings	Quarterly	Company performance	Sustainable business performance and business opportunities
	Quality, Health, Safety and Environment (QHSE) updates	Monthly	QHSE matters	<ul style="list-style-type: none"> <li>• Environmental management</li> <li>• Human capital management</li> <li>• Safety</li> </ul>
	Enterprise Social Networking Service (Yammer)	Frequently	Internal and external activities or update	Good governance and best practice
	Physical and virtual meetings and engagement sessions	Frequently	<ul style="list-style-type: none"> <li>• Day to day activities/ meetings</li> <li>• Staff performance reviews</li> </ul>	Human capital management
	Intranet	Frequently	Company policies and procedures	Good governance and best practices
 Suppliers and Contractors	Physical and virtual meeting and engagement sessions	Frequently	Products and services information and performance	Procurement practices
	Physical and virtual joint workshops and training sessions	Frequently		
	Supplier performance review	Annually		
	Corporate website	Ad hoc		

Stakeholder Groups	Engagement Platforms	Frequency	Topics Discussed	Material Sustainability Matters
 Shareholders and Investors	Group analyst briefings	Annually	Company's operational and financial performance, and dividend payments	Sustainable business performance and business opportunities
	Annual Report/Annual General Meeting	Annually		
	Press releases	Ad hoc		
	Corporate website	Ad hoc		
 Financial Institutions	Meetings and engagement sessions	Ad hoc	Company's operational and financial performance, and dividend payments	Sustainable business performance and business opportunities
	Corporate website	Ad hoc		
 Local Communities	Community engagement sessions	Ad hoc	Community initiatives	Community outreach
	Corporate social responsibility events	Ad hoc		
	Corporate website	Ad hoc		
 Government and Regulators	Virtual meetings and engagement sessions	Ad hoc	Corporate governance, compliance and regulations	Good governance and best practices
	Corporate website	Ad hoc		
 Partners and Principals	Virtual meetings and engagement sessions	Ad hoc	Business performance, planning and other commercial matters	<ul style="list-style-type: none"> <li>• Sustainable business performance and business opportunities</li> <li>• Customer engagement</li> </ul>
	Virtual joint workshops and training sessions	Ad hoc		
	Corporate website	Ad hoc		

## ECONOMIC

### KEY THEME: ECONOMIC PERFORMANCE AND IMPACT

The Group's economic performance stems from our three business segments: Power and Machinery (P&M), Oilfield Services (OS), and Integrated Corrosion Solution (ICS). We offer a wide range of specialised products and services to the oil and gas industry, particularly in the upstream sector. The details of the three business segments are set forth in the Management Discussion and Analysis (MD&A) section of this Annual Report.

#### Remaining Resilient

The challenges faced by the oil and gas industry due to the highly volatile oil prices, geopolitical risk and Coronavirus (COVID-19) pandemic have resulted in a highly competitive playing field. As the industry learns how to adapt to the new market realities, business sustainability remains a key concern. In line with the Group's objective to remain resilient and sustainable, we continue to leverage our Strategic Plan that emphasises the Six Key Focus Areas (KFAs).

In FY2020, Deleum generated a revenue of RM592.1 million and recorded a profit after tax and non-controlling interest (PATANCI) of RM7.4 million, which showed a 77.6% drop in PATANCI compared to the RM33.1 million in the preceding year. This is due to a 31.8% decrease in revenue, compared to RM868.3 million recorded in FY2019, and a one-off impairment made on operating assets in the year under review.

## SUSTAINABILITY STATEMENT (Continued)

Deleum remains committed to upholding its dividend policy of distributing a gross dividend of at least 50% of the Group's annual profit attributable to equity holders of the Company. This is subject to the availability of adequate distributable reserves, operational cash flows requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations and to support future business growth. For FY2020, we declared a dividend of 1.0 sen per ordinary share, representing 54.3% of our attributable earnings for the financial year and it was paid on 27 April 2021.

A detailed analysis of our business performance as driven by our Strategic Plan can be found in the MD&A section of this Annual Report.

### Leveraging on Digitalisation

Deleum embarked on a group-wide digitisation exercise since FY2016, by developing in-house electronic forms (e-Forms) to achieve greater efficiency throughout the Group and, simultaneously, reduce our environmental footprint. As of 31 December 2020, we had completed 95% of the conversion of manual forms to e-Forms resulting in efficiency of processing time and speedier operations. Whilst we work on digitising the remaining manual forms, we are concurrently exploring a host of other initiatives to improve our current infrastructure, reporting and system integration amongst different functions across the Group. We also run trainings for our employees every quarter during the financial year to create awareness of the Group's digitisation activities.

To strengthen our cybersecurity, in FY2019, the Group has subscribed to a device-management and virtual-identity-management suite which provides maximum security and control in a Cloud-based environment to our employees who utilise multiple devices. Backed by all these efforts, employees were able to work from home during the Movement Control Order (MCO) in FY2020 with minimal disruption and security threats were curbed.

Consequently, in FY2020, the following developments took place:

1. Virtual Private Network (VPN) upgrade;
2. Migration of local sharepoint to cloud sharepoint;
3. Migration of physical server to virtual machine server;
4. Subscription of enterprise security for mobility devices;
5. Firewall upgrade; and
6. Security penetration testing by an external auditor.

Besides educating our employees on how best to take precautions against potential security threats such as phishing attacks, the Information and Communication Technology function carries out regular circulation of alerts and awareness emails to all employees and quarterly updates to the Group Managing Director for his town hall meetings. A cybersecurity policy is currently being developed as another initiative to improve our cybersecurity measures.

### Good Procurement Activities

Our activities are guided by our Group Procurement Policy and Vendor Code of Conduct. These policies shape the Group's dealings with local and foreign vendors, contractors and sub-contractors, ensuring that the best products and services are obtained in a practical, ethical, and sustainable manner. These policies are reviewed regularly and updated where appropriate. In FY2020, there was a stand-alone provision on anti-bribery added to the existing vendor compliance policy and guidelines.

The Group Procurement and Group Quality, Health, Safety and Environment (QHSE) functions are tasked with jointly conducting vendor audits. The selection process for vendor audits is based on the Kraljic matrix. Top most five active vendors are reviewed to determine their delivery capability and their compliance with contractual specifications, ISO9001:2015 and Health, Safety and Environment (HSE) requirements, amongst others. No physical audit was done for this reporting period due to the travel restrictions under the MCO.

### Support of Local Vendors

In supporting socio-economic development at the local level, we continue to work with local vendors. In FY2020, approximately 86.3% of the vendors within the Group's procurement system comprised of local vendors.

To provide our customers with the highest quality of goods and services, we procure directly from Original Equipment Manufacturers (OEMs) through our principals and partners. These procurement activities help to facilitate technology transfer by offering training and services, and fostering local vendor participation, that greatly enhance the local economy.

#### % of Local Vendors in Our Procurement

FY2020	86.3%
FY2019	86.7%
FY2018	85.8%

### Customer Engagement and Product Responsibility

We are committed to delivering quality products and services to our customers as well as ensuring high standards of customer satisfaction with consistent customer engagement activities across the board. Customer feedback is gathered and monitored through a Customer Feedback Log, which is presented to the accreditation body's auditors for recertification during a surveillance audit.

### Quality Assurance (Standards and Accreditation)

Our accreditation for internationally recognised best practices and standards such as the ISO 9001:2015 Quality Management System (QMS) and ISO 14001:2015 environmental management system (EMS) is a testament to our continuous effort in ensuring quality service to our customers.

In addition, our workshop facilities in Kajang and Bintulu for maintenance, repair and overhaul (MRO) activities comply with the International Electrotechnical Commission System for Certification to Standards Relating to Equipment for Use in Explosive Atmospheres (IECEx).

Meanwhile, Deleum Oilfield Services Sdn. Bhd. (DOSSB) has successfully complied with the American Petroleum Institute Specifications (API Spec) Q2 certification criteria to meet our customer's contractual requirements during FY2020. We have submitted our QMS to API for approval and the audit is expected to take place by second quarter of 2021.

The table below outlines the accreditation within our operations:

Certification	Primary Objectives	Companies with Accreditation
ISO 9001:2015 Quality Management System <sup>1</sup>	<ul style="list-style-type: none"> <li>Ensures continual improvements are made to the Group's management systems; and</li> <li>Provides guidance on improving the quality of products and services.</li> </ul>	<p>Deleum Services Sdn. Bhd. (DSSB) is the holding company for these subsidiaries involved in the provision of the following products and services related to oil and gas exploration and production activities:</p> <ul style="list-style-type: none"> <li>a) primarily wireline, wellhead and oilfield services (DOSSB);</li> <li>b) assembly and supply of centralisers (DOSSB);</li> <li>c) chemicals supply and services [Deleum Chemicals Sdn. Bhd. (DCSB)];</li> <li>d) repair and overhaul of electrical and mechanical equipment, including site work [Deleum Chemicals Sdn. Bhd. (DCSB)]; and</li> <li>e) integrated corrosion, inspection and mitigation for surface preparation industry [Deleum Primera Sdn. Bhd. (DPSB)].</li> </ul> <p>Provision of turbomachinery sales and services. [Turboservices Sdn. Bhd. (TSSB)].</p>
ISO 14001:2015 Environmental Management System <sup>1</sup>	<ul style="list-style-type: none"> <li>Enables identification and control over the environmental impact of the Group's activities, products and services; and</li> <li>Ensures continual improvements are made in relation to the Group's environmental performance.</li> </ul>	<p>DCSB for the provision of products and services for the exploration and production of oil and gas</p> <p>Chemicals supply and services</p>
International Electrotechnical Commission System for Certification to Standards relating to Equipment for Use in Explosive Atmospheres (IECEx System) <sup>2</sup>	<ul style="list-style-type: none"> <li>Ensures reduced testing and certification costs to the manufacturer; and</li> <li>To help build confidence about the product assessment process amongst customers.</li> </ul>	DRSSB

<sup>1</sup> ISO Certification by Det Norske Veritas – Germanischer (DNV-GL) for Quality Management System (QMS)

<sup>2</sup> IECEx awarded by Safety in Mines Testing and Research Station (SIMTARS) Australia



## SUSTAINABILITY STATEMENT (Continued)

### KEY THEME: CORPORATE GOVERNANCE

#### Good Governance and Best Practices

Our business conduct and ethics are guided by policies, systems, processes, standard operating procedures and best practices, and supported by a governance structure consisting of the following:

- Board of Directors;
- Audit Committee;
- Joint Remuneration and Nomination Committee;
- Board Risk Committee;
- Management Risk Committee;
- Group Managing Director; and
- Business Units and Corporate Resources.

We are guided by the Malaysian Code of Corporate Governance 2017, as outlined in our Corporate Governance Overview Statement of this Annual Report, to uphold good corporate governance and best practices.

Our risk management and control structure and processes are outlined in the Statement on Risk Management and Internal Control of this Annual Report.

Our Core Values of Integrity, Professionalism, Sustainability and Excellence serve to cultivate ethical behaviour, accountability for actions and outcomes, healthy and balanced lifestyles, and the provision of quality products and services throughout the Group. Key guidelines to the Group's corporate governance practices include the Code of Business Conduct (COBC), Whistleblowing Policy and Investigation Procedure, Anti-Bribery and Corruption Policy, and Gift, Hospitality, Donation and Sponsorship Policy and Procedure.

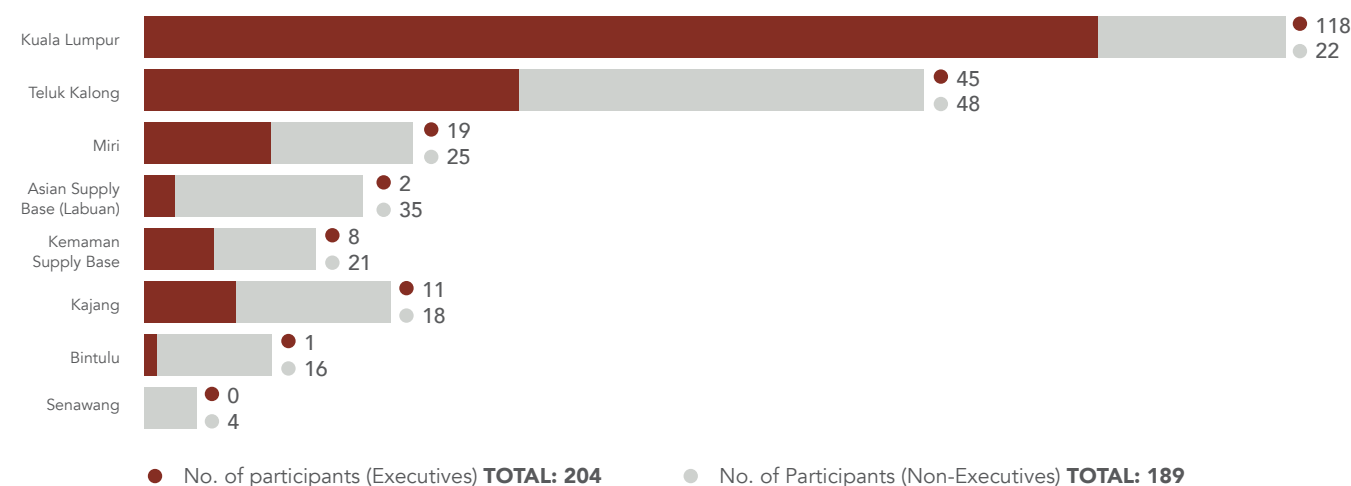
#### Code of Business Conduct (COBC)

Available in both English and Bahasa Malaysia, Deleum's COBC serves as a guideline upon which the Board and all directors and employees, as well as its contractors, sub-contractors, consultants, agents and other service providers, must abide by. It outlines the standards of integrity and ethical conduct expected of our employees, directors, and other stakeholders in undertaking work for or on behalf of the Group. The COBC covers areas, including anti-bribery and anti-corruption; anti-money laundering and anti-terrorism; compliance with laws and policies; gifts, hospitality and entertainment; conflicts of interest; and equal opportunity.

We take any violation of the COBC very seriously and have zero-tolerance for any breach. As such, a breach of any part of the COBC will result in stern disciplinary action under the relevant policies. We advocate the highest standard of integrity in every aspect of our business. Hence, it is important for our employees to understand and practise the principles outlined in the COBC.

Over the course of 2020, a total of 20 joint trainings were conducted at all offices and facilities location shown below on Deleum's COBC policy. The trainings were participated by executives and non-executives alike, reflecting their different focus areas in terms of policies and procedures.

#### Number of COBC Participants in FY2020



Following the training sessions, participants were assessed on their understanding of the COBC policy. For FY2020, all COBC assessments were conducted online.

#### **Whistleblowing Policy and Investigation Procedure**

During the year, the Whistleblowing Policy and Whistleblowing Investigation Procedure were reviewed, revised and combined into the Whistleblowing Policy and Investigation Procedure and was approved by the Board on 10 December 2020. Deleum's Whistleblowing Policy and Investigation Procedure enables both internal and external parties to report any improper conduct or wrongdoing within the Group in a confidential and secure manner via dedicated and discreet channels.

Under the policy, a whistle blower's identity is protected and kept confidential, thereby enabling all parties to report suspected misconduct without any fear of repercussion. All cases reported are to be addressed and investigated in accordance with the policy. For FY2020, there were no cases reported via the Whistleblowing channel.

Details of the policy and procedure can be accessed on the Company's corporate website ([www.deleum.com](http://www.deleum.com)) and the intranet.

#### **Anti-Bribery and Corruption Policy**

Deleum recognises the importance of establishing and complying with good corporate governance and is committed to a professional and ethical business by adopting a zero-tolerance approach against all forms of bribery and corruption.

Deleum is committed to conducting its business in accordance with ethical standards in the countries where it operates, does business or has dealings with, in particular with respect to anti-bribery and corruption laws and regulations. All members of the Board of Directors, employees and other stakeholders must uphold the highest standard of integrity and accountability while discharging their duties and ensuring that all business activities are conducted in compliance with relevant and applicable laws and regulations with respect to anti-bribery and anti-corruption.

In FY2020, the Anti-Bribery Management System was established by the Group in line with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on Corporate Liability.

Deleum, through an appointed consultant, has reviewed and established the required policies, procedures and guidelines which cover the Anti-Bribery and Corruption Policy; Gift, Hospitality, Donation and Sponsorship Policy and Procedure; Conflict of Interest Guidelines; Third Party Anti-Bribery & Corruption Guidelines; and Anti-Money Laundering and Counter Financing of Terrorism Guidelines.

The Board has reviewed and approved the latest Anti-Bribery and Corruption Policy on 26 August 2020. Details of the policy, including the information pertaining to reporting procedures, can be accessed on the Company's corporate website ([www.deleum.com](http://www.deleum.com)) and the intranet.

#### **Adherence to the Personal Data Protection Act 2010 (PDPA)**

The PDPA Committee spearheads the PDPA governance at Deleum with the support of a PDPA Compliance Officer and Designated Compliance Officers from the respective business units and functions. Any breaches of the PDPA are to be managed through the Group's PDPA Policy, and procedures whilst PDPA compliance reporting is undertaken every month, and updates to the PDPA Committee are carried out every quarter. The Group's PDPA Policy and procedures can be readily accessed by Deleum's employees through the Group intranet.

For the year in review, we did not identify any leaks, thefts or loss of personal data nor receive any complaints. The PDPA Compliance Officer carried out an awareness programme which included training sessions and PDPA assessments to raise awareness of PDPA compliance amongst employees. PDPA compliance is further extended to our vendors, employees and business partners through the Group's COBC, PDPA Policy and procedures and contractual obligations. The Group continuously monitors its compliance to the PDPA and shall continue to do so to ensure strict compliance thereof by its employees and all third parties related to Deleum.

### **KEY THEME: ENTERPRISE RISK MANAGEMENT**

#### **Business Continuity Management (BCM)**

The BCM system, which was introduced in FY2019, involves managing potential crises and disruptions to our business and operations through an integrated approach.

In FY2020, the Group have undertaken the following activities pursuant to the BCM Framework that was established in FY2019:

- (a) Development of Business Continuity Plan (BCP) and roll out for the remaining business units i.e ICS (DPSB) and P&M (DRSSB) covering operational facilities in Kajang, Kemaman, Miri, Bintulu and Labuan.
- (b) Review and revision of BCP for all business units covering four major areas comprising criteria for BCP activation, adaptation of Damage Assessment and Recovery Team (DART), BCP activation and stand down process, as well as guidelines for BCP.

A BCP involves developing and implementing documented procedures that will guide our organisation on how best to restore and normalise operations and continue providing products and services to our customers in the wake of disruption. The BCP serves to manage disruption by spelling out what responses and procedures are to be undertaken during disruption and how critical operations and processes are to be recovered and resumed after a disruption. The Group's BCP aims to cover all offices, service centres and operational facilities.

## SUSTAINABILITY STATEMENT (Continued)

► <b>Q1, 2020</b>	<b>PROGRAMME</b> <ul style="list-style-type: none"> <li>Development of BCP for DOSSB</li> </ul>	<b>DELIVERABLE</b> <ul style="list-style-type: none"> <li>BCP for DOSSB</li> </ul>
► <b>Q2, 2020</b>	<b>PROGRAMME</b> <b>DPSB</b> <ul style="list-style-type: none"> <li>Exercise briefing</li> <li>Risk Assessment (RA) exercise</li> <li>Business Impact Analysis (BIA) exercise</li> <li>Business Continuity Strategy (BCS)</li> </ul>	<b>DELIVERABLE</b> <b>DPSB</b> <ul style="list-style-type: none"> <li>RA result</li> <li>BIA result</li> </ul>
► <b>Q3, 2020</b>	<b>PROGRAMME</b> <b>DPSB</b> <ul style="list-style-type: none"> <li>Development of BCP</li> </ul> <b>DRSSB</b> <ul style="list-style-type: none"> <li>Exercise briefing</li> <li>RA exercise</li> <li>BIA exercise</li> <li>BCS</li> </ul>	<b>DELIVERABLE</b> <b>DPSB</b> <ul style="list-style-type: none"> <li>Revised BCP</li> </ul> <b>DRSSB</b> <ul style="list-style-type: none"> <li>RA Result</li> <li>BIA Result</li> </ul>
► <b>Q4, 2020</b>	<b>PROGRAMME</b> <b>Group</b> <ul style="list-style-type: none"> <li>Finetune of BCP</li> </ul> <b>DPSB</b> <ul style="list-style-type: none"> <li>BCP roll out</li> </ul> <b>DRSSB</b> <ul style="list-style-type: none"> <li>Development of BCP</li> </ul> <b>DOSSB</b> <ul style="list-style-type: none"> <li>Finetune of BCP</li> </ul>	<b>DELIVERABLE</b> <b>Group</b> <ul style="list-style-type: none"> <li>Guidelines for BCP</li> </ul> <b>DRSSB</b> <ul style="list-style-type: none"> <li>BCP</li> </ul> <b>DOSSB</b> <ul style="list-style-type: none"> <li>Revised BCP</li> </ul>

Whilst FY2019 saw the BCP for DOSSB being rolled out, the same processes were applied throughout the BCP development for the remaining business units in FY2020. The testing and exercise phase via simulation of test scenarios to validate the effectiveness of business' readiness, response and recovery strategies at all business units are expected to take place in FY2021.

In managing the COVID-19 pandemic and its impact on our business, the Group implemented internal guidelines in line with the Standard Operating Procedures issued by the Government and customers. There was no requirement for BCP activation for FY2020.

### Accolade

Since June 2019 and up to date, Deleum has been included as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index. The F4GBM Index is a globally recognised index launched by the FTSE Group, which measures and acknowledges companies across the world who are demonstrating strong Environmental, Social and Governance (ESG) practices.

## ENVIRONMENTAL

### KEY THEME: ENVIRONMENT

#### Environmental Management

The Group's focus on business sustainability extends to safeguarding the environment in which we operate.

#### Environmental Regulations and Compliance

The Group's Environmental Policy is a testament to our commitment towards environmental management via timely, adequate, corrective and protective measures. We strive to achieve a sustainable trade-off, striking a balance between our operational viability and any potential negative impacts on the environment.

Deleum continuously emphasises the significance of the Group's Environmental Policy amongst our personnel. Additionally, we continue to include information regarding diverse aspects of environmental care in the monthly HSE Bulletin.

During this reporting period, the Department of Environment (DOE) had formulated a set of Environmental Mainstreaming (EM) Tools under a programme called Guided Self-Regulation (GSR). Apart from complying with all the tools of the GSR, Deleum had participated in the following initiatives in FY2020:

- (a) Attending hands-on training conducted by DOE Terengganu in February 2020 on the implementation of EM Tools besides on-going communication between Deleum and the DOE officers throughout FY2020 until the completion of EMAINS;
- (b) Regular awareness updates on new regulations and guidelines by DOE shared with the respective employees;
- (c) Submission on two new types of waste to DOE Kemaman for Scheduled Waste analysis confirmation;
- (d) Monthly information on Environmental Care via Deleum's Monthly HSE Bulletin;
- (e) Received positive comment of "Good Housekeeping Practice" from DOE officers during an inspection of Scheduled Waste Storage Area in a chemical warehouse in June 2020.

For FY2020, we registered zero fines or sanctions in relation to environmental regulation breaches. We also maintained a zero Total Recordable Environmental Incident Frequency (TREIF) count. As of June 2020, DCSB successfully obtained the latest ISO 14001:2015 Environmental Management Systems recertification for specialty chemicals supply and services.

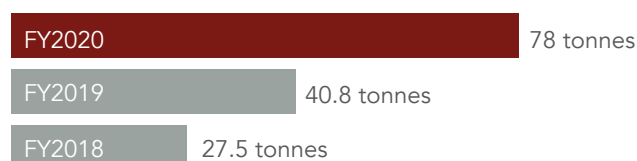
### Waste Management

Scheduled Wastes is a category listed in the First Schedule of the Environmental Quality Act 1974. Certified Environmental Professionals in Scheduled Waste Management (CePSWaM) are required by the DOE to monitor waste inventory and report it via the Electronic Scheduled Waste Information System (e-SWIS) on a monthly basis. To date, the Group's CePSWaM team has four personnel across the three business segments.

At our Specialty Chemical and Well Stimulation (SCWS) unit, all operational personnel are made aware of the waste generation process. Frequent briefings and discussions about scheduled waste matters also take place between SCWS Management and operations personnel during the daily morning meetings.

In FY2020, we received zero reports of scheduled waste incidents or fines from the local authorities.

### Total Scheduled Waste Generated FY2018 - FY2020 (tonnes)



### Utilising Cleaner Technologies

Spearheading this venture is our ICS segment represented by DPSB, which is primarily involved in abrasive blasting as well as the removal of hazardous contaminants and painting. Since 2012, the company has partnered with Sponge-Jet to provide its customers with a low-pollution approach in surface preparation with the use of sponge media abrasive technology. This environmental-friendly technology provides a safe and clean method for dustless blasting of what would normally become airborne dust without disrupting our customers' on-going operations.

To date, we are still pursuing the strategy of combining Sponge-Jet technology and rust and paint removal technology for our tank cleaning services. Apart from this, our Integrated Corrosion Solution segment is also a distributor for SLICKBAR Oil Spill products which are in compliance with International Environmental Management Systems (ISO 14001:2004) and Occupational Health & Safety Management Systems (ISO 45001:2018).

### Water Management

The rainwater harvesting initiative at DCSB's Teluk Kalong Facility continued to be one of our key water conservation initiatives. In our rainwater harvesting efforts, the facility collected a total of 81 m<sup>3</sup> rainwater in FY2020 as compared to 56 m<sup>3</sup> in FY2019.

### Energy Efficiency

In the fourth quarter of FY2018, we started phasing out the use of conventional lighting at all our facilities and replaced them with light-emitting diodes (LEDs) to improve energy efficiency with the Group's operations. In FY2020, we continued to promote energy conservation measures such as posting awareness notices about conserving electricity at all switch points.

## SOCIAL

### KEY THEME: MANAGING OUR PEOPLE

We foster a working environment that encourages our employees to embody our Core Values in every aspect of our working culture, taps into their expertise and provides opportunities for their career growth.

### Human Capital Management

Underpinning our business growth is a high-performing work culture that stems from our efforts on the Human Capital Development front, one of our Six Key Focus Areas. Human Capital Development plays a pivotal role in shaping our people's culture and dynamism to ensure the success of our business. FY2020 was an extremely challenging year, especially for us being in the oil and gas industry amidst the COVID-19 pandemic and oil crisis. The pandemic has driven us to embrace a "new norm", not only in the way we conduct business but also in the way we manage our people and our day-to-day life.

## SUSTAINABILITY STATEMENT (Continued)

Various initiatives were undertaken to manage the business within the scope of the QHSE Safety outlined under the Environmental Regulations and Compliance to provide flexibility and continuous management in operations during the pandemic. Amongst them were:

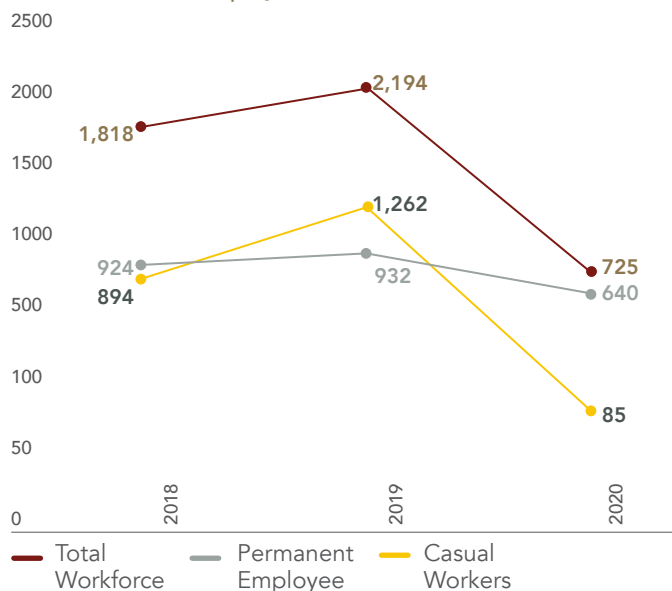


Whilst we continue our initiatives in championing diversity at the workplace, the offer of various development and engagement programmes took a secondary priority to business sustainability through this challenging situation. In view of the primary objective for business sustainability, cost management was placed on high priority throughout FY2020.

As of the end of FY2020, the total number of Deleum's workforce stood at 725 employees, comprising 640 permanent employees and 85 casual workers. This was in line with low activity levels coupled with cost-cutting initiatives such as retrenchment and non-renewal of contracts undertaken for the Group during the reporting period.

The surge in headcount in the years 2018 and 2019, as detailed in the line graph below, was due to the hiring of casual workers for the Maintenance, Construction and Modification Services contract. Casual workers were hired on an ad hoc basis to service this contract to provide flexibility and more effective cost management.

**Total Number of Employees (FY2018-FY2020)**

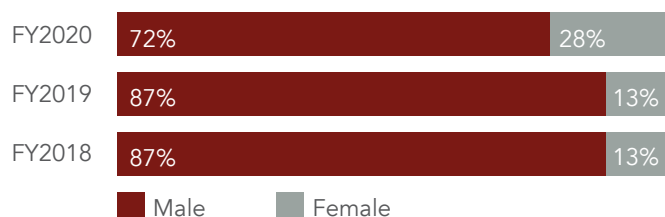


### Diversity within Our Workforce

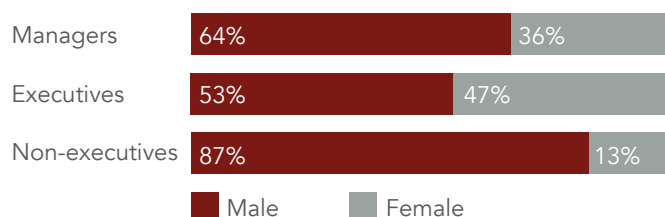
The Group's Equal Opportunity Policy ensures that all our employees are provided with equal opportunities, regardless of age, gender, ethnicity or disability. Our support is evidenced by our workplace culture and the posting of the United Nations' Universal Declaration of Human Rights by the United Nations on the Group's corporate website. It is also included in our onboarding orientation programme as part of our continuous efforts to advocate for human rights within the Group.

Deleum's gender demographics remain skewed towards males, reflecting the industrial nature of our offshore-centric operations. We practise local employment to create job opportunities within the oil and gas sector for Malaysians. In FY2020, approximately 99% of our employees were Malaysians.

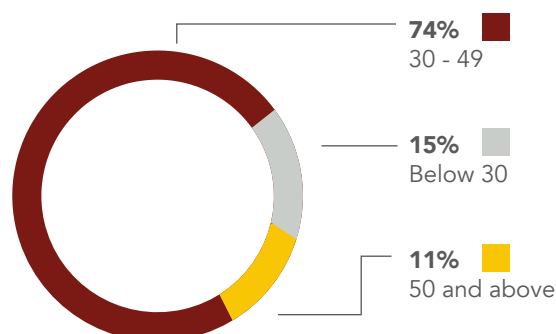
**Employee Breakdown by Gender (FY2018 - FY2020) (Malaysian employees only)**

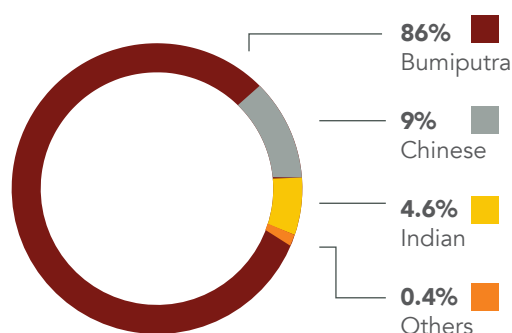


**Employee Breakdown by Level (FY2020) (Malaysian employees only)**



**Employee Breakdown by Ethnicity (FY2020)**  
**Employee Age Group (FY2020)**





### Employee Training and Development

In FY2020, employees were mainly sent for compulsory job-related training besides continuous professional development programmes as and when needed. In view of the pandemic and oil and gas industry challenges, a total of 408 training programmes were participated by the employees for the year mainly due to contractual and professional obligations.

### Employee Engagement

We encourage frequent engagement sessions between our employees and managers throughout the year. They include annual performance reviews, which are conducted with our employees to provide feedback on their performance and advice on their career progression. These on-going reviews provide better insights into our employees' interests and workplace concerns, allowing us to refine our human capital management initiatives.

In addition, our Group Managing Director conducts quarterly town hall sessions with the employees, covering Deleum's quarterly results and current developments within the Group, amongst other topics. The sessions serve to facilitate effective two-way communication between the employees and Management.

## KEY THEME: SAFETY

### Safety Practices, Procedures and Processes

Our Health, Safety and Environment (HSE) Slogan, "Collective Responsibility Towards HSE Excellence", aims to instil a sense of ownership and shared responsibility in every employee to continuously improve Deleum's HSE performance. The Group's HSE Management System (HSEMS) provides a structured management approach to control and reduce risk in the workplace. The HSEMS undergoes periodic audits at our operational facilities, whilst internal review of the system is conducted by our HSE committee annually.

During the year, several HSE policies were amended to address the shifting needs of contractual and regulatory requirements as well as to align with best practices in the industry. The Drug and Alcohol Policy was revised and renamed to Substance Misuse Policy and made available in both English and Bahasa Malaysia on the Company's corporate website. Also, the Emergency Response Team protocol in relation to Radiation

Protection requirements was updated.

In FY2020, we continue to abide by our "10 Life Saving Rules" in our daily operations, which are also shared with suppliers and vendors on a regular basis to meet customers and stakeholders expectation.

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

Following the COVID-19 outbreak in FY2020, Deleum introduced new operating guideline to ensure a safe working environment for all employees. Rotational working arrangements, staggered lunch hours and strict declaration of possible close contact with a COVID-19 positive case were amongst the precautionary steps taken. The Group had and will continue monitoring and adjusting the guideline amidst the ongoing pandemic and movement restrictions.

### Group QHSE Governance

All the Group's QHSE matters come under the supervision of Deleum's HSE Committee, comprising ten members representing their respective Business Units and Corporate Resources Departments, with the Group Managing Director as the chairman. The Group's HSE Committee meets every quarter to discuss HSE-related matters such as safety performance, plans and policies.

### HSE Assurance and Management Review Process

The Group is continually monitoring HSE action plans and activities as part of our HSE Assurance and Management Review process. This was conducted through quarterly internal audits by Group QHSE at workshops and two virtual external audits to assess our compliance with regulatory and contractual requirements in the areas of HSE Management System, HSE performance, risk assessment, permits, training and competency, drug and alcohol usage, as well as personal protective equipment (PPE) usage. The findings arising from these external reviews are disclosed as part of the audit and inspection process, with the necessary corrective measures implemented accordingly. For FY2020, virtual HSE audits via online questionnaires were conducted on 11 selected suppliers and vendors as part of the review process.

### Occupational Safety and Health (OSH) Safety Training Sessions

Our training sessions primarily involve employees working at sites, and the following key training sessions were conducted in FY2020:

- Safety Induction Training for new employees;
- Safe start and Effective Toolbox Training;
- Hearing Protection Training;
- Chemical Handling Safety Training;
- Adverse Weather (Heat Stress) Online Session; and
- Healthy Lifestyle (Diet & Exercise) Online Session.



## SUSTAINABILITY STATEMENT (Continued)

### OSH-Related Initiatives

Throughout FY2020, various OSH-related initiatives were implemented at our offices and facilities to meet our stakeholders' safety requirements and expectations. We continue to share safety awareness information with our employees, including latest HSE-related updates via monthly bulletins.

The following were some of the key OSH-related initiatives undertaken in FY2020:

Activity	Description
STOP Card	The STOP or Safety Training Observation Programme initiative is a behavioural-based safety programme designed to prevent injuries and occupational hazards at the workplace. In FY2020, digitalisation of STOP Card forms was initiated.
Hazard and Effect Management Process (HEMP)	HEMP is a risk management process which ensures that hazards/ risks to the workforce, assets and environment are properly controlled. It also helps mitigate the risk of incidences. In FY2020, DOSSB and DPSB completed their HEMP format restructuring to comply with customer's requirements.
HSE Inspection Checklist Improvement	Review and update the safety checklist and conduct regular QHSE Inspection by QHSE coordinators on monthly and quarterly basis.
COVID-19 Management	(a) Setting up guidelines as reference documents across the Group for day-to-day operations management, emergency response procedures as well as for immediate action plan; (b) First aiders briefing on PPE requirements in handling COVID-19 cases; and (c) Regular communication in updating COVID-19 situation via emails and HSE bulletins.
Emergency Preparedness Drills	Chemical spill control emergency drill was conducted at DCSB's Teluk Kalong facility in February 2020.

### Safety Performance

Between 20 November 2019 and 31 December 2020, we recorded a total of 2.97 million free Lost Time Injury (LTI) man-hours. At the Group level, as of 31 December 2020, our total Recordable Case Frequency stood at zero. There were fifteen of accidents/incidents/ cases with one non-accidental death, whereby a wireline operator collapsed due to a heart attack on 15 May 2020.

In FY2020, our operating entities received the following awards and accolades in recognition of their excellent safety and operational performance:

No	Date	Client/ Regulatory Body	Award
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#### DOSSB

1	09-Jan-20	Sarawak Gas (SKG)	Recognition for demonstrating good teamwork and prompt response prior to completion of M1 Water Shut Off Campaign
2	10-Jan-20	Sarawak Oil (SKO)	Recognition for excellent contribution as a business partner in supporting the execution of SK Oil 2019 well intervention activities
3	20-Apr-20	ExxonMobil Exploration & Production Malaysia Inc. (EMEPMI)	DOSSB was given recognition for Exceptional Service and Team Work by Archer and Deleum (Tapis C11 U/L Fishing Job)
4	10-Aug-20	SKO	Recognition for collaborative effort for the greater good of PETRONAS in completion of SSV actuator and choke valve replacement in a safe and timely manner
5	18-Nov-20	SKG	Recognition of excellent performance on B11-108 TTS puncher campaign

#### DPSB

1	19-Feb-20	SKG	HSE recognition plaque from PCSB SKG for SKG 1000 safe days
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## SUSTAINABILITY STATEMENT (Continued)

### KEY THEME: CORPORATE SOCIAL RESPONSIBILITY

#### Community Outreach Practices

As a responsible corporate entity, Deleum supports Corporate Social Responsibility (CSR) initiatives. The Group firmly believes in giving back to the community and managing our environmental footprint in the areas we operate in based on three focal areas, namely Education, Community and the Environment.

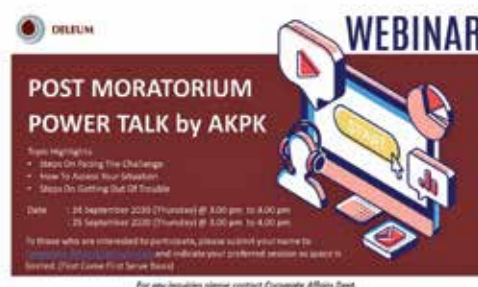
→ 29 January 2020

Chinese New Year Celebration at Rumah Charis,  
Kuala Lumpur



→ 24 & 25 September 2020

Post Moratorium Awareness  
Talk by AKPK



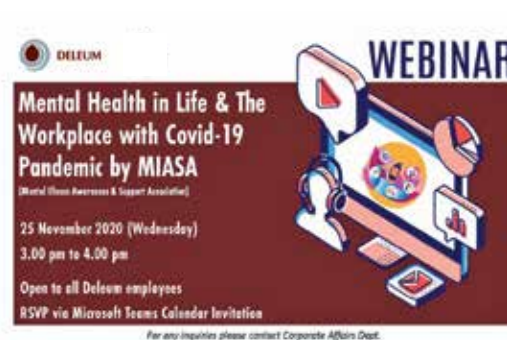
→ 23 November 2020

PINTAR School Adoption Program at  
SK Kg. Bakam, Miri Sarawak



→ 25 November 2020

Mental Health in Life & the Workplace with Covid-19  
Pandemic by MIASA



→ 14 - 31 December 2020

Wardrobe 2 Love - Collaboration with Korea Wallpaper Sdn. Bhd.



#### REMAINING RESILIENT AND SUSTAINABLE

Amidst a challenging operating environment, Deleum remains committed to striking a balance between our economic ambitions and environmental and social responsibilities. We recognise that everyone plays a part in sustainability as the Economic, Environmental and Social decisions we make can affect us now and shape the future.

The Board of Directors (the Board) of Deleum Berhad (Deleum or the Company) remains steadfast in its commitment in ensuring that high standards of corporate governance are consistently observed and practised throughout Deleum and its subsidiaries (collectively the Group) in furtherance of the Group's Mission, Vision and Shared Values. The Board is mindful of its responsibilities to the shareholders and the other stakeholders and shall continue to uphold good corporate governance which is essential for sustainable long-term performance and value creation.

This Statement provides an overview of the Group's application of the principles set out in the Malaysian Code on Corporate Governance 2017 (MCCG) during the financial year 2020 (FY2020), where appropriate. The details of the application of each practice set out in the MCCG is disclosed in the Corporate Governance Report for FY2020 which is available on Deleum's corporate website at [www.deleum.com](http://www.deleum.com).

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

### I. Roles and Responsibilities of the Board

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

It has the ultimate and overall responsibility for the entire affairs of the Group and the proper and effective conduct of its business including establishing the vision and strategic

objectives of the Group, directing and providing effective oversight of Management and stewardship of the Group's resources towards realising the vision of the Group.

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

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

The Board plays a pivotal role in reviewing the Group's strategic direction and approving strategic plan of the Group to ensure that the strategic plan supports business sustainability and long-term value creation. The Board held a pre-budget meeting in October 2020 to engage with the Group Managing Director and Key Senior Management to discourse on the business strategies and plans for 2021 and beyond, focusing on business plans and budget for 2021 within the Group's risk tolerance levels amidst the challenging operating and trading environment.

- (ii) Reviewing, adopting and approving the Group's key operational initiatives, major investments and funding decisions including major capital commitments, participation in tenders or projects exceeding the prescribed value, material acquisitions and disposals and key policies.
- (iii) Overseeing the conduct of the Group's businesses whereby the Group 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 overall progress of the Group. The Group Managing Director appraises the Board on a quarterly basis on the industry, business, prospects and issues faced by the Group.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Continued)

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

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

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

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

- approved the quarterly and annual financial results and annual report;
- reviewed and discussed the performance and execution of the Maintenance, Construction and Modification Services Contract for PETRONAS Carigali Sdn. Bhd. under Package C (Offshore)-Peninsular Malaysia Gas (MCM Contract) of Deleum Primera Sdn. Bhd.;
- reviewed the proposed submission of a bid for the provision of slickline services in Oman;
- reviewed, adopted and implemented appropriate policies and procedures including Anti-Bribery and Corruption Policy and Gift, Hospitality, Donation and Sponsorship Policy through the establishment of the Anti-Bribery Management System;
- reviewed, monitored and approved the Group's 4-Phase Cost Management Framework as part of its cost and cash management measures;
- reviewed and approved the revisions of the relevant human resource policies;
- reviewed the effectiveness of the external and internal auditors and their independence;

- reviewed and approved the appointment of a new director and his appointment to Board Committees;
- reviewed the assessment on the adequacy of the Directors and Officers Liability Insurance policy;
- reviewed the findings of the forensic investigation on Deleum Primera Sdn. Bhd. and the necessary course of actions including commencement of legal proceedings and reporting to the authorities; and
- reviewed the material litigation of Deleum Primera Sdn. Bhd.

## Board Delegation

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

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

## Chairman, Group Managing Director and Independent Directors

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

### Chairman

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

### Deputy Chairman

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

### Group Managing Director

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

### Independent Non-Executive Directors

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

### Senior Independent Non-Executive Director

Datuk Ir (Dr) Abdul Rahim bin Hashim, the Senior Independent Non-Executive Director, serves as the point of contact between the Independent Directors and the Chairman of the Board on sensitive issues and act as a designated contact to whom shareholders' concerns or queries may be raised. The Senior Independent Non-Executive Director may be reached at email: AbdulRahim.Hashim@deleum.com.

### 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. Both the Company Secretaries are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 (CA 2016) and are members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretaries play an advisory and consultancy role to the Board in relation to its roles and responsibilities, the Company's Constitution, Board's policies and procedures, and compliance with corporate governance matters and relevant regulatory and disclosure requirements, codes, guidelines and legislations. They are responsible for organising and facilitating Board and Board

Committee meetings and the preparation and circulation of notices, agendas and Board papers. The agendas for the meetings are established prior to the meetings in consultation with the respective Chairs. At the meetings, the Company Secretaries are responsible for ensuring that all relevant rules and procedures are complied with, advocating adoption of corporate governance best practices. The Company Secretaries ensure that the deliberations at the meetings are well captured and minuted and the resolutions passed are recorded properly and accurately and kept in the statutory books at the registered office of the Company. Matters that required the necessary actions are communicated to the relevant Management personnel.

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

### Information provided to Directors

The members of the Board have full and unrestricted access to all information pertaining to the business and affairs of the Group. Prior to the meetings of the Board and Board Committees, all Directors are furnished with the agenda together with comprehensive Board papers containing information relevant to the business of the meetings.

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

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

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Continued)

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

### Board Charter

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

The Board Charter was last reviewed and revised in March 2019 and is available on the Company's corporate website.

### Directors' Code of Ethics

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

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

### Code of Business Conduct

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

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

During FY2020, the Group appointed BDO Governance Advisory Sdn. Bhd. (BDO) as our consultant to assist in establishing the Anti-Bribery Management System to

address the corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. Following that, the Group identified the relevant risks and adopted the Anti-Bribery and Corruption Policy and the associated policies and guidelines. The detailed disclosure can be referred in the Statement on Risk Management and Internal Control of this Annual Report.

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

### Whistleblowing Policy and Investigation Procedure

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

During FY2020, the Whistleblowing Policy was updated with the latest revision combining the investigation procedure into the policy which is known as Whistleblowing Policy and Investigation Procedure. The Policy has been communicated to the employees, suppliers and subcontractors and available on the Company's corporate website and intranet. There were no cases reported in 2020 via the Whistleblowing channel.

## II. Board Composition

The Board comprises eight Directors with one Executive Director and seven Non-Executive Directors, as follows:

Name	Designation
Dato' Izham bin Mahmud	Non-Independent Non-Executive Chairman
Datuk Vivekananthan a/l M.V. Nathan	Non-Independent Non-Executive Deputy Chairman
Nan Yusri bin Nan Rahimy	Group Managing Director
Datuk Ishak bin Imam Abas	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
Lee Yoke Khai	Independent Non-Executive Director
Datuk Manharlal a/l Ratilal (appointed on 1 October 2020)	Independent Non-Executive Director

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

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

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

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

The profiles of each Director are presented on pages 8 to 11 of this Annual Report.

#### **Tenure of Independent Directors**

The Board believes that a Director's independence should not be determined through the length of service as there are significant advantages to be gained from long-serving Directors who over the years have developed deeper understanding of the Group's business and possess insight and in-depth knowledge of the Group's business and affairs. As set out in the Board Charter, 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, unless upon assessment by an independent third party, the Board is satisfied that the said Director remains objective and continues to be independent in all aspects and will continue to seek shareholders' approval at general meeting for the retention of such Independent Director.

At the 15th AGM of the Company held on 15 July 2020, the resolution for the retention of Datuk Ishak bin Imam Abas, who has served on the Board for a cumulative term of 12 years as at 20 March 2019, was passed by the shareholders holding majority votes of 99.88%. The strong support of the shareholders indicated that they value the contribution of Datuk Ishak as an Independent Director.

For the forthcoming 16th AGM, in line with the provisions of the Board Charter, an independent third party was engaged to conduct an unbiased evaluation and assess Datuk Ishak's continued independence in thought and mind. The independent third party used a rigorous evaluation process which included an assessment of Datuk Ishak's performance and effectiveness as an Independent Director by his peers through a rating assessment model. Interview sessions were conducted by the independent third party separately with the Senior Independent Non-Executive Director and Datuk Ishak which serve as a moderation exercise to the responses by the Board members. The assessment was administered using instruments that deploy both qualitative and quantitative criteria covering his professional conduct, competence, integrity, understanding of his role and function in bringing independent judgement and objective view in the evaluation of the performance of Management, understanding of his duties on the Board and Board Committees as well as his time commitment. The outcome of the assessment by the independent third party was reported to the Joint Remuneration and Nomination Committee (JRNC) and the Board.

Based on the outcome of the independent assessment and recommendation of the JRNC, the Board (save for Datuk Ishak who had abstained from deliberations on the matter) having regard to its' personal interaction with Datuk Ishak views that the independence of Datuk Ishak has not been impaired despite his long tenure and will recommend to and seek shareholders' approval at the 16th AGM to retain Datuk Ishak as Independent Director of the Company through a single-tier voting process.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Continued)

## Appointment and Re-election of Directors

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

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

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, major shareholders, Management and independent advisors and networks from various parties. During FY2020, Datuk Manharlal a/l Ratilal was appointed to the Board on 1 October 2020.

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

Datuk Noor Azian binti Shaari, who retires by rotation pursuant to Clause 88 of the Company's Constitution and Datuk Manharlal a/l Ratilal, who retires pursuant to Clause 86 of the Company's Constitution, and being eligible, have offered themselves for re-election as Directors at the forthcoming 16th AGM. En Nan Yusri bin Nan Rahimy, who retires by rotation pursuant to Clause 88 of the Company's Constitution, had notified his intention not to seek re-election and hence, he will retire as a Director at the conclusion of the 16th AGM.

## Time Commitment

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

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

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

The Board is satisfied with the level of time commitment given by Directors towards fulfilling their roles and responsibilities as Directors as evidenced by their attendance at the Board, Board Committee meetings and the AGM as follows:

#### Attendance of Directors at the meetings held during FY2020

Name of Directors	Board Meetings	AGM	Board Committees		
			Audit Committee (AC)	JRNC	BRC
Dato' Izham bin Mahmud	11/11	1/1	-	4/4	-
Datuk Vivekananthan a/l M.V. Nathan	11/11	1/1	-	4/4	4/4
Nan Yusri bin Nan Rahimy	10/11	1/1	-	-	-
Datuk Ishak bin Imam Abas	11/11	1/1	4/4	4/4	-
Datuk Ir (Dr) Abdul Rahim bin Hashim	11/11	1/1	4/4	4/4	-
Datuk Noor Azian binti Shaari	11/11	1/1	-	4/4	4/4
Lee Yoke Khai	11/11	1/1	4/4	4/4	4/4
Datuk Manharlal a/l Ratilal (appointed on 1 October 2020)	5/5	N/A	1/1	1/1	-
Total number of Meetings held during FY2020	11	1	4	4	4

#### Directors' Training and Induction

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

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

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. An induction programme was organised for the newly appointed Director which included management briefing and presentation on the Group's structure, business and operations.

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

The seminars, workshops and conferences participated by Directors during FY2020 are summarised as follows:

1	Dato' Izham bin Mahmud	25 February 2020	• Corporate Liability Provision Briefing by BDO
		25 August 2020	• Anti-Bribery and Anti-Corruption Management System by BDO
2	Datuk Vivekananthan a/l M.V. Nathan	25 February 2020	• Corporate Liability Provision Briefing by BDO
		25 August 2020	• Anti-Bribery and Anti-Corruption Management System by BDO
3	Nan Yusri bin Nan Rahimy	25 February 2020	• Corporate Liability Provision Briefing by BDO
		16 June 2020	• Anti-Bribery Management System
		22 July 2020	• Online Brown Bag Forum Session Panelist on Adapt or Abort: Redefining Expectations, Skills and Values
		25 August 2020	• Anti-Bribery and Anti-Corruption Management System

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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4. Datuk Ishak bin Imam Abas	25 February 2020	<ul style="list-style-type: none"> <li>Corporate Liability Provision Briefing by BDO</li> </ul>
	25 August 2020	<ul style="list-style-type: none"> <li>Anti-Bribery and Anti-Corruption Management System by BDO</li> </ul>
5. Datuk Ir (Dr) Abdul Rahim bin Hashim	4 February 2020	<ul style="list-style-type: none"> <li>Programme Leadership Café (LC) &amp; Individual Leadership Advancement Plan (ILEAP)</li> </ul>
	25 February 2020	<ul style="list-style-type: none"> <li>Corporate Liability Provision Briefing by BDO</li> </ul>
	25 August 2020	<ul style="list-style-type: none"> <li>Anti-Bribery and Anti-Corruption Management System by BDO</li> </ul>
	15 October 2020	<ul style="list-style-type: none"> <li>Online Webinar Between East and West: Models of Asian Upstart Universities</li> </ul> <p><i>Also, participated as speaker/panelist in various dialogue and webinar relating to higher education.</i></p>
6. Datuk Noor Azian binti Shaari	25 February 2020	<ul style="list-style-type: none"> <li>Corporate Liability Provision Briefing by BDO</li> </ul>
	25 August 2020	<ul style="list-style-type: none"> <li>Anti-Bribery and Anti-Corruption Management System by BDO</li> </ul>
	30 September 2020	<ul style="list-style-type: none"> <li>Mind-Shift Series Staying Relevant in the Age of Disruption and Innovation</li> </ul>
	25 November 2020	<ul style="list-style-type: none"> <li>Talk on Directors and Officers (D&amp;O) and Comprehensive Crime and Professional Indemnity (CCPI) Insurance</li> </ul>
7 Lee Yoke Khai	25 February 2020	<ul style="list-style-type: none"> <li>Corporate Liability Provision Briefing by BDO</li> </ul>
	14 April 2020	<ul style="list-style-type: none"> <li>Stakeholder Engagement <ul style="list-style-type: none"> <li>In Times of Crisis: Stakeholders take centerstage</li> </ul> </li> </ul>
	21 April 2020	<ul style="list-style-type: none"> <li>The Path to the New Normal: SO What Now for Leadership</li> </ul>
	23 April 2020	<ul style="list-style-type: none"> <li>Cyber and Economic Crime: Fraudsters and cyber criminals, too, can work from home</li> </ul>
	30 April 2020	<ul style="list-style-type: none"> <li>Governance and Risk: An uncertain World, a riskier landscape</li> </ul>
	4 May 2020	<ul style="list-style-type: none"> <li>Navigating the COVID-19 Crisis <ul style="list-style-type: none"> <li>The new normal of the workforce</li> </ul> </li> </ul>
	5 May 2020	<ul style="list-style-type: none"> <li>COVID-19 Impact on Financial Reporting: Not business as usual</li> </ul>
	28 May 2020	<ul style="list-style-type: none"> <li>Economic Crime: Fraudsters, too, can work from home</li> </ul>
	16 June 2020	<ul style="list-style-type: none"> <li>Reviving the economy through PENJANA</li> </ul>
	26 June 2020	<ul style="list-style-type: none"> <li>Virtual Board Meetings <ul style="list-style-type: none"> <li>In an era of social distancing Boards</li> </ul> </li> </ul>
	25 August 2020	<ul style="list-style-type: none"> <li>Anti-Bribery and Anti-Corruption Management System by BDO</li> </ul>
	17 November 2020	<ul style="list-style-type: none"> <li>Conduct of Directors of Listed Companies and Common Breaches of the Listing Requirements</li> </ul>
	18 November 2020	<ul style="list-style-type: none"> <li>Post Budget Talk <ul style="list-style-type: none"> <li>Prosperity, Recovery, Resilience</li> </ul> </li> </ul>
	19 November 2020	<ul style="list-style-type: none"> <li>Bounce Back Together <ul style="list-style-type: none"> <li>Reimagine and Rebuild</li> </ul> </li> </ul>
	24 & 25 November 2020	<ul style="list-style-type: none"> <li>Intelligent Mobility Conference <ul style="list-style-type: none"> <li>The Digital Acceleration</li> </ul> </li> </ul>

7	Lee Yoke Khai	25 & 30 November 2020	• The role of the Risk Management Committee in Managing Risk
		3 December 2020	• Fraud Risk Management Workshop
8.	Datuk Manharlal a/l Ratilal	21 February 2020	• Briefing on New Era of Corporate Liability under Malaysian Anti-Bribery Laws
		9 October 2020	• Malaysia's Domestic Bond Market: A Success Story
		30 November 2020	• Series 16 Governance and ERM, Including MCCG 2017 Considerations by Institute of Enterprise Risk Practitioners
		16 December 2020	• Tax Seminar - The 2021 Budget

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 FY2020.

### III. Board Committees

The Board has established three Board Committees namely the AC, the JRNC, and the BRC. The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, and operate within their own clearly defined Terms of Reference. The Board Committees will deliberate and review matters within their Terms of Reference in greater detail and report on matters deliberated together with their recommendations to the Board.

The Board is kept apprised of the activities and the decisions of the Board Committees through circulation of minutes of the meetings of the Board Committees and oral presentations made by the Chairman of the respective Board Committees at Board meetings.

#### Joint Remuneration and Nomination Committee

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

Name	Designation
Datuk Ir (Dr) Abdul Rahim bin Hashim	Chairman of JRNC / Senior Independent Non-Executive Director
Dato' Izham bin Mahmud	Member / Non-Independent Non-Executive Chairman
Datuk Vivekananthan a/l M. V. Nathan	Member / Non-Independent Non-Executive Deputy Chairman
Datuk Ishak bin Imam Abas	Member / Independent Non-Executive Director
Datuk Noor Azian binti Shaari	Member / Independent Non-Executive Director
Mr Lee Yoke Khai	Member / Independent Non-Executive Director
Datuk Manharlal a/l Ratilal (appointed on 1 October 2020)	Member / Independent Non-Executive Director

In discharging its duties and responsibilities, the JRNC is guided by the Terms of Reference which was last reviewed in February 2018 and is available on the Company's corporate website.

During FY2020, four meetings of the JRNC were held with the full attendance of members of the JRNC as reflected on Time Commitment section of this Annual Report.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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During FY2020, 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 FY2019 and made recommendation for the Board's approval;
- (ii) discussed and reviewed salary increment for senior management which implementation was held back due to the uncertainties resulting from COVID-19 and the challenging economic condition;
- (iii) conducted annual evaluation of the Board's effectiveness and performance covering the assessment of the Board, each individual Director, each Board Committee, and independence of the Independent Directors;
- (iv) reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- (v) reviewed and recommended the nomination of a new director and as a member of the Board Committees.
- (vi) assessed and recommended the appointment of an independent third party to assess the independence of an Independent Director attaining a cumulative of 12 years on board, and assessed and recommended the retention of the said Independent Director to continue to act as Independent Director of the Company;
- (vii) reviewed the training courses attended by the Directors;
- (viii) reviewed the Directors who are due for re-election at the Company's 15th AGM and recommended their re-election;
- (ix) reviewed the proposed key performance Indicators (KPIs) for the Group Managing Director and recommended the same for the Board's approval;
- (x) reviewed and recommended the Group's 4-Phase Cost Management Framework including employees pay cut; and
- (xi) reviewed and recommended the Group's Human Resources policies.

### Audit Committee

The AC has responsibility for oversight of the Company's financial statements, related party transactions, system of internal control, the Company's relationship with its external auditors and effectiveness of internal audit procedures. In discharging its duties and responsibilities, the AC is guided by the Terms of Reference which was last reviewed on 26 February 2018 and is available on the Company's corporate website.

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

### Board Risk Committee

The BRC assists the Board to oversee the implementation of the Group's risk management framework. It ensures the Group has in place a sound enterprise risk management framework and its effective implementation to enhance the Group's ability to achieve its strategic objectives. The Management Risk Committee manages the day-to-day operational and business risks. It holds its monthly meeting with structured agenda.

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

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

The Board through the JRNC and facilitated by the Company Secretaries, annually assesses the effectiveness of the Board, Board Committees, the contribution of each individual Director including assessment of the independence of each of the Independent Directors to set criteria as prescribed by the Listing Requirements by way of a set of customised questionnaires. The individual's ability to exercise independent judgement and to demonstrate the values and principles associated with independence such as impartiality, objectivity, and consideration of all stakeholders' interests is also assessed. For FY2020, the assessment was conducted online in line with the Group's digitalisation efforts.

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

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

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

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

During FY2020, in line with the Group's 4-Phase Cost Management Framework, the management team was subjected to pay cut with effect from July 2020, as follows:

- i. Senior General Managers, C-Suites, GCFO and GMD – 20% cut on basic salary
- ii. Managers, Senior Managers and General Managers – 10% cut on basic salary
- iii. Managers and above – 50% cut on vehicle allowance

The salary cuts were lifted in January 2021 whilst the cut on vehicle allowance was lifted in November 2020.

In addition, the Board also voluntarily took a 15% cut on the Directors' fee and meeting allowance in July 2020 which was lifted in January 2021.

The details of Directors' and Key Senior Management's remuneration received for FY2020 (both from the Company and the Group) are as follows:

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

The Group Managing Director received the remuneration from the Company in accordance with the contract of employment. He did not receive any remuneration from the subsidiaries of the Group. Annual discretionary bonus of the Group Managing Director is based on the Group's performance and as recommended by the JRNC and approved by the Board. During FY2020, the Group Managing Director received the following total remuneration from the Company:

Director/ Group Managing Director	Remuneration (RM)						
	Fees	Salaries and bonuses	Defined contribution plan	*Estimated monetary value of benefits-in- kind	LTIP	#Other emoluments	Total
Nan Yusri bin Nan Rahimy	-	1,422,000	213,300	60,236	-	923	1,696,459

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

# Comprised contribution to Social Security Organisation (SOCSO) and Employment Insurance Scheme (EIS).

The Group 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. The JRNC reviews the performance of the Group Managing Director annually and submits recommendation to the Board on adjustments in remuneration and/or reward to reflect the Group Managing Director's achievement for the year.

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

In addition to the above, the Group Managing Director is entitled to participate in the Group's LTIP scheme. All grants issued under the LTIP scheme have expired and there were no shares outstanding on these grants at the end of the financial year.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### (b) Remuneration of Non-Executive Directors

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

Non-Executive Directors are entitled to Directors' fees and additional fees for chairing or sitting in Board Committees except for the Chairman and Deputy Chairman who do not receive any additional fees. Fixed meeting allowances are also paid to Non-Executive Directors covering expenses incurred in the course of their duties except for the Chairman and Deputy Chairman who are each provided a car, a driver and club subscriptions. Non-Executive Directors are not entitled to participate in the LTIP of Deleum or any incentive plan for employees of the Group.

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

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

#### **Board Committees' Fees:**

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

The Board as a whole determines the remuneration of Non-Executive Directors which is subject to the approval of the shareholders at the AGM. The fees and meeting allowances paid to the Non-Executive Directors during FY2020 were in line with their duties and responsibilities and time commitment required to discharge their duties.

The total remuneration for the Non-Executive Directors individually from the Company in respect of FY2020 are set out below. They did not receive any remuneration from the subsidiaries of the Group:

Directors	Fees (RM)	Salaries and bonuses (RM)	Defined contribution plan (RM)	*Estimated monetary value of benefits-in-kind (RM)	Meeting Allowances (RM)	#Other emoluments (RM)	Total (RM)
Dato' Izham bin Mahmud (Chairman of Board)	322,500	-	-	31,150	-	6,587	360,237
Datuk Vivekananthan a/l M.V. Nathan (Deputy Chairman of Board)	322,500	-	-	31,150	-	20,297	373,947
Datuk Ishak bin Imam Abas (Chairman of AC)	96,750	-	-	-	32,450	-	129,200
Datuk Ir (Dr) Abdul Rahim bin Hashim (Chairman of JRNC)	90,300	-	-	-	30,300	-	120,600
Datuk Noor Azian binti Shaari	77,400	-	-	-	26,000	-	103,400
Lee Yoke Khai (Chairman of BRC)	103,200	-	-	-	34,600	-	137,800
Datuk Manharlal a/l Ratilal (appointed as Director on 1 October 2020)	21,000	-	-	-	9,500	-	30,500
<b>Total (RM)</b>	<b>1,033,650</b>	<b>-</b>	<b>-</b>	<b>62,300</b>	<b>132,850</b>	<b>26,884</b>	<b>1,255,684</b>

\* Comprised prescribed value of company car and driver

# Comprised club subscription fees

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Continued)

## (c) Remuneration of Senior Management

The aggregate total remuneration paid in FY2020 to Deleum Group's top five Key Senior Management personnel, who are not Directors, comprising the Group Chief Financial Officer and four Chief Executive Officers of the subsidiaries of the Group is RM3,553,112, as follows:

Remuneration (RM)						
Salaries and bonuses	Defined contribution plan	**Fixed allowances	*Estimated monetary value of benefits-in-kind	LTIP	#Other emoluments	Total
2,689,686	372,578	415,000	71,231	0	4,617	3,553,112

\*\* Comprised car allowance

\* Comprised prescribed value of company car and driver, petrol consumption and mobile expenses

# Comprised contribution to SOCSO and EIS

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

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

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

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

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

## PRINCIPLE B

### EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. Audit Committee and Financial Reporting

The Board is assisted by the AC to oversee the Group's financial reporting process, the quality of its financial reporting and also to ensure that the financial statements are drawn up following appropriate accounting policies and in accordance with the provisions of the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and CA 2016. The accounting policies, once adopted, are consistently applied and supported by reasonable judgments and estimates.

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

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

The Directors are required by the CA 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable MFRS, IFRS and the requirements of the CA 2016. The Board is responsible for presenting a balanced, clear and comprehensive assessment of the Group's financial position, performance and prospects through the quarterly and annual audited financial statements released to the shareholders.

In preparing the financial statements of the Group for FY2020, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the MFRS, IFRS, CA 2016 and any material departures have been disclosed and explained in the financial statements;
- made estimates and judgments which are reasonable and prudent; and
- ensured the financial statements have been prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and the Group.

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

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

#### External Auditors

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

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

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

## II. Risk Management and Internal Control Framework

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. The Company has the Enterprise Risk Management (ERM) Policy and the ERM Framework to ensure a proper and the structured enterprise risk management processes for the identification, assessment, response, monitoring and reporting of risks on an enterprise wide basis. The BRC reviewed the ERM Framework as and when it is necessary. The ERM Framework was last reviewed and revised on 22 August 2017 and is planned for a review in 2021.

#### Board Risk Committee

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

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

In discharging its duties and responsibilities, the BRC is guided by the Terms of Reference which was last reviewed on 22 August 2017 and is available on the Company's corporate website.

During FY2020, four meetings of the BRC were held with the full attendance of members of the BRC as reflected on Time Commitment section of this Annual Report.

The following activities were undertaken by the BRC:

- reviewed the revision of Group's Key Risk Profile comprising Strategic, Operational, Financial, Major Contract, Safety and Corruption risks;



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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- (ii) reviewed the Group's Risk Impact perimeters;
- (iii) reviewed the revision of the Group's COBC;
- (iv) notation on the COBC progress implementation and completion;
- (v) reviewed the Control Self-Assessment Checklist for the Group's Key Risk Profile;
- (vi) reviewed the assessment performed on Preliminary Project Risk Assessment for Invitation To Bid;
- (vii) reviewed the assessment on adequacy of Directors & Officers Liability Insurance Policy;
- (viii) reviewed the Anti-Bribery and Anti-Corruption Management System, the Anti-Bribery and Corruption Policy and other related documents i.e. Gift, Hospitality, Donation and Sponsorship Policy and Procedure, Third Party Anti-Bribery and Corruption Management Guidelines, Conflict of Interest Guidelines and Anti-Money Laundering and Counter Financing of Terrorism Guidelines;
- (ix) notation of the minutes of the Management Risk Committee meetings;
- (x) reviewed the MCM Contract risk profile;
- (xi) reviewed the revision of Whistleblowing and Investigation Procedure;
- (xii) notation of Quarterly HSE Performance of the Group; and
- (xiii) reviewed the Group's Business Continuity Management (BCM) involving the establishment of Business Continuity Plan for the Business Units.

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

## Internal Audit Function

Deleum engaged the services of BDO Governance Advisory Sdn. Bhd. (BDO) as the outsourced Internal Audit Function (IAF), which reports directly to the AC and is independent from Management. It has full access of the Group's entities, records and personnel.

In December 2020, BDO informed that upon completion of the 2020 Internal Audit Plan, BDO will not seek for re-appointment as the outsourced IAF provider for the Group.

The Company has, upon the evaluation and recommendation of the AC, appointed Baker Tilly Monteiro Heng Governance Sdn. Bhd., an independent professional firm as the new outsourced IAF provider for the financial year 2021.

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

## PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

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

The Group continued to engage with the analysts and fund managers on investor relations. Amidst the fallout from the COVID-19 pandemic, the Group managed to hold one analyst briefing in FY2020. Private meetings and teleconferences were held in addition to e-mail-based communications as and when required to provide updates to the investment community. Presentation materials of the analyst briefings are posted on the Company's website to ensure universal access to the same. These investor relations initiatives provide an avenue for dialogue between institutional investors, fund managers and analysts with the Senior Management. It also serves as a platform for the fund managers and analysts to receive a balanced and complete view of the business operations, financial performance, key operating statistics and corporate development and challenges facing the Group.

Information on the Group's business operations and financial performance is also disseminated through various readily accessible channels including the announcements of quarterly and annual results via Bursa Securities, Annual Report, media releases and the Company's corporate website. The various disclosures are guided by the Listing Requirements and the Group's Corporate Disclosure Policy which outlines the timing and manner of disclosure of material information. The Group maintains high confidentiality measures with regard to undisclosed material information. Deleum's corporate website at [www.deleum.com](http://www.deleum.com) provides quick access to Deleum's corporate information, financial results, governance information, statutory announcements, stock information, press releases and corporate related activities and is regularly updated to incorporate the latest development of the Group.

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

## II. Conduct of General Meetings

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

In light of the COVID-19 pandemic and for safety measure, the 15th AGM of the Company was convened fully virtual in line with the Securities Commission's Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers. The Company appointed Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor) as the Poll Administrator for the 15th AGM to facilitate the Remote Participation and Voting (RPV) via its TIH Online website at <https://tiih.online>.

In line with best Corporate Governance practice, the notice of the 15th AGM held on 15 July 2020 was sent to shareholders at least 28 days ahead of the meeting. The Annual Report 2019 comprising the Audited Financial Statements for the financial year ended 31 December 2019 were issued on 30 April 2020. At the 15th AGM, the Group Managing Director presented the Group's financial highlights and business updates to the shareholders.

All Directors including the Chairman of the AC, JRNC and BRC, the Group Managing Director, and the Group Chief Financial Officer and Company Secretary were present in person at the broadcast venue whilst the external auditors attended via video conferencing.

Shareholders were invited to send questions before the meeting via Tricor's TIH Online website in relation to the agenda items for the 15th AGM to further encourage engagement between the Directors and shareholders. Besides this, Chairman also invited shareholders to use the query box facility to submit questions during live streaming of the AGM. All relevant questions raised by shareholders were addressed during the Questions and Answers session. Suggestions and comments communicated by shareholders were taken into careful consideration and well noted by the Board and Management.

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

## III. Dividends

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

## COMPLIANCE STATEMENT

The Board recognises and subscribes to the importance of the principles and best practices set out in the MCCG. In this respect, where practical and appropriate, the Board has applied the principles and recommendations under the MCCG for FY2020.

The application of each practice set out in the MCCG during FY2020 and the explanation for departure is disclosed in the Corporate Governance Report which is available on the Company's corporate website.

This Corporate Governance Overview Statement and the Corporate Governance Report are made in accordance with a resolution of the Board of Directors passed on 16 March 2021.

# 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 2017.**

## 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 (Group)'s risk management and internal control systems. The systems in place are designed to ensure key risk areas are managed to an acceptable level to achieve the Group's business objectives. The Group's risk management and internal control systems is an ongoing process designed to meet the Group's particular needs based on the Group's business direction and to manage the risks in line with changes to the business environment, operating conditions and regulatory requirements.

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

## RISK MANAGEMENT

### Board Risk Committee

The Board Risk Committee (BRC) is chaired by an Independent Non-Executive Director. The BRC meets on a quarterly basis to review the effectiveness of the risk management process, to discuss matters relating to risk management activities and the reports produced therein, and to evaluate new and emerging risks together with the action and mitigation plans of the identified risks.

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

### Management Risk Committee

The Management Risk Committee (MRC) was established in 2017 to manage risks on a dynamic basis given that all manner of risks is inherent in our businesses. This Committee provides

a platform for members of the Senior Management team to bring their cumulative knowledge and experiences of the trading conditions, operating environment and regulatory requirements to facilitate the identification and monitoring of existing and emerging risks impacting the businesses.

The MRC which is governed by its TOR is chaired by the Group Managing Director (GMD) and meets on a monthly basis. The matters discussed at the MRC is reported to BRC on a quarterly basis. The MRC comprises of the GMD, Group Chief Financial Officer (GCFO) and the Chief Executive Officers (CEOs) of the business segments of the Group.

The MRC's duties include ensuring that:

- i. the Group's key risks are deliberated and taken into consideration in the Group's business strategies;
- ii. the process of risk identification up to the mitigation plans are appropriately considered;
- iii. the risk framework including the strategies, policies and action plans are effectively implemented; and
- iv. the monitoring and reporting to the BRC and eventually to the Board on the risk activities is undertaken on a quarterly basis.

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

The GMD is responsible for the day-to-day management of risks whereas the heads of business units are responsible in representing the GMD's obligations to all business units. The Senior Management team assisted by the Group Risk function 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.

## KEY RISKS 2020

The Group reviews and re-assesses its risks to determine and respond to the dynamic business environment. Specific risks impacting its businesses as well as operations are profiled, monitored and reviewed. At the beginning of 2020, when the nation was hit with the COVID-19 pandemic and oil price slump, the Management conducted a thorough review which resulted in changes in the control measures, risk ratings, and action plans to mitigate the key risks identified such as Strategic Risk, Operational Risk, Financial Risk, Safety Risk and Major Contract Risk.

In assessing the Group's business strategies and with the introduction of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Management concurred that more emphasis was to be given to this particular

requirement and that a new risk be introduced in the Group Key Risk profile, namely, Corruption Risk with the relevant action plans to mitigate the risks.

### Strategic Risk

Strategic Risk relates to the risks that the Group may experience, in relation to its overall business strategy, that may impact its ability to continue in the long term or expand to meet its business objectives. It is derived from the strategic decisions and the directions taken in the implementation of Board's approved strategic and business plans. The major strategic risks faced by the Group in 2020 included over-reliance on the upstream business, risk of venturing into overseas markets, geopolitical risk and the market risk.

To mitigate this risk, the Group continuously pursues its business development initiatives to expand its business offerings to the downstream segment of the industry and other industries such as the civil and marine industry within and beyond Malaysia.

Project Risk Assessments were conducted for potential business ventures overseas where the threats of the landscape such as emerging geopolitical threats, vulnerabilities and potential impacts involving circumstances related to the oil and gas industry as well as the Group's areas of interest were assessed.

During the year, the Group had received various requests for supplies, invitations to bid and business partnerships. These opportunities were prudently evaluated, and the viabilities of the said proposals were assessed accordingly.

### Operational Risk

Operational Risk relates to the risk of loss as a consequence of inadequate or ineffective operational processes, people and systems impacting the Group's ability to meet its business objectives. This risk was further heightened following the reduced level of activities mainly due to the low global oil price and the COVID-19 pandemic, resulting in lower returns by the respective business segments. Further, the movement restriction imposed by the Malaysian Government through the Movement Control Order (MCO) due to the pandemic in 2020 had also impacted the supply chain performance by suppliers and other service providers i.e. key manpower and critical equipment to customers.

In recognition of related operational impacts from this risk, key mitigation plans undertaken were the issuance of support letters to aid suppliers to ensure service continuity, identification of alternate subcontractors and suppliers, close engagements with existing key principals and customers to align mutual business goals and the implementation of a 4 Phase Cost Management Framework (predominantly cost cutting and working capital management initiatives) as a response to the current pandemic crisis to ensure service continuity with minimal downtime.

In relation to improvements made to the processes, focus was on sustainable practices such as the continuous evaluation of suppliers' capabilities and performance, establishment of Standard Operating Procedures (SOP) – Proprietary Formulation Handling in relation to the retention of Deleum Chemicals Sdn. Bhd. (DCSB)'s proprietary chemical formulations and organisational restructuring through the centralisation of corporate resources to increase effectiveness and to eliminate redundancy.

The above were in line with the Management's mandate to manage operational risks in a cost-effective manner to minimise financial loss or damage to the Group's reputation.

### Financial Risk

During the year, Financial Risk addressed the risks from the ongoing market volatilities on exchange rates, assets/services demand and utilisation, and cash flows that could have affected the values of our financial assets and liabilities.

A major portion of the Group's revenue and costs are conducted in foreign currencies, primarily the US Dollar (USD). The Board authorises hedging activities to manage the currency fluctuations but prohibits speculative activity on currencies. The total net foreign exchange loss for FY2020 was RM0.5 million, as compared to RM1.2 million net loss in FY2019, primarily due to the strengthening of the MYR against USD and a more robust hedging planning during 2020.

In response to risks of low demand and utilisation rate of assets/services and insufficient cash flow, the Group focused on prudent cost management initiatives, inter business units resource utilisation and embarked on organisational restructuring to increase efficiency and to reduce expenditure. To reflect an accurate financial standing of the organisation, upon review of the asset utilisation during the year, impairment charges on property, plant and equipment of RM30.3 million was made for FY2020, as compared to nil impairment in FY2019. With the prudent cost management initiatives, the total expenses in FY2020, excluding impairment charges had reduced by RM6.6 million as compared to FY2019.

Despite the impairments taken during the year, the Group remained profitable and operating cash generation remained positive.

### Safety Risk

The safety of people and assets remains the top priority in the oil and gas industry as well as for the Group. With the twin effects of market volatilities in the oil and gas industry and the COVID-19 pandemic which was declared as a public health emergency, any adverse incidents can result in business disruptions, significant financial loss and damage to the Group's reputation.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

In order to minimise this risk, the Group Quality, Health, Safety and Environment (QHSE) function had reviewed the safe work systems of the Group which include its Standard Operating Procedures and associated documents, checklist for safe operations, safe installation of equipment and proper working environment, resulting in several weaknesses being identified and necessary improvement measures were implemented thereafter. To further address the risk of COVID-19 infection amongst employees, a number of safeguards were proactively implemented in compliance with the guidance issued by the Malaysian Government. During the year, the Group QHSE function also carried out several health, safety and environment (HSE) campaigns for HSE awareness. As a result, the Group recorded 2.97 Million Lost Time Injury (LTI) free man-hours up until 31 December 2020.

Further details on these are disclosed in the Sustainability Statement of this Annual Report.

### Major Contracts Risk

The Group continues to recognise a variety of risks and seek to minimise potential contracts' downside. The Group's overall contracts risk predominantly focuses on the Maintenance, Construction and Modification Services (MCM) contract serviced by Deleum Primera Sdn. Bhd. (DPSB), a 60% owned subsidiary of the Group. Key risks include under-performance or breach of contractual obligations, resources and supply chain failures, operational inefficiencies, cost management as well as quality and safety of the overall operations.

In line with the litigation involving several employees of DPSB and its suppliers and subcontractors, revisions were made to address the impact associated with the risk events towards the MCM contract's deliverables. Amongst the revisions addressed were elevated key risks rating and escalation of emerging risks of corruption practices, confidence level to sustain and expand the business, and commitment to centralised processes and procedures. The Group further outlined mitigation plans at DPSB that focused on strengthening adherence to an established governance structure concerning procurement and warehousing practices, human resource reorganisation, continuous monitoring of compliance of procedures and guidelines in project execution and customer relationship management.

During the year under review, Deleum Berhad appointed PwC Consulting Associates (M) Sdn. Bhd. to conduct a forensic investigation on DPSB, where the findings of the forensic investigation revealed an alleged illegal scheme that involved DPSB's employees, suppliers, contractors and employees of a client of DPSB.

The Group then took relevant actions against these parties and lodged a formal report to the Malaysian Anti-Corruption Commission (MACC) in relation to this alleged illegal scheme.

The Group had undertaken a series of actions to further strengthen the internal controls of the organisation which include changes made to DPSB's overall organisation structure to support its operations effectively, centralisation of the corporate resources functions within the Group comprising the procurement, human resources and finance departments to ensure further standardisation of the processes and procedures with the Group.

### Corruption Risk

This risk was registered during the year in line with the corruption and corporate liability compliance requirement under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and also the mandatory requirement set by Bursa Securities.

In order to strengthen the control mechanism in managing corruption risk, during the year, the Group established the following policies, procedures and guidelines:

- i. Anti-Bribery and Corruption (ABC) Policy
- ii. Gift, Hospitality, Donation and Sponsorship Policy and Procedure
- iii. Conflict of Interest Guidelines
- iv. Third Party Anti-Bribery and Corruption Management Guidelines
- v. Anti-Money Laundering and Counter Financing of Terrorism Guidelines

Besides the above, a review was also conducted on the following documents:

- i. Whistleblowing Policy and Investigation Procedure
- ii. Code of Business Conduct (COBC)
- iii. Human Resource:
  - a. Recruitment Policy
  - b. Code of Discipline Policy
- iv. Procedure for Preparation and Submission of Tenders and Invitation to Bid Documents
- v. Procurement:
  - a. Group's Procurement Procedure
  - b. Vendor Management Procedure
- vi. Finance:
  - a. Procedure for Accounts Receivable
  - b. Procedure for Accounts Payable

The above documents are published in Deleum's corporate website and intranet and several awareness briefings have been conducted to the Board of Directors and employees of the Group.

Deleum's ABC Policy stresses that the Group adopts a zero-tolerance standard on bribery and corruption. Offenders will be subject to consequence management if the integrity of business dealings or governance are compromised in any way.



In ensuring effective communication and implementation of the ABC Policy and its relevant subjects' requirement, a Designated Compliance Officer from all functions was appointed to represent each business unit and corporate resources.

### 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-up review process. Selection of specific risks is conducted via sessions at the MRC where key issues and challenges are deliberated and related risks are identified and proposed to BRC. Upon approval, the details of the identified risks will then be developed and assessed. Inputs from various levels of employees, particularly the key business and process owners are obtained in developing the details of the risk as well as assessing it. Once completed, a risk profile is produced and will be submitted to MRC and BRC for deliberation and final approval. Relevant mitigation plans will be developed, and the risk profile will be monitored and updated every quarter. Employees have a clear understanding that managing risks is a collective responsibility that is central to the Group's risk management process.

### Control Self-Assessment Checklist

A Control Self-Assessment (CSA) checklist is a tool developed to assess the adequacy of processes and controls in place within all business units and support services units. The CSA comprises a set of questionnaires developed from the respective risk categories based on responses from all risk owners on the controls measures that they have implemented. The CSA has enabled Management to track the processes and controls that were put in place to mitigate risks and acts as a check and balance mechanism to ensure that effective action plans, processes and controls are in place.

During the year, the CSA was updated according to the revised Group Key Risks Profile. The CSA validation process was conducted in 2020 and the outcome was updated to the BRC. In order to obtain and collate the information required, the Risk Management function had engaged with all the key process owners at the business units as well as the corporate resources functions. All parties furnished the required evidence while adequate justifications were also provided for those controls which are still pending completion.

### Risk Sessions

Risk sessions which include discussions and assessments are also conducted for project teams in respect of large projects during the bidding process to ensure that material risks are identified, assessed and their impacts are factored in shaping the business and pricing strategies. This is in accordance with the Project Risk Management Guideline (PRM Guideline) that defines the scope and process for the identification, assessment, management and monitoring of project risks.

Project risks identified are documented in the project risk registers. The assessment is performed using qualitative and quantitative methods to determine the risk exposure. The project risk registers are maintained and reviewed throughout the project duration to ensure that the risk response strategy and mitigation plans are implemented and monitored regularly. Project risk portfolios are reviewed based on need basis. However, the risk profile of the MCM project is reviewed every quarter. As for invitation-to-bids (ITBs), only those which are in line with the current core businesses and meet the criteria of the PRM Guideline are reviewed together with relevant stakeholders to complete the assessments prior to tender submission.

### BUSINESS CONTINUITY MANAGEMENT

The Group continues to oversee the new development and improvements of Business Continuity Plan (BCP) that supports operationalisation of the developed Business Continuity Management Framework in 2019. Key activities undertaken in FY2020 are highlighted as follows:

- i. New BCP established for two (2) business units namely Integrated Corrosion Solution (ICS) – DPSB and Power and Machinery (P&M) – Deleum Rotary Services Sdn. Bhd. (DRSSB) covering operational facilities in Kajang, Kemaman, Miri, Bintulu and Labuan. Amongst the exercises conducted are Risk Assessment, Business Impact Analysis and Business Continuity Strategy.

Subsequently, the established BCP was rolled out to all related personnel to instil awareness for the continuity of the Group's operations in the event of a disruption or a crisis.

- ii. Improvement of existing BCP through process reviews that covered three (3) areas namely BCP activation criteria, adaptation of Damage Assessment and Recovery Team (DART) and an overall BCP process flow with checklist.

The improvements were incorporated in DPSB's and DRSSB's BCP whilst updates were also made for Deleum Oilfield Services Sdn. Bhd. (DOSSB).

- iii. Establishment of structured guidelines for BCP (BCP Guideline) that comprises a walkthrough of processes involved pre, during and post BCP operationalisation. The BCP Guideline covers the Group and the respective business units.

For FY2021, the Group will continue to oversee the implementation of the BCP which includes Testing and Exercise (T&E) via simulation of test scenarios. This is to validate the effectiveness of the recovery strategies as well as to maintain a high level of competence and readiness as identified in the BCP.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

### CONTROL STRUCTURE

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

- The Board

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

- Strategic Business Planning, Budget and Reporting

The planning process for the ensuing year starts with the strategy setting meeting between the Board and the GMD. The deliberations and decisions are then taken forward in the preparation of the Group Strategic Plan and Budget. Detailed budgets are prepared by the business units and corporate resources functions and submitted to the Group Finance function which then consolidates this information into a Group Budget. Besides that, a Board meeting with the attendance of the GMD, Heads of Business Units (CEOs) and relevant stakeholders were held during the year to provide the Board an avenue to further discuss and deliberate business strategies of the Group for the upcoming year. These expectations were then shared with the Senior Management team in the development of the 2021 Strategies and Budget for the Group.

The strategic plan covers the Group's strategy for the upcoming year including the operating and financial performance, key business indicators, regional and international expansion plans, key focus areas, core values, QHSE, resource utilisation, capital expenditure, cash flow projections, facilities and operational support, and human capital development.

The Group's and business unit's performances against the budget is reported to the GMD and the respective business units on a monthly basis and are discussed and monitored accordingly during the monthly operational meetings.

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

- Audit Committee

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

- Internal Audit

The Internal Audit function was 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 based on the annual audit plan approved by the AC, and report on the adequacy and integrity of the internal controls and governance framework of the Group in relation to the audit scope. They provide an independent and objective assessment on the adequacy and effectiveness of the risk management, internal control and governance processes.

Details of the Internal Audit reviews conducted during the year are set out in the AC Report. At end of the year, BDO who has served the Group since 2007, had indicated their intention not to seek renewal of their service for the financial year ending 2021. A new internal auditor has been engaged to carry out the reviews for 2021.

- Group Core Values and Code of Business Conduct

The Group's Core Values namely Integrity, Professionalism, Sustainability and Excellence are constantly communicated to employees through the Group's corporate statement and GMD's quarterly townhall briefing. The Group's Core Values and COBC are available on the Company's corporate website and intranet.

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

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

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

Briefings were conducted throughout the Group's facilities and office locations in early January 2020 to ensure that all employees are aware of and familiar with the COBC. In addition, an awareness test was set for employees to affirm their knowledge, understanding and compliance with the COBC. The test is conducted on an annual basis. During the year, separate tests were conducted for Executive and Non-Executive employees from end of January till March 2020, and all employees and the Board of Directors had participated and passed the test.

Deleum remains committed to comply with the Universal Declaration of Human Rights and has included it as part of its Human Resource Policies and on boarding induction by the Human Resources function. Also, various sessions were held to create awareness amongst the employees of the Group. A commissioner from the Human Rights Commission of Malaysia was tasked to conduct half day sessions of Human Rights Awareness sessions at all Deleum office locations from November 2019 to November 2020.

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

- Whistleblowing Policy and Investigation Procedure

During the year, the Whistleblowing Policy and Whistleblowing Investigation Procedure were reviewed, revised and subsequently combined to have a more simplified and effective process which facilitates the Board and employees of the Group and external parties to report any wrongdoings and provides assurance of confidentiality and safeguards against victimisation. There was no case reported during the year via the Whistleblowing reporting channel. Using the COBC annual briefing platform, the Whistleblowing Policy is briefed to all employees.

In strengthening the effectiveness of the Whistleblowing Policy, the Group plans to have ongoing awareness initiatives through various medium of communications which include posters, flyers, workshops and management engagement sessions with employees.

In line with Paragraph 15.29 (2) of the Main Market Listing Requirements of Bursa Securities, this policy and procedure is published on the Company's corporate website and intranet after the Board has reviewed and updated the policy in line with the current practices. The policy was last reviewed and approved by the Board on 10 December 2020.

- Anti-Corruption Management System

In line with the new requirement of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, Management has taken the necessary preparations including a gap analysis assessment and awareness sessions to the Group's Board and Senior Management. BDO was appointed as the Group's consultant in February 2020 to assist Deleum to address the requirement of the corporate liability provision. The training programs are expected to be conducted on an annual basis for the employees.

The Group has established the policies, procedures and guidelines as mentioned under the corruption risk section above. These were reviewed by the Board and upon their approval have been published on the Company's corporate website and intranet. Suppliers and subcontractors have been informed to refer to Deleum's corporate website and reminders of their compliance are mentioned in the Group's purchase orders.

- Authorisation Limits

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

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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

- Policies and Procedures

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

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

The Group QHSE function is responsible for the Group's QMS and EMS certification and audits. The Group successfully maintained its ISO 9001:2015 certifications under Deleum Services Sdn. Bhd. (DSSB) covering the products and services of DOSSB, DCSB, DPSB and DRSSB and Turboservices Sdn. Bhd.

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

On top of the requirement to have ISO 19001 and ISO 14001 by the customers, Group QHSE have successfully complied with the requirements for application of API Specification Q2 certification for ExxonMobil Exploration and Production Malaysia Inc (EMEPMI) and Sarawak Shell Berhad under DOSSB. The certification audit by API is expected to be in June 2021.

The audits confirmed these companies' and the respective functions' continued compliance with the relevant ISO standards as the outcome of the audit revealed only minor rated findings and observations. Appropriate actions have been taken to rectify and close these findings within allocated timeline, with additional controls to be put in place to avoid recurrence.

- Corporate Secretariat and Compliance

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

### Centralised Functions

The Corporate Resources functions of Finance, Human Resource and Procurement are now centralised at the Group level which leads to higher independence from the business units and inculcates a more structured process together with the standardised procedures to enhance efficiency and effectiveness across the Group.

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

The Board had reviewed the effectiveness of the Group's risk management and internal control systems for the year under review and up to the date of approval of this Statement for inclusion in 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. Based on recent developments on the economic crisis and litigation case at DPSB, the Board has promptly responded by giving greater emphasis on risk management and internal control systems and worked with Management to ensure that the necessary improvements have been addressed.

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

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

## CONCLUSION

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

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

## REVIEW OF THIS STATEMENT

As required by Paragraph 15.23 of the 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 a resolution of the Board of Directors passed on 29 March 2021.

# AUDIT COMMITTEE REPORT

The Board of Directors of Deleum Berhad (Deleum or the Company) presents the Audit Committee Report which provides insights into the manner in which the Audit Committee (AC) discharged its functions for Deleum and its subsidiaries (the Group) for the financial year ended 31 December 2020 (FY2020).

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

## (I) MEMBERSHIP

The AC comprises four members, all of whom are Independent Non-Executive Directors, which meets the requirements set out in the Malaysian Code on Corporate Governance 2017 (MCCG), as follows:

Name of Committee Members	Appointment Date	Designation
Datuk Ishak bin Imam Abas	21 March 2007	Chairman of AC / Independent Non-Executive Director
Datuk Ir (Dr) Abdul Rahim bin Hashim	15 November 2013	Member / Senior Independent Non-Executive Director
Lee Yoke Khai	15 March 2019	Member / Independent Non-Executive Director
Datuk Manharlal a/I Ratilal	1 October 2020	Member / Independent Non-Executive Director

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

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

## (II) COMMITTEE MEETINGS

The AC held four meetings in 2020 with full attendance of the members. Details of the AC meeting attendance are set out in the Corporate Governance Overview Statement. By invitation, the Group Managing Director, the Group Chief Financial Officer and other relevant senior management personnel, and representatives from the external and internal auditors attended the AC meetings to brief and provide clarification to the AC on their areas of responsibility. Invitations were extended to other Directors to AC meetings to share their knowledge and experiences. At the Board meeting, the Chairman of the AC presented the recommendations of the AC and highlighted the relevant findings and issues.

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

The external auditors were present during deliberations at all AC meetings on matters relating to external audit and internal audit.

Time was also set aside for both the external and internal auditors to have separate private discussions with the AC in the absence of the Group Managing Director and Management or employees of the Company.

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

During FY2020, the matters in relation to the quarterly and annual financial results and annual reporting, key audit matters and internal control reviews were discussed at the AC meetings and summarised under Section (III) of this Report. In addition, during FY2020, the AC also reviewed the report on Cyber Security – Red Teaming Exercise conducted by the Internal Auditors and the remedial actions had been taken accordingly.

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

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

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

#### 1. Financial Results and Annual Reporting

- (a) Reviewed with Management and the external auditors the appropriateness of the unaudited quarterly interim reporting and annual financial statements, before recommending them to the Board for consideration and approval and the release of the Group's results to Bursa Securities, with emphasis being given to:
  - the quality and appropriateness of accounting policies and practices;
  - the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
  - key areas in which significant judgements and estimates have been applied and used for the preparation of the financial statements;
  - whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
  - any correspondence from regulators in relation to financial reporting; and
  - the significant audit issues the AC considered in relation to the financial reporting.

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

#### (i) Asset Impairment Testing

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

This review was centred on the carrying value of the plant and equipment in the Oilfield Services and Integrated Corrosion Solution segments.

During the financial year, the lower utilisation of certain assets and declining profit trends over the previous years of the subsidiary companies in both the segments above have given rise to an impairment indicator to the carrying value of the assets. The recoverable amounts of the plant and equipment were calculated using value in use method based on approved budget for financial year ending 2021 and projections for the remaining useful lives of these assets. Key assumptions consisting primarily of revenue and earnings before interest, tax, depreciation and amortisation growth rate and basis of discount rate were reviewed and noted. The outcome of the review indicated that the recoverable amounts of these assets were lower than their carrying amounts. Accordingly, impairment charges of RM15.1 million and RM15.2 million were recognised in the financial statements of the subsidiary companies respectively during the financial year.

#### (ii) Revenue Recognition

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

The Management has continued to review and monitor the projects in progress to ensure that revenue and cost are recognised appropriately in the financial statements. Project closure exercises were



## AUDIT COMMITTEE REPORT

(Continued)

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

### (iii) Restricted cash

During the year, a forensic investigation on a 60% owned subsidiary of the Group revealed an alleged illegal scheme that involved certain employees of the subsidiary, its suppliers, contractors and employees of a client. The Group has lodged a formal report to the Malaysian Anti-Corruption Commission over the alleged illegal scheme. To facilitate the investigation, certain bank deposits of the subsidiary were frozen by MACC under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001. Accordingly, the affected bank deposits have been reclassified as restricted cash within the cash and bank balances for the financial year ended 31 December 2020. As at the financial year end, the investigation by MACC is still ongoing and the affected bank deposits have remained frozen pending the conclusion of the investigation.

The Management has discussed and sought advice from the Group's appointed external legal counsel to understand the legal position and the compliance to the applicable laws and regulations. The status and financial implications have been discussed and concluded amongst the external auditors, the AC members, the Board of Directors and the management of the Group. The relevant disclosures are disclosed in the Financial Statements for FY2020.

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

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

- Listing Requirements of Bursa Securities;
- Companies Act 2016 and other relevant legal and regulatory requirements; and
- Applicable approved Malaysian Financial Reporting Standards and International Financial Reporting Standards.

(c) Reviewed the Statement on Risk Management and Internal Control and the AC Report to ensure adherence to legal and regulatory reporting requirements prior to the Board's approval for inclusion into the Annual Report.

## 2. External Audit

(a) Reviewed the external auditors' scope of work, audit plan and audit strategy for FY2020 to ensure appropriate focus on the key risk areas.

(b) Reviewed the external auditors' report to the AC in relation to the reviews of the quarterly results and announcements along with resolution of issues highlighted in their report to the AC.

(c) Reviewed the external auditors' report to the AC for the year under review in relation to the audit and accounting issues arising from the audit and Management's responses.

(d) Reviewed the internal control findings and system of internal control and discussed the impact on the overall soundness of the internal control procedures and processes.

(e) Reviewed other matters relating to accounting, auditing, financial reporting practices and processes, legal, regulatory and taxation matters of the Group.

(f) Reviewed the independence and objectivity of the external auditors.

As part of the annual audit exercise, the Company had obtained written assurance from M/S PricewaterhouseCoopers PLT (PwC) confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. PwC has complied with the requirement of the MIA

and the firm's Guidelines in rotating audit partners every seven years. A former engagement audit partner will not be eligible for Board appointment until he or she has observed a cooling-off period of at least three years in compliance with the Listing Requirements. The Group also restricts the employment of former employees of the external auditors unless a cooling-off period of at least three years is observed to ensure independence of the external auditors and for avoidance of any conflict of interest. During FY2020, no employment was offered to any former partner and/or staff of PwC.

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

The amount of audit fees and non-audit fees paid/payable to PwC or a firm or corporation affiliated to PwC by the Company and the Group respectively in respect of FY2020 were as follows:

	Company (RM)	Group (RM)
Statutory audit fee	299,000	620,600
Non-audit fee	1,095,150	1,148,050

The non-audit services conducted during FY2020 by other PwC entities comprised mainly tax services and forensic investigation at Deleum Primera Sdn. Bhd. The provision of non-audit services did not compromise PwC's independence and objectivity as the non-audit services were conducted by different entities teams from the statutory audit team of PwC. The AC concluded that it continued to be satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances.

- (h) Reviewed the performance and effectiveness of the external auditors and recommended to the Board for their re-appointment and fees for statutory audit.
- (i) Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements including changes in tax legislation and recent development. The AC will continue to monitor and review with the external auditors on regulatory updates and the impact to the accounting, auditing and financial reporting practices and processes.

- (j) Held two private meetings with the external auditors without the presence of the Group Managing Director and Management employees of the Company. The meetings focused on key audit matters in relation to the Maintenance, Construction and Modification Services Contract (MCM Contract) and Deleum Primera Sdn. Bhd. The AC is satisfied that appropriate actions were taken to address the issues and concerns raised by the external auditors arising from these meetings.
- (k) Carried out evaluation of the external auditors and internal auditors, the details of which are in Section (VI) – "Evaluation" of this Report.
- (l) Reviewed the Statement on Risk Management and Internal Control to ensure that it is consistent with the state of internal controls of the Group.

### 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 covering, amongst others, the following areas:
- Procure to Pay cycle involving vendor management, procurement, payables and payment of Deleum Oilfield Services Sdn. Bhd.;
  - Group Health, Safety and Environment monitoring and compliance and also to evaluate the adequacy and effectiveness of the internal controls of the Group;
  - Compliance with policies and Deleum Primera Sdn. Bhd.'s operations pertaining to:
    - (i) MCM Contract on cost and cash management.
    - (ii) Contract management involving contract requirements and compliance monitoring.
    - (iii) Hiring to Retiring cycle involving employee's movements, entitlements and performance evaluation.

## AUDIT COMMITTEE REPORT

(Continued)

- Procure to Pay cycle involving vendor management, procurement, payables and payment, review of the Compliance with Payment Billing cycle of Turboservices Sdn. Bhd. to evaluate the adequacy and effectiveness of the internal controls of the company.
- Slickline Contracts compliance of Deleum Oilfield Services Sdn. Bhd.

- (d) Ensured that appropriate and prompt remedial actions and improved procedures were implemented by Management arising from the findings raised in the internal audit reviews and in respect of outstanding issues identified from the follow-up audits.
- (e) Held one private meeting with the internal auditors without the presence of the Group Managing Director and Management or employees of the Company to discuss any areas of concern.

#### 4. Related Party Transactions

- (a) Apprised the recurrent related party transactions to ensure that the amounts transacted were within the approved shareholders' mandate obtained.
- (b) Reviewed the related party transactions of the Group to ensure that they are based on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.
- (c) Reviewed the adequacy of procedures and processes in identifying, monitoring, reviewing and reporting of related party transactions.
- (d) Reviewed the Circular to Shareholders in respect of the annual shareholders' mandate for recurrent related party transactions prior to recommendation to the Board for consideration and approval.

#### 5. Deleum Berhad Long-Term Incentive Plan (LTIP)

All grants issued under the LTIP scheme have expired and there were no shares outstanding on these grants at the end of the financial year.

#### 6. Whistleblowing

The Group has put in place a Whistleblowing Policy and Investigation Procedure to provide an avenue for employees and any other parties who deal with or provide services to the Group to report any genuine concerns or wrongdoings 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 were no cases reported in 2020 via the Whistleblowing channel.

Further details of the Whistleblowing Policy and Investigation Procedure are set out in the Corporate Governance Overview Statement.

#### (IV) 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 is carried out in accordance with The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. In carrying out the internal audit for the Group, the IAF team is headed by an Executive Director of BDO who possesses the relevant qualifications and experience and who is assisted by no fewer than four staff including a senior manager.

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

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

During the financial year, the internal auditors attended all the AC meetings. The cost incurred for the outsourced IAF in respect of FY2020 amounted to RM158,970 (2019: RM163,950). 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, which is partly guided by the Group's Enterprise Risk Management framework. The plan is designed and executed upon with the express objectives of testing financial, operational and compliance controls of the Company, as well as the design and operation of key business processes operated. Each annual plan is reviewed throughout the

course of the fiscal year and presented to Management and the AC to ensure continued relevance of areas covered in each fiscal year.

A minimum of four internal control reviews are performed a year under each audit plan. The work performed includes financial and operational reviews across the three business segments with emphasis on contract compliance, project management, inventory management, revenue management and credit control, procurements and the use of the Enterprise Resource Planning implementation. Their findings, together with related recommendations and Management's responses thereto, are reported to the AC on a quarterly basis.

- (b) Reviewed the adequacy and integrity of the system of controls to ensure there is a systematic methodology for identifying, assessing and managing risk areas with regard to:
  - reliability and integrity of financial and operational information;
  - effectiveness and efficiency of operations;
  - safeguarding of assets and resources; and
  - compliance with laws, regulations and contractual obligations within the Company's governance, operations and information systems.
- (c) Conducted follow up reviews on actions taken by Management in implementing their recommendations arising from prior audits.

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

In December 2020, BDO informed that upon completion of the 2020 Internal Audit Plan, it would not seek for re-appointment as the outsourced IAF provider for the Group.

The Management sent out invitations to potential IAF providers to source for replacement for BDO. The AC interviewed the shortlisted IAF providers, made its assessment before recommending to the Board for consideration. The Board has on 26 February 2021 appointed Baker Tilly Monteiro Heng Governance Sdn. Bhd. (Baker Tilly), an independent professional firm, as the new IAF provider for the financial year ending 31 December 2021. Baker Tilly has no relationship with the Group and is independent from Management, staff, Directors and substantial shareholders.

## (v) EVALUATION

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

The AC was satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances. The Board on the recommendation of the AC, is satisfied that PwC remains effective, objective and independent in carrying out its role as external auditors of the Company. The Board has approved the AC's recommendation for the re-appointment of PwC for the ensuing year to be tabled at the Sixteenth Annual General Meeting of the Company for shareholders' approval.

The Board through the JRNC had conducted an annual evaluation and assessment on the performance of the AC and its members in respect of FY2020. The evaluation was based on self-assessment carried out by the AC members to monitor their overall effectiveness in meeting their responsibilities.

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

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

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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 of the Company for the financial year ended 31 December 2020.

## 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 of the Company during the financial year.

## FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year attributable to		
- Equity holders of the Company	7,428,868	4,146,915
- Non-controlling interest	7,933,529	0
Profit for the financial year	<u>15,362,397</u>	<u>4,146,915</u>

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2019 were as follows:

	RM
In respect of the financial year ended 31 December 2019, as shown in the Directors' report of that year, a second interim single tier dividend of 3.00 sen per share on 401,553,500 ordinary shares, paid on 26 March 2020	<u>12,046,605</u>

The Directors had on 29 March 2021 declared a first interim single tier dividend of 1.00 sen per share in respect of the financial year ended 31 December 2020, totalling RM4,015,535, paid on 27 April 2021.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2020.



## DIRECTORS' REPORT

(Continued)

### RESERVES AND PROVISIONS

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

### SHARE CAPITAL AND DEBENTURES

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

### 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 31 to the financial statements.

On 2 March 2015, the Company made the first grant of 2,396,500 ordinary shares 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"). 297,200 ordinary shares under the Third Tranche of RS Award were vested to eligible employees.

On 22 March 2016, the Company made the second grant of LTIP up to maximum of 4,641,900 ordinary shares 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"). 450,100 ordinary shares under the Second Tranche and 427,800 ordinary shares under the Third Tranche of RS Award were vested to eligible employees.

On 22 March 2017, the Company made a special grant of LTIP comprises solely of the RS Award of 398,400 ordinary shares to selected eligible employees of the Group ("Special Grant"). The Special Grant comprised of 203,600 ordinary shares under the First Tranche and 194,800 ordinary shares under the Second Tranche. 195,300 ordinary shares under the First Tranche and 183,100 ordinary shares under the Second Tranche of Special Grant of the RS Award were vested to eligible employees.

All grants issued under the LTIP scheme have expired and there were no shares outstanding on these grants at the end of the financial year.

### DIRECTORS OF THE COMPANY

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

Dato' Izham bin Mahmud  
 Datuk Vivekananthan a/l M.V. Nathan  
 Datuk Ishak bin Imam Abas  
 Nan Yusri bin Nan Rahimy  
 Datuk Ir (Dr) Abdul Rahim bin Hashim  
 Datuk Noor Azian binti Shaari  
 Lee Yoke Khai  
 Datuk Manharlal a/l Ratilal (appointed on 1 October 2020)

## DIRECTORS OF SUBSIDIARIES

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

Directors of Subsidiaries	Subsidiary
Mazrin bin Ramli	Deleum Primera Sdn. Bhd.
Khairulazmi bin Mohamad Karudin	Deleum Primera Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Dato' Izham bin Mahmud)	Deleum Primera Sdn. Bhd.
Mhd Dzuha bin Ibrahim	Deleum Rotary Services Sdn. Bhd.
Heng Phok Wee (alternate Director to Mhd Dzuha bin Ibrahim)	Deleum Rotary Services Sdn. Bhd.
Jean-Marc Alex Cochetoux	Turboservices Sdn. Bhd.
Evelyn Josephine Tay Yin Tiang	Turboservices Sdn. Bhd.
Nuruzzatulain binti Sahamah	Turboservices Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Nuruzzatulain binti Sahamah)	Turboservices Sdn. Bhd.
Heng Phok Wee	Delflow Solutions Sdn. Bhd.
Heng Phok Wee	Wisteria Sdn. Bhd. (In members' voluntary liquidation)
Eric Kurt Strecker	Penaga Dresser Sdn. Bhd.
Akira Fukasawa	Penaga Dresser Sdn. Bhd.
Mhd Dzuha bin Ibrahim	Penaga Dresser Sdn. Bhd.
Jayanthi a/p Gunaratnam (ceased as alternate Director to Dato' Izham bin Mahmud on 27 November 2020)	Penaga Dresser Sdn. Bhd.
Alicia Chin Mei Yoke (ceased as alternate Director to Eric Kurt Strecker and Akira Fukasawa on 27 November 2020)	Penaga Dresser Sdn. Bhd.
Heng Phok Wee (ceased as alternate Director to Mhd Dzuha bin Ibrahim on 27 November 2020)	Penaga Dresser Sdn. Bhd.

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

## DIRECTORS' REPORT

(Continued)

### DIRECTORS' BENEFITS

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

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

### DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares in the Company			
	At 1.1.2020	Acquired	Sold	At 31.12.2020
<u>Direct interest</u>				
Dato' Izham bin Mahmud	11,200,000	0	0	11,200,000
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	503,300	0	43,302,600
Datuk Ishak bin Imam Abas	1,585,998	100,000	(880,000)	805,998
Nan Yusri bin Nan Rahimy	631,932	100,000	0	731,932
<u>Indirect interest</u>				
Dato' Izham bin Mahmud	138,286,498	180,100	0	138,466,598
Datuk Vivekananthan a/l M.V. Nathan	81,740,900	0	0	81,740,900
Nan Yusri bin Nan Rahimy	61,332	0	0	61,332

	Number of ordinary shares in a subsidiary, VSM Technology Sdn. Bhd.			
	At 1.1.2020	Acquired	Sold	At 31.12.2020

#### 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 8 of the Companies Act 2016, Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

## INDEMNITY AND INSURANCE COSTS

The Group has in force a Directors and Officers Liability insurance policy essentially covering the acts of Directors and Officers. The current policy has a limit of liability of RM30,000,000. Annual premiums paid amounted to RM30,800.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

In the opinion of the Directors:

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the impairment on non-financial assets as disclosed in Note 3(a)(iv); and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

## DIRECTORS' REPORT

(Continued)

### SUBSIDIARIES

Details of subsidiaries are set out in Note 35 to the financial statements.

### SUBSEQUENT EVENT

Details of the subsequent event is set out in Note 40 to the financial statements.

### AUDITORS

The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2020 are disclosed in Note 6 to the financial statements.

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2021.

**DATO' IZHAM BIN MAHMUD**  
DIRECTOR

**NAN YUSRI BIN NAN RAHIMY**  
DIRECTOR

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<b>Note</b>	<b>Group</b>		<b>Company</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue	5	<b>592,104,175</b>	868,299,486	<b>23,732,500</b>	35,906,700
Cost of sales		<b>(481,715,841)</b>	(724,683,057)	<b>(16,119,900)</b>	(17,005,100)
Gross profit		<b>110,388,334</b>	143,616,429	<b>7,612,600</b>	18,901,600
Other operating income		<b>3,484,238</b>	3,784,645	<b>1,309,746</b>	1,454,324
Selling and distribution costs		<b>(29,950,852)</b>	(37,859,914)	<b>0</b>	0
Administrative expenses		<b>(51,346,110)</b>	(54,535,029)	<b>(3,665,593)</b>	(2,317,871)
Other operating losses		<b>(7,771,063)</b>	(2,841,306)	<b>(5,291)</b>	(14,431)
Operating profit		<b>24,804,547</b>	52,164,825	<b>5,251,462</b>	18,023,622
Finance cost	8	<b>(2,988,003)</b>	(3,222,750)	<b>(946,345)</b>	(1,263,892)
Share of results of a joint venture (net of tax)	16	<b>512,358</b>	1,374,078	<b>0</b>	0
Share of results of associates (net of tax)	17	<b>5,007,389</b>	4,756,559	<b>0</b>	0
Profit before tax	6	<b>27,336,291</b>	55,072,712	<b>4,305,117</b>	16,759,730
Tax expense	9	<b>(11,973,894)</b>	(11,068,819)	<b>(158,202)</b>	(246,134)
Profit for the year		<b>15,362,397</b>	44,003,893	<b>4,146,915</b>	16,513,596
Other comprehensive losses					
Item that may be subsequently reclassified to profit or loss					
Currency translation differences of foreign operations		<b>(114,730)</b>	(65,764)	<b>0</b>	0
Total comprehensive income for the financial year		<b>15,247,667</b>	43,938,129	<b>4,146,915</b>	16,513,596



# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Profit attributable to:					
Owners of the Company		<b>7,428,868</b>	33,147,494	<b>4,146,915</b>	16,513,596
Non-controlling interest		<b>7,933,529</b>	10,856,399	<b>0</b>	0
		<b>15,362,397</b>	44,003,893	<b>4,146,915</b>	16,513,596
Total comprehensive income attributable to:					
Owners of the Company		<b>7,283,429</b>	33,117,680	<b>4,146,915</b>	16,513,596
Non-controlling interest		<b>7,964,238</b>	10,820,449	<b>0</b>	0
		<b>15,247,667</b>	43,938,129	<b>4,146,915</b>	16,513,596
Earnings per share (sen)					
- Basic/diluted	10	<b>1.85</b>	8.26		

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020	2019	2020	2019
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	154,306,767	182,799,578	4,102,752	4,526,119
Investment properties	13	747,273	770,848	0	0
Intangible assets	14	315,034	459,262	175,668	100,520
Subsidiaries	15	0	0	136,817,367	136,817,367
Joint venture	16	31,588,427	31,076,069	29,375,937	29,375,937
Associates	17	24,500,638	34,800,121	0	0
Deferred tax assets	28	1,772,483	3,328,844	453,426	553,493
Other receivables	20	8,874,755	19,527,383	0	0
		222,105,377	272,762,105	170,925,150	171,373,436
CURRENT ASSETS					
Amounts due from subsidiaries	18	0	0	56,263,776	73,768,858
Tax recoverable		1,338,133	1,586,839	32,834	56,253
Inventories	19	30,441,803	44,641,401	0	0
Receivables, deposits and prepayments	20	158,704,490	266,814,218	356,541	813,198
Amounts due from associates	21	3,200,223	1,600,066	223	16
Amount due from a joint venture	22	121,200	127,300	121,200	127,300
Investment securities	23	13,015,095	0	0	0
Cash and bank balances	24	219,615,788	159,957,937	15,228,007	1,925,160
		426,436,732	474,727,761	72,002,581	76,690,785

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		2020	2019	2020	2019
		RM	RM	RM	RM
<b>LESS: CURRENT LIABILITIES</b>					
Amounts due to subsidiaries	18	0	0	11,451,071	5,812,692
Amounts due to associates	21	0	7,161,875	0	0
Borrowings	25	55,715,926	66,576,873	22,849,065	24,854,226
Derivative financial instrument	26	45,358	11,084	0	0
Taxation		7,645,124	2,534,437	0	0
Trade and other payables and contract liabilities	27	173,235,004	247,075,242	1,563,048	2,400,881
		<b>236,641,412</b>	<b>323,359,511</b>	<b>35,863,184</b>	<b>33,067,799</b>
<b>NET CURRENT ASSETS</b>		<b>189,795,320</b>	<b>151,368,250</b>	<b>36,139,397</b>	<b>43,622,986</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	25	22,732,454	22,442,500	61,264	93,449
Deferred tax liabilities	28	18,256,596	23,165,612	0	0
Deferred income	29	542,942	0	0	0
		<b>41,531,992</b>	<b>45,608,112</b>	<b>61,264</b>	<b>93,449</b>
		<b>370,368,705</b>	<b>378,522,243</b>	<b>207,003,283</b>	<b>214,902,973</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Share capital	30	201,801,508	201,801,508	201,801,508	201,801,508
Share based payment	31	0	0	0	0
Retained earnings		199,500,326	200,970,843	5,201,775	13,101,465
Merger deficit	32	(50,000,000)	(50,000,000)	0	0
Foreign currency translation		(2,157,528)	(2,734,766)	0	0
Shareholders' equity		<b>349,144,306</b>	<b>350,037,585</b>	<b>207,003,283</b>	<b>214,902,973</b>
<b>NON-CONTROLLING INTEREST</b>		<b>21,224,399</b>	<b>28,484,658</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY</b>		<b>370,368,705</b>	<b>378,522,243</b>	<b>207,003,283</b>	<b>214,902,973</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	Attributable to equity holders of the Company								Total equity RM
		Issued and fully paid ordinary shares		Non-distributable			Distributable		Non-controlling interest RM	
		Number of shares	Share capital RM	Share based payment RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM		
At 1 January 2019		401,125,700	201,353,602	1,081,476	(2,704,952)	(50,000,000)	181,829,885	331,560,011	24,102,009	355,662,020
Profit for the financial year		0	0	0	0	0	33,147,494	33,147,494	10,856,399	44,003,893
Other comprehensive losses for the financial year		0	0	0	(29,814)	0	0	(29,814)	(35,950)	(65,764)
Total comprehensive income for the financial year		0	0	0	(29,814)	0	33,147,494	33,117,680	10,820,449	43,938,129
LTIP:										
- Share based payment	31	0	0	6,973	0	0	0	6,973	0	6,973
- Ordinary shares issued pursuant to the LTIP	30	427,800	447,906	(447,906)	0	0	0	0	0	0
- Transfer of lapsed share grants		0	0	(640,543)	0	0	640,543	0	0	0
Dividends	11	0	0	0	0	0	(14,647,079)	(14,647,079)	(6,437,800)	(21,084,879)
At 31 December 2019		401,553,500	201,801,508	0	(2,734,766)	(50,000,000)	200,970,843	350,037,585	28,484,658	378,522,243

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

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Note	Issued and fully paid ordinary shares		Non- distributable	Distributable	Total
		Number of shares	Share capital RM	Share based payment RM	Retained earnings RM	
At 1 January 2020		401,553,500	201,801,508	0	13,101,465	214,902,973
Total comprehensive income for the financial year		0	0	0	4,146,915	4,146,915
Dividends	11	0	0	0	(12,046,605)	(12,046,605)
At 31 December 2020		401,553,500	201,801,508	0	5,201,775	207,003,283
At 1 January 2019		401,125,700	201,353,602	1,081,476	10,594,405	213,029,483
Total comprehensive income for the financial year		0	0	0	16,513,596	16,513,596
LTIP:						
- Share based payment	31	0	0	6,973	0	6,973
- Ordinary shares issued pursuant to the LTIP	30	427,800	447,906	(447,906)	0	0
- Transfer of lapsed share grants		0	0	(640,543)	640,543	0
Dividends	11	0	0	0	(14,647,079)	(14,647,079)
At 31 December 2019		401,553,500	201,801,508	0	13,101,465	214,902,973

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



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the year	<b>15,362,397</b>	44,003,893	<b>4,146,915</b>	16,513,596
Adjustments for:				
Trade receivables:				
- impairment	<b>962,890</b>	57,375	<b>0</b>	0
- write back of impairment	<b>(154,017)</b>	(8,595)	<b>0</b>	0
Contract assets:				
- impairment	<b>36,413</b>	1,519	<b>0</b>	0
- write back of impairment	<b>(3,929)</b>	(14,572)	<b>0</b>	0
Other receivables:				
- impairment	<b>1,204,360</b>	1,500	<b>0</b>	0
Inventories:				
- allowance	<b>197,743</b>	828,002	<b>0</b>	0
- write back	<b>(18,031)</b>	(32,519)	<b>0</b>	0
Amortisation of intangible assets	<b>296,828</b>	494,305	<b>77,452</b>	54,122
Depreciation				
- property, plant and equipment	<b>37,372,324</b>	33,990,865	<b>686,629</b>	624,661
- investment properties	<b>23,575</b>	23,575	<b>0</b>	0
Liquidated damages:				
- provision	<b>18,185</b>	340,867	<b>0</b>	0
- write back	<b>(33,822)</b>	(17,839)	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>0</b>	(472,436)	<b>0</b>	0
Gain on lease modification and disposal	<b>(8,707)</b>	(20)	<b>(4,115)</b>	0
Gain on rental concession	<b>(46,826)</b>	0	<b>0</b>	0
Write-off:				
- property, plant and equipment	<b>14,460</b>	187,308	<b>2</b>	0
- inventories	<b>3,028,213</b>	46,788	<b>0</b>	0
- other receivables	<b>561,600</b>	4,444	<b>0</b>	0
Impairment on plant and equipment	<b>30,343,860</b>	0	<b>0</b>	0
Interest income	<b>(3,105,909)</b>	(2,834,238)	<b>(264,360)</b>	(109,515)
Dividend income	<b>0</b>	0	<b>(6,000,000)</b>	(17,200,000)
Inter-company interest income	<b>0</b>	0	<b>(1,037,327)</b>	(1,344,809)
Finance cost	<b>2,988,003</b>	3,222,750	<b>946,345</b>	1,263,892
Share based payment expense	<b>0</b>	6,973	<b>0</b>	11,772
Share of results of associates	<b>(5,007,389)</b>	(4,756,559)	<b>0</b>	0
Share of results of a joint venture	<b>(512,358)</b>	(1,374,078)	<b>0</b>	0
Tax expense	<b>11,973,894</b>	11,068,819	<b>158,202</b>	246,134
Unrealised net foreign exchange gain	<b>(836,464)</b>	(372,149)	<b>0</b>	0
Fair value gain on investment securities	<b>(15,095)</b>	0	<b>0</b>	0
Net fair value (gain)/loss from forward foreign exchange contracts	<b>(752,670)</b>	64,874	<b>0</b>	0
Operating profit/(loss) before working capital changes	<b>93,889,528</b>	84,460,852	<b>(1,290,257)</b>	59,853

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM

### CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)

#### Changes in working capital

Amounts due from subsidiaries	0	0	16,980,645	(5,638,124)
Inventories	10,991,673	(22,985,153)	0	0
Receivables, deposits and prepayments	107,017,529	(1,404,732)	456,656	(561,018)
Amount due from a joint venture	0	0	6,100	32,766
Amounts due to subsidiaries	0	0	5,638,379	5,467,430
Trade and other payables and contract liabilities	(70,858,161)	37,980,769	(807,520)	(146,156)
Increase in restricted cash	(29,711,413)	0	0	0
Cash generated from/(used in) operation	111,329,156	98,051,736	20,984,003	(785,249)
Tax paid	(9,967,157)	(10,187,640)	(34,715)	(33,105)
Interest paid	(3,009,647)	(3,226,232)	(976,657)	(1,253,745)
Net cash generated from/(used in) operating activities	98,352,352	84,637,864	19,972,631	(2,072,099)

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	3,080,166	2,831,596	1,714,949	962,682
Long-term deposits paid	(1,268,161)	(8,445,651)	0	0
Purchase of property, plant and equipment	(26,873,958)	(62,587,563)	(245,309)	(154,619)
Proceeds from disposal of property, plant and equipment	0	781,538	0	0
Purchase of intangible assets	(152,600)	0	(152,600)	0
Purchase of investment securities	(13,000,000)	0	0	0
Amounts due to an associate	(157)	(50)	(207)	0
Amount due from a joint venture	6,100	33,170	0	243
Dividends received from a subsidiary	0	0	0	8,000,000
Dividends received from an associate	6,400,000	5,440,000	0	0
Proceeds from distribution of net asset surplus arising from dissolution of an associate	147,917	0	0	0
Repayment of advances from subsidiaries	0	0	6,111,174	3,500,878
Net cash (used in)/generated from investing activities	(31,660,693)	(61,946,960)	7,428,007	12,309,184

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Term loan:				
- drawn down	<b>23,444,435</b>	38,632,565	<b>0</b>	0
- repayments	<b>(23,670,000)</b>	(25,790,000)	<b>0</b>	0
Revolving credit:				
- drawn down	<b>0</b>	5,000,000	<b>0</b>	0
- repayments	<b>(2,000,000)</b>	0	<b>(2,000,000)</b>	0
Loans against imports:				
- drawn down	<b>8,375,498</b>	37,956,662	<b>0</b>	0
- repayments	<b>(17,245,006)</b>	(31,735,114)	<b>0</b>	0
Lease liabilities on right-of-use assets:				
- repayments	<b>(1,563,602)</b>	(1,601,413)	<b>(51,186)</b>	(51,541)
Dividends paid to:				
- shareholders	<b>(12,046,605)</b>	(14,647,079)	<b>(12,046,605)</b>	(14,647,079)
- non-controlling interest	<b>(11,827,800)</b>	(5,390,000)	<b>0</b>	0
Decrease/(increase) in restricted cash	<b>1,706,977</b>	(1,809,628)	<b>0</b>	0
Net cash (used in)/generated from financing activities	<b>(34,826,103)</b>	615,993	<b>(14,097,791)</b>	(14,698,620)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>	<b>31,865,556</b>	23,306,897	<b>13,302,847</b>	(4,461,535)
<b>FOREIGN CURRENCY TRANSLATION</b>	<b>(212,141)</b>	(65,451)	<b>0</b>	0
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>147,517,770</b>	124,276,324	<b>1,925,160</b>	6,386,695
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<b>179,171,185</b>	147,517,770	<b>15,228,007</b>	1,925,160

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

### A BASIS OF PREPARATION

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

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

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

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

The new amendments to published standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2020 are as follows:

- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

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

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

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

- (i) Financial year beginning on or after 1 June 2020

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

- (ii) Financial year beginning on or after 1 January 2021

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

- (iii) Financial year beginning on or after 1 January 2022

- Amendments to MFRS 3 Reference to the Conceptual Framework
- Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 116 Property, plant and equipment – Proceeds before Intended Use

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### A BASIS OF PREPARATION (CONTINUED)

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

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

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

- Annual Improvements to MFRS Standards 2018 – 2020 Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, Amendments MFRS 9 Financial Instruments, Amendments to the illustrative examples accompanying MFRS 16 Leases

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

- Classification of Liabilities as Current or Non-current

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

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

#### B CONSOLIDATION

(a) Subsidiaries

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

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

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

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

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

## B CONSOLIDATION (CONTINUED)

### (a) Subsidiaries (continued)

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### B CONSOLIDATION (CONTINUED)

##### (c) Disposal of subsidiaries

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

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

##### (d) Joint Ventures

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

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

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

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

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

## B CONSOLIDATION (CONTINUED)

### (e) Associates

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

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

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

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

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

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

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### C INTANGIBLE ASSETS

##### (a) Goodwill

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

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

##### (b) Contracts

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

##### (c) Distributorship agreement

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

##### (d) Software costs

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

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 S on borrowings).

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

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight line basis to allocate the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

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

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

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

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

## 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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### F INVESTMENT PROPERTIES (CONTINUED)

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

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

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

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

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

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

#### G LEASES

On 1 January 2019, the Group and the Company have adopted MFRS 16 Leases ("MFRS 16") which replaces the previous leasing guidance under MFRS 117 Leases. The newly adopted MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet) and requires a lessee to recognise a "right-of-use" asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The Group's and Company's activities as lessor are not material to-date.

As allowed by the transitional provision of MFRS 16, the Group and the Company have elected to apply the simplified transition approach and not to restate the comparative amounts for the year prior to first adoption.

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution rights, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where decision about how and for what purpose the asset is used is predetermined, the lessee has the right to direct the use of the asset if either the lessee has the right to operate the asset; or the lessee designed the asset in a way that predetermines how and for what purpose it will be used.

## G LEASES (CONTINUED)

### Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date which the leased asset is available for use by the Company (i.e. the commencement date).

Contract may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are lessee, they have elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

### Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company re-assess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in lease term results in re-measurements of the lease liabilities. See accounting policy below on re-assessment of lease liabilities.

### ROU assets

ROU assets are initially measured at cost, which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU assets that are not investment properties are subsequently measured at costs, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset shall be depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain re-measurements of the lease liabilities. The Group and the Company present the ROU assets within the 'property, plant and equipment' line item in the statement of financial position. For existing leasehold properties with no corresponding lease liabilities due to full settlement upfront, at initial date of adoption of MFRS 16, these leasehold properties shall continue to be presented as part of property, plant and equipment.

ROU assets that meet the definition of investment property in accordance with MFRS 140 are presented in the statement of financial position as investment property. Subsequent measurement of the ROU asset is consistent with those investment properties owned by the Group (refer to accounting policy Note F on investment properties).

Leasehold land and buildings classified as lease is amortised in equal instalments over the period of the respective leases that range from 20 to 99 years.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### G LEASES (CONTINUED)

##### Accounting by lessee (continued)

##### Lease liabilities

Lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- exercise price of a purchase and extension options if the Group and the Company is reasonably certain to exercise that option; and
- penalties payments for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities within the borrowings line item in the statements of financial position. Interest expense on the lease liabilities is presented within the finance cost in the statements of comprehensive income.

##### Re-assessment of lease liabilities

Lease liability is re-measured when there is a change in the future variable lease payments arising from a change in an index or rate, or if there is a revision of in-substance fixed lease payments, or a revision in the lease term, or if there is a change in the Group's and Company's estimate of the amount expected to be payable under a residual value guarantee, which are not included in the lease liability until they take effect. When these adjustments to the lease payments take effect, the lease liability is re-measured and adjusted against the ROU assets.

##### Short term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. Payments associated with short-term leases of tools and equipment for oilfield activities, tools and equipment and chartering of vessels for project based activities of short tenure and leases of low value assets are recognised on a straight-line basis over the lease term as expense in profit or loss.

#### H INVENTORIES

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

## H INVENTORIES (CONTINUED)

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

Where a subsidiary adopts accounting policies that are different from the Group, their reported results shall be re-stated to comply with the Group accounting policies unless the discrepancy is immaterial.

## I CASH AND CASH EQUIVALENTS

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

## J IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

## K FINANCIAL ASSETS

### (a) Classification

The Group and the Company classify its financial assets at the time it is initially recognised and is subsequently measured at either amortised costs, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

The classification of financial asset at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing the financial assets. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group and the Company reclassify debt investments when and only when its business model for managing those assets change.

### (b) Recognition and initial measurement

At initial recognition, with the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient is measured at the transaction price as determined under MFRS 15 (see accounting policy Note P and Note T).

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### K FINANCIAL ASSETS (CONTINUED)

##### (b) Recognition and initial measurement (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### (c) Subsequent measurement – debts instruments

Subsequent measurement of debt instruments depends on the Group's and Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

###### (i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition of the Group's and Company's financial assets are recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

###### (ii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other operating gains/(losses). When it is deemed to be material in nature, the impairment expenses shall be presented as separate line item in the statement of comprehensive income.

###### (iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

##### (d) Subsequent measurement – equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## K FINANCIAL ASSETS (CONTINUED)

### (e) Impairment of financial assets

The Group and the Company assess on a forward looking basis on the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
  - the time value of money; and
  - reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
- (i) General 3-stage approach for other receivables, amounts due from subsidiaries, amounts due from associates and amount due from a joint venture

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

### (ii) Simplified approach for trade receivables and contract assets

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets.

### Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward looking information that includes historical default rate, internal and external credit rating (as applicable), actual or expected changes in economic and regulatory environment that are expected to cause a significant change to the debtor's ability to meet its obligations.

A significant increase in credit risk is presumed if a debtor become inactive, indication of consistent delay in making contractual payments that are long past due with history of default or the debtor is expected to/or is experiencing significant financial difficulties and cash flow problems.

### Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default when counterparty become inactive and/or consistently slow in making contractual payments that are long past due with history of default or the debtor is insolvent or has significant financial difficulties. For certain categories of financial assets such as trade receivables and contract assets balances, they are assessed on an individual basis.

Prior to the adoption of the new MFRS 9, a financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### K FINANCIAL ASSETS (CONTINUED)

#### (f) De-recognition

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

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

### L FINANCIAL LIABILITIES

#### (a) Classification

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Management determines the classification of financial liabilities at initial recognition.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company classify all its financial liabilities as other financial liabilities. The Group's and the Company's other financial liabilities comprised of "amounts due to subsidiaries", "amounts due to associates", "borrowings" and "trade and other payables (excluding contract liabilities and statutory obligations)" in the statements of financial position (Notes 18, 21, 25 and 27).

#### (b) Recognition and measurement

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

All fair value changes on financial liabilities which are irrecoverably designated as FVTPL is to be recognised in the statement of comprehensive income other than the amount of change in the fair value of the financial liability that is attributable to the change in the Group and the Company's own equity credit risks which is to be presented in the OCI.

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

#### (c) De-recognition

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

### M OFFSETTING FINANCIAL INSTRUMENTS

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

## N DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, comprising of forward foreign exchange contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured at their fair values at the end of each reporting period. The method on recognising the subsequent changes in the fair value depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss upon when the fair value changes on the derivatives arise.

## O SHARE CAPITAL

### (a) Classification

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

### (b) Share issue costs

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

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

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

## P RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest rate method. See accounting policy Note K(e) on impairment of financial assets.

## Q TRADE AND OTHER PAYABLES

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### R CONTRACT BALANCES

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditional on something other than the passage of time. Contract asset is the excess of cumulative revenue earned over the billings to-date. Contract asset also includes advance payment to supplier or advance billing from suppliers where the performance obligation is yet to be satisfied.

Impairment on contract asset is assessed based on the policy in Note K(e).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or is the excess of the billings to-date over the cumulative revenue earned.

#### S BORROWINGS AND BORROWING COSTS

##### (a) Borrowings

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

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

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired.

##### (b) Borrowing Costs

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

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

#### T REVENUE RECOGNITION

Revenue from contracts with customers is recognised by reference to each distinct promise of goods and services (a performance obligation) in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. When the standalone selling prices are not directly observable, they are estimated based on expected cost-plus margin. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Performance obligations by segment are as follows:

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

P&M segment revenue focuses on the sale and provision of after sales support services for gas turbines generators and compressors packages, supply, installation, repair and maintenance of safety valves and flow regulators, and maintenance, repair and overhaul services for motor, generators and transformers.



## T REVENUE RECOGNITION (CONTINUED)

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

#### (i) Sale of gas turbine packages and after sales support services

##### After sales support services

The Group provides various after sales support services in respect of gas turbines generators and compressors that the Group sells. After sales support services includes but not limited to gas turbines exchange services, compressors maintenance and technical services, and sale of gas turbines parts and components with installation services and other ancillary services. Provision of maintenance services is either performed based on a scheduled interval periods or on an ad hoc basis at the request of customers.

Revenue from gas turbines exchange services which involve the delivery of the gas turbine are recognised when the customer accepts the delivery of the gas turbines.

Revenue from maintenance and technical services is recognised over the period in which the services is rendered.

Maintenance and technical services may be bundled with sale of parts and components. Sale of parts and components are assessed as separate performance obligations and revenue allocated to the parts and components is recognised when the parts and components are delivered and accepted by customers.

Sale of parts and components with installation services is assessed as separate performance obligations and revenue allocated to the parts and components is recognised when the parts and components are delivered and accepted by customers. Revenue allocated to installation services is recognised over the period in which the services is rendered based on input method.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceed the payment. If the payments exceed the services rendered, a contract liability is recognised.

##### Sale of gas turbine generators and compressors packages

Revenue from the sale of gas turbine generators and compressors including sale of parts and components ("gas turbine packages") is recognised when the control of the gas turbine packages has been transferred, being when these gas turbine packages are delivered and accepted by the customers.

Revenue from the provision of freight and handling services is assessed as a single performance obligation with the sale of gas turbine parts and components as the control of goods are transferred after the delivery services. Revenue is recognised when the gas turbine parts and components are delivered and accepted by customers.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### T REVENUE RECOGNITION (CONTINUED)

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

##### (ii) Sales of valves and flow regulators and after sales support services

###### After sales support services

The Group provides after sales support services including repair and maintenance in relation to valves and flow regulators that the Group sells.

Revenue from repair and maintenance services is recognised over the period in which the services is rendered.

Repair and maintenance services may be bundled with sale of valves and flow regulators. Sale of valves and flow regulators is assessed as separate performance obligations and revenue allocated to the sale of valves and flow regulators is recognised when the valves and flow regulators are delivered and accepted by the customers.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

###### Sale of valves and flow regulators

Revenue from sale of valves and flow regulators on stand-alone is recognised when the Group sells the valves and flow regulators to customers and control of the valves and flow regulators has been transferred, being when the valves and flow regulators are delivered and accepted by the customer.

Revenue for provision of installation, repair and maintenance of valves and flow regulators are recognised over the period in which the performance of services is rendered.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of valve and flow regulators as the control of goods is transferred after the delivery services. Revenue is recognised when the valves and flow regulators are delivered and accepted by customer.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

##### (iii) Sale, repair and maintenance of motors, generators and transformers

###### Sale of motors, generators and transformers

Revenue from sale of motors, generators and transformers including parts and components is recognised when the Group sells the motors, generators and transformers to customers and control of the motors, generators and transformers has transferred, being when the motors, generators and transformers are delivered and accepted by the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of motors, generators and transformers as the control of goods is transferred after the delivery services. Revenue is recognised when the motors, generators and transformers are delivered and accepted by customer.

## T REVENUE RECOGNITION (CONTINUED)

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

#### (iii) Sale, repair and maintenance of motors, generators and transformers (continued)

##### Repair and maintenance services

The Group provides repair and maintenance services in relation to motors, generators and transformers that the Group sells. Revenue from repair and maintenance services is recognised over the period in which the services is rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

### (b) Oilfield Services ("OS")

Oilfield Services segment specialises mainly in upstream operations, topside and downhole support services which consist of the provision of slickline equipment and services, well intervention and cased hole logging services, asset integrated solution services, gas lift valve and insert strings equipment, accessories and services and drilling and production services, provision of specialty chemicals and well stimulation services.

#### (i) Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve and insert strings equipment, accessories and services and drilling and production services.

The Group provides slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve and insert strings equipment, accessories and services and drilling and production services. Revenue from slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and gas lift valve services is recognised over the period in which the services is rendered.

Revenue from sale of insert strings equipment, accessories and/or drilling products are recognised when the Group sells the insert strings equipment, accessories and/or drilling products to customers and control of insert strings equipment, accessories and/or drilling products have transferred, being when the insert strings equipment, accessories and drilling products are delivered and accepted by the customer.

#### (ii) Provision of specialty chemicals and well stimulation services

##### Well stimulation services

The Group provides well stimulation services at request from customers. Revenue from well stimulation services is recognised over the period in which the services is rendered.

Well stimulation services may be bundled with sale of specialty chemicals. Sale of specialty chemicals is assessed as separate performance obligations and revenue allocated to the sale of specialty chemicals is recognised when the chemicals are delivered and accepted by customers.

##### Sale of chemicals

Revenue from chemicals is recognised when the Group sells the chemicals to customers and control of the chemicals has transferred, being when the chemicals are delivered to the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of chemicals as the control of goods is transferred after the delivery services. Revenue is recognised when the chemicals are delivered and accepted by customer.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### T REVENUE RECOGNITION (CONTINUED)

##### (c) Integrated Corrosion Solution ("ICS")

ICS segment is involved in the provision of integrated corrosion and inspection, blasting technology, maintenance, construction and modification ("MCM") maintenance services.

##### (i) Provision of integrated corrosion and inspection, blasting technology and maintenance services

The Group provides integrated corrosion and inspection, blasting technology and maintenance services in relation to corrosion for tanks, structures and piping. Revenue from integrated corrosion inspection, blasting technology and maintenance services is recognised over the service period as customer receives and consumes the benefit of the Group's performance as the Group performs.

Revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total budgeted costs. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

Revenue recognised from provision of integrated corrosion and inspection, blasting technology and maintenance services involves management's estimation on the total budgeted costs. Estimates of total budgeted costs are revised if circumstances change. Any resulting increases or decreases in the estimates of total budgeted costs would result in a change in the measure of progress and a corresponding change in the amount of revenue recognised. The change in estimates are reflected in profit or loss in the period in which the circumstances that give rise to the revision occurs. Refer Note 3 for critical accounting estimates and judgments.

Provision of integrated corrosion and inspection, blasting technology and maintenance services may be bundled with sale of sponge jet media and consumables. Sale of sponge jet media and consumables are assessed as separate performance obligations and revenue allocated to the sale of sponge jet media and consumables respectively are recognised when the sponge jet media and consumables are delivered and accepted by customers.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

##### (ii) Provision of maintenance, construction and modification ("MCM") maintenance services

Provision of maintenance, construction and modification ("MCM") maintenance services covers provision of site surveys, supply of materials and consumables, fabrication and offshore maintenance services, and provision of marine spread.

##### Provision of site surveys

Revenue from site surveys is recognised when the reports on site survey are completed and accepted by customers.

##### Supply of materials and consumables

The Group sells materials and consumables to customers upon request. Revenue from supply of materials and consumables are recognised when the customer accepts the delivery of the goods.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of materials and consumables as the control of goods is transferred after the delivery services. Revenue is recognised when the supply of materials and consumables are delivered and accepted by customer.

## T REVENUE RECOGNITION (CONTINUED)

### (c) Integrated Corrosion Solution ("ICS") (Continued)

#### Fabrication and offshore maintenance works

The Group provides fabrication or offshore maintenance works at the request of the customer. Revenue from fabrication or offshore maintenance works are recognised over the services period as the customer receives and consumes the benefit of the Group's performance as the Group performs and/or the Group is enhancing the assets that the customer controls.

Revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total budgeted costs. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

Revenue recognised from the provision of fabrication or offshore maintenance services involves management's estimation on the total budgeted costs. Estimates of total budgeted costs are revised if circumstances change. Any resulting increases or decreases in the estimates of total budgeted costs would result in a change in the measure of progress and a corresponding change in the amount of revenue recognised. The change in estimates are reflected in profit or loss in the period in which the circumstances that give rise to the revision occurs. Refer Note 3 for critical accounting estimates and judgments.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

#### Marine spread

The Group provides vessels and associated services to customers at the request of the customer. Provision of vessels and associated services is a single performance obligation. Revenue from marine spread is recognised over the period based on time elapsed method, determined based on the actual time lapsed relative to the total services period.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

Other revenue earned by the Group includes management fees, principal and commission based income services. Revenue from third party based transactions is recognised upon when the Group's right to receive the payment is established.

#### Other Operating Income

Government grant is recognised initially as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. The grant is treated as part of deferred income under non-current liabilities and that they are credited to profit or loss on a straight-line basis over the expected lives of the related assets or over the period of the operating expenditures to which the grant is intended to compensate.

Other than income from government grants, other operating income earned by the Group is recognised on the following basis:

- (i) Interest income – using the effective interest method.
- (ii) Rental income – on a straight-line basis over the lease term.
- (iii) Dividend income – when the Group's right to receive payment is established.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### U EMPLOYEE BENEFITS

##### (a) Short term employee benefits

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

The Group and the Company recognise a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (b) Defined contribution plans

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

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

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

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

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

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

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

#### V CURRENT AND DEFERRED INCOME TAXES

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

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

## V CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

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

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

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

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

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

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

## W FOREIGN CURRENCIES

### (a) Functional and presentation currency

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

### (b) Transactions and balances

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

Foreign exchange gains and losses arising from the settlement on foreign currency transactions and retranslation of balances on monetary assets and liabilities that are denominated in foreign currencies are presented in profit or loss on a net basis within "other operating gains/(losses)".



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### W FOREIGN CURRENCIES (CONTINUED)

##### (c) Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially sold or disposed of that will result in a loss of control, exchange differences that were recorded in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. If the partial disposal did not result in a loss of control over a subsidiary that includes a foreign operation, the proportionate shares of exchange differences that were recorded in other comprehensive income and accumulated in the separate component of equity shall be reclassified to non-controlling interest.

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

#### X SEGMENT REPORTING

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

#### Y CONTINGENT LIABILITIES

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 FINANCIAL RISK MANAGEMENT POLICIES

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

Pursuant to the new Foreign Exchange Administration Rules ("FEA") which came into effect on 1 April 2017, the degree and level of the Group's exposure to foreign currency exchange risks had changed as the Group could no longer apply to the extent possible, by collecting and paying in the same currency as all settlement of goods and services between local resident entities shall be made only in Ringgit Malaysia. To mitigate this risk, the Group had reviewed its financial risk management policies and framework of which a new foreign exchange management policy was established during that year that permits derivatives to be undertaken principally on forward foreign exchange contracts by the Group to manage its foreign currency exchange risks. Fair value changes on derivatives undertaken shall be charged to profit or loss as and when it arises.

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

### 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 uses financial instruments such as forward foreign exchange contracts to minimise the exposure of transaction risk in addition to the natural hedges by matching foreign currency receivables against foreign currency payables.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Market risk (continued)

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

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currencies are as follows:

			<b>Group</b>	
	<b>Assets</b>	<b>2020</b>	<b>Assets</b>	<b>2019</b>
	<b>RM</b>	<b>Liabilities</b>	<b>RM</b>	<b>Liabilities</b>
		<b>RM</b>		<b>RM</b>
US Dollar	<b>71,268,997</b>	<b>82,825,490</b>	85,337,477	120,591,899
Others	<b>4,644,351</b>	<b>2,546,515</b>	1,711,388	486,681
	<b>75,913,348</b>	<b>85,372,005</b>	87,048,865	121,078,580

#### Foreign currency sensitivity

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

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<u>Weaken by 10% impact to profit or loss</u>		
US Dollar	<b>878,293</b>	2,679,336
<u>Strengthen by 10% impact to profit or loss</u>		
US Dollar	<b>(878,293)</b>	(2,679,336)

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Market risk (continued)

#### (ii) Interest rate risk

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

#### Interest rate sensitivity

This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit or loss would increase by RM578,132 (2019: RM662,455). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit or loss would decrease by a similar amount.

#### (iii) Price risk

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

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

### Credit risk

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

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

#### (i) Receivables and contract assets (excluding deferred costs)

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

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

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets are assessed individually.

The expected loss rates are determined based on historical information about counterparty default rates. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Credit risk (continued)

#### (i) Receivables and contract assets (excluding deferred costs) (continued)

##### Trade receivables

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>755,474</b>	994,685
- Existing customers with no defaults in the past	<b>60,618,930</b>	73,407,902
Total unimpaired trade receivables	<b>61,374,404</b>	74,402,587
Past due but not impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>451,886</b>	2,221,416
- Existing customers with no defaults in the past	<b>4,891,198</b>	42,694,215
Total past due but not impaired trade receivables	<b>5,343,084</b>	44,915,631
Past due and impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>0</b>	4,280
- Existing customers	<b>1,806,697</b>	993,544
Total impaired trade receivables	<b>1,806,697</b>	997,824

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

#### (i) Receivables and contract assets (excluding deferred costs) (continued)

##### Contract assets (excluding deferred costs)

	<b>2020</b>	<b>Group 2019</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired:		
Counterparties without external credit rating		
- New customers during the year	<b>331,540</b>	3,012,907
- Existing customers	<b>75,479,818</b>	123,759,853
Total unimpaired contract assets	<b>75,811,358</b>	126,772,760
Not past due but impaired:		
Counterparties without external credit rating		
- Existing customers	<b>42,469</b>	542,562
Total not past due but impaired contract assets	<b>42,469</b>	542,562

#### (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 is in relation to dividend receivable. The Company monitors the results of the subsidiaries, associates and joint venture regularly. As at 31 December 2020, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries, associates and a joint venture are stated at the realisable values. As at 31 December 2020, there was no indication that the loans and advances extended to the subsidiaries and amounts due from associates and a joint venture are not recoverable.

#### (iii) Cash and bank balances

For cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions.

No expected credit loss was recognised arising from cash at banks, deposits with licensed banks and other financial institutions because the probability of default from these financial institutions is negligible.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Credit risk (continued)

#### (iii) Cash and bank balances (continued)

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>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
AAA	<b>219,547,851</b>	159,852,683	<b>15,225,116</b>	1,891,925
AA	<b>39,274</b>	68,679	<b>1,923</b>	31,235

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

#### Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company has assessed their cash flows position taking into consideration their operational requirement and impact arising from Covid-19 and of the view that the Group and the Company have sufficient cash flow. The Group and Company also 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.

				2020
	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
<u>Group</u>				
<u>Financial liabilities</u>				
Trade and other payables (excluding contract liabilities and statutory obligations)	148,219,299	0	0	148,219,299
Borrowings	57,022,332	18,683,425	4,517,315	80,223,072
Derivative financial instrument	45,358	0	0	45,358
Total undiscounted financial liabilities	205,286,989	18,683,425	4,517,315	228,487,729
<u>Company</u>				
<u>Financial liabilities</u>				
Amounts due to subsidiaries	11,451,071	0	0	11,451,071
Borrowings	22,920,418	38,551	25,888	22,984,857
Other payables and accruals (excluding contract liabilities and statutory obligations)	1,365,232	0	0	1,365,232
Total undiscounted financial liabilities*	35,736,721	38,551	25,888	35,801,160

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Liquidity risk (continued)

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

				2019
	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
<u>Group</u>				
<u>Financial liabilities</u>				
Amounts due to associates	7,161,875	0	0	7,161,875
Trade and other payables (excluding contract liabilities and statutory obligations)	224,352,105	0	0	224,352,105
Borrowings	67,457,162	14,187,411	10,121,404	91,765,977
Derivative financial instrument	11,084	0	0	11,084
Total undiscounted financial liabilities	298,982,226	14,187,411	10,121,404	323,291,041
<u>Company</u>				
<u>Financial liabilities</u>				
Amounts due to subsidiaries	5,812,692	0	0	5,812,692
Borrowings	24,959,600	56,052	45,264	25,060,916
Other payables and accruals (excluding contract liabilities statutory obligations)	2,169,592	0	0	2,169,592
Total undiscounted financial liabilities*	32,941,884	56,052	45,264	33,043,200

- \* In additions to the amount disclosed above, the Company also provides financial guarantees amounting to RM21,170,428 (2019: RM21,150,225) to bank in favour of its subsidiaries to third parties for their operational requirements, utilities and maintenance contracts. In the events of defaults, these financial guarantees provided by the Company shall be payable on demand or within one year.

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (continued)

### Fair value estimation

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### (i) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximated their fair values except as set out below measured using Level 2 valuation technique:

	2020		2019	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<u>Group</u>				
<u>Financial liability</u>				
Borrowings	<b>78,448,380</b>	<b>78,448,380</b>	89,019,373	89,019,373

The fair values of borrowings are determined using KLBOR as at each reporting date.

#### (ii) Financial instruments carried at fair value through profit or loss

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, at reporting date:

	Group	
	2020 RM	2019 RM
<u>Financial asset</u>		
Investment securities	<b>13,015,095</b>	0
<u>Financial liability</u>		
Derivative financial instrument	<b>45,358</b>	11,084

The fair values of forward foreign exchange contracts are determined using forward exchange rates as at each reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

##### (i) Revenue recognition

Revenue is recognised as and when the control of the asset is transferred to our customers and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the measurement of the Group's progress towards complete satisfaction of that performance obligation.

Significant judgments are required in determining the progress towards complete satisfaction of that performance obligation based on the actual costs incurred to-date over the total budgeted costs. The total budgeted costs are based on management's best estimates, relying on historical experiences and collaboration with their specialists and expertise.

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

The impairment loss for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, expected change in economy and regulatory environment that results in change in credit risks, expected change in internal or external credit rating, if any, changes in operating results as well as forward looking estimates at the end of each reporting period.

##### (iii) Deferred tax assets

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

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

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

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

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

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

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

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

##### Impairment on plant and equipment

During the financial year, the Group performed an impairment assessment in accordance to its accounting policy Note J on impairment of non-financial assets. The recovery amount of the plant and equipment held by two subsidiaries of the Group where the smallest identifiable cash generating units ("CGU") shall be assessed for impairment accordingly. These CGUs are referred to its provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities and provision of oilfield equipment and services. Consequently, impairment losses of RM15,243,860 and RM15,100,000, being the excess of the carrying amount over its recoverable amount for the CGU that carries the provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities and provision of oilfield equipment and services respectively, have been charged out to the profit or loss during the financial year ended 31 December 2020.

The recoverable amount was determined using the value-in-use calculation based on the number of years that the 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 years based on the following assumptions:

#### (a) Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities

The weak contracts orders coupled with the slowdown in activities level on the provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities has resulted in the low utilisation of the plant and equipment used for its local operations. These assets, excluding assets with high residual value, are tested for impairment with a five-years cash flow projection to determine its recoverable amount with zero revenue growth rate with average gross profit margin of 15.00% based on past historical trend, at a discount rate of 10.80%. As the projections has resulted in negative recoverable amount, the plant and equipment and renovation costs have been fully impaired which amounted to RM11,976,646 and RM3,267,214 respectively.

#### (b) Provision of oilfield equipment and services

The slump in activity level in Oilfield Services segment amidst the depressed crude oil prices and Covid-19 pandemic has resulted in the low utilisation of its plant and equipment. These assets, excluding assets with high residual value, are tested for impairment with a seven-years cash flow projection to determine its recoverable amount. The key assumption for the seven-years cash flow projections for this CGU is the projected revenue with a growth rate of 3.00%, at a discount rate of 9.50%. The key estimation uncertainty over the assumption used in the value-in-use calculations is the achievability of the projected revenue. 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 oilfield business drops by more than 1.00%. As the projections has resulted in a lower recoverable amount of approximately RM138,760,000, the excess of the carrying amount of these assets over its recoverable amount which amounted to RM15,100,000 has been impaired accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

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

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

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

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

##### Impairment on other receivables

The Group has reviewed its corporate other receivable, being an investment held as part of a jointly collaborative investment plan for impairment following that the Group's intention to withdraw its interest from this jointly collaborative investment plan. As part of an amicable mutual settlement, the other independent third party has decided to re-acquire back the investment rights currently held by the Group at a sum of Euro 800,000 payable on a staggered basis over a three years period. Thus, the carrying amount on this other receivable has been written down to the lower of its recoverable amount which results in an impairment loss of RM1,204,360 being recognised during the financial year ended 31 December 2020.

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.

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

In determining and applying accounting policies, judgments are often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. There is no critical judgments 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.
- Oilfield Services ("OS") – Mainly consists of:
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of well intervention and cased hole logging services;
  - Provision of gas lift valve and insert strings equipment, accessories and services;
  - Provision of specialty chemicals and well stimulation services;
  - Provision of drilling and completions services; and
  - Provision of subsurface engineering services.
- Integrated Corrosion Solution ("ICS") – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification ("MCM") maintenance activities, services for tanks, vessels, structures and piping.
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2020.

The P&M and OS segments comprise a series of cohesive and linked business activities within each of this segment within the Group. These business activities are aggregated to form an operating segment due to the similar nature and economic characteristics of the products and services.

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 4 SEGMENTAL REPORTING (CONTINUED)

#### (a) Business Segments

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2020				
SEGMENT REVENUE				
External revenue	<b>372,802,140</b>	<b>109,436,197</b>	<b>109,377,888</b>	<b>591,616,225</b>
Other non-reportable segment				<b>487,950</b>
				<b>592,104,175</b>
SEGMENT RESULTS				
Segment operating profit/(loss)	<b>45,023,017</b>	<b>(21,830,970)</b>	<b>4,143,993</b>	<b>27,336,040</b>
Other non-reportable segment				<b>61,550</b>
				<b>27,397,590</b>
Profit from operations				<b>27,397,590</b>
Unallocated income				<b>269,297</b>
Unallocated corporate expenses				<b>(5,850,343)</b>
Share of results of a joint venture				<b>512,358</b>
Share of results of associates				<b>5,007,389</b>
Profit before tax				<b>27,336,291</b>
Tax expense				<b>(11,973,894)</b>
Profit for the year				<b>15,362,397</b>

#### 4 SEGMENTAL REPORTING (CONTINUED)

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

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2020 (continued)				
Other information:				
Depreciation and amortisation	2,709,646	29,902,410	4,042,559	36,654,615
Other material items				
Impairment for				
- trade receivables				
- impairment	266,804	696,086	0	962,890
- write back of impairment	(30,172)	0	(123,845)	(154,017)
- contract assets				
- impairment	2,088	34,325	0	36,413
- write back of impairment	0	(3,929)	0	(3,929)
- property, plant and equipment				
- impairment	0	15,100,000	15,243,860	30,343,860
Inventories				
- allowance	197,743	0	0	197,743
- write back	(18,031)	0	0	(18,031)
Write-off of				
- property, plant and equipment	14,455	0	0	14,455
- other receivables	0	561,600	0	561,600
- inventories	0	1,772,655	1,255,558	3,028,213
Liquidated damages				
- provision	18,185	0	0	18,185
- write back	(33,822)	0	0	(33,822)
Unrealised net (gain)/loss on foreign exchange	(763,658)	(94,332)	5,827	(852,163)
Net fair value gain on forward foreign exchange contract	(752,670)	0	0	(752,670)
Finance cost	66,547	1,919,039	996,002	2,981,588
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(71,062,163)	(53,118,103)	(92,740,006)	(216,920,272)
- Customer B	(67,405,677)	(36,330,601)	0	(103,736,278)
Additions of plant and equipment	3,324,235	30,404,604	5,222,326	38,951,165

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 4 SEGMENTAL REPORTING (CONTINUED)

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

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2020 (continued)				
Segment assets	<b>247,122,815</b>	<b>234,624,324</b>	<b>73,321,750</b>	<b>555,068,889</b>
Unallocated corporate assets				<b>93,473,220</b>
Total assets				<b>648,542,109</b>
Segment liabilities	<b>114,165,421</b>	<b>75,684,430</b>	<b>60,705,188</b>	<b>250,555,039</b>
Unallocated corporate liabilities				<b>27,618,365</b>
Total liabilities				<b>278,173,404</b>

#### 4 SEGMENTAL REPORTING (CONTINUED)

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

	<b>Power and machinery RM</b>	<b>Oilfield services RM</b>	<b>Integrated corrosion solution RM</b>	<b>Group RM</b>
Financial year ended 31 December 2019				
SEGMENT REVENUE				
External revenue	486,164,283	144,238,654	237,348,849	867,751,786
Other non-reportable segment				547,700
				<u>868,299,486</u>
SEGMENT RESULTS				
Segment operating profit	49,820,677	943,799	1,849,946	52,614,422
Other non-reportable segment				63,700
				<u>52,678,122</u>
Profit from operations				52,678,122
Unallocated income				115,267
Unallocated corporate expenses				(3,851,314)
Share of results of a joint venture				1,374,078
Share of results of associates				4,756,559
Profit before tax				<u>55,072,712</u>
Tax expense				(11,068,819)
Profit for the year				<u>44,003,893</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 4 SEGMENTAL REPORTING (CONTINUED)

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

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2019 (continued)				
Other information:				
Depreciation and amortisation	2,545,747	27,064,388	4,002,919	33,613,054
Other material items				
Impairment for				
- trade receivables				
- impairment	39,656	0	17,719	57,375
- write back of impairment	(3,595)	0	(5,000)	(8,595)
- other receivables				
- impairment	0	0	1,500	1,500
- contract assets				
- impairment	1,519	0	0	1,519
- write back of impairment	(203)	(14,369)	0	(14,572)
Inventories				
- allowance	828,002	0	0	828,002
- write back	(32,519)	0	0	(32,519)
Write-off of				
- property, plant and equipment	177,739	7	9,561	187,307
- other receivables	0	4,444	0	4,444
- inventories	7,315	39,473	0	46,788
Liquidated damages				
- provision	340,867	0	0	340,867
- write back	(17,839)	0	0	(17,839)
Unrealised net (gain)/loss on foreign exchange	(324,917)	(99,878)	72,480	(352,315)
Net fair value loss on forward foreign exchange contract	63,961	913	0	64,874
Finance cost	58,405	1,723,049	1,430,917	3,212,371
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(100,706,090)	(78,484,294)	(230,717,478)	(409,907,862)
Additions of plant and equipment	2,634,859	52,554,962	6,900,364	62,090,185

#### 4 SEGMENTAL REPORTING (CONTINUED)

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

	<b>Power and machinery RM</b>	<b>Oilfield services RM</b>	<b>Integrated corrosion solution RM</b>	<b>Group RM</b>
Financial year ended 31 December 2019 (continued)				
Segment assets	271,545,616	255,068,423	128,158,667	654,772,706
Unallocated corporate assets				92,717,160
Total assets				<u>747,489,866</u>
Segment liabilities	157,666,460	69,843,100	106,020,736	333,530,296
Unallocated corporate liabilities				35,437,327
Total liabilities				<u>368,967,623</u>

##### (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

	<b>Group</b>		<b>Company</b>	
	<b>2020 RM</b>	<b>2019 RM</b>	<b>2020 RM</b>	<b>2019 RM</b>
Revenue from contract with customers:				
- Goods and services	<b>591,616,225</b>	867,751,786	<b>0</b>	0
- Management fee*	<b>469,200</b>	532,700	<b>17,732,500</b>	18,706,700
Revenue from other source:				
- Dividend income	<b>18,750</b>	15,000	<b>6,000,000</b>	17,200,000
	<b>592,104,175</b>	868,299,486	<b>23,732,500</b>	35,906,700

\* Management fees income is being recognised over time upon when the services is being rendered.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 5 REVENUE (CONTINUED)

Revenue from contracts with customers:

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2020				
<u>Type of goods and services</u>				
Sale of gas turbine packages and after sales support and services	295,170,768	0	0	295,170,768
Commission based income services	1,257,772	0	0	1,257,772
Principal based income services	0	380,340	0	380,340
Sale of valves and flow regulators and after sales support and services	71,693,735	0	0	71,693,735
Sale, repair and maintenance of motors, generators and transformers	4,679,865	0	0	4,679,865
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, and drilling and production services	0	104,989,664	0	104,989,664
Provision of specialty chemicals and well stimulation services	0	4,066,193	0	4,066,193
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	0	0	28,583,347	28,583,347
Provision of maintenance, construction and modification maintenance services	0	0	80,794,541	80,794,541
	<b>372,802,140</b>	<b>109,436,197</b>	<b>109,377,888</b>	<b>591,616,225</b>

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
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Financial year ended 31 December 2020

Timing of revenue recognition:

- At a point in time	305,012,050	7,055,631	16,981,695	329,049,376
- Over time	67,790,090	102,380,566	92,396,193	262,566,849
	<b>372,802,140</b>	<b>109,436,197</b>	<b>109,377,888</b>	<b>591,616,225</b>



## 5 REVENUE (CONTINUED)

Revenue from contracts with customers: (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2019				
<u>Type of goods and services</u>				
Sale of gas turbine packages and after sales support and services	372,627,208	0	0	372,627,208
Commission based income services	2,804,480	0	0	2,804,480
Principal based income services	0	908,186	0	908,186
Sale of valves and flow regulators and after sales support and services	102,337,423	0	0	102,337,423
Sale, repair and maintenance of motors, generators and transformers	8,395,172	0	0	8,395,172
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, and drilling and production services	0	136,190,136	0	136,190,136
Provision of specialty chemicals and well stimulation services	0	7,140,332	0	7,140,332
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	0	0	67,419,465	67,419,465
Provision of maintenance, construction and modification maintenance services	0	0	169,929,384	169,929,384
	486,164,283	144,238,654	237,348,849	867,751,786

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
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Financial year ended 31 December 2019

Timing of revenue recognition:

- At a point in time	398,111,513	14,745,060	30,306,886	443,163,459
- Over time	88,052,770	129,493,594	207,041,963	424,588,327
	486,164,283	144,238,654	237,348,849	867,751,786

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 6 PROFIT BEFORE TAX

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM

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

Inventories consumed and recognised as cost of sales	<b>103,489,732</b>	130,135,933	<b>0</b>	0
Cost of services purchased	<b>234,784,204</b>	360,173,518	<b>0</b>	0
Purchase of products, parts and consumable	<b>7,459,158</b>	26,543,594	<b>0</b>	0
Inter-company interest income	<b>0</b>	0	<b>(1,037,327)</b>	(1,344,809)
Impairment for:				
- Trade receivables				
- impairment	<b>962,890</b>	57,375	<b>0</b>	0
- write back of impairment	<b>(154,017)</b>	(8,595)	<b>0</b>	0
- Other receivables				
- impairment	<b>1,204,360</b>	1,500	<b>0</b>	0
- Contract assets				
- impairment	<b>36,413</b>	1,519	<b>0</b>	0
- write back of impairment	<b>(3,929)</b>	(14,572)	<b>0</b>	0
- Plant and equipment				
- impairment	<b>30,343,860</b>	0	<b>0</b>	0
Amortisation of intangible assets	<b>296,828</b>	494,305	<b>77,452</b>	54,122
Depreciation:				
- property, plant and equipment	<b>37,372,324</b>	33,990,865	<b>686,629</b>	624,661
- investment properties	<b>23,575</b>	23,575	<b>0</b>	0
Fees to PricewaterhouseCoopers PLT Malaysia:				
- statutory audit services				
- current year	<b>446,600</b>	446,600	<b>125,000</b>	125,000
- audit related services	<b>174,000</b>	174,000	<b>174,000</b>	174,000
- non-audit related services	<b>1,148,050</b>	176,878	<b>1,095,150</b>	8,600
Statutory audit fees to other auditors:				
- current year	<b>21,662</b>	21,146	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>0</b>	(472,436)	<b>0</b>	0
Gain on lease modification and disposal	<b>(8,707)</b>	(20)	<b>(4,115)</b>	0
Gain on rental concession	<b>(46,826)</b>	0	<b>0</b>	0
Loss/(gain) on foreign exchange:				
- realised	<b>1,375,270</b>	1,530,865	<b>(2,201)</b>	678
- unrealised	<b>(836,464)</b>	(372,149)	<b>0</b>	0

## 6 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
The following items have been charged/(credited) in arriving at profit before tax (continued):				
Net fair value (gain)/loss on forward foreign exchange contract	<b>(752,670)</b>	64,874	<b>0</b>	0
Fair value gain on investment securities	<b>(15,095)</b>	0	<b>0</b>	0
Inventories				
- allowance	<b>197,743</b>	828,002	<b>0</b>	0
- write back	<b>(18,031)</b>	(32,519)	<b>0</b>	0
Write off:				
- property, plant and equipment	<b>14,460</b>	187,308	<b>2</b>	0
- other receivables	<b>561,600</b>	4,444	<b>0</b>	0
- inventories	<b>3,028,213</b>	46,788	<b>0</b>	0
Liquidated damages				
- provision	<b>18,185</b>	340,867	<b>0</b>	0
- write back	<b>(33,822)</b>	(17,839)	<b>0</b>	0
Interest income	<b>(3,105,909)</b>	(2,834,238)	<b>(264,360)</b>	(109,515)
Rental income	<b>(135,326)</b>	(139,584)	<b>0</b>	0
Rental expense (short term leases):				
- business premises	<b>2,296,365</b>	3,107,906	<b>0</b>	0
- equipment	<b>2,443,143</b>	68,053,117	<b>0</b>	0
Staff cost (including Executive Directors' remuneration as disclosed in Note 7)				
- Wages, salaries and others	<b>91,442,410</b>	120,803,391	<b>12,411,121</b>	12,485,666
- Share based payment expense	<b>0</b>	6,973	<b>0</b>	11,772
- Defined contribution plan	<b>9,499,649</b>	12,062,606	<b>1,370,721</b>	1,386,411

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 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>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Executive Director:				
- salaries and bonuses	<b>1,422,000</b>	1,260,000	<b>1,422,000</b>	1,260,000
- defined contribution plan	<b>213,300</b>	189,000	<b>213,300</b>	189,000
- other emoluments	<b>923</b>	77,040	<b>923</b>	77,040
- estimated monetary value of benefits-in-kind	<b>60,236</b>	59,757	<b>60,236</b>	59,757
Non-Executive Directors:				
- fees	<b>1,033,650</b>	1,018,241	<b>1,033,650</b>	1,018,241
- other emoluments	<b>124,025</b>	88,400	<b>124,025</b>	88,400
- estimated monetary value of benefits-in-kind	<b>89,184</b>	86,326	<b>89,184</b>	86,326
	<b>2,943,318</b>	2,778,764	<b>2,943,318</b>	2,778,764

### 8 FINANCE COST

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest on revolving credit facility	<b>1,077,648</b>	1,394,383	<b>946,031</b>	1,253,513
Interest on loans against imports	<b>161,155</b>	291,372	<b>0</b>	0
Interest on term loans	<b>1,624,983</b>	1,396,078	<b>0</b>	0
Interest on lease liabilities on right-of-use assets	<b>124,217</b>	140,917	<b>314</b>	10,379
	<b>2,988,003</b>	3,222,750	<b>946,345</b>	1,263,892

During the current financial year, finance cost incurred of RM946,031 (2019: RM1,253,513) at the Company level had been re-charged to its subsidiaries for the utilisation of the revolving credit facility.

## 9 TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax:				
- Malaysian tax	<b>15,281,901</b>	10,936,896	<b>33,004</b>	0
Under provision in prior years:				
- Malaysian tax	<b>44,648</b>	18,899	<b>25,131</b>	1,395
Deferred tax (Note 28):				
- Origination and reversal of temporary differences	<b>(7,131,527)</b>	1,762,603	<b>69,722</b>	162,202
- Recognition of previously unrecognised temporary differences	<b>(59,441)</b>	(1,347,384)	<b>0</b>	0
- Deferred tax asset not recognised	<b>4,160,531</b>	0	<b>0</b>	0
- (Over)/under recognition of prior years temporary differences	<b>(322,218)</b>	(302,195)	<b>30,345</b>	82,537
	<b>11,973,894</b>	11,068,819	<b>158,202</b>	246,134

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

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	<b>24</b>	24	<b>24</b>	24
Tax effects of:				
- expenses not deductible for tax purposes	<b>12</b>	2	<b>13</b>	1
- income not subject to tax	<b>(1)</b>	(1)	<b>(34)</b>	(25)
- share of results of associates and joint venture	<b>(5)</b>	(3)	<b>0</b>	0
- recognition of previously unrecognised temporary differences	<b>0</b>	(2)	<b>0</b>	0
- deferred tax asset not recognised	<b>15</b>	0	<b>0</b>	0
- under provision in prior years	<b>(1)</b>	0	<b>1</b>	1
Effective tax rate	<b>44</b>	20	<b>4</b>	1

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 10 EARNINGS PER SHARE

Basic and diluted earnings per share

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

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Profit for the financial year attributable to equity holders of the Company	<b>7,428,868</b>	33,147,494
Number of ordinary shares	<b>401,553,500</b>	401,553,500
Adjusted weighted average number of ordinary shares	<b>401,553,500</b>	401,332,916
Basic and diluted earnings per share (sen)	<b>1.85</b>	8.26

## 11 DIVIDENDS

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

	2020		2019	
	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 2018</u>				
Second interim single tier dividend, on 401,125,700 ordinary shares, paid on 22 March 2019	0	0	2.25	9,025,330
<u>In respect of the financial year ended 31 December 2019</u>				
First interim single tier dividend, on 401,553,500 ordinary shares, paid on 20 September 2019	0	0	1.40	5,621,749
Second interim single tier dividend, on 401,553,500 ordinary shares, paid on 26 March 2020	3.00	12,046,605	0	0
		<b>12,046,605</b>		<b>14,647,079</b>

The Directors had on 29 March 2021 declared a first interim single tier dividend of 1.00 sen per share in respect of the financial year ended 31 December 2020, totalling RM4,015,535, paid on 27 April 2021.

Total dividend for the financial year ended 31 December 2020 is 1.00 sen (2019: 4.40 sen) based on ordinary shares of 401,553,500 (2019: 401,553,500).

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2020.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 12 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold lands RM	Leasehold buildings renovations and improvements RM	Office equipment, furniture and fittings RM	Plant, machinery and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
<u>Year ended 31 December 2020</u>							
<u>Net book value</u>							
At 1 January 2020	3,028,124	8,286,629	4,280,884	165,291,775	1,908,351	3,815	182,799,578
Additions	0	4,426,446	2,109,296	32,393,305	121,295	483,799	39,534,141
Written off	0	(6,415)	(2,743)	(5,301)	(1)	0	(14,460)
Impairment (Note 3(a)(iv))	0	(3,267,214)	0	(27,076,646)	0	0	(30,343,860)
Reclassification	0	0	3,815	483,799	0	(487,614)	0
Lease modifications and disposals	0	0	(249,059)	0	(47,249)	0	(296,308)
Depreciation charge	(87,758)	(2,806,126)	(2,051,756)	(31,885,055)	(541,629)	0	(37,372,324)
At 31 December 2020	2,940,366	6,633,320	4,090,437	139,201,877	1,440,767	0	154,306,767
<u>At 31 December 2020</u>							
Cost	4,387,284	33,564,326	15,997,147	392,278,341	4,017,550	0	450,244,648
Accumulated depreciation	(1,446,918)	(23,663,792)	(11,906,710)	(221,695,645)	(2,576,783)	0	(261,289,848)
Accumulated impairment	0	(3,267,214)	0	(31,380,819)	0	0	(34,648,033)
Net book value	2,940,366	6,633,320	4,090,437	139,201,877	1,440,767	0	154,306,767
<u>At 31 December 2019</u>							
Cost	4,387,284	30,671,649	14,787,115	360,525,633	4,022,940	3,815	414,398,436
Accumulated depreciation	(1,359,160)	(22,385,020)	(10,506,231)	(190,885,283)	(2,114,589)	0	(227,250,283)
Accumulated impairment	0	0	0	(4,348,575)	0	0	(4,348,575)
Net book value	3,028,124	8,286,629	4,280,884	165,291,775	1,908,351	3,815	182,799,578

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold lands RM	Leasehold buildings renovations and improvements RM	Office equipment, furniture and fittings RM	Plant, machinery and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
<u>Year ended 31 December 2019</u>							
<u>Net book value</u>							
At 1 January 2019, as previously stated	3,115,882	7,348,047	2,827,603	135,748,059	1,815,545	468,421	151,323,557
Arising from adoption of MFRS 16	0	2,592,596	569,581	0	82,685	0	3,244,862
At 1 January 2019, as restated	3,115,882	9,940,643	3,397,184	135,748,059	1,898,230	468,421	154,568,419
Additions	0	1,126,978	2,560,676	58,409,490	521,599	162,996	62,781,739
Written off	0	(168,375)	(9,666)	(9,267)	0	0	(187,308)
Reclassification	0	592,152	35,450	0	0	(627,602)	0
Lease modifications and disposals	0	(26,797)	(36,508)	(309,102)	0	0	(372,407)
Depreciation charge	(87,758)	(3,177,972)	(1,666,252)	(28,547,405)	(511,478)	0	(33,990,865)
At 31 December 2019	3,028,124	8,286,629	4,280,884	165,291,775	1,908,351	3,815	182,799,578
<u>At 31 December 2019</u>							
Cost	4,387,284	30,671,649	14,787,115	360,525,633	4,022,940	3,815	414,398,436
Accumulated depreciation	(1,359,160)	(22,385,020)	(10,506,231)	(190,885,283)	(2,114,589)	0	(227,250,283)
Accumulated impairment	0	0	0	(4,348,575)	0	0	(4,348,575)
Net book value	3,028,124	8,286,629	4,280,884	165,291,775	1,908,351	3,815	182,799,578
<u>At 31 December 2018</u>							
Cost	4,387,284	27,417,335	11,853,850	304,024,784	3,418,656	468,421	351,570,330
Accumulated depreciation	(1,271,402)	(20,069,288)	(9,026,247)	(163,928,150)	(1,603,111)	0	(195,898,198)
Accumulated impairment	0	0	0	(4,348,575)	0	0	(4,348,575)
Net book value	3,115,882	7,348,047	2,827,603	135,748,059	1,815,545	468,421	151,323,557

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

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

Company	Leasehold land RM	Leasehold buildings renovations and improvements RM	Office equipment furniture and fittings RM	Motor vehicles RM	Assets under construction RM	Total RM
<u>Year ended 31 December 2020</u>						
<u>Net book value</u>						
At 1 January 2020	1,910,878	1,019,687	558,635	1,033,104	3,815	4,526,119
Additions	0	0	379,711	0	0	379,711
Reclassification	0	0	3,815	0	(3,815)	0
Lease modifications and disposals	0	0	(116,447)	0	0	(116,447)
Written off	0	0	(2)	0	0	(2)
Depreciation charge	(48,892)	(37,267)	(309,756)	(290,714)	0	(686,629)
At 31 December 2020	1,861,986	982,420	515,956	742,390	0	4,102,752
<u>At 31 December 2020</u>						
Cost	2,444,000	4,179,198	2,552,089	1,453,567	0	10,628,854
Accumulated depreciation	(582,014)	(3,196,778)	(2,036,133)	(711,177)	0	(6,526,102)
Net book value	1,861,986	982,420	515,956	742,390	0	4,102,752
<u>At 31 December 2019</u>						
Cost	2,444,000	4,179,198	2,381,259	1,453,567	3,815	10,461,839
Accumulated depreciation	(533,122)	(3,159,511)	(1,822,624)	(420,463)	0	(5,935,720)
Net book value	1,910,878	1,019,687	558,635	1,033,104	3,815	4,526,119
<u>Year ended 31 December 2019</u>						
<u>Net book value</u>						
At 1 January 2019, as previously stated	1,959,770	1,056,954	456,403	1,323,818	0	4,796,945
Arising from adoption of MFRS 16	0	0	199,216	0	0	199,216
At 1 January 2019, as restated	1,959,770	1,056,954	655,619	1,323,818	0	4,996,161
Additions	0	0	150,804	0	3,815	154,619
Depreciation charge	(48,892)	(37,267)	(247,788)	(290,714)	0	(624,661)
At 31 December 2019	1,910,878	1,019,687	558,635	1,033,104	3,815	4,526,119
<u>At 31 December 2019</u>						
Cost	2,444,000	4,179,198	2,381,259	1,453,567	3,815	10,461,839
Accumulated depreciation	(533,122)	(3,159,511)	(1,822,624)	(420,463)	0	(5,935,720)
Net book value	1,910,878	1,019,687	558,635	1,033,104	3,815	4,526,119
<u>At 31 December 2018</u>						
Cost	2,444,000	4,179,198	2,034,738	1,453,567	0	10,111,503
Accumulated depreciation	(484,230)	(3,122,244)	(1,578,335)	(129,749)	0	(5,314,558)
Net book value	1,959,770	1,056,954	456,403	1,323,818	0	4,796,945

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

\* Included in the property, plant and equipment are rights-of-use assets of the Group and the Company as follows:

Group	Leasehold lands RM	Leasehold buildings RM	Rented Office RM	Office equipment under lease RM	Motor vehicle under lease RM	Total RM
<b>2020</b>						
At 1 January	3,028,124	2,983,342	1,198,380	522,070	117,458	7,849,374
Addition	0	0	1,868,806	570,717	0	2,439,523
Written-off	0	(3,614)	0	0	0	(3,614)
Lease modifications and disposals	0	0	0	(249,059)	(47,249)	(296,308)
Depreciation charge	(87,758)	(175,394)	(1,403,325)	(214,099)	(23,404)	(1,903,980)
At 31 December	2,940,366	2,804,334	1,663,861	629,629	46,805	8,084,995
Cost	4,387,284	5,880,747	3,497,418	943,888	117,015	14,826,352
Accumulated depreciation	(1,446,918)	(3,076,413)	(1,833,557)	(314,259)	(70,210)	(6,741,357)
At 31 December	2,940,366	2,804,334	1,663,861	629,629	46,805	8,084,995
<b>2019</b>						
At 1 January 2019, as previously stated	0	0	0	0	0	0
Arising from adoption of MFRS 16	3,115,882	3,158,783	2,592,596	569,581	176,297	9,613,139
At 1 January, restated	3,115,882	3,158,783	2,592,596	569,581	176,297	9,613,139
Addition	0	0	0	194,176	0	194,176
Lease modifications and disposals	0	0	(26,797)	(36,508)	0	(63,305)
Depreciation charge	(87,758)	(175,441)	(1,367,419)	(205,179)	(58,839)	(1,894,636)
At 31 December	3,028,124	2,983,342	1,198,380	522,070	117,458	7,849,374
Cost	4,387,284	5,885,747	2,565,799	702,808	199,700	13,741,338
Accumulated depreciation	(1,359,160)	(2,902,405)	(1,367,419)	(180,738)	(82,242)	(5,891,964)
At 31 December	3,028,124	2,983,342	1,198,380	522,070	117,458	7,849,374

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

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

\* Included in the property, plant and equipment are rights-of-use assets of the Group and the Company as follows (continued):

Company	Leasehold lands RM	Leasehold buildings RM	Office equipment under lease RM	Total RM
<b>2020</b>				
At 1 January	<b>1,910,878</b>	<b>995,220</b>	<b>144,037</b>	<b>3,050,135</b>
Addition	<b>0</b>	<b>0</b>	<b>134,402</b>	<b>134,402</b>
Lease modifications and disposals	<b>0</b>	<b>0</b>	<b>(116,447)</b>	<b>(116,447)</b>
Depreciation charge	<b>(48,892)</b>	<b>(26,190)</b>	<b>(52,530)</b>	<b>(127,612)</b>
At 31 December	<b>1,861,986</b>	<b>969,030</b>	<b>109,462</b>	<b>2,940,478</b>
Cost	<b>2,444,000</b>	<b>1,309,500</b>	<b>134,402</b>	<b>3,887,902</b>
Accumulated depreciation	<b>(582,014)</b>	<b>(340,470)</b>	<b>(24,940)</b>	<b>(947,424)</b>
At 31 December	<b>1,861,986</b>	<b>969,030</b>	<b>109,462</b>	<b>2,940,478</b>
<b>2019</b>				
At 1 January 2019, as previously stated	0	0	0	0
Arising from adoption of MFRS 16	1,959,770	1,021,410	199,216	3,180,396
At 1 January, restated	1,959,770	1,021,410	199,216	3,180,396
Depreciation charge	(48,892)	(26,190)	(55,179)	(130,261)
At 31 December	1,910,878	995,220	144,037	3,050,135
Cost	2,444,000	1,309,500	199,216	3,952,716
Accumulated depreciation	(533,122)	(314,280)	(55,179)	(902,581)
At 31 December	1,910,878	995,220	144,037	3,050,135

The Group's net book value of motor vehicles acquired under hire purchase arrangement amounted to RM46,806 (2019: RM70,209) as at financial year end.

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2020	2019
	RM	RM
Net book value of property, plant and equipment of the Group pledged as security:		
- long term leasehold land	<b>1,078,381</b>	1,117,247
- long term leasehold buildings	<b>822,363</b>	940,633
- office equipment, furniture and fittings and renovations	<b>1,517,342</b>	2,797,200
- plant, machinery and other equipment	<b>137,789,936</b>	158,577,374
- motor vehicles	<b>539,813</b>	722,082
	<b>141,747,835</b>	164,154,536

The property, plant and equipment above have been pledged as security for borrowings as disclosed in Note 25 and the unutilised banking facilities as at financial year end.

The property, plant and equipment including right-of-use assets acquired by way of lease by the Group and the Company during the year are RM2,439,523 (2019: RM194,176) and RM134,402 (2019: RM Nil) respectively.

In the current year, the Group's purchases on plant and equipment excluding right-of-use assets acquired by way of lease is RM37,094,617 of which RM10,220,659 had been paid upfront in the previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 13 INVESTMENT PROPERTIES

	Group	
	2020	2019
	RM	RM
<u>Net book value</u>		
At 1 January	<b>770,848</b>	794,423
Depreciation charge	<b>(23,575)</b>	(23,575)
At 31 December	<b>747,273</b>	770,848
Cost	<b>1,178,764</b>	1,178,764
Accumulated depreciation	<b>(400,028)</b>	(376,453)
Accumulated impairment loss	<b>(31,463)</b>	(31,463)
	<b>747,273</b>	770,848
Fair value of investment properties	<b>1,234,000</b>	1,234,000

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

	Group	
	2020	2019
	RM	RM
Rental income	<b>80,894</b>	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 using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for difference in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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

Description	Valuation technique	Unobservable input	Unobservable input	Relationships of unobservable inputs to fair value
Office lot – Mutiara Bangsar	Sales comparison approach	Price per square foot	RM400	The higher the price per square foot, the higher fair value

## 14 INTANGIBLE ASSETS

<b>Group</b>	<b>Goodwill RM</b>	<b>Contracts RM</b>	<b>Software costs RM</b>	<b>Total RM</b>
<u>2020</u>				
At 1 January	<b>108,997</b>	<b>0</b>	<b>350,265</b>	<b>459,262</b>
Addition	<b>0</b>	<b>0</b>	<b>152,600</b>	<b>152,600</b>
Amortisation	<b>0</b>	<b>0</b>	<b>(296,828)</b>	<b>(296,828)</b>
At 31 December	<b>108,997</b>	<b>0</b>	<b>206,037</b>	<b>315,034</b>
Cost	<b>108,997</b>	<b>3,953,810</b>	<b>3,823,699</b>	<b>7,886,506</b>
Accumulated amortisation	<b>0</b>	<b>(3,953,810)</b>	<b>(3,617,662)</b>	<b>(7,571,472)</b>
At 31 December	<b>108,997</b>	<b>0</b>	<b>206,037</b>	<b>315,034</b>
<u>2019</u>				
At 1 January	108,997	0	844,570	953,567
Amortisation	0	0	(494,305)	(494,305)
At 31 December	108,997	0	350,265	459,262
Cost	108,997	3,953,810	3,671,099	7,733,906
Accumulated amortisation	0	(3,953,810)	(3,320,834)	(7,274,644)
At 31 December	108,997	0	350,265	459,262



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 14 INTANGIBLE ASSETS (CONTINUED)

Company	Software costs RM	Total RM
<u>2020</u>		
At 1 January	100,520	100,520
Additions	152,600	152,600
Amortisation	(77,452)	(77,452)
At 31 December	175,668	175,668
Cost	566,667	566,667
Accumulated amortisation	(390,999)	(390,999)
	175,668	175,668
<u>2019</u>		
At 1 January	154,642	154,642
Amortisation	(54,122)	(54,122)
At 31 December	100,520	100,520
Cost	414,067	414,067
Accumulated amortisation	(313,547)	(313,547)
	100,520	100,520

## 15 SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Unquoted shares at cost	<b>146,217,367</b>	146,217,367
Less: Impairment loss	<b>(9,400,000)</b>	(9,400,000)
	<b>136,817,367</b>	136,817,367

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in Note 35 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.	Deleum Primera Sdn. Bhd.	Other individually immaterial subsidiary	Total
In RM						
<u>Year ended 31 December 2020</u>						
NCI percentage of ownership interest and voting interest	<b>49%</b>	<b>40%</b>	<b>26%</b>	<b>40%</b>		
Carrying amount of NCI	<b>14,398,556</b>	<b>1,576,931</b>	<b>4,009,533</b>	<b>1,199,303</b>	<b>40,076</b>	<b>21,224,399</b>
<u>Year ended 31 December 2019</u>						
NCI percentage of ownership interest and voting interest	49%	40%	26%	40%		
Carrying amount of NCI	17,466,529	5,380,535	3,220,750	2,376,507	40,337	28,484,658

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 15 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material NCI

Summarised statements of comprehensive income

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM	RM	RM
Revenue	<b>71,715,445</b>	102,337,422	<b>0</b>	0	<b>295,197,008</b>	372,627,210	<b>109,386,018</b>	237,348,849
Profit before tax	<b>20,735,882</b>	27,187,323	<b>88,964</b>	24,107	<b>6,803,619</b>	2,170,899	<b>3,472,061</b>	1,251,283
Tax expense	<b>(4,997,052)</b>	(6,564,209)	<b>0</b>	0	<b>(1,559,837)</b>	(397,568)	<b>(6,415,072)</b>	(549,721)
Profit/(Loss) for the year	<b>15,738,830</b>	20,623,114	<b>88,964</b>	24,107	<b>5,243,782</b>	1,773,331	<b>(2,943,011)</b>	701,562
Other comprehensive income/(loss)								
Currency translation differences	<b>0</b>	0	<b>76,771</b>	(89,875)	<b>0</b>	0	<b>0</b>	0
Total comprehensive income/(loss) for the financial year	<b>15,738,830</b>	20,623,114	<b>165,735</b>	(65,768)	<b>5,243,782</b>	1,773,331	<b>(2,943,011)</b>	701,562
Total profit/(loss) allocated to NCI	<b>7,712,027</b>	10,105,326	<b>35,586</b>	9,643	<b>1,363,383</b>	461,066	<b>(1,177,204)</b>	280,625
Total comprehensive income/(loss) allocated to NCI	<b>7,712,027</b>	10,105,326	<b>66,294</b>	(26,307)	<b>1,363,383</b>	461,066	<b>(1,177,204)</b>	280,625
Dividends to NCI	<b>10,780,000</b>	5,390,000	<b>0</b>	0	<b>574,600</b>	1,047,800	<b>0</b>	0

## 15 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material NCI (continued)

Summarised statements of financial position

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Current</b>								
Assets	<b>37,219,789</b>	49,983,367	<b>4,037,699</b>	3,943,429	<b>136,144,720</b>	174,844,449	<b>71,140,463</b>	109,723,094
Liabilities	<b>(11,940,591)</b>	(18,230,572)	<b>(95,372)</b>	(7,216,381)	<b>(121,568,473)</b>	(164,303,270)	<b>(69,838,297)</b>	(122,299,109)
Total current net assets/(liabilities)	<b>25,279,198</b>	31,752,795	<b>3,942,327</b>	(3,272,952)	<b>14,576,247</b>	10,541,179	<b>1,302,166</b>	(12,576,015)
<b>Non-current</b>								
Assets	<b>5,081,047</b>	4,536,338	<b>0</b>	16,724,288	<b>1,026,497</b>	1,865,015	<b>2,182,343</b>	19,222,605
Liabilities	<b>(550,195)</b>	(217,913)	<b>0</b>	0	<b>(181,462)</b>	(18,694)	<b>(112,978)</b>	(332,044)
Total non-current net assets	<b>4,530,852</b>	4,318,425	<b>0</b>	16,724,288	<b>845,035</b>	1,846,321	<b>2,069,365</b>	18,890,561
Net assets	<b>29,810,050</b>	36,071,220	<b>3,942,327</b>	13,451,336	<b>15,421,282</b>	12,387,500	<b>3,371,531</b>	6,314,546

Summarised statements of cash flows

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Cash flows from operating activities</b>								
Cash generated from operations	<b>39,561,065</b>	12,682,572	<b>0</b>	0	<b>6,006,589</b>	18,765,649	<b>10,260,463</b>	29,266,802
Tax (paid)/refunded	<b>(5,804,336)</b>	(5,195,526)	<b>0</b>	0	<b>(96,437)</b>	333,635	<b>(732,142)</b>	487,180
Interest (paid)/received	<b>(38,885)</b>	(25,126)	<b>0</b>	0	<b>1,121,682</b>	1,208,766	<b>(1,096,736)</b>	(1,439,630)
Net cash generated from operating activities	<b>33,717,844</b>	7,461,920	<b>0</b>	0	<b>7,031,834</b>	20,308,050	<b>8,431,585</b>	28,314,352
Net cash used in investing activities	<b>(843,546)</b>	(1,437,897)	<b>0</b>	0	<b>(119,176)</b>	(426,526)	<b>(15,566,018)</b>	(9,436,861)
Net cash (used in)/generated from financing activities	<b>(22,562,299)</b>	(11,573,110)	<b>0</b>	0	<b>(3,215,394)</b>	(2,612,729)	<b>(29,831,151)</b>	13,741,668

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 15 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material NCI (continued)

Summarised statements of cash flows (continued)

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM	RM	RM
Net increase/(decrease) in cash and cash equivalents	10,311,999	(5,549,087)	0	0	3,697,264	17,268,795	(36,965,584)	32,619,159
Foreign currency translation	(250)	5,701	0	0	(9,478)	(12,428)	0	0
Cash and cash equivalents at beginning of the financial year	2,724,442	8,267,828	0	0	47,100,246	29,843,879	37,221,867	4,602,708
Cash and cash equivalents at end of the financial year	13,036,191	2,724,442	0	0	50,788,032	47,100,246	256,283	37,221,867

### 16 JOINT VENTURE

	Company	
	2020	2019
	RM	RM
Unquoted shares at cost	29,375,937	29,375,937
	Group	
	2020	2019
	RM	RM
Group's share of net assets of joint venture	31,588,427	31,076,069

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, both parties approval on relevant activities is required as stated in the Subscription Agreement. Based on MFRS and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted for under the equity method of accounting.

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.

## 16 JOINT VENTURE (CONTINUED)

## Summarised statement of comprehensive income

	TOSB	
	For the financial year ended	
	2020 RM	2019 RM
Revenue	<b>4,114,224</b>	6,763,568
Depreciation	<b>(1,983,460)</b>	(2,562,209)
Interest income	<b>554,144</b>	628,785
Profit before tax	<b>702,892</b>	2,180,654
Tax expense	<b>(66,818)</b>	(474,784)
Profit for the year/Total comprehensive income for the financial year	<b>636,074</b>	1,705,870
Interest in joint venture (80.55%) Share of results	<b>512,358</b>	1,374,078

## Summarised statement of financial position

	TOSB	
	As at 31 December	
	2020 RM	2019 RM
<u>Current</u>		
Cash and bank balances	<b>26,846,504</b>	23,150,846
Other current assets (excluding cash and bank balances)	<b>302,157</b>	1,430,690
Total current assets	<b>27,148,661</b>	24,581,536
Financial liabilities (excluding trade payables)	<b>(444,174)</b>	(214,810)
Other current liabilities (including trade payables)	<b>(127,825)</b>	(323,403)
Total current liabilities	<b>(571,999)</b>	(538,213)
<u>Non-current</u>		
Assets	<b>13,594,498</b>	15,574,309
Liabilities	<b>(955,235)</b>	(1,037,782)
Net assets	<b>39,215,925</b>	38,579,850

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 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.

	TOSB	
	As at 31 December	
	2020	2019
	RM	RM
Opening net assets		
1 January	31,076,069	29,701,991
Share of profit for the year	512,358	1,374,078
Closing net assets	31,588,427	31,076,069
Interest in joint venture (80.55%)	31,588,427	31,076,069
Carrying value	31,588,427	31,076,069

### 17 ASSOCIATES

	Group	
	2020	2019
	RM	RM
Group's share of net assets of associates	24,500,638	34,800,121

In the opinion of the Directors, as at 31 December 2020, Malaysian Mud and Chemicals Sdn. Bhd. ("MMC") is a material associate while Cambodia Utilities Pte Ltd ("CUPL") is no longer a material associate to the Group as it has been liquidated and ceased as an associate during the current financial year. 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 35 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 on 8 May 2015. On 22 June 2020, upon clearance obtained from the local authority in Cambodia, the liquidation of CUPL had commenced and was completed during the year. In liquidating CUPL, any net outstanding balances owing to CUPL has been waived by the associate pursuant to a waiver exercise on the balances with its shareholders, in turn, any gain arising thereof shall be taken as a return on cost of investment in CUPL. The Company has continued to equity account for the results of CUPL until it ceased as an associate of the Group. Minimal share of results was reported from this associate and its contribution attributable to the shareholders of the Company in the financial year ended 31 December 2020 amounted to RM63,000 (31 December 2019: RM900) and RM37,800 (31 December 2019: RM500) respectively.

## 17 ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income

	MMC		CUPL		Total	
	For the financial year ended		For the financial year ended		For the financial year ended	
	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM
Revenue	<b>44,219,124</b>	45,706,996	<b>0</b>	0	<b>44,219,124</b>	45,706,996
Depreciation	<b>(7,745,550)</b>	(7,676,684)	<b>0</b>	0	<b>(7,745,550)</b>	(7,676,684)
Interest income	<b>0</b>	0	<b>0</b>	2,669	<b>0</b>	2,669
Profit before tax	<b>20,550,929</b>	19,326,100	<b>316,805</b>	4,712	<b>20,867,734</b>	19,330,812
Tax expense	<b>(5,100,839)</b>	(4,464,801)	<b>0</b>	0	<b>(5,100,839)</b>	(4,464,801)
Profit for the year	<b>15,450,090</b>	14,861,299	<b>316,805</b>	4,712	<b>15,766,895</b>	14,866,011
Other comprehensive income/(loss)						
Currency translation differences	<b>0</b>	0	<b>1,295,013</b>	(407,092)	<b>1,295,013</b>	(407,092)
Total comprehensive income/(loss) for the financial year	<b>15,450,090</b>	14,861,299	<b>1,611,818</b>	(402,380)	<b>17,061,908</b>	14,458,919
Interest in associates (32%; 20%) Share of results	<b>4,944,028</b>	4,755,616	<b>63,361</b>	943	<b>5,007,389</b>	4,756,559
Dividends receivable/distribution of net asset surplus from associate	<b>8,000,000</b>	5,440,000	<b>147,917</b>	0	<b>8,147,917</b>	5,440,000



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 17 ASSOCIATES (CONTINUED)

Summarised statements of financial position

	MMC		CUPL		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM
<u>Current</u>						
Cash and bank balances	<b>2,180,218</b>	5,991,914	<b>0</b>	751,602	<b>2,180,218</b>	6,743,516
Other current assets (excluding cash and bank balances)	<b>31,725,481</b>	33,933,133	<b>0</b>	35,810,983	<b>31,725,481</b>	69,744,116
Total current assets	<b>33,905,699</b>	39,925,047	<b>0</b>	36,562,585	<b>33,905,699</b>	76,487,632
Financial liabilities (excluding trade payables)	<b>(5,291,842)</b>	(6,052,285)	<b>0</b>	0	<b>(5,291,842)</b>	(6,052,285)
Other current liabilities (including trade payables)	<b>(291,741)</b>	(413,254)	<b>0</b>	(345,027)	<b>(291,741)</b>	(758,281)
Total current liabilities	<b>(5,583,583)</b>	(6,465,539)	<b>0</b>	(345,027)	<b>(5,583,583)</b>	(6,810,566)
<u>Non-current</u>						
Assets	<b>57,594,259</b>	62,974,777	<b>0</b>	0	<b>57,594,259</b>	62,974,777
Liabilities	<b>(9,351,882)</b>	(10,319,882)	<b>0</b>	0	<b>(9,351,882)</b>	(10,319,882)
Net assets	<b>76,564,493</b>	86,114,403	<b>0</b>	36,217,558	<b>76,564,493</b>	122,331,961

## 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	
	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM
Opening net assets						
1 January	<b>86,114,403</b>	88,253,104	<b>36,217,558</b>	36,619,938	<b>122,331,961</b>	124,873,042
Profit for the year	<b>15,450,090</b>	14,861,299	<b>316,805</b>	4,712	<b>15,766,895</b>	14,866,011
Other comprehensive income/ (loss)	<b>0</b>	0	<b>1,295,013</b>	(407,092)	<b>1,295,013</b>	(407,092)
Waiver on amount owing by CUPL shareholders'	<b>0</b>	0	<b>(37,089,792)</b>	0	<b>(37,089,792)</b>	0
Distribution of net assets surplus arising from dissolution of an associate	<b>0</b>	0	<b>(739,584)</b>	0	<b>(739,584)</b>	0
Dividends	<b>(25,000,000)</b>	(17,000,000)	<b>0</b>	0	<b>(25,000,000)</b>	(17,000,000)
Closing net assets	<b>76,564,493</b>	86,114,403	<b>0</b>	36,217,558	<b>76,564,493</b>	122,331,961
Interest in associates (32%; 20%)	<b>24,500,638</b>	27,556,609	<b>0</b>	7,243,512	<b>24,500,638</b>	34,800,121
Carrying value	<b>24,500,638</b>	27,556,609	<b>0</b>	7,243,512	<b>24,500,638</b>	34,800,121

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2020	2019
	RM	RM
Amounts due from subsidiaries	<b>56,263,776</b>	73,768,858
Amounts due to subsidiaries	<b>(11,451,071)</b>	(5,812,692)

Included in amounts due from subsidiaries are amounts due from a subsidiary amounting to RM2,200,000 (2019: RM2,200,000) in relation to the finance of the purchase of equipment. These amounts are unsecured, interest is charged at 4.15% per annum (2019: 4.15% per annum) and repayable on demand.

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

The carrying amounts of the amount due from/(to) subsidiaries of the Company at the reporting date approximately to their respective fair values.

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 19 INVENTORIES

		Group
	2020	2019
	RM	RM
At cost:		
Finished goods	<b>22,053,752</b>	22,967,592
Goods in transit	<b>9,817,201</b>	23,243,201
Less: Allowance for slow moving inventories	<b>(1,429,150)</b>	(1,569,392)
	<b>30,441,803</b>	44,641,401

Included in costs of sales are inventories consumed and recognised as cost of sales during the year of RM103,489,732 (2019: RM130,135,933).

Movement in allowance for slow moving inventories is as follows:

		Group
	2020	2019
	RM	RM
At 1 January	1,569,392	773,909
Allowance made during the year	197,743	828,002
Reversal of allowance made	(18,031)	(32,519)
Written off during the year	(319,954)	0
At 31 December	1,429,150	1,569,392

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<u>Non-current:</u>				
Other receivables	<b>4,425,630</b>	4,921,400	<b>0</b>	0
Less: Impairment of other receivables	<b>(1,204,360)</b>	0	<b>0</b>	0
	<b>3,221,270</b>	4,921,400	<b>0</b>	0
Deposits	<b>5,653,485</b>	14,605,983	<b>0</b>	0
	<b>8,874,755</b>	19,527,383	<b>0</b>	0
<u>Current:</u>				
Trade receivables	<b>68,524,185</b>	120,316,042	<b>0</b>	0
Less: Impairment of trade receivables	<b>(1,806,697)</b>	(997,824)	<b>0</b>	0
Trade receivables, net	<b>66,717,488</b>	119,318,218	<b>0</b>	0
Contract assets	<b>75,853,827</b>	138,723,925	<b>0</b>	0
Less: Impairment of contract assets	<b>(42,469)</b>	(542,562)	<b>0</b>	0
Contract assets, net	<b>75,811,358</b>	138,181,363	<b>0</b>	0
Other receivables	<b>2,432,328</b>	1,985,725	<b>35,881</b>	157,438
Less: Impairment of other receivables	<b>(49,530)</b>	(49,530)	<b>0</b>	0
	<b>2,382,798</b>	1,936,195	<b>35,881</b>	157,438
Deposits	<b>1,803,738</b>	1,801,750	<b>23,150</b>	23,150
Prepayments*	<b>11,989,108</b>	5,576,692	<b>297,510</b>	632,610
	<b>16,175,644</b>	9,314,637	<b>356,541</b>	813,198
	<b>158,704,490</b>	266,814,218	<b>356,541</b>	813,198

\* Included are advances to trade suppliers.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

#### Other receivables

Included in other receivable is an upfront deposits paid by the Group for an investment which involves a joint collaborative effort with an independent third party and are held for long-term strategical purposes.

During the year, the Group has decided to withdraw its interest from this jointly collaborative investment plan. As part of an amicable mutual settlement, the other independent third party has decided to re-acquire back the investment rights currently held by the Group at a sum of Euro 800,000 payable on a staggered basis over a three years period. Accordingly, an impairment loss of RM1,204,360 being recognised during the financial year ended 31 December 2020 (Note 3(a)(iv)).

The maturity of this non-current receivable can be analysed as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Due after 12 months	<b>3,221,270</b>	4,921,400
Due within 12 months	<b>495,770</b>	0

Movement in impairment of other receivables is as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
At 1 January	<b>49,530</b>	48,030
Impairment made during the year	<b>1,204,360</b>	1,500
At 31 December	<b>1,253,890</b>	49,530

#### Deposits

Included in non-current deposits are advance payments made amounting to RM5,653,485 (2019: RM14,605,983) for the purchases of plant and equipment that are pending fulfilment on the asset recognition pre-requisites.

Other receivables, deposits and prepayments are non-trade in nature, unsecured, interest free and payable on demand.

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The currency profile of other receivables, deposits and prepayments is as follows:

	<b>2020</b>	<b>Group</b>
	<b>RM</b>	<b>2019</b>
		<b>RM</b>
- Ringgit Malaysia	<b>20,870,229</b>	28,560,933
- US Dollar	<b>463,130</b>	281,087
- Euro Dollar	<b>3,717,040</b>	0
	<b>25,050,399</b>	28,842,020

### Trade receivables

The currency profile of trade receivables is as follows:

	<b>2020</b>	<b>Group</b>
	<b>RM</b>	<b>2019</b>
		<b>RM</b>
- Ringgit Malaysia	<b>26,508,440</b>	70,981,208
- US Dollar	<b>39,601,311</b>	47,314,068
- Sterling Pound	<b>431,343</b>	0
- Indonesian Rupiah	<b>176,394</b>	1,022,942
	<b>66,717,488</b>	119,318,218

Credit terms of trade receivables range from 30 to 90 days (2019: 30 to 90 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their transaction price on initial recognition.

66% of the Group's trade receivables as at 31 December 2020 (2019: 64%) relates to 5 (2019: 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

#### Trade receivables (continued)

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

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	<b>61,374,404</b>	74,402,587
1 to 30 days past due not impaired	<b>2,469,109</b>	26,685,270
31 to 60 days past due not impaired	<b>611,584</b>	11,186,480
61 to 90 days past due not impaired	<b>476,292</b>	4,003,340
91 to 120 days past due not impaired	<b>225,420</b>	1,240,736
More than 121 days past due not impaired	<b>1,560,679</b>	1,799,805
Past due and impaired:		
More than 121 days past due and impaired	<b>1,806,697</b>	997,824
	<b>68,524,185</b>	120,316,042
Less: Impairment of receivables	<b>(1,806,697)</b>	(997,824)
	<b>66,717,488</b>	119,318,218

#### 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 RM5,343,084 (2019: RM44,915,631) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

## 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

### Trade receivables (continued)

#### Receivables that are not past due but impaired

Trade receivables that are not past due but impaired are specific debtors that are identified in which collection are in doubt.

Movement in impairment of trade receivables is as follows:

	<b>2020</b>	<b>Group 2019</b>
	<b>RM</b>	<b>RM</b>
At 1 January	<b>997,824</b>	1,733,664
Impairment made during the year	<b>962,890</b>	57,375
Written off during the year	<b>0</b>	(784,620)
Reversal of impairment losses	<b>(154,017)</b>	(8,595)
At 31 December	<b>1,806,697</b>	997,824

All impaired trade receivables are individually or collectively determined on the basis of shared credit risk characteristics. These impaired receivables are from customers whose credit risks have significantly increased since initial recognition. These receivables are not secured by collateral or credit enhancements.

### Contract assets

	<b>2020</b>	<b>Group 2019</b>
	<b>RM</b>	<b>RM</b>
Accrued revenue	<b>75,406,131</b>	126,668,737
Less: Impairment of accrued revenue	<b>(42,469)</b>	(542,562)
Accrued revenue, net	<b>75,363,662</b>	126,126,175
Retention sum	<b>447,696</b>	646,585
	<b>75,811,358</b>	126,772,760
Deferred costs	<b>0</b>	11,408,603
	<b>75,811,358</b>	138,181,363

### Contract assets of which performance obligations has been satisfied

#### a. Accrued Revenue and Retention Sum

Accrued revenue represents timing difference in revenue earned from customers against the corresponding billings made to the respective customers. This includes accrued revenue arising from project based contracts where this represents the excess of cumulative revenue earned over the total billings made to-date on the contract. These billings will be issued upon when the billing milestone is met. Retention sum receivables are monies withheld by contract customers and will be released upon the completion of the contract jobs and/or expiry of the defect liability period of the contract.

Contract assets have decreased by RM62.4 million due to transfer to trade receivables when the billing milestone is met mitigated by the unbilled amount on the changes of work progress for projects, goods and services.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 20 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Contract assets of which performance obligations has been satisfied (continued)

#### a. Accrued Revenue and Retention Sum (continued)

The currency profile of contract assets consisting of accrued revenue and retention sum are as follows:

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
- Ringgit Malaysia	<b>51,611,089</b>	94,425,641
- US Dollar	<b>23,989,067</b>	31,770,184
- Indonesian Rupiah	<b>95,516</b>	459,435
- Saudi Arabia Riyal	<b>115,686</b>	117,500
	<b>75,811,358</b>	126,772,760

Movement in impairment of accrued revenue and retention sum are as follows:

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
At 1 January	<b>542,562</b>	585,346
Impairment made during the year	<b>36,413</b>	1,519
Written off during the year	<b>(532,577)</b>	(29,731)
Reversal of impairment losses	<b>(3,929)</b>	(14,572)
At 31 December	<b>42,469</b>	542,562

The Group applies the practical expedient in MFRS 15 on not disclosing the expected revenues and costs to be recognised in the future for the above mentioned deferred costs and revenue respectively as these performance obligations are part of contracts that have an original expected duration of one year or less.

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amounts due from associates	<b>3,200,223</b>	1,600,066	<b>223</b>	16
Amounts due to associates	<b>0</b>	(7,161,875)	<b>0</b>	0

Included in the amounts due from associates is dividend receivable of RM3,200,000 (2019: RM1,600,000).

Except as mentioned above, the amounts due from/(to) associates are non-trade in nature, unsecured, interest free, repayable/payable on demand and in relation to payments made on behalf for operating expenses.

The amounts due from/(to) associates are denominated in Ringgit Malaysia.

## 22 AMOUNT DUE FROM A JOINT VENTURE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Amount due from a joint venture	<b>121,200</b>	127,300	<b>121,200</b>	127,300

The amount due from a joint venture is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

## 23 INVESTMENT SECURITIES

	Group	
	2020 RM	2019 RM
Current		
- Unit trust investments	<b>13,015,095</b>	0

## 24 CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and cash equivalents*	<b>179,171,185</b>	147,517,770	<b>15,228,007</b>	1,925,160
Add:				
Cash held in a designated account	<b>5,233,190</b>	6,940,167	<b>0</b>	0
Deposits pledged as security	<b>5,500,000</b>	5,500,000	<b>0</b>	0
Restricted cash	<b>29,711,413</b>	0	<b>0</b>	0
Total cash and bank balances	<b>219,615,788</b>	159,957,937	<b>15,228,007</b>	1,925,160
Represented by:				
Deposits with licensed banks	<b>166,605,672</b>	86,583,475	<b>15,190,000</b>	1,800,000
Cash and bank balances	<b>53,010,116</b>	73,374,462	<b>38,007</b>	125,160
Total cash and bank balances	<b>219,615,788</b>	159,957,937	<b>15,228,007</b>	1,925,160

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 24 CASH AND BANK BALANCES (CONTINUED)

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
- Ringgit Malaysia	<b>212,291,927</b>	153,874,288	<b>15,228,007</b>	1,925,160
- US Dollar	<b>7,215,489</b>	5,972,138	<b>0</b>	0
- Euro Dollar	<b>2,579</b>	2,904	<b>0</b>	0
- Singapore Dollar	<b>90,835</b>	90,596	<b>0</b>	0
- Hong Kong Dollar	<b>14,958</b>	18,011	<b>0</b>	0
	<b>219,615,788</b>	159,957,937	<b>15,228,007</b>	1,925,160

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest rate (%)	<b>0.01 - 3.12</b>	0.30 - 3.15	<b>0.80 - 2.88</b>	2.75 - 3.18
Maturities (days)	<b>1 - 34</b>	1 - 30	<b>1 - 30</b>	1 - 30

Cash held in a designated account is escrow account required by the terms of the term loan undertaken by subsidiary companies (Note 25).

\* Included in cash and cash equivalents are cash in hand of RM28,663 as at 31 December 2020 (2019: RM36,575).

## 24 CASH AND BANK BALANCES (CONTINUED)

On 11 November 2020, the Company announced that it had appointed a consultant in July 2020 to conduct a forensic investigation on Deleum Primera Sdn Bhd ("DPSB"), a 60% indirectly owned subsidiary of the Company. The findings of the forensic investigation revealed an alleged illegal scheme that involved DPSB's employees, suppliers, contractors and employees of a client of DPSB (the "Defendants"). Subsequently, DPSB filed a Writ of Summons and a Statement of Claim dated 5 November 2020 together with Notices of Application dated 5 November 2020 for a Delivery Up Order and a Mareva (Freezing) Order against the Defendants (Note 38).

On 25 November 2020, the Company and DPSB lodged a formal report to the Malaysian Anti-Corruption Commission ("MACC") over the alleged illegal scheme involving the Defendants. On 8 December 2020, certain bank deposits of DPSB were frozen by MACC under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 to facilitate the investigation into the alleged illegal scheme. Accordingly, the affected bank deposits have been reclassified as restricted cash within the cash and bank balances for the financial year ended 31 December 2020. As at the financial year end, the investigation by MACC is still ongoing and the affected bank deposits have remained frozen pending the conclusion of the investigation. The ownership of the affected bank deposits has not changed. The Company and DPSB will continue to assist MACC in the ongoing investigation.

## 25 BORROWINGS

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revolving credits	<b>27,800,000</b>	29,800,000	<b>22,800,000</b>	24,800,000
Lease liabilities on right-of-use assets	<b>2,378,380</b>	1,854,300	<b>110,329</b>	147,675
Term loans	<b>48,270,000</b>	48,495,565	<b>0</b>	0
Loans against imports	<b>0</b>	8,869,508	<b>0</b>	0
	<b>78,448,380</b>	89,019,373	<b>22,910,329</b>	24,947,675
Less: amount repayable within 12 months				
Revolving credits	<b>(27,800,000)</b>	(29,800,000)	<b>(22,800,000)</b>	(24,800,000)
Lease liabilities on right-of-use assets	<b>(1,325,926)</b>	(1,115,510)	<b>(49,065)</b>	(54,226)
Term loans	<b>(26,590,000)</b>	(26,791,855)	<b>0</b>	0
Loans against imports	<b>0</b>	(8,869,508)	<b>0</b>	0
	<b>(55,715,926)</b>	(66,576,873)	<b>(22,849,065)</b>	(24,854,226)
Amount repayable after 12 months	<b>22,732,454</b>	22,442,500	<b>61,264</b>	93,449

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 25 BORROWINGS (CONTINUED)

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

The above term loans were structured as follows:

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Term loan – TL 1	<b>0</b>	6,150,000
Term loan – TL 2	<b>4,870,000</b>	9,790,000
Term loan – TL 3	<b>25,400,000</b>	32,555,565
Term loan – TL 4	<b>18,000,000</b>	0
	<b>48,270,000</b>	48,495,565

#### Term loan – TL 1

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 drawdown 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.

The term loan carries an interest of 4.22% per annum (0.90% above the KLIBOR) (2018: 4.22%). 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 term loan was fully repaid during the year.

#### Term loan – TL 2

On 9 November 2018, a subsidiary of the Group drew down a new term loan to part finance the purchase of plant and equipment. The total drawdown as at 31 December 2020 was RM10,980,000. The term loan is secured over the plant and equipment which financed under the term loan.

The term loan carries an interest of 0.9% above the bank's KLIBOR. The loan is repayable by way of 39 monthly principal instalment comprised of the first instalment payable of RM370,000, equal monthly instalment payable of RM410,000 over the next 14 months while on the 16<sup>th</sup> month thereof the equal monthly instalment payable shall be RM580,000 with the last principal instalment payable of RM550,000. The first instalment commences on the 6<sup>th</sup> month from the date of the first drawdown. The first instalment payment was made in April 2019. The tenure of the loan is 4 years and 1 month.

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of three instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2020 is RM1,271,990 (Note 24).

## 25 BORROWINGS (CONTINUED)

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

#### Term loan – TL 3

On 27 August 2019, a subsidiary of the Group drew down an additional term loan to part finance the purchase of new slickline equipment and tools following the new slickline contract secured on 15 January 2019. Full drawdown of RM38,000,000 was made as at 31 December 2020. The term loan is secured by an “all monies” first legal charge over machinery of slickline equipment and tools of the subsidiary as disclosed in Note 12 and corporate guarantees comprising of RM20,000,000 and RM136,000,000 furnished by Deleum Berhad and another subsidiary of the Group respectively covering for the existing and new term loan raised to part finance the purchase of slickline equipment and tools.

The term loan carries an interest of 1.1% per annum above the KLIBOR. The loan is repayable by way of 30 monthly principal instalments with equal monthly instalment of RM1,260,000 with the last principal instalment payable of RM1,460,000. The first instalment commences on the 6<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 March 2020. The tenure of the loan is 3 years.

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2020 is RM2,661,384 (Note 24).

#### Term loan – TL 4

On 21 July 2020, a subsidiary of the Group drew down an additional term loan to part finance the purchase of the new slickline equipment and tools. Full drawdown of RM18,000,000 was made as at 31 December 2020. The term loan is secured by an “all monies” first legal charge over the newly purchased slickline equipment and tools of the subsidiary as disclosed in Note 12 and corporate guarantees comprising of RM20,000,000 and RM136,000,000 furnished by Deleum Berhad and another subsidiary of the Group respectively covering for the existing and new term loan raised to part finance the purchase of slickline equipment and tools.

The term loan carries an interest of 1.25% per annum above the KLIBOR. The loan is repayable by way of 30 monthly equal principal instalments of RM600,000. The first instalment commences on the 6<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 21 February 2021. The tenure of the loan is 3 years.

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2020 is RM1,299,816 (Note 24).

The fair value of these term loans approximates its carrying amount due to it being a floating rate instruments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 25 BORROWINGS (CONTINUED)

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

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

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	<b>26,590,000</b>	26,791,855
Later than 1 year but not later than 2 years	<b>17,480,000</b>	13,022,226
Later than 2 years but not later than 5 years	<b>4,200,000</b>	8,681,484
	<b>48,270,000</b>	48,495,565

#### (b) Revolving credits (unsecured)

The revolving credits facility was drawn down to part finance the purchase of additional slickline equipment and tools and for working capital requirements. The amount was rolled-over on a monthly basis at an average rate of 4.06% (1.00% per annum above the bank's cost of fund) (2019: 4.96%). The interest is fixed at the date of each drawdown and subsequently revised at the commencement of each roll-over period. No securities have been pledged under this facility.

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

#### (c) Loans against imports (unsecured)

The loans against imports facility was drawn down to finance the import of inventories, parts and machineries. The facility carries an interest rate of 4.13% (0.90% and 1.15% per annum above the bank's cost of fund) (2019: 4.49%). No securities have been pledged under this facility.

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

## 25 BORROWINGS (CONTINUED)

(d) Lease liabilitiesFinance lease liabilities and lease liabilities on right-of-use assets

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<u>Future minimum lease payments on right-of-use assets and hire purchase:</u>		
Not later than 1 year	<b>1,410,826</b>	1,195,560
Later than 1 year but not later than 2 years	<b>823,241</b>	565,969
Later than 2 years but not later than 5 years	<b>273,911</b>	216,160
	<b>2,507,978</b>	1,977,689
Less: Future finance charges	<b>(129,598)</b>	(123,389)
Present value of lease liabilities and hire purchase	<b>2,378,380</b>	1,854,300

Analysis of present value of lease liabilities on right-of-use asset and hire purchase:

Not later than 1 year	<b>1,325,926</b>	1,115,510
Later than 1 year but not later than 2 years	<b>793,168</b>	533,930
Later than 2 years but not later than 5 years	<b>259,286</b>	204,860
	<b>2,378,380</b>	1,854,300

Analysed as:

Due within 12 months	<b>1,325,926</b>	1,115,510
Due after 12 months	<b>1,052,454</b>	738,790
	<b>2,378,380</b>	1,854,300

The lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% (2019: 2.46% to 5.21%).

In 2019, motor vehicle under hire purchase that was presented as finance lease liabilities previously have been reclassified and included as part of the lease liabilities on right-of-use assets following the adoption of the new MFRS 16 standard on leasing.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 25 BORROWINGS (CONTINUED)

#### (d) Lease liabilities (continued)

##### Finance lease liabilities and lease liabilities on right-of-use assets (continued)

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<u>Future minimum lease payments on right-of-use assets:</u>		
Not later than 1 year	<b>53,280</b>	61,920
Later than 1 year and not later than 2 years	<b>38,551</b>	56,052
Later than 2 years but not later than 5 years	<b>25,888</b>	45,264
	<b>117,719</b>	163,236
Less: Future finance charges	<b>(7,390)</b>	(15,561)
Present value of lease liabilities	<b>110,329</b>	147,675

##### Analysis of present value of lease liabilities on right-of-use assets:

Not later than 1 year	<b>49,065</b>	54,226
Later than 1 year and not later than 2 years	<b>36,373</b>	51,183
Later than 2 years but not later than 5 years	<b>24,891</b>	42,266
	<b>110,329</b>	147,675

##### Analysed as:

Due within 12 months	<b>49,065</b>	54,226
Due after 12 months	<b>61,264</b>	93,449
	<b>110,329</b>	147,675

The lease liabilities on right-of-use assets carry interest rates at 3.82% (2019: 5.21%).

## 25 BORROWINGS (CONTINUED)

## (e) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	Other borrowings* RM	Finance lease liabilities RM	Lease liabilities on right-of-use assets RM	Total RM
As at 1 January 2020	87,165,073	0	1,854,300	89,019,373
Cash flows:				
- Drawdowns	31,819,933	0	0	31,819,933
- Repayments	(42,915,006)	0	(1,563,602)	(44,478,608)
- Interest paid	(2,885,430)	0	(124,217)	(3,009,647)
Non-cash changes:				
- Finance costs	2,863,786	0	124,217	2,988,003
- Movement in finance cost payable	21,644	0	0	21,644
- Acquisition of new leases	0	0	2,439,523	2,439,523
- Lease modification and disposal	0	0	(305,015)	(305,015)
- Rental concession	0	0	(46,826)	(46,826)
As at 31 December 2020	76,070,000	0	2,378,380	78,448,380
As at 1 January 2019	63,100,960	80,000	0	63,180,960
Arising from adoption of MFRS 16	0	(80,000)	3,324,862	3,244,862
As at 1 January 2019, as restated	63,100,960	0	3,324,862	66,425,822
Cash flows:				
- Drawdowns	81,589,227	0	0	81,589,227
- Repayments	(57,525,114)	0	(1,601,413)	(59,126,527)
- Interest paid	(3,085,315)	0	(140,917)	(3,226,232)
Non-cash changes:				
- Finance costs	3,081,833	0	140,917	3,222,750
- Movement in finance cost payable	3,482	0	0	3,482
- Acquisition of new leases	0	0	194,176	194,176
- Lease modification and disposal	0	0	(63,325)	(63,325)
As at 31 December 2019	87,165,073	0	1,854,300	89,019,373

\* Other borrowings include revolving credits, term loans and loans against imports.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 25 BORROWINGS (CONTINUED)

(e) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

<b>Company</b>	<b>Other borrowings* RM</b>	<b>Finance lease liabilities RM</b>	<b>Lease liabilities on right-of-use assets RM</b>	<b>Total RM</b>
As at 1 January 2020	<b>24,800,000</b>	<b>0</b>	<b>147,675</b>	<b>24,947,675</b>
Cash flows:				
- Repayments	<b>(2,000,000)</b>	<b>0</b>	<b>(51,186)</b>	<b>(2,051,186)</b>
- Interest paid	<b>(970,243)</b>	<b>0</b>	<b>(6,414)</b>	<b>(976,657)</b>
Non-cash changes:				
- Finance costs	<b>946,031</b>	<b>0</b>	<b>314</b>	<b>946,345</b>
- Finance costs re-charged to subsidiaries	<b>0</b>	<b>0</b>	<b>6,100</b>	<b>6,100</b>
- Movement in finance cost payable	<b>24,212</b>	<b>0</b>	<b>0</b>	<b>24,212</b>
- Acquisition of new lease	<b>0</b>	<b>0</b>	<b>134,402</b>	<b>134,402</b>
- Lease modification and disposal	<b>0</b>	<b>0</b>	<b>(120,562)</b>	<b>(120,562)</b>
As at 31 December 2020	<b>22,800,000</b>	<b>0</b>	<b>110,329</b>	<b>22,910,329</b>
As at 1 January 2019	24,800,000	0	0	24,800,000
Arising from adoption of MFRS 16	0	0	199,216	199,216
As at 1 January 2019, as restated	24,800,000	0	199,216	24,999,216
Cash flows:				
- Repayments	0	0	(51,541)	(51,541)
- Interest paid	(1,243,366)	0	(10,379)	(1,253,745)
Non-cash changes:				
- Finance costs	1,253,513	0	10,379	1,263,892
- Movement in finance cost payable	(10,147)	0	0	(10,147)
As at 31 December 2019	24,800,000	0	147,675	24,947,675

\* Other borrowings include revolving credits.

## 26 DERIVATIVE FINANCIAL INSTRUMENT

Movement in derivative liabilities/(assets) are as follows:

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
As at 1 January	<b>11,084</b>	(7,364)
Changes in fair value	<b>(752,670)</b>	64,874
Settlement during the year	<b>786,944</b>	(46,426)
As at 31 December	<b>45,358</b>	11,084

Forward foreign exchange contract is used to manage the foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The settlement dates on forward foreign exchange contracts range between 1 to 180 days. As at the reporting date, the notional principal amount of the outstanding forward foreign exchange contract was RM925,689 (2019: RM556,576).

The Group determines the fair value of the derivative financial instrument relating to the forward foreign exchange contract using a valuation technique which utilises input from recognised and reliable financial information sources. Assumptions are based on market conditions existed at each reporting date. The fair value of forward foreign exchange contract is determined by using the forward exchange rates as at each reporting date.

As at year end, the fair value losses arising from the forward foreign exchange contracts entered by the Group and remained outstanding as at 31 December 2020 is RM45,358 (2019: RM11,084).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 27 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables	<b>132,608,035</b>	205,117,134	<b>0</b>	0
Contract liabilities	<b>18,693,781</b>	12,698,178	<b>0</b>	0
Other payables	<b>10,637,684</b>	13,784,907	<b>52,084</b>	66,890
Staff related accruals	<b>4,181,358</b>	7,678,281	<b>652,223</b>	1,186,689
Other accruals	<b>7,114,146</b>	7,796,742	<b>858,741</b>	1,147,302
	<b>11,295,504</b>	15,475,023	<b>1,510,964</b>	2,333,991
	<b>21,933,188</b>	29,259,930	<b>1,563,048</b>	2,400,881
	<b>173,235,004</b>	247,075,242	<b>1,563,048</b>	2,400,881

The currency profile of trade payables is as follows:

	Group	
	2020 RM	2019 RM
- Ringgit Malaysia	<b>49,507,830</b>	84,287,029
- US Dollar	<b>80,576,029</b>	120,369,380
- Singapore Dollar	<b>226,905</b>	75,907
- Sterling Pound	<b>429,666</b>	0
- Euro Dollar	<b>158,554</b>	192,190
- Indonesian Rupiah	<b>1,709,051</b>	192,628
	<b>132,608,035</b>	205,117,134

The currency profile of other payables is as follows:

	Group	
	2020 RM	2019 RM
- Ringgit Malaysia	<b>19,661,388</b>	29,011,455
- US Dollar	<b>2,249,461</b>	222,519
- Singapore Dollar	<b>22,339</b>	25,956
	<b>21,933,188</b>	29,259,930

Credit terms of payment granted by the suppliers of the Group are 30 to 60 days (2019: 30 to 60 days).

Contract liabilities have increased by RM6.0 million due to additional advance billings on certain projects which performance obligations have not been satisfied, goods not delivered and services not performed during the year offset by the revenue recognised on the prior year contract liabilities upon when the performance obligation is being satisfied.

Contract liabilities are denominated in Ringgit Malaysia.

## 28 DEFERRED TAX

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	<b>1,772,483</b>	3,328,844	<b>453,426</b>	553,493
Deferred tax liabilities	<b>(18,256,596)</b>	(23,165,612)	<b>0</b>	0
At 1 January	<b>(19,836,768)</b>	(19,723,744)	<b>553,493</b>	798,232
Credited/(charged) to profit or loss (Note 9)				
- property, plant and equipment	<b>5,805,236</b>	(824,947)	<b>(10,283)</b>	56,419
- unutilised tax losses	<b>(1,503,753)</b>	337,662	<b>38,608</b>	(272,145)
- deferred cost	<b>477,682</b>	(1,910,782)	<b>0</b>	0
- deferred revenue	<b>(535,953)</b>	1,409,617	<b>0</b>	0
- provisions	<b>(761,267)</b>	1,008,562	<b>(128,392)</b>	(29,013)
- others	<b>(129,290)</b>	(133,136)	<b>0</b>	0
	<b>3,352,655</b>	(113,024)	<b>(100,067)</b>	(244,739)
	<b>(16,484,113)</b>	(19,836,768)	<b>453,426</b>	553,493

### Recognised deferred tax assets

#### Deferred tax assets (before offsetting)

Property, plant and equipment	<b>2,716,770</b>	2,770,977	<b>59,058</b>	62,452
Unutilised tax losses	<b>217,203</b>	1,720,956	<b>217,203</b>	178,595
Deferred revenue	<b>2,463,540</b>	2,999,493	<b>0</b>	0
Provisions	<b>1,341,888</b>	2,103,155	<b>193,816</b>	322,208
Others	<b>327,364</b>	348,020	<b>0</b>	0
	<b>7,066,765</b>	9,942,601	<b>470,077</b>	563,255
Less: Offsetting	<b>(5,294,282)</b>	(6,613,757)	<b>(16,651)</b>	(9,762)
Deferred tax assets (after offsetting)	<b>1,772,483</b>	3,328,844	<b>453,426</b>	553,493

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 28 DEFERRED TAX (CONTINUED)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM

#### Recognised deferred tax liabilities

#### Deferred tax liabilities (before offsetting)

Property, plant and equipment	(20,843,166)	(26,702,609)	(16,651)	(9,762)
Deferred cost	(2,176,320)	(2,654,002)	0	0
Others	(531,392)	(422,758)	0	0
	(23,550,878)	(29,779,369)	(16,651)	(9,762)
Less: Offsetting	5,294,282	6,613,757	16,651	9,762
Deferred tax liabilities (after offsetting)	(18,256,596)	(23,165,612)	0	0

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020	2019
	RM	RM
Property, plant and equipment	8,927,054	1,117,540
Unutilised tax losses	7,738,179	7,545,490
Deferred revenue	8,796,006	71,340
Deferred cost	0	(59,132)
Accruals	321,140	205,112
Others	810,762	282,236
Total unrecognised temporary differences	26,593,141	9,162,586
Unrecognised deferred tax assets	6,382,354	2,199,021

Effective from 2019 onwards, unutilised tax losses shall only be allowed to be carried forward for a maximum period of seven (7) consecutive years commencing from the year such unutilised tax losses were incurred or from 2019 onwards for any unutilised tax losses that were incurred prior to 2019 whilst unused capital allowance are allowed to be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profits will be available against which the Group can utilise the benefits therefrom or upon when such tax benefits had expired under the prevailing tax laws on that reporting date.

As at 31 December 2020, the Group's unutilised tax losses brought forward of RM7,692,417 and RM45,762 will have the limit of utilisation up to years of assessment of 2025 and 2027 respectively.

## 29 DEFERRED INCOME

	2020 RM	2019 RM
<u>Non-current</u>		
Government grant	<b>542,942</b>	0

In 2019, the subsidiaries of the Group had received conditional government grants for the purpose of developing specialty chemical solutions for production enhancement and undertaking asset integrated solutions services respectively in the oil and gas industry.

At the end of the financial year, the Group has received RM542,942 on this government grant but no income has been recognised to the financial statements.

## 30 SHARE CAPITAL

	<b>Group and Company</b>	
	2020 RM	2019 RM
<u>Issued and fully paid ordinary shares:</u>		
At 1 January		
- 401,553,500 ordinary shares with no par value (2019: 401,125,700 ordinary shares with no par value)	<b>201,801,508</b>	201,353,602
Issued pursuant to the Long-Term Incentive Plan (Note 31)		
- Nil ordinary shares with no par value (2019: 427,800 ordinary shares with no par value)	<b>0</b>	447,906
At 31 December		
- 401,553,500 ordinary shares with no par value (2019: 401,553,500 ordinary shares with no par value)	<b>201,801,508</b>	201,801,508



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 31 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:

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

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.

#### Special Grant

RS Award - Half annually from the date of Special Grant over 2 years, with the first vesting on 15 June 2017 and the second vesting on 15 June 2018 or such other date to be determined by the Plan Committee.

There is no movement during the financial year in the number of shares in which employees of the Group and the Company is entitled as a grants in issued under the LTIP scheme have expired and there were no shares outstanding on these grants at the end of the financial year.

### 31 SHARE BASED PAYMENT (CONTINUED)

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	Special Grant
Date of grant	2 March 2015	22 March 2016	22 March 2017
Aggregated fair values/Fair value at grant date – RS Award	RM1.567	RM1.100	RM1.053 and RM1.022
Aggregated fair values/Fair value at grant date – PS Award	RM1.462	RM1.076	*
Vesting period	3 years	3 years	2 years
Weighted average share price at grant date	RM1.72	RM1.21	RM1.06
Expected dividend yield	4.70%	5.00%	2.83%
Risk free interest rates	3.51%	3.27%	3.37%-3.40%
Expected volatility	41.83%	44.95%	25.73%-35.24%

\* Not applicable

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.

### 32 MERGER DEFICIT

	2020	Group
	2019	
	RM	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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 33 FINANCIAL INSTRUMENTS

Financial instruments by category

Year ended 31 December 2020

<b>Group</b>	<b>Financial assets at amortised cost</b>	<b>Other financial liabilities at amortised cost</b>	<b>Fair value through profit or loss</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Assets</u>				
Receivables, deposits and prepayments (excluding prepayments, GST receivables and contract assets)	<b>73,465,614</b>	<b>0</b>	<b>0</b>	<b>73,465,614</b>
Amounts due from associates	<b>3,200,223</b>	<b>0</b>	<b>0</b>	<b>3,200,223</b>
Amount due from a joint venture	<b>121,200</b>	<b>0</b>	<b>0</b>	<b>121,200</b>
Investment securities	<b>0</b>	<b>0</b>	<b>13,015,095</b>	<b>13,015,095</b>
Cash and bank balances	<b>219,615,788</b>	<b>0</b>	<b>0</b>	<b>219,615,788</b>
	<b>296,402,825</b>	<b>0</b>	<b>13,015,095</b>	<b>309,417,920</b>
<u>Liabilities</u>				
Trade and other payables (excluding statutory obligations and contract liabilities)	<b>0</b>	<b>148,219,299</b>	<b>0</b>	<b>148,219,299</b>
Borrowings	<b>0</b>	<b>78,448,380</b>	<b>0</b>	<b>78,448,380</b>
Derivative financial instrument	<b>0</b>	<b>0</b>	<b>45,358</b>	<b>45,358</b>
	<b>0</b>	<b>226,667,679</b>	<b>45,358</b>	<b>226,713,037</b>

### 33 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2020

<b>Company</b>	<b>Financial assets at amortised cost</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Assets</u>			
Receivables, deposits and prepayments (excluding prepayments, GST receivables and contract assets)	<b>26,476</b>	<b>0</b>	<b>26,476</b>
Amounts due from subsidiaries	<b>56,263,776</b>	<b>0</b>	<b>56,263,776</b>
Amount due from a joint venture	<b>121,200</b>	<b>0</b>	<b>121,200</b>
Amount due from an associate	<b>223</b>	<b>0</b>	<b>223</b>
Cash and bank balances	<b>15,228,007</b>	<b>0</b>	<b>15,228,007</b>
	<b>71,639,682</b>	<b>0</b>	<b>71,639,682</b>
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations and contract liabilities)	<b>0</b>	<b>1,365,232</b>	<b>1,365,232</b>
Amounts due to subsidiaries	<b>0</b>	<b>11,451,071</b>	<b>11,451,071</b>
Borrowings	<b>0</b>	<b>22,910,329</b>	<b>22,910,329</b>
	<b>0</b>	<b>35,726,632</b>	<b>35,726,632</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 33 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2019

<b>Group</b>	<b>Financial assets at amortised cost</b>	<b>Other financial liabilities at amortised cost</b>	<b>Fair value through profit or loss</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Assets</u>				
Receivables, deposits and prepayments (excluding prepayments, GST receivables and contract assets)	108,032,717	0	0	108,032,717
Amounts due from associates	1,600,066	0	0	1,600,066
Amount due from a joint venture	127,300	0	0	127,300
Cash and bank balances	159,957,937	0	0	159,957,937
	<u>269,718,020</u>	<u>0</u>	<u>0</u>	<u>269,718,020</u>
<u>Liabilities</u>				
Trade and other payables (excluding statutory obligations and contract liabilities)	0	224,352,105	0	224,352,105
Amounts due to associates	0	7,161,875	0	7,161,875
Borrowings	0	89,019,373	0	89,019,373
Derivative financial instrument	0	0	11,084	11,084
	<u>0</u>	<u>320,533,353</u>	<u>11,084</u>	<u>320,544,437</u>

### 33 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2019

<b>Company</b>	<b>Financial assets at amortised cost</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Assets</u>			
Receivables, deposits and prepayments (excluding prepayments, GST receivables and contract assets)	38,561	0	38,561
Amounts due from subsidiaries	73,768,858	0	73,768,858
Amount due from a joint venture	127,300	0	127,300
Amount due from an associate	16	0	16
Cash and bank balances	1,925,160	0	1,925,160
	<u>75,859,895</u>	<u>0</u>	<u>75,859,895</u>
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations and contract liabilities)	0	2,169,592	2,169,592
Amounts due to subsidiaries	0	5,812,692	5,812,692
Borrowings	0	24,947,675	24,947,675
	<u>0</u>	<u>32,929,959</u>	<u>32,929,959</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 34 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

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

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
- Management fees	<b>17,263,300</b>	18,174,000
- Dividend income	<b>6,000,000</b>	17,200,000
- Inter-company interest income	<b>1,037,327</b>	1,344,809
- Re-charge of expenses	<b>4,301,930</b>	2,056,019

(b) The following transactions are with a joint venture of the Company

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
- Management fees	<b>469,200</b>	532,700
- Re-charge of expenses	<b>78,772</b>	61,174

(c) The following transactions are with a corporate shareholder and affiliated companies of a subsidiary of the Group, Turboservices Sdn. Bhd.

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Purchases from Solar Turbines International Company ("STICO")	<b>191,126,810</b>	258,083,947
Purchases from affiliated companies of STICO	<b>46,773,729</b>	41,461,157
Technical fees to STICO	<b>1,302,218</b>	1,213,898
Re-charge of expenses from affiliated company of STICO	<b>62,234</b>	641,372
	<b>239,264,991</b>	301,400,374

### 34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (c) The following transactions are with a corporate shareholder and affiliated companies of a subsidiary of the Group, Turboservices Sdn. Bhd. (continued)

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Manpower services to STICO and its affiliated company	<b>2,263,732</b>	5,356,010
Rental income from an affiliated company of STICO	<b>54,432</b>	54,432
	<b>2,318,164</b>	5,410,442

Significant outstanding balances arising from the above transactions during the financial year are as follows:

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Amounts due from STICO and its affiliated company	<b>1,110,891</b>	5,218,460
Amounts due to STICO and its affiliated company	<b>79,943,033</b>	111,461,819

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

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Sales to related parties of Dresser Italia S.R.L	<b>929,094</b>	410,671
Purchases from related parties of Dresser Italia S.R.L	<b>30,931,761</b>	41,989,040

Significant outstanding balances arising from the above transactions during the financial year are as follows:

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Amounts due from related parties of Dresser Italia S.R.L	<b>669,450</b>	167,832
Amounts due to related parties of Dresser Italia S.R.L	<b>4,855,821</b>	9,834,059



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Sales to STICO	<b>3,375,000</b>	5,936,000
Rental income from affiliated company of STICO	<b>739,224</b>	827,568
	<b>4,114,224</b>	6,763,568

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

		<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Amount due from STICO	<b>46,878</b>	485,066

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

		<b>Group</b>		<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Directors' fees	<b>1,033,650</b>	1,018,241	<b>1,033,650</b>	1,018,241
Salaries and bonuses	<b>9,322,236</b>	9,364,258	<b>3,538,090</b>	3,334,840
Defined contribution plans	<b>1,194,837</b>	1,206,844	<b>495,834</b>	470,022
Other remuneration	<b>1,089,818</b>	1,227,438	<b>368,489</b>	361,426
Share based payment	<b>0</b>	25,397	<b>0</b>	9,756
Estimated monetary value of benefits-in-kind	<b>301,806</b>	320,248	<b>184,696</b>	167,537
	<b>12,942,347</b>	13,162,426	<b>5,620,759</b>	5,361,822

The above is inclusive of Directors' remuneration as disclosed in Note 7 to the financial statements.

### 35 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
		2020	2019	
		%	%	
SUBSIDIARIES:				
Deleum Services Sdn. Bhd.	Malaysia	100	100	Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry.
Deleum Services Holdings Limited *	Hong Kong	100	100	Investment holding.
Delflow Solutions Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiaries of <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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 35 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
		%	%	

#### SUBSIDIARIES (CONTINUED):

Subsidiaries of  
Deleum Services Sdn. Bhd. (continued)

Wisteria Sdn. Bhd.	Malaysia	<b>100</b>	100	Commenced members' voluntary liquidation on 14 January 2019.
Delcom Holdings Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.
Deleum Rotary Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Servicing, repair and maintenance of motors, generators, transformers, pumps and valves.
Deleum Primera Sdn. Bhd.	Malaysia	<b>60</b>	60	Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities, services for tanks, vessels, structures and piping.
Penaga Dresser Sdn. Bhd.	Malaysia	<b>51</b>	51	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.

## 35 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
		%	%	

**SUBSIDIARIES (CONTINUED):**

Subsidiaries of  
Deleum Services Holdings Limited

Delcom Utilities (Cambodia) Limited *	British Virgin Islands	<b>60</b>	60	Investment holding.
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**JOINT VENTURE:**

Joint venture of  
Deleum Berhad

Turboservices Overhaul Sdn. Bhd.	Malaysia	<b>80.55</b>	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	<b>32</b>	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	<b>0</b>	12	Liquidated.
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\* Corporations not audited by PricewaterhouseCoopers PLT, Malaysia or member firm of PricewaterhouseCoopers International Limited.

® The Cambodia Utilities Pte Ltd (CUPL) was liquidated on 3<sup>rd</sup> June 2020. Accordingly, CUPL has ceased to be an associate of the Group at reporting year end.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

### 36 CAPITAL COMMITMENTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Authorised and contracted for at the end of the reporting period but not yet incurred				
- Plant and machinery	<b>3,510,773</b>	10,285,317	<b>0</b>	0
- Others	<b>161,861</b>	6,114,029	<b>0</b>	92,600
Authorised but not contracted for at the end of the reporting period				
- Plant and machinery	<b>21,851,775</b>	38,031,416	<b>0</b>	0
- Others	<b>4,126,750</b>	13,350,878	<b>221,500</b>	650,300
	<b>29,651,159</b>	67,781,640	<b>221,500</b>	742,900
Share of capital commitment of a joint venture	<b>848,800</b>	1,214,991	<b>0</b>	0
	<b>30,499,959</b>	68,996,631	<b>221,500</b>	742,900

### 37 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM44,280,624 (2019: RM36,191,061) to third parties in respect of operational requirements, utilities and maintenance contracts.

### 38 MATERIAL LITIGATION

- (1) High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant")

The Plaintiff has commenced the above legal proceedings against the Defendant wherein it is alleged *inter alia*, that the Defendant had unlawfully terminated the agreement entered into between parties for the supply and delivery of Cargo Handling Equipment (CHE) by the Plaintiff to the Defendant, and wherein there had been severe and protracted delay in delivery of the CHE by the Plaintiff.

By a Writ of Summons dated 21 August 2020, the Plaintiff commenced the above legal proceedings against the Defendant concerning the alleged unlawful termination of the Cargo Handling Equipment Project contract dated 11<sup>th</sup> October 2018 by the Defendant, claiming for *inter alia* Judgment for the amount of RM1,400,500.00, being the total sum from invoices allegedly outstanding, and damages in the amount of RM874,500.00 arising from the Defendant's alleged refusal to accept delivery of the CHE.

The Writ of Summons and Statement of Claim dated 21 August 2020, was filed by the Plaintiff against the Defendant.

The Orders and/or relief sought by the Plaintiff, are as follows:

- Declaration that the termination of the Cargo Handling Equipment Project contract dated 11<sup>th</sup> October 2018 by the Defendant, was unlawful;
- Judgment for the sum of RM1,400,500.00, being the total sum from invoices allegedly outstanding;
- Damages in the amount of RM874,500.00 due to the Defendant's alleged refusal to accept delivery of the CHE;
- General damages;

### 38 MATERIAL LITIGATION (CONTINUED)

- (1) High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-508-08/2020) brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant") (Continued)

The Orders and/or relief sought by the Plaintiff, are as follows (continued):

- (e) Late payment charges of 1.5% per month, from the date of the Writ of Summons until full settlement of all outstanding invoices;
- (f) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (g) Costs; and
- (h) Any other relief deemed fit by the High Court.

Pursuant to the Case Management on 8 March 2021, the Court has directed that the Suit shall be fixed for Trial on 27, 28 and 29 September 2021 and that parties are required to file and exchange Witness Statements on 21 May 2021. The Suit is further fixed for Case Management on 25 May 2021.

- (2) High Court of Kuala Lumpur (Civil Suit No. WA-22NCVC-768-11/2020) brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant")

The Plaintiff had commenced the above legal proceedings against the Defendant, wherein it is alleged inter alia, that the Defendant had failed to make payment for certain works carried out by the Plaintiff, for which the Defendant had engaged the Plaintiff.

The Writ of Summons and Statement of Claim, both dated 23 November 2020, was served on the Defendant on 26 November 2020. The Defendant has filed its Memorandum of Appearance dated 9 December 2020 and Defence dated 7 January 2021. The Plaintiff thereafter filed its Reply to Defence dated 21 January 2021.

The Plaintiff's solicitors has, on 25 January 2021, served on the Defendant's solicitors an Amended Writ and Statement of Claim, both dated 22 January 2021, to –

- i) amend the original claim sum from RM 1,568,048.66 to an amended claim sum of RM2,184,584.45; and
- ii) withdraw their claim for a declaration and injunction as the amended claim sum has rendered the declaration and injunction as no longer applicable.

The amendments have been sought on the basis that Invoice No. SS/CWR/BAP A Standby dated 3 November 2020 for the amount of RM 616,535.79 became due and payable on 3 December 2020 (i.e. after the filing of their suit on 23 November 2020). Therefore, the Plaintiff has included the invoice amount in the total sum claimed.

The said amendment is to regularise the Plaintiff's claim and the same would not jeopardise the rights of the Defendant.

Pursuant to the Amended Writ & Statement of Claim, both dated 22 January 2021, the Plaintiff has sought for the following relief:

- (a) Judgment for the sum of RM 2,184,584.45 being the total sum from invoices allegedly outstanding;
- (b) Interest at the rate of 5% per annum on the Judgment sum from the date of Judgment until full settlement;
- (c) Costs; and
- (d) Any other relief deemed fit by the High Court.

Pursuant to the Case Management on 15 March 2021, the Court has directed that the Suit shall be fixed for Trial on 9, 10 and 11 May 2022 pending filing of the pre-trial documents and the Case Management has been fixed on 9 March 2022 for directions to be given in relation to the filing of the Witness Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Continued)

#### 38 MATERIAL LITIGATION (CONTINUED)

- (3) High Court of Kuala Lumpur (Civil Suit No. WA-22NCC-544-11/2020) brought by Deleum Primera Sdn Bhd ("Plaintiff") against Deleum Primera's employees, suppliers, contractors and employees of a client ("Defendants")

The Plaintiff has commenced the above legal proceedings against the Defendants by way of a Writ of Summons dated 5 November 2020 for, among others, breaches of fiduciary duty, knowing receipt and dishonest assistance in relation to an alleged fraudulent scheme involving its employees, suppliers, contractors and employees of a client. The sum claimed by the Plaintiff in its Statement of Claim dated 5 November 2020 is RM19,876,389.87.

The Plaintiff further obtained a Mareva (freezing) Injunction and a Delivery Up Order, on an ex-parte basis, against the Defendants on 9 November 2020.

On 9 December 2020, one of the Defendants obtained an Order from the High Court to discharge the ex-parte Mareva (freezing) Injunction and Delivery Up Order. That Defendant also applied for an assessment of damages and the High Court scheduled the next case management of this application on 13 April 2021. On a related note, the Plaintiff is also appealing against the said High Court's decision and the appeals are now scheduled for case management on 12 April 2021.

6 of the Defendants applied to recuse the presiding Judge from hearing the matter ("Recusal Applications"). On 9 March 2021, the High Court dismissed the Recusal Applications with costs of RM15,000.00 payable by each set of the relevant Defendants' Counsel to the Plaintiff. The relevant Defendants' verbal application for a stay of execution was also dismissed by the High Court.

Further, the High Court scheduled the inter-partes hearing of the Plaintiff's injunction applications and the hearing of the relevant Defendants' setting aside applications on 5 May 2021. The Suit and other interlocutory applications (mainly striking out of the Suit, summary judgment on the Counterclaim for goods and services supplied to the Plaintiff and disqualification of PwC Consulting Associates (M) Sdn Bhd as the Independent Forensic Expert under the Delivery Up Order) are also scheduled for case management on 5 May 2021. Meanwhile, the ad-interim (holding over) Delivery Up Order and Mareva Injunction against the relevant Defendants remain valid and enforceable until the disposal of the striking out applications.

- (4) Kuala Lumpur Sessions Court Suit No. WA-B52NCvC-289-08/2020 brought by Synergy Spectacular Sdn Bhd ("Plaintiff") against Deleum Primera Sdn Bhd ("Defendant")

The Plaintiff has alleged *inter alia*, that the Defendant had failed, refused and/or neglected to pay the Plaintiff for services rendered by the Defendant in respect of several projects on which it was appointed by the Defendant to perform. The Sessions Court Suit is for a Judgment for the alleged amount of RM488,277.43.

The Defendant has made payment to the Plaintiff amounting to RM488,277.43 as full and final settlement towards the Plaintiff's claims on 18 September 2020. Further, the Sessions Court Suit came up for case management on 22 September 2020, where the Plaintiff has withdrawn the Sessions Court Suit with no Order as to costs and no liberty to file afresh.

#### 39 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.

### 39 CAPITAL MANAGEMENT (CONTINUED)

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash and cash equivalents	<b>179,171,185</b>	147,517,770	<b>15,228,007</b>	1,925,160
Less: Total borrowings	<b>(78,448,380)</b>	(89,019,373)	<b>(22,910,329)</b>	(24,947,675)
	<b>100,722,805</b>	58,498,397	<b>(7,682,322)</b>	(23,022,515)
Total equity	<b>370,368,705</b>	378,522,243	<b>207,003,283</b>	214,902,973

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.

### 40 SUBSEQUENT EVENT

On 26 March 2021, the Company announced that its 60% owned indirect subsidiary, Deleum Primera Sdn Bhd ("DPSB") received a notification dated 25 March 2021 on suspension of DPSB's license from Petroliaam Nasional Berhad ("PETRONAS").

The letter from PETRONAS indicated that PETRONAS has received adverse report pursuant to the news circulated in the media, announcements to relevant party and investigation by Malaysian Anti-Corruption Commission, with regards to alleged unethical and integrity issues on DPSB with regards to relevant work/project under the operations of PETRONAS Carigali Sdn Bhd ("PCSB").

Pursuant to the above and in accordance with PETRONAS' License General Conditions, PETRONAS has decided to suspend DPSB's license for all Standardised Work and Equipment Categories (SWEC) for future tender and/or any new award with effect from the date of the letter until further notice ("Suspension Period"). Throughout the Suspension Period, DPSB will not be invited nor be allowed to participate in any future tender issued by PETRONAS including its subsidiaries and any Petroleum Arrangement Contractors ("PACs"). DPSB also will not be awarded with any new contract by PETRONAS including its subsidiaries and any PACs.

Notwithstanding the suspension, DPSB is however, allowed to continue and complete its existing and ongoing contracts with PETRONAS including its subsidiaries and PACs in accordance with the terms and conditions of the respective existing and ongoing contracts.

DPSB's business outside Malaysia, namely in Indonesia not requiring PETRONAS's license is not affected and shall continue to operate accordingly.

DPSB will appeal against the suspension as the alleged practice was carried out by the individuals concerned and is not practised by DPSB, its board of directors, nor its shareholders, excepting the said individuals who are two of the directors and shareholders.

The suspension of license does not have adverse financial impact to the ICS segment of the Group for the financial year ended 31 December 2020 and the Directors do not anticipate any material financial impact to the Group for financial year ending 31 December 2021.

### 41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2021.



## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

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 79 to 195 are drawn up in accordance with the provisions of Companies Act 2016 and the Malaysian Financial Reporting Standards, and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2021.

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

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

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Jayanthi a/p Gunaratnam, the officer primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 79 to 195 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 28 April 2021

Before me:

COMMISSIONER FOR OATHS

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD (INCORPORATED IN MALAYSIA)

Registration No. 200501033500 (715640-T)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Deleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 195.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD (INCORPORATED IN MALAYSIA)

Registration No. 200501033500 (715640-T) (Continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment assessment on the carrying value of property, plant and equipment</b></p> <p><i>Refer to Note 3 - Critical accounting estimates and judgments.</i></p> <p>As at 31 December 2020, the carrying value of the Group's property, plant and equipment amounted to RM154.3 million. Management performed impairment assessments of certain plant and equipment, which had impairment indicators. As a result, impairment losses of RM30.3 million were recognised during the financial year ended 31 December 2020.</p> <p>We focused on this area as the recoverable amounts of the plant and equipment were determined based on the discounted cash flows projections, which requires significant judgment and estimation on the future cash flows and the discount rate.</p>	<p>We have performed the following audit procedures on the recoverable amounts of the plant and equipment which were calculated using value in use ("VIU") method based on the approved financial budget for 2021 and projections for the remaining useful lives of the assets:</p> <ul style="list-style-type: none"> <li>• Discussed with management on the key assumptions used in the VIU cash flow which include the revenue and earning before interest, tax, depreciation and amortisation ("EBITDA") growth rate and performed the following:</li> <li>• Agreed the VIU cash flow to the Board's approved financial budgets.</li> <li>• Compared historical forecasting to actual results to assess reliability of management's estimates.</li> <li>• Compared the revenue and EBITDA growth rate to the historical experience of the Company.</li> <li>• Checked the mathematical accuracy of the VIU cash flow.</li> <li>• Checked the discount rate used in the VIU with the assistance of our valuation experts by benchmarking to market data and industry research.</li> </ul> <p>Based on the procedures performed, no material exceptions were noted.</p>

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

## Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition on contracts with customers</b></p> <p><i>Refer to Note T - Significant accounting policies: Refer to Note 3 - Critical accounting estimates and judgments, Revenue Recognition, Note 5 – Revenue</i></p> <p>The Group recognised revenue of RM109.4 million from the provision of integrated corrosion and inspection, blasting technology, maintenance, construction and modification ("MCM") maintenance services.</p> <p>The revenue is recognised over the period of the contract by reference to the measurement of the progress towards complete satisfaction of the performance obligations. The measurement of progress is determined based on the input method using the actual costs incurred relative to the total budgeted costs.</p> <p>We focused on this area due to the complexity of the revenue recognition method and the estimation of the total budgeted costs. Any changes to the budgeted costs would result in the change in measure of progress and a corresponding change in the amounts of revenue recognised.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Tested the effectiveness of controls over the approval of contracts and approval of contract budgets;</li> <li>• Recomputed the revenue based on the input method of measuring progress i.e. using actual costs incurred relative to the total budgeted costs;</li> <li>• Discussed with the respective project managers and examined the project documentation on a sampling basis to understand the status of the projects;</li> <li>• Performed test of details by vouching to the following on a sampling basis: <ul style="list-style-type: none"> <li>• contract values to the work orders from customers and any subsequent variation orders;</li> <li>• costs incurred to date to supplier invoices and suppliers statement reconciliation.</li> </ul> </li> <li>• Examined non-standard journal entries and other material adjustments related to revenue accounts.</li> </ul> <p>Based on the procedures performed, no material exceptions were noted.</p>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD (INCORPORATED IN MALAYSIA)

Registration No. 200501033500 (715640-T) (Continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters (continued):

Key audit matters	How our audit addressed the key audit matters
<p><b>Material litigation on Deleum Primera Sdn Bhd against its employees, suppliers, contractors and employees of a client</b></p> <p><i>Refer to Note 38(3) - Material Litigations.</i>  <i>Refer to Note 24 - Cash and Bank Balances</i></p> <p>Deleum Primera Sdn Bhd ("DPSB") has commenced legal proceedings against its employees, suppliers, contractors and employees of a client ("Defendants") on breaches of fiduciary duty, knowing receipt and dishonest assistance in relation to an alleged fraudulent scheme involving the Defendants of RM19.9 million. These legal proceedings are ongoing.</p> <p>The Company and DPSB are assisting the Malaysian Anti-Corruption Commission ("MACC") in its investigations. MACC, under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 had on 8 December 2020 froze DPSB's bank deposits. Consequently, the Group classified these bank deposits of RM29.7 million as restricted funds under current assets as at 31 December 2020.</p> <p>The said bank deposits remain frozen and their ownership remain unchanged.</p> <p>We focused on this area due to the potential impact from the MACC's on-going investigations that may have on the Group and the time and effort required to understand the implications of this matter to the Group.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Examined the Writ of Summons and Statement of Claims by DPSB dated 5 November 2020 to the Defendants.</li> <li>• Discussed the status and the financial implications to the Group with the Board of Directors, the Audit Committee Members, the Managing Director and the Chief Financial Officer of the Group in relation to the matter.</li> <li>• Discussed with the Group's appointed external legal counsel to understand DPSB's legal position on the legal proceeding, and their compliance to the applicable laws and regulations.</li> <li>• Obtained independent legal confirmation from the Group's appointed external legal counsel and evaluated their competencies, capabilities and objectivity on the matter; and</li> <li>• Reviewed the adequacy of disclosures in the financial statements.</li> </ul> <p>Based on the procedures performed, no material exceptions were noted.</p>

There are no key audit matters to report for the Company.

## REPORT ON THE 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 the Directors' Report, Statement of Risk Management and Internal Control, Message from Chairman, Management Discussion and Analysis, Sustainability Statement, Audit Committee Report and Group Corporate Structure, Financial Highlights, Corporate Governance Report and List of Properties, which we obtained prior to the date of this auditors' report, and Analysis of Shareholdings and other sections of the 2020 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELEUM BERHAD (INCORPORATED IN MALAYSIA)

Registration No. 200501033500 (715640-T) (Continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 35 to the financial statements.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur  
28 April 2021

**SOO KWAI FONG**

03144/07/2021 J

Chartered Accountant

# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2020 (FY2020).

## 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 FY2020.

- (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), 31 December 2016 (FY2016), 31 December 2017 (FY2017), 31 December 2018 (FY2018), 31 December 2019 (FY2019) and FY2020 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>	—
<b>Total Outstanding of First Grant as at 31 December 2015</b>		
- RS	<b>1,104,000</b>	<b>145,800</b>
- 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
<b>Total Outstanding of First Grant and Second Grant as at 31 December 2016</b>		
- RS	<b>2,225,700</b>	<b>315,400</b>
- PS	<b>2,494,000</b>	<b>906,800</b>



## ADDITIONAL COMPLIANCE INFORMATION

(Continued)

### 2. LONG-TERM INCENTIVE PLAN (Continued)

- (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 FY2015, FY2016, FY2017, FY2018, FY2019 and FY2020 are set out as below (continued):

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2017</b>		
Granted		
- Special Grant of RS	398,400	99,500
Vested		
- First Grant of RS	-	-
- First Grant of PS	-	-
- Second Grant of RS	-	-
- Second Grant of PS	-	-
- Special Grant of RS	195,300	49,700
Lapsed/Forfeited		
- First Grant of RS	379,002 <sup>^</sup>	48,600 <sup>+</sup>
- First Grant of PS	66,400 <sup>#</sup>	-
- Second Grant of RS	548,434 <sup>^</sup>	72,734 <sup>+</sup>
- Second Grant of PS	81,000 <sup>#</sup>	-
- Special Grant of RS	8,300 <sup>@</sup>	-
Outstanding as at 31 December 2017		
- First Grant of RS	327,198	48,600
- First Grant of PS	947,300	226,200
- Second Grant of RS	971,066	145,466
- Second Grant of PS	1,399,300	680,600
- Special Grant of RS	194,800	49,800
<b>Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2017</b>		
- RS	<b>1,493,064</b>	<b>243,866</b>
- PS	<b>2,346,600</b>	<b>906,800</b>

## 2. LONG-TERM INCENTIVE PLAN (Continued)

- (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 FY2015, FY2016, FY2017, FY2018, FY2019 and FY2020 are set out below (continued):

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2018</b>		
Granted	–	–
Vested		
- First Grant of RS	297,200	48,600
- First Grant of PS	–	–
- Second Grant of RS	450,100	72,700
- Second Grant of PS	–	–
- Special Grant of RS	183,100	49,800
Lapsed/Forfeited		
- First Grant of RS	29,998 <sup>^</sup>	–
- First Grant of PS	947,300 <sup>^</sup>	226,200 <sup>+</sup>
- Second Grant of RS	66,600 <sup>@</sup>	–
- Second Grant of PS	146,300 <sup>#</sup>	–
- Special Grant of RS	11,700 <sup>@</sup>	–
Outstanding as at 31 December 2018		
- First Grant of RS	–	–
- First Grant of PS	–	–
- Second Grant of RS	454,366	72,766
- Second Grant of PS	1,253,000	680,600
- Special Grant of RS	–	–
<b>Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2018</b>		
- RS	<b>454,366</b>	<b>72,766</b>
- PS	<b>1,253,300</b>	<b>680,600</b>

## ADDITIONAL COMPLIANCE INFORMATION

(Continued)

### 2. LONG-TERM INCENTIVE PLAN (Continued)

- (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 FY2015, FY2016, FY2017, FY2018, FY2019 and FY2020 are set out below (continued):

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2019</b>		
Granted	—	—
Vested		
- First Grant of RS	—	—
- First Grant of PS	—	—
- Second Grant of RS	427,800	72,700
- Second Grant of PS	—	—
- Special Grant of RS	—	—
Lapsed/Forfeited		
- First Grant of RS	—	—
- First Grant of PS	—	—
- Second Grant of RS	26,566 <sup>#</sup> ¥	66 <sup>¥</sup>
- Second Grant of PS	1,253,300 <sup>&amp;</sup>	680,600 <sup>&amp;</sup>
- Special Grant of RS	—	—
Outstanding as at 31 December 2019		
- First Grant of RS	—	—
- First Grant of PS	—	—
- Second Grant of RS	—	—
- Second Grant of PS	—	—
- Special Grant of RS	—	—
<b>Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2019</b>		
- RS	—	—
- PS	—	—

All grants issued under the LTIP scheme have expired and there were no shares outstanding on these grants at the end of the financial year.

Notes:

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

<sup>^</sup> Shares lapsed due to non-vesting as the performance targets in respect of FY2015, FY2016 and FY2017 were not met or forfeited due to the resignation of employees.

<sup>&</sup> Shares lapsed due to the pre-determined performance target based on 3-years' accumulative results was not met.

<sup>\*</sup> 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.

<sup>+</sup> Shares lapsed due to non-vesting as the performance targets in respect of FY2015, FY2016, and FY2017 were not met.

<sup>@</sup> Shares forfeited due to resignation of employees and non-meeting of individual performance expectations.

<sup>¥</sup> Represents forfeiture of odd lots balance of shares granted.

## 2. LONG-TERM INCENTIVE PLAN (Continued)

- (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 FY2020 are set out below:

	Percentage (%)	
	During the financial year	Since commencement up to FY2020
<b>Executive Director and Senior Management and key employees</b>		
(i) Aggregate maximum allocation	100	100
(ii) Actual shares granted	0	14.78

- (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 FY2020 or entered into since the end of the previous financial year.

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2021

Total number of issued shares : 401,553,500 ordinary shares  
Voting rights : One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	Total Shareholdings	% of Shareholdings
less than 100 shares	307	5.51	8,436	0.00
100 to 1,000 shares	700	12.57	417,399	0.10
1,001 to 10,000 shares	2,905	52.15	15,796,000	3.93
10,001 to 100,000 shares	1,434	25.75	45,433,236	11.32
100,001 to less than 5% of issued shares	220	3.95	143,102,111	35.64
5% and above of issued shares	4	0.07	196,796,318	49.01
<b>Total</b>	<b>5,570</b>	<b>100.00</b>	<b>401,553,500</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.	81,740,900	20.36
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	48,165,418	11.99
3.	Datuk Vivekananthan a/l M.V. Nathan	42,530,000	10.59
4.	IM Holdings Sdn. Bhd.	24,360,000	6.07
5.	Datin Che Bashah @ Zaiton binti Mustaffa	19,024,000	4.74
6.	Dato' Izham bin Mahmud	11,200,000	2.79
7.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	8,566,998	2.13
8.	Datin Che Bashah @ Zaiton binti Mustaffa	7,741,600	1.93
9.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing)	4,807,000	1.20
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AM INV)	4,336,900	1.08
11.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Datin Che Bashah @ Zaiton binti Mustaffa (PB)	3,719,998	0.93
12.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	3,333,000	0.83

**30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS (Continued)**

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	Percentage (%)
13.	Dilip Manharlal Gathani	3,085,800	0.77
14.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	2,901,066	0.72
15.	Neoh Choo Ee & Company, Sdn. Berhad.	2,749,332	0.68
16.	Hj. Abd Razak bin Abu Hurairah	2,681,946	0.67
17.	Saudah binti Hashim	2,500,000	0.62
18.	Lee Sew Bee	2,451,400	0.61
19.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Chandran Aloysius Rajadurai (PB)	2,277,000	0.57
20.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB)	1,880,100	0.47
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Tan Swee Leong (PB)	1,660,000	0.41
22.	Celine D' Cruz a/p Francis D' Cruz	1,630,000	0.41
23.	Goh Thong Beng	1,557,000	0.39
24.	Chin Keh Joo	1,252,000	0.31
25.	Neoh Choo Ee & Company, Sdn. Berhad.	1,092,100	0.27
26.	Midvest Properties Sdn. Bhd.	1,050,000	0.26
27.	Cheng Hon Sang	1,041,000	0.26
28.	Yeo Khee Huat	953,498	0.24
29.	RHB Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Robert Wing – Yee Snashall	885,400	0.22
30.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chin Hooi	850,000	0.21

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2021 (Continued)

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Lantas Mutiara Sdn. Bhd.	81,740,900	20.36	0	0
Hartapac Sdn. Bhd.	48,165,418	11.99	0	0
Datuk Vivekananthan a/l M.V. Nathan	43,302,600	10.78	81,740,900 <sup>(1)</sup>	20.36
Datin Che Bashah @ Zaiton binti Mustaffa	32,365,698	8.06	0	0
IM Holdings Sdn. Bhd.	24,360,000	6.07	0	0
Dato' Izham bin Mahmud	11,200,000	2.79	138,466,598 <sup>(2)</sup>	34.48
Datin Sian Rahimah Abdullah	0	0	48,165,418 <sup>(3)</sup>	11.99
Faye Miriam Abdullah	0	0	48,165,418 <sup>(3)</sup>	11.99
Hugh Idris Abdullah	0	0	48,165,418 <sup>(3)</sup>	11.99
Farid Riza Izham	0	0	24,360,000 <sup>(4)</sup>	6.07
Faidz Raziff Izham	0	0	24,360,000 <sup>(4)</sup>	6.07
Hana Sakina Izham	0	0	24,360,000 <sup>(4)</sup>	6.07

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	2.79	138,466,598 <sup>(1)</sup>	34.48
Datuk Vivekananthan a/l M.V. Nathan	43,302,600	10.78	81,740,900 <sup>(2)</sup>	20.36
Datuk Ishak bin Imam Abas	805,998	0.20	0	0
Nan Yusri bin Nan Rahimy	731,932	0.18	61,332 <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.

# 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 (RM) @31/12/20	Revaluation, if any	Date of Acquisition
1	Deleum Berhad (Corporate Head Office)	No. 2, Jalan Bangsar Utama 9, 59000 Kuala Lumpur, Malaysia	6 storey corner shop office	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 03/12/2085	22 years	2,831,016	–	02/05/2006
2	Deleum Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1, 59000 Kuala Lumpur, Malaysia	5 storey corner shop office	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 03/12/2085	32 years	383,180	–	19/09/1988
3	Deleum Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, 59000 Kuala Lumpur, Malaysia	5 storey shop office	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 03/12/2085	32 years	425,564	–	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	18 years	364,196	–	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	18 years	383,077	–	03/02/1997
6	Deleum Services Sdn. Bhd.	Lot 1315, Block 9, Miri Concession Land District, Miri Waterfront Commercial Centre, Jalan Bendahara, 98000 Miri, Sarawak, Malaysia	4 storey corner shop office	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/09/2066	16 years	792,000	–	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	20 years	300,000	–	–
8	Deleum Services Sdn. Bhd. (Operations)	Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman, Malaysia	Warehouse	Warehouse	4,134.00 sq metres/ 1,456.00 sq metres	On Lease/ 31/03/2023	12 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	28 years	1,012,939	04/09/2019	12/04/2004



# CORPORATE DIRECTORY

## HEAD OFFICE

**Deleum Berhad** and its subsidiaries:

**Deleum Services Sdn. Bhd.**  
**Deleum Oilfield Services Sdn. Bhd.**  
**Deleum Chemicals Sdn. Bhd.**  
**Turboservices Sdn. Bhd.**

No. 2, Jalan Bangsar Utama 9  
 Bangsar Utama  
 59000 Kuala Lumpur  
 Malaysia  
 Tel : +603-2295 7788  
 Fax : +603-2295 7777  
 Email : info@deleum.com

## BRANCH OFFICES

**Miri**  
 Lot 1315, Miri Waterfront  
 Commercial Centre  
 98000 Miri, Sarawak  
 Malaysia  
 Tel : +6085-413 528/417 020  
 Fax : +6085-418 037  
 Email : info@deleum.com

**Kota Kinabalu**  
 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  
 Email : info@deleum.com

**Deleum Primera Sdn. Bhd.**  
 E-09-01 Menara Suezcap 2  
 KL Gateway, No. 2, Jalan Kerinchi  
 Gerbang Kerinchi Lestari  
 59200 Kuala Lumpur  
 Malaysia  
 Tel : +603-7773 7777  
 Fax : +603-7773 7778  
 Email : info@deleum.com

## Penaga Dresser Sdn. Bhd.

Business Suite, 19A-9-1  
 Level 9 UOA Centre  
 No. 19, Jalan Pinang  
 50450 Kuala Lumpur  
 Malaysia  
 Tel : +603-2163 2322  
 Fax : +603-2161 8312  
 Email : sales@penagadresser.com

## OPERATIONS AND SUPPLY BASES

### Kemaman

Kemaman Supply Base  
 Warehouse 28  
 24007 Kemaman  
 Terengganu Darul Iman  
 Malaysia  
 Tel : +609-863 1407/1408  
 Fax : +609-863 1379  
 Email : info@deleum.com

### Labuan

Asian Supply Base  
 Rancha Rancha Industrial Estate  
 87017 Labuan  
 Malaysia  
 Tel : +6087-413 935/583 205  
 Fax : +6087-425 694  
 Email : info@deleum.com

## SERVICE FACILITIES

### Deleum Oilfield Services Sdn. Bhd.

(Miri Services Facility)  
 Sublot 3017, Permy Jaya  
 Teknologi Park  
 Bandar Baru Permy Jaya  
 98000 Miri, Sarawak  
 Malaysia  
 Tel : +6085-413 528/417 020  
 Fax : +6085-418 037  
 Email : info@deleum.com

### Deleum Rotary Services Sdn. Bhd.

(Bintulu Services Facility)  
 Lot 2698, Block 2545  
 Kidurong Gateway Industrial Park  
 Jalan Tanjung Kidurong  
 97000 Bintulu, Sarawak  
 Malaysia  
 Tel : +6086-252 240  
 Fax : +6086-352 250  
 Email : info@deleum.com

### Deleum Primera Sdn. Bhd.

(Telok Kalong Facility)  
 Lot PT 8777  
 Telok Kalong Industrial Area  
 24000 Kemaman  
 Terengganu Darul Iman  
 Malaysia  
 Tel : +609-862 6666  
 Fax : +609-862 6667  
 Email : info@deleum.com

## Penaga Dresser Sdn. Bhd.

(Johor Engineering Centre)  
 Lot No. A15-A16, PTD 1485  
 Mukim Pantai Timur  
 81600 Pengerang  
 Johor Darul Takzim  
 Malaysia  
 Email : sales@penagadresser.com

## Penaga Dresser Sdn. Bhd.

(Terengganu Engineering Centre)  
 Lot A1-A2  
 Kawasan Miel Jakar Phase III  
 24000 Kemaman  
 Terengganu Darul Iman  
 Malaysia  
 Tel : +609-868 6799  
 Fax : +609-868 3453  
 Email : sales@penagadresser.com

## Penaga Dresser Sdn. Bhd.

(Sabah-Sarawak Engineering Centre)  
 Lot 3326 & 3327  
 Piasau Industrial Shophouse  
 Off Jalan Piasau Utara  
 98000 Miri, Sarawak  
 Malaysia  
 Tel : +6085-419 126  
 Fax : +6085-412 127  
 Email : sales@penagadresser.com

## Penaga Dresser Sdn. Bhd.

(Labuan Engineering Centre)  
 Asian Supply Base  
 Rancha Rancha Industrial Estate  
 87017 Labuan  
 Malaysia  
 Email : sales@penagadresser.com

## Deleum Chemicals Sdn. Bhd.

(Research & Development Facility)  
 No. 4-3, Jalan Bangsar Utama 9  
 Bangsar Utama  
 59000 Kuala Lumpur  
 Malaysia  
 Tel : +603-2295 7788  
 Fax : +603-2295 7777  
 Email : info@deleum.com

## Deleum Primera Sdn. Bhd.

**Deleum Chemicals Sdn. Bhd.**  
 (Integrated Workshop Facility)  
 Lot 4019  
 Kawasan Industri Telok Kalong  
 24007 Kemaman  
 Terengganu Darul Iman  
 Malaysia  
 Tel : +609-863 4588  
 Fax : +609-863 2588  
 Email : info@deleum.com

## JOINT VENTURE

### Turboservices Overhaul Sdn. Bhd.

(Turboservices: Solar Turbines  
 Integrated Service Centre)  
 Lot 26197  
 Kawasan Perindustrian Tuanku Jaafar  
 71450 Seremban  
 Negeri Sembilan Darul Khusus  
 Malaysia  
 Tel : +606-6798 270/207  
 Fax : +606-6798 267  
 Email : info@deleum.com

## ASSOCIATE

### Malaysian Mud And Chemicals Sdn. Bhd.

Asian Supply Base  
 Rancha Rancha Industrial Estate  
 87017 Labuan  
 Malaysia  
 Tel : +6087-415 922  
 Fax : +6087-415 921  
 Email : mc2@tm.net.my

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of DELEUM BERHAD (the Company) will be held fully virtual at the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 23 June 2021 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 2020 together with the Reports of the Directors and Auditors thereon.  
**(Please refer to Explanatory Note A)**
2. To re-elect Datuk Noor Azian binti Shaari who retires by rotation pursuant to Clause 88 of the Company's Constitution and being eligible, offers herself for re-election.  
**(Please refer to Explanatory Note B)** **Ordinary Resolution 1**
3. To re-elect Datuk Manharlal a/l Ratilal who retires pursuant to Clause 86 of the Company's Constitution and being eligible, offers himself for re-election.  
**Ordinary Resolution 2**
4. To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,700,000 from 24 June 2021 until the next Annual General Meeting of the Company.  
**(Please refer to Explanatory Note C)** **Ordinary Resolution 3**
5. To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.  
**Ordinary Resolution 4**

### AS SPECIAL BUSINESS:

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

#### 6. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

"**THAT** subject always to the Companies Act 2016, the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and any other governmental/regulatory authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares not more than ten percent (10%) of the total number of issued shares 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."  
**Ordinary Resolution 5**  
**(Please refer to Explanatory Note D)**

#### 7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 21 MAY 2021**

"**THAT** approval be and is hereby given for the renewal of the Shareholders' Mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(1) of the Circular to Shareholders dated 21 May 2021 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;

## NOTICE OF ANNUAL GENERAL MEETING

(Continued)

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

**Ordinary Resolution 6**

(Please refer to Explanatory Note E)

### 8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(2) OF THE CIRCULAR TO SHAREHOLDERS DATED 21 MAY 2021

“**THAT** approval be and is hereby given for the renewal of the Shareholders' Mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(2) of the Circular to Shareholders dated 21 May 2021 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)

**Ordinary Resolution 7**

### 9. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“**THAT** 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 twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**Ordinary Resolution 8**

(Please refer to Explanatory Note F)

- 10. To transact any other business of the Company of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

### BY ORDER OF THE BOARD

**LEE SEW BEE** (SSM PC No. 201908002727) (MAICSA 0791319)

**LIM HOOI MOOI** (SSM PC No. 201908000134) (MAICSA 0799764)

Company Secretaries  
Kuala Lumpur  
21 May 2021

## Notes

1. The Company's fully virtual Sixteenth Annual General Meeting (16th AGM) will be conducted online, without a physical meeting venue. The Company has appointed Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor) as the Poll Administrator for the 16th AGM to facilitate the Remote Participation and Voting (RPV) facilities via TIIH Online website at <https://tiih.online>. Members can attend, participate and vote remotely in the meeting via TIIH Online website at <https://tiih.online> by using RPV facilities. The only venue involved is the broadcast venue where only the essential individuals are physically present to organise the fully virtual 16th AGM. The procedures for members to register, participate and vote remotely via the RPV facilities are provided in the Administrative Guide for the 16th AGM.
2. A member of the Company entitled to attend and vote at the 16th AGM via RPV is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the 16th AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined in accordance with the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
7. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
8. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at the 16th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Please follow the procedures for RPV set out in the Administrative Guide.
9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 16th AGM or at any adjournment thereof:
  - i) In hard copy form  
The original signed Proxy Form must be deposited at the Company's Registered Office, No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia.
  - ii) By Electronic Form  
The Proxy Form can be electronically submitted via TIIH Online at <https://tiih.online>. Please follow the procedures set out in the Administrative Guide.
10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 16th AGM will be put to vote by way of poll.
11. For the purpose of determining a member who shall be entitled to attend the 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 16 June 2021 and only a depositor whose name appears on this Record shall be entitled to attend the 16th AGM or appoint proxy or proxies to attend and/or vote in his/her stead.

# NOTICE OF ANNUAL GENERAL MEETING

(Continued)

## Explanatory Notes to the Agenda

### A. For Agenda Item 1

#### **To receive the Audited Financial Statements for the financial year ended 31 December 2020 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. They do not require shareholders' approval and hence, will not be put for voting.

### B. For Agenda Item 2

#### **To re-elect Directors who retire by rotation pursuant to Clause 88 of the Company's Constitution**

Datuk Noor Azian binti Shaari is standing for re-election as Director of the Company and being eligible, has offered herself for re-election.

Encik Nan Yusri bin Nan Rahimy, having served as a Group Managing Director of the Company for 10 years, will retire by rotation as a Director in accordance with Clause 88 of the Company's Constitution. Encik Nan Yusri bin Nan Rahimy had notified his intention not to seek re-election and hence, he will retire at the conclusion of the 16th AGM.

### C. For Agenda Item 4

#### **To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,700,000 from 24 June 2021 until the next Annual General Meeting of the Company**

The amount of up to RM1,700,000 under Ordinary Resolution 3 comprising Directors' fees and benefits to Non-Executive Directors of the Company is estimated for the period from 24 June 2021 until the next AGM of the Company to be held in 2022. The fees and benefits are in accordance with the Directors' Remuneration Framework for Non-Executive Directors in line with their duties and responsibilities and time commitment required to discharge their duties.

Directors' benefits comprise fixed meeting allowances payable to Independent Non-Executive Directors for attendance of Board and Board Committee meetings and the provision of company car, driver and club subscriptions for Non-Executive Chairman and Non-Executive Deputy Chairman of the Company. The meeting allowances are estimated based on the number of scheduled Board and Board Committee meetings and Directors' involvement in these meetings. The number of such meetings are determined based on the strategy and plans of the Group.

### D. For Agenda Item 6

#### **Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The Company had at the Fifteenth AGM held on 15 July 2020, obtained its shareholders' approval for the renewal of the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. The Company, however, did not issue any new shares pursuant to this mandate obtained as at the date of this Notice.

The proposed Ordinary Resolution 5 is a renewal mandate for the issue of shares under Sections 75 and 76 of the Act. If passed, it will give the Directors of the Company from the date of the 16th 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 an extraordinary general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions and/or for issuance of shares as settlement of purchase consideration.

#### **E. For Agenda Items 7 and 8**

##### **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(1) and 2.5(2) of the Circular to Shareholders dated 21 May 2021**

Please refer to the Circular to Shareholders dated 21 May 2021 for detailed information. The Ordinary Resolutions proposed under Agenda Items 7 and 8, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

#### **F. For Agenda Item 9**

##### **Retention of Independent Non-Executive Director**

The Joint Remuneration and Nomination Committee and the Board of Directors (save for Datuk Ishak bin Imam Abas who abstained from deliberation and voting) have assessed the independence of Datuk Ishak bin Imam Abas, including engaging an independent third party to conduct and provide an unbiased evaluation and to assess if he continues to satisfy the quantitative and qualitative assessments of independence in thought and mind. The evaluation process included an assessment of Datuk Ishak's performance and effectiveness as an Independent Director by his peers through a rating assessment model and separate interview sessions with him and the Senior Independent Non-Executive Director.

The Board is satisfied that Datuk Ishak continues to be independent and recommended that he be retained as an Independent Non-Executive Director based on the following justifications:

- (a) He is able to exercise independent and objective judgement and to act in the best interest of the Company, notwithstanding his tenure of service;
- (b) He has met the independence guidelines set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (c) He has contributed sufficient time and efforts and exercised due care in all undertakings of the Company and has acted and carried out his fiduciary duty in the interest of the Company during his tenure as Independent Director;
- (d) He is 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) His vast experience and in-depth knowledge of the oil and gas 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.

Shareholders' approval for the proposed Ordinary Resolution 8 on the retention of Datuk Ishak bin Imam Abas as Independent Non-Executive Director will be sought via a single tier voting process.

The proposed Ordinary Resolution 8, if passed, will enable Datuk Ishak bin Imam Abas to hold office as Independent Non-Executive Director until the conclusion of the next AGM of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

There is no person seeking election as Director of the Company at the Sixteenth Annual General Meeting (16th AGM).

Details of the general mandate to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note D of the Notice of 16th AGM.

# ADMINISTRATIVE GUIDE

## FOR THE SIXTEENTH ANNUAL GENERAL MEETING (16TH AGM)



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Date	: Wednesday, 23 June 2021
Time	: 10.00 a.m.
Meeting Platform	: <a href="https://tjih.online">https://tjih.online</a>
Broadcast Venue	: Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
Mode of Communication	: Members may attend, speak (in the form of typed text messages) and vote at the 16th AGM using the Remote Participation and Voting facilities as detailed below.

### 1. Remote Participation and Voting at a Fully Virtual 16th AGM

- The Securities Commission Malaysia (SC) had, on 13 January 2021, announced that capital market entities supervised, licensed or registered by the SC shall operate in accordance with the applicable Standard Operating Procedures (SOPs) issued by the authorities during the Emergency Ordinance and various forms of Movement Control Order (MCO). The SC had, on 5 March 2021 and further on 6 May 2021 revised the Guidance Note on the Conduct of General Meetings for Listed Issuers (SC Guidance Note) stating various mode of conducting general meetings for areas with movement restriction subject to the requirements under the prevailing and applicable SOPs (Revised Guidance Note). The Revised Guidance Note further states that listed issuers are encouraged to continue leveraging technology to conduct their general meetings beyond the MCO in accordance with the recommendation stated under Practice 12.3 of the Malaysian Code on Corporate Governance 2017.
- In line with the Government's directive, SC Guidance Note and Revised Guidance Note, the Company will conduct the 16th AGM on **a virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd.'s (Tricor) **TIIH Online** website at <https://tjih.online>.
- The Broadcast Venue of the 16th AGM is to inform members where the live streaming would be conducted from and is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be at the main venue.
- With the use of RPV facilities, the members may exercise your rights to participate, speak (in the form of typed text messages) and vote at the 16th AGM from different location without physically present at the meeting venue, including to pose questions to the Board or Management of the Company. Kindly ensure that you are connected to the internet at all times in order to participate and vote when our virtual AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 16th AGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the 16th AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

### 2. General Meeting Record of Depositors

Only depositors whose names appear on the General Meeting Record of Depositors as at 16 June 2021 shall be entitled to register and participate at the 16th AGM. If a member is unable to participate at the said meeting, he/she may appoint proxy/proxies to participate and vote on his/her behalf.

### 3. Pre-Meeting Submission of Questions to the Board of Directors

In order to enhance the efficiency of the proceedings of the 16th AGM, members or proxies may submit questions in advance via Tricor's TIIH Online website at <https://tjih.online> by selecting "e-Services" to login, pose the questions and submit electronically not later than 21 June 2021 at 10.00 a.m. or use the Query Box to transmit questions via RPV facilities during live streaming of the 16th AGM. The Board of Directors will endeavour to respond to the relevant questions at the 16th AGM.



## ADMINISTRATIVE GUIDE

### FOR THE SIXTEENTH ANNUAL GENERAL MEETING (16TH AGM) (Continued)

#### 4. Proxy

If you are unable to attend the AGM, you are encouraged to appoint a proxy or the Chairman of the meeting as your proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

If you wish to participate in the 16th AGM yourself, please do not submit any Proxy Form for the 16th AGM. You will not be allowed to participate in the 16th AGM together with a proxy appointed by you.

Accordingly, Proxy Forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 16th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Monday, 21 June 2021 at 10.00 a.m.:**

i. In hard copy form

The original signed Proxy Form must be deposited with the Company's Registered Office at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia. The original instrument appointing a proxy shall be in writing and:

- a) In the case of an individual, shall be signed by the appointer or by his attorney; and
- b) In the case of a corporation, shall be either under the common seal or signed by its attorney or by an officer on behalf of the corporation.

ii. Via Tricor Online System (TIH Online)

The Proxy Form can be electronically submitted via TIH Online at <https://tiih.online>. Please refer to the procedures set out in "Electronic Lodgement of Proxy Form" below.

Members are requested to provide their mobile handphone numbers as well as the mobile handphone numbers of their proxies in the Proxy Forms in the event Tricor needs to contact the members/proxies.

A Corporate Member who wishes to appoint a corporate representative to participate at the AGM via RPV must deposit the original certificate appointment of corporate representative to the Company's Registered Office.

For Nominee Company registered as a member, the beneficial owner of the shares under a Nominee Company's CDS account who wishes to participate at the AGM via RPV can request the Nominee Company to appoint him/her as a proxy and deposit the duly completed original Proxy Form at the Company's Registered Office or submit electronically via TIH Online at <https://tiih.online> not later than **Monday, 21 June 2021 at 10.00 a.m.**

The appointed proxy/corporate representative/proxy of Nominees Company must register himself/herself for RPV at <https://tiih.online>.

For further details, please refer to "**Procedures for RPV**" below.

#### 5. Poll Voting

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the AGM will be conducted by poll. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Members/proxies/corporate representatives can proceed to vote on the resolutions at any time from the commencement of the 16th AGM at 10.00 a.m. on 23 June 2021 but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to "**Procedures for RPV**" below for guidance on how to vote remotely from TIH Online website.

Upon completion of the voting session for the 16th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

## 6. Procedures for RPV

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 16th AGM using the RPV facilities:

	Procedure	Action
<b>Before the day of the AGM</b>		
1.	Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services" select "<b>Create Account by Individual Holder</b>". Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>Registration as a user will be approved within one working day and you will be notified via e-mail.</li> <li>If you are already a user of TIIH Online, you are not required to register again. You will receive an email from Tricor to notify you that remote participation for the 16th AGM is available for registration at TIIH Online.</li> </ul>
2.	Submit your request	<ul style="list-style-type: none"> <li>Registration is open from <b>Friday, 21 May 2021 until the day of 16th AGM on Wednesday, 23 June 2021</b>. Member(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 16th AGM to ascertain their eligibility to participate the 16th AGM using the RPV.</li> <li>Login with your user ID (i.e. e-mail address) and password and select the corporate event: "<b>(REGISTRATION) DELEUM 16TH AGM</b>".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select "Register for Remote Participation and Voting".</li> <li>Review your registration and proceed to register.</li> <li>System will send an <b>e-mail to notify</b> that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the General Meeting Record of Depositors as at <b>16 June 2021</b>, the system will send you an <b>e-mail on 21 June 2021 to approve or reject</b> your registration for remote participation.</li> </ul> <p><i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</i></p>

## ADMINISTRATIVE GUIDE

### FOR THE SIXTEENTH ANNUAL GENERAL MEETING (16TH AGM) (Continued)

	Procedure	Action
<b>On the day of the AGM (23 JUNE 2021)</b>		
3.	Login to TIIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the 16th AGM at any time from <b>9.00 a.m.</b> i.e. 1 hour before the commencement of the 16th AGM on <b>Wednesday, 23 June 2021 at 10.00 a.m.</b></li> </ul>
4.	Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: “<b>(LIVE STREAM MEETING) DELEUM 16TH AGM</b>” to engage in the proceeding of the 16th AGM remotely.</li> <li>If you have any question for the Chairman/Board, you may use the Query Box to transmit your question. If time permits, the Chairman/Board will try to respond to those relevant questions relating to the businesses to be discussed at the 16th AGM which are submitted by remote participants during the 16th AGM. You are encouraged to submit questions before the 16th AGM as priority will be given to questions submitted before the AGM – see “<b>Pre-Meeting Submission of Questions to the Board of Directors</b>”.</li> </ul>
5.	Online Remote Voting	<ul style="list-style-type: none"> <li>Voting session commences from <b>10.00 a.m. on Wednesday, 23 June 2021</b> until a time when the Chairman announces the completion of the voting session of the 16th AGM.</li> <li>Select the corporate event: “<b>(REMOTE VOTING) DELEUM 16TH AGM</b>” or if you are on the live stream meeting page, you can select “<b>GO TO REMOTE VOTING PAGE</b>” button below the Query Box.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
6.	End of Remote Participation	<ul style="list-style-type: none"> <li>Upon the declaration of the poll results and announcement by the Chairman on closure of the 16th AGM, live streaming will end.</li> </ul>

#### Note to users of the RPV:

- Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-4080 5616 / 011-4080 3168 / 011-4080 3169 / 011-4080 3170 or e-mail to [tiih.online@my.tricorglobal.com](mailto:tiih.online@my.tricorglobal.com) for assistance.

## 7. Electronic Lodgement of Proxy Form

The procedures to lodge your Proxy Form electronically via Tricor's TIH Online website are summarised below:

	Procedure	Action
<b>i. Steps for Individual Shareholders</b>		
a	Register as a User with TIH Online	<ul style="list-style-type: none"> <li>Using your computer, please access the website at <a href="https://tihi.online">https://tihi.online</a>. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>If you are already a user with TIH Online, you are not required to register again.</li> </ul>
b	Proceed with submission of Proxy Form	<ul style="list-style-type: none"> <li>After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>Select the corporate event: <b>"Deleum 16th AGM - Submission of Proxy Form"</b>.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf.</li> <li>Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint Chairman of the meeting as your proxy.</li> <li>Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.</li> <li>Review and confirm your proxy(ies) appointment.</li> <li>Print Proxy Form for your record.</li> </ul>
<b>ii. Steps for Corporation or Institutional Shareholders</b>		
	Register as a User with TIH Online	<ul style="list-style-type: none"> <li>Access TIH Online at <a href="https://tihi.online">https://tihi.online</a></li> <li>Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects <b>"Create Account by Representative of Corporate Holder"</b>.</li> <li>Complete the registration form and upload the required documents.</li> <li>Registration will be verified, and you will be notified by email within one to two working days.</li> <li>Proceed to active your account with the temporary password given in the email and re-set your own password.</li> </ul> <p><i>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need clarifications on the user registration.</i></p>
	Proceed with submission of Proxy Form	<ul style="list-style-type: none"> <li>Login to TIH Online at <a href="https://tihi.online">https://tihi.online</a></li> <li>Select the corporate exercise name: <b>"Deleum 16th AGM - Submission of Proxy Form"</b></li> <li>Agree to the Terms &amp; Conditions and Declaration.</li> <li>Proceed to download the file format for <b>"Deleum 16th AGM - Submission of Proxy Form"</b> in accordance with the Guidance Note set therein.</li> <li>Prepare the file for the appointment of proxies by inserting the required data.</li> <li>Login to TIH Online, select corporate exercise name: <b>"Deleum 16th AGM - Submission of Proxy Form"</b>.</li> <li>Proceed to upload the duly completed proxy appointment file.</li> <li>Select "Submit" to complete your submission.</li> <li>Print the confirmation report of your submission for your record.</li> </ul>

## ADMINISTRATIVE GUIDE

### FOR THE SIXTEENTH ANNUAL GENERAL MEETING (16TH AGM) (Continued)

#### 8. No Recording or Photography

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

#### 9. Food Voucher and Door Gift

There will be no distribution of food voucher or door gift to members/proxy/proxies.

#### 10. Enquiry

If you have any enquiry prior to the 16th AGM, please contact the following officers during office hours from 8.30 a.m. to 5.30 p.m. (Mondays to Fridays):

#### Tricor Investor & Issuing House Services Sdn. Bhd.

General Line	:	+603- 2783 9299
Fax Number	:	+603-2783 9222
Email	:	enquiry@my.tricorglobal.com
Contact persons	:	Ms Nur Qaisara Naaila +603-2783 9272 (Nur.Qaisara.Naaila@my.tricorglobal.com)

Puan Nor Faeayzah  
+603-2783 9274 (Nor.Faeayzah@my.tricorglobal.com)

# PROXY FORM



**DELEUM**

**Deleum Berhad**

Registration No. 200501033500 (715640-T)  
(Incorporated in Malaysia)

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 Sixteenth Annual General Meeting of the Company to be held fully virtual at the broadcast venue at **Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Wednesday, 23 June 2021 at 10:00 a.m.** and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1.	To re-elect Datuk Noor Azian binti Shaari as Director.		
2.	To re-elect Datuk Manharlal a/l Ratilal as Director.		
3.	To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,700,000.		
4.	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
5.	To authorise the issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
6.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(1) of the Circular to Shareholders dated 21 May 2021.		
7.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(2) of the Circular to Shareholders dated 21 May 2021.		
8.	To approve the retention of Datuk Ishak bin Imam Abas 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 \_\_\_\_\_ 2021.

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:

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- A member of the Company entitled to attend and vote at the 16th AGM via RPV is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the 16th 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 in accordance with the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 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.
- A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at the 16th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIH Online website at <https://tiah.online>. Please follow the procedures for RPV set out in the Administrative Guide.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 16th AGM or at any adjournment thereof:
  - In hard copy form**  
The original signed Proxy Form must be deposited at the Company's Registered Office, No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia.
  - By Electronic Form**  
The Proxy Form can be electronically submitted via TIH Online at <https://tiah.online>. Please follow the procedures set out in the Administrative Guide.
- Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 16th AGM will be put to vote by way of poll.
- For the purpose of determining a member who shall be entitled to attend the 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 16 June 2021 and only a depositor whose name appears on this Record shall be entitled to attend the 16th AGM or appoint proxy or proxies to attend and/or vote in his/her stead.

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AFFIX  
STAMP

The Company Secretary

DELEUM BERHAD

Registration No. 200501033500 (715640-T)  
(Incorporated in Malaysia)

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

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**Deleum Berhad**

Registration No.  
200501033500 (715640-T)  
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