

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

**THE BOARD OF DIRECTORS (THE BOARD) OF DELEUM BERHAD (DELEUM OR THE COMPANY) REMAINS TRUE TO ITS COMMITMENT IN ENSURING THAT THE 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 HAS ADOPTED AND OPERATED IN ACCORDANCE WITH HIGH STANDARDS OF CORPORATE GOVERNANCE WHICH IS ESSENTIAL FOR SUSTAINABLE LONG-TERM PERFORMANCE AND VALUE CREATION, WHERE PRACTICAL AND APPROPRIATE.**

As a testament to Deleum's corporate governance commitments, Deleum was recognised by the Minority Shareholder Watchdog Group (MSWG) as a recipient of the "Excellence Award for Overall Corporate Governance (CG) & Performance 2017" under the category of companies with a market capitalisation between RM300 million and RM1 billion. This award marks the third consecutive year that Deleum has been recognised for its excellent corporate governance practices.

This Statement describes the overview of the application of the following three (3) principles set out in the Malaysian Code on Corporate Governance 2017 (MCCG) by the Group in relation to its corporate governance practices:

- i. Board leadership and effectiveness;
- ii. Effective audit and risk management; and
- iii. Integrity in corporate reporting and meaningful relationship with stakeholders.

### **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. The Board establishes the vision and strategic objectives of the Group, directs the Company's strategic planning, financial, operational and resource management, key policies, risk assessment and management and provides effective oversight of Management and stewardship of the Group's resources towards realising the Vision of the Group.

Each Director has duties to act in the interest of the Group and the Directors are, collectively and individually, aware of their responsibilities to the stakeholders for the manner in which the affairs of the Company are managed.

In discharging its functions and responsibilities, the Board is guided by the Board Charter. The Board assumes, amongst others, the following principal duties and responsibilities in discharging its fiduciary and leadership functions:

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

The Board plays a pivotal role in reviewing the Group's strategic direction and approving strategic plan of the Group to ensure that the strategic plan supports business sustainability and long-term value creation. In this context, the Board held a meeting in October 2017 to discourse on the business strategies and plans for 2018 and beyond, focusing on the difficult operating and trading environment on account of the prolonged slump in global oil prices. The consensual view was that oil prices would remain volatile and unlikely to reach the pre-slump price levels. Exploration and drilling activities are expected to remain moderate but production levels will be sustained thus ensuring a steady flow of work orders which will benefit the Group. It is with this background that the Board engaged with Management to set out the Group's strategies, operating and investment plans and budgets for 2018. These plans and budgets were duly discussed and debated by the Board and Key Management and where necessary, agreed upon revisions and modifications were made to ensure that the plans though demanding are realistic and achievable and within the Group's risk tolerance levels.

- (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, disposals and key policies. During the year, Deleum Primera Sdn. Bhd. (DPSB) was invited by PETRONAS Carigali Sdn. Bhd. to participate in the tender for the Maintenance, Construction and Modification Services Contracts, comprising a number of packages. DPSB participated in the tenders for all packages and was successful in securing the works package for Peninsular Malaysia Gas over a 5-year period. The Board had engaged with Management in the key processes before, during and after the bidding with particular focus on the risks connected with management of the project, business partners, human capital, legal and financial returns.
- (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 apprises the Board on a quarterly basis on the industry, business, prospects and issues faced by the Group.
- (iv) Reviewing the risk management processes within the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks.
- 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 are set out in the Statement on Risk Management and Internal Control (SRMIC) on pages 68 to 72 of this Annual Report.
- (v) Maintaining shareholders and investors relations whereby the Group strives to maintain an open and transparent channel of communication with its shareholders, investors, analysts and the public at large with the objective of providing a clear and complete picture of the Group's performance and financial position. The Group believes that a constructive and effective investor relationship is important and an essential factor in enhancing value for its shareholders. Further details on the shareholders and investor relations are set out in Section C - "Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders" of this Statement.
- (vi) Reviewing the adequacy and integrity of the Group's internal control and management information systems for compliance with relevant laws, rules, regulations directives and guidelines.
- Details of the Group's internal control systems and its effectiveness are set out in the SRMIC.
- (vii) Reviewing the establishment of succession planning framework of Senior Management including the criteria for the role of Group Managing Director which are aligned to the Group's objectives.
- In living up to the Group's belief that the people are our greatest asset, the Company has been working with an external consultant in the establishment of a Talent Management Framework which includes the Succession Planning Framework for the Group Managing Director. The framework also places emphasis on building competencies leading to greater performance and establishment of leadership capabilities. This is also part of the Group's efforts in managing sustainability.
- The Joint Remuneration and Nomination Committee (JRNC) had deliberated the Succession Planning Framework at the JRNC meeting held in November 2017 and recommended its implementation in 2018 which was duly approved by the Board.

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

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

There are matters reserved set out in the Board Charter for the Board's collective decision, which include the following:

- the overall corporate strategy and direction, business plans and annual budget including major capital commitments;
- participation in tenders or projects exceeding the prescribed value in relation to the core business of the Group and all amounts in relation to non-core business activities;
- material acquisitions and disposals of undertakings and properties; and
- key policies and the delegation of authority guidelines of the Company.

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

### 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 provides the Board with recommendations and advice.

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

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

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

### 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 and further enhances the independence of the Board as defined in the Board Charter. 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 shareholder 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 and 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](mailto: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. The Company Secretaries are members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretaries play an advisory and consultancy role to the Board in relation to 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 Company Secretaries are also responsible for:

- facilitating Director's induction and assisting in Directors' training and development;
- monitoring corporate governance developments and advising the Board on all corporate governance obligations and development in best practices;
- managing processes for shareholders' meeting; and
- communicating with shareholders as appropriate.

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. As a practice, Board papers in general are circulated within a reasonable period prior to the meetings and on average five (5) days before the meetings. This allows the Directors to have sufficient time to read the papers and to obtain further information, explanations or clarifications, where necessary, in order that deliberations at the meetings are focused and constructive. Where a Director is unable to attend a meeting, he/she may discuss issues arising or provide comments on the Board papers directly with the Chairman and/or Group Managing Director.

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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 meeting is circulated to all Directors for their perusal and comments, if any, prior to confirmation. In discharging their duties, all the Directors have full access to the advice and services of the Company Secretaries and other Key Management personnel. The relevant Key Management personnel are invited to attend 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. No Director had sought the services of any professional advisor during the year in the discharge of his/her duties.

External advisers may also be invited to relevant Board or Board Committee meetings, if necessary. During the year, external consultants were invited to present to the JRNC their update on talent management and to brief the Board on the Companies Act 2016 and related party transactions.

The Directors were briefed on relevant correspondences/communications from Bursa Malaysia Securities Berhad (Bursa Securities) and Securities Commission from time to time and at quarterly meetings. The briefings included the following:

- application of the Bursa Securities Main Market Listing Requirements (Listing Requirements) arising from the new Companies Act 2016;
- guidance on disclosures in notes to quarterly report;
- Bursa Securities' enforcement/disciplinary proceedings and processes;
- guidance on disclosures relating to material contracts and prevention of selective disclosure of material information;
- amendments to the Listing Requirements;
- Corporate Governance Guide – 3<sup>rd</sup> Edition; and
- implementation of the new major accounting standards on MFRS 9, MFRS 15 and MFRS 16.

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

### Board Charter

The Board Charter which was adopted by the Board in 2012 was last reviewed and revised on 26 February 2018 to ensure its consistency with the Board's objectives and responsibilities, the relevant standards of corporate governance and best practices and that it remained relevant to the current environment.

The Board Charter sets out, amongst others:

- composition of the Board;
- duties and responsibilities of the Board;
- division of responsibilities and powers between Chairman, Deputy Chairman and Group Managing Director;
- responsibilities of the Independent Non-Executive Directors and Senior Independent Director;
- matters reserved for the Board as well as those which the Board may delegate to the Board Committees, Group Managing Director and Management;
- establishment of Board Committees; and
- processes and procedures for convening Board meetings as well as operations and processes of the Board to promote the standards of corporate governance in line with the Group's shared values.

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

### Directors' Code of Ethics

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

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

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

#### **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, drug and alcohol policy and consequences of violation of the COBC.

The COBC was last reviewed and updated in November 2015. Employees were briefed on the COBC annually by the Group Managing Director at the town hall briefing. All new employees are briefed on the COBC and other key policies of the Group by the Human Resource Department to ensure their awareness and conformity of the same. Employees are also required to ascertain their understanding of the COBC via online awareness test annually through a set of questionnaires administered by the Human Resource Department. The COBC and the questionnaires are accessible via the Group's intranet and corporate website.

In FY2018, the COBC awareness test will be carried out via two different sets of COBC questionnaires in bilingual (English and Bahasa Malaysia) which were designed taking into consideration the different working environment and exposure of the employees especially the large number of offshore based employees.

#### **Whistleblowing Policy**

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

The policy prescribes in detail the reporting channels that are available including a dedicated email: [whistle@deleum.com](mailto:whistle@deleum.com) which is administered by the Company Secretary and accessible by the Senior Independent Director. Letters/documents/reports may also be addressed to the Senior Independent Director at c/o Corporate Secretarial Department, No. 2, Jalan Bangsar Utama 9, Bangsar Utama 59000 Kuala Lumpur, Malaysia. The Audit Committee (AC) shall be updated as and when there are cases reported. The Board whilst pleased to note that there was no case reported in 2017 via the Whistleblowing channel, is mindful that the objectives and purposes of the policy should be more widely communicated and socialised and had entrusted Management to take the necessary measures and actions to achieve the desired awareness levels.

The policy is reviewed regularly and was last updated on 22 August 2017 and is available on the Company's corporate website.

#### **Strategies promoting sustainability**

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

The Sustainability Statement is set out on pages 36 to 47 of this Annual Report.

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### II. Board Composition

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

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

The composition of the current Board remains stable with years of membership ranging from three to 12 years and the Chairman is of the firm view that the current 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 as recommended by the MCCG and exceeds the minimum as mandated by the Listing Requirements which stipulate that at least two (2) 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 Group's affairs, and carry significant weight in the Board's decision.

The members of the Board are selected on the criteria of proven skills and abilities in their particular field of endeavor and a diversity of outlook and experience which benefits the operation of the Board as the custodian of the business. It provides an effective blend of entrepreneurship, business and professional expertise in business and risk management, financial, legal and technical areas of the industry which the Group is involved in.

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

### Tenure of Independent Directors

Practice 4.2 of the MCCG states the tenure of an independent director to be not exceeding a cumulative term limit of nine (9) years. However, the Board believes that a Director's independence should not be determined through the length of service as there are significant advantages to be gained from long-serving Directors who over the years have developed deeper understanding of the Group's business and possess 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.

Both Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong, who are the Independent Directors of the Company, have served more than nine years but less than 12 years at the forthcoming Annual General Meeting (AGM) to be held on 16 May 2018. The JRNC and the Board have assessed, reviewed and determined that Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong have remained objective and continued to be independent and unbiased in expressing their views and in participating in deliberations. They continued to bring independent thought and provided objectivity in decision making of the Board and Board Committees.

During their tenure as Independent Directors, they have contributed substantial time and efforts, exercised due care in all undertakings of the Company, and had acted and carried out their fiduciary duties in the interests of the Company and minority shareholders. As testimony to their commitments and contributions, the disclosures in the 2016 Audit Committee Report of the Company was cited as an exemplary example in dealing with the long form audit report in a survey conducted by the Securities Commission. The length of their service on the Board do not in any way interfere with their exercise of independent judgement as they are independent-minded and had provided the necessary checks and balances in the best interest of the shareholders. Both of them have met the independent guidelines set out in the Listing Requirements.

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

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

The Board will seek shareholders' approval at the forthcoming Thirteenth AGM to retain Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong as Independent Directors of the Company pursuant to Practice 4.2 of the MCCG.

#### Diversity

The Board believes that the requirement for diversity in skills, experience, gender, age and ethnicity can bring a greater range of viewpoints to boardroom debate and improve board dynamics. In this regard, the Board takes into consideration a candidate's background, gender, age and ethnicity and will make the necessary appointment based on good blend of competencies, skills, merits, extensive experience and knowledge and contribution to the overall working of the Board and the needs of the Group. Presently, the Board has one female Director in line with the Company's Board gender diversity policy to have at least one female Director. The Board will endeavour to meet the target of at least 30% women directors based on merits and effective blend of skills, experience and knowledge in areas identified, the size of the Board and the needs of the Company. The Board will do so to ensure there is greater women representation on the Board if the candidates are of equal standing.

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

The Board recognises that workforce diversity in terms of gender, ethnicity and age, amongst others, can bring a variety of experiences and perspectives towards meeting the changing needs of the business environment and organisational growth. In this respect, the Group has in place the Equal Opportunity Policy.

As at 31 December 2017, the workforce of the Group comprised 852 employees in the proportion of 77% male and 23% female. The higher ratio of male employees is due to the nature of the Group's activities which are largely performed offshore. Currently, there are 38 employees holding senior management positions of the Group, of which 10 are female. The Group is committed to the policy of equal pay for equal value and no divergence is tolerated on account of gender, age and/or ethnicity.

The Board, assisted by the JRNC, is responsible for developing succession plans for Board and Senior Management positions to ensure there is an appropriate dynamic of skills, experience, expertise and diversity.

#### Appointment and Re-election of Directors

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

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

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, major shareholders, Management or external parties including the Company's contacts in related industries, finance, legal and accounting professions. The Board will also consider sourcing candidates from other source to fill vacancy that may arise in the future.

There was no appointment of Directors in FY2017.

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

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

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

The JRNC had assessed two (2) Directors, Datuk Noor Azian binti Shaari, an Independent Director, and Encik Nan Yusri bin Nan Rahimy, the Group Managing Director, standing for re-election pursuant to Article 78 of the Company's Constitution.

The JRNC agreed that the abovementioned two (2) Directors met the criteria of character, experience and knowledge, integrity, competence and time commitment to effectively discharge their respective roles as Directors and recommended to the Board for endorsement of the Directors for re-election at the forthcoming Thirteenth 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.

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 appointed, notify the Company Secretaries who shall inform the Chairman and other members of the Board accordingly.

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

The Board recognises the need to spend time with Senior Management to discuss the business strategies, plans and performances of the Group. All Board members have committed their time to this effect. The Board has pre-budget offsite meeting with the Management to discuss the long-term strategies and vision of the Group.

During FY2017, seven (7) meetings of the Board were held to approve quarterly financial results, statutory financial statements, the annual report, dividends, business plans as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters. The Board is satisfied with the level of time commitment given by Directors towards fulfilling their roles and responsibilities as Directors as evidenced by their attendance at the Board, Board Committee meetings and the AGM as follows:

**Attendance of Directors at the meetings held during FY2017**

Name of Director	Board Meetings	AGM	Board Committee Meetings		
			AC	JRNC	BRG
Dato' Izham bin Mahmud	7/7	1/1	3/3	4/4	-
Datuk Vivekananthan a/l M.V. Nathan	6/7	1/1	3/3	4/4	4/4
Nan Yusri bin Nan Rahimy	7/7	1/1	-	-	3/3
Datuk Ishak bin Imam Abas	7/7	1/1	4/4	4/4	-
Datuk Chin Kwai Yoong	7/7	1/1	4/4	4/4	4/4
Datuk Ir (Dr) Abdul Rahim bin Hashim	7/7	1/1	4/4	4/4	-
Datuk Noor Azian binti Shaari	7/7	1/1	-	4/4	4/4
<b>Total Number of Meetings Held During FY2017</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>4</b>

**Directors' Training and Induction**

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

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

In addition, the Directors also attended various training programmes, seminars and conferences including those organised by the relevant regulatory authorities to be apprised, updated and to further enhance their knowledge and understanding of the business environment, regulatory requirements and corporate governance. The Directors have been briefed and updated on Companies Act 2016 together with the Senior Management and the relevant staff. All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

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

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

For FY2017, Directors' attendance at briefings, seminars, conferences and training programmes are as follows:

Director	Date	Programmes
Dato' Izham bin Mahmud	17 April 2017	<ul style="list-style-type: none"> <li>• Securities Commission Malaysia (SC) - Malaysian Code on Corporate Governance</li> </ul>
	13 October 2017	<ul style="list-style-type: none"> <li>• Corporate Governance (CG) Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World</li> </ul>
	12 December 2017	<ul style="list-style-type: none"> <li>• Blockchain, Cryptocurrencies, ICO – New investment Frontiers Talk</li> </ul>
Datuk Vivekananthan a/l M.V. Nathan	30 August 2017	<ul style="list-style-type: none"> <li>• Advocacy Session on Corporate Disclosure for Directors and Principal officers of Listed Issues</li> </ul>
Nan Yusri bin Nan Rahimy	18-19 January 2017	<ul style="list-style-type: none"> <li>• Asia-Pacific Oil, Gas &amp; LNG Assembly</li> </ul>
	4 April 2017	<ul style="list-style-type: none"> <li>• SPE Asia Pacific Health, Safety, Security, Environment and Social Responsibility Conference</li> </ul>
	10-11 April 2017	<ul style="list-style-type: none"> <li>• 6th Sabah Oil and Gas Conference and Exhibitions (as panelist)</li> </ul>
	1-4 May 2017	<ul style="list-style-type: none"> <li>• Offshore Technology Conference 2017</li> </ul>
	7-9 May 2017	<ul style="list-style-type: none"> <li>• 19th Asia Oil &amp; Gas Conference 2017 (AOGC 2017)</li> </ul>
	25 May 2017	<ul style="list-style-type: none"> <li>• Sustainable Development Goals Business Summit 2017: Business as a Force for Good. The Role of the Private Sector in Achieving the Sustainable Development Goals</li> </ul>
	13 July 2017	<ul style="list-style-type: none"> <li>• Forum on Women In Energy 2017 – Theme: Women Driving Energy Liberalisation</li> </ul>
	8 August 2017	<ul style="list-style-type: none"> <li>• NCCIM Economic Forum 2017</li> </ul>
	13 September 2017	<ul style="list-style-type: none"> <li>• Risk Management Programme – I Am Ready To Manage Risks</li> </ul>
	13-14 October 2017	<ul style="list-style-type: none"> <li>• Abu Dhabi International Petroleum Exhibition and Conference ADIPEC</li> </ul>
Datuk Ishak bin Imam Abas	20-21 November 2017	<ul style="list-style-type: none"> <li>• Asia Petroleum Geoscience Conference &amp; Exhibition 2017 (APGCE 2017)</li> </ul>
	7 November 2017	<ul style="list-style-type: none"> <li>• CG Breakfast Series with Directors: Integrating an Innovation Mindset with Effective Governance</li> </ul>
Datuk Chin Kwai Yoong	24 July 2017	<ul style="list-style-type: none"> <li>• Monetary Policy Conference</li> </ul>
	9 October 2017	<ul style="list-style-type: none"> <li>• Institute of Internal Auditors Annual Conference 2017</li> </ul>
	7-8 November 2017	<ul style="list-style-type: none"> <li>• MIA International Accountants Conference 2017</li> </ul>
Datuk Ir (Dr) Abdul Rahim bin Hashim	22 February 2017	<ul style="list-style-type: none"> <li>• Incorporating Liberal Arts in Technical Education Talk</li> </ul>
	23 February 2017	<ul style="list-style-type: none"> <li>• Program Value Creation Acceleration Through Creativity &amp; Innovation Experiences (Vaccine) (Speaker)</li> </ul>
	1-2 March 2017	<ul style="list-style-type: none"> <li>• PETRONAS Top Leaders Dialogue 2017</li> </ul>
	22-23 March 2017	<ul style="list-style-type: none"> <li>• Global Transformation Forum 2017</li> </ul>
	6 April 2017	<ul style="list-style-type: none"> <li>• Decision-Making Challenges in Managing and Leading Change of Organisation (Speaker)</li> </ul>
	28 April 2017	<ul style="list-style-type: none"> <li>• Royal Academy of Engineering Teaching Excellence Workshop</li> </ul>
	16-18 July 2017	<ul style="list-style-type: none"> <li>• Cambridge Executive Leadership Programme</li> </ul>
	16 August 2017	<ul style="list-style-type: none"> <li>• Persidangan Kepimpinan Dan Governan Universiti Kali Ketiga “Redesigning Education Towards Financially Sustainable Universities” (Panel)</li> </ul>
	10 January 2017	<ul style="list-style-type: none"> <li>• Sustainability Forum for Directors/CEOs: The Velocity of Global Change &amp; Sustainability – The New Business Model</li> </ul>
	13 July 2017	<ul style="list-style-type: none"> <li>• Forum on Women In Energy 2017 – Theme: Women Driving Energy Liberalisation</li> </ul>
Datuk Noor Azian binti Shaari	14 September 2017	<ul style="list-style-type: none"> <li>• Code on Corporate Governance/Companies Act 2016</li> </ul>
	19 September 2017	<ul style="list-style-type: none"> <li>• Anti-Money Laundering &amp; Counter Terrorism Financial (AMLA) Programme</li> </ul>
	28 November 2017	<ul style="list-style-type: none"> <li>• Cyber Security</li> </ul>
	28 November 2017	<ul style="list-style-type: none"> <li>• MFRS 9</li> </ul>
	5 December 2017	<ul style="list-style-type: none"> <li>• CG Breakfast Series with Directors: Leading Change @ The Brain</li> </ul>

The Board through the JRNC had assessed the training needs of each Director and is satisfied that the Directors have received the necessary training during FY2017.

### III. Board Committees

The Board has established three (3) 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 Non-Executive Directors, a majority of whom are Independent Directors. The Chairman of the JRNC, Datuk Ir (Dr) Abdul Rahim bin Hashim is the Senior Independent Non-Executive Director of the Company. The members of the JRNC are as follows:

No	Name	Designation
1	Datuk Ir (Dr) Abdul Rahim bin Hashim	Chairman of JRNC/ Senior Independent Non-Executive Director
2	Dato' Izham bin Mahmud	Member/ Non-Independent Non-Executive Chairman
3	Datuk Vivekananthan a/l M. V. Nathan	Member/ Non-Independent Non-Executive Deputy Chairman
4	Datuk Ishak bin Imam Abas	Member/ Independent Non-Executive Director
5	Datuk Chin Kwai Yoong	Member/ Independent Non-Executive Director
6	Datuk Noor Azian binti Shaari	Member/ Independent Non-Executive Director

The JRNC is primarily responsible for the following:

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

During the FY2017, four (4) meetings of the JRNC were held which were attended by all members.

The Board is satisfied that the JRNC is discharging its duties in accordance with its Terms of Reference which was last reviewed on 26 February 2018 and is available on the Company's corporate website.

As appointed by the Board, the JRNC also undertook the role of the Plan Committee for the implementation and administering of the Group's Long-Term Incentive Plan (LTIP) in accordance with the By-Laws of the LTIP. The LTIP which is aimed at driving performance as well as a retention strategy for senior managers and key personnel was approved by the shareholders on 24 May 2014.

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

During FY2017, 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 FY2016 and made recommendations for the Board's approval;
- (ii) discussed salary adjustments in respect of FY2017 for employees and the Group Managing Director taking into consideration the economic climate and challenges of the oil and gas industry;
- (iii) conducted annual evaluation of the Board's effectiveness and performance covering the assessment of the Board, each individual Director, each Board Committee, and independence of the Independent Directors;
- (iv) assessed and recommended the retention of two (2) Independent Directors, who have served for a cumulative term of more than nine years but less than 12 years, to continue to act as Independent Directors of the Company. This was in line with the Group's policy;
- (v) reviewed the training courses attended by the Directors;
- (vi) reviewed the Directors who are due for re-election/re-appointment at the Company's Twelfth AGM and recommended their re-election/re-appointment;
- (vii) reviewed the proposed key performance Indicators (KPIs) for the Group Managing Director and recommended the same for the Board's approval;
- (viii) discussed the Talent Management Framework exercise and reviewed the Group Managing Director's criteria for succession planning purposes;
- (ix) reviewed the composition of the AC and the BRC to be in line with the new practices of MCCG;
- (x) reviewed the proposed vesting of shares under the first grant and the second grant of the LTIP due in March 2017. No shares were vested under the first grant and the second grant of the LTIP during FY2017 as the pre-determined performance targets in respect of FY2016 were not met mainly on the back of the challenges affecting the oil and gas industry;
- (xi) reviewed the proposed third grant allocation, performance targets and participants of the LTIP. The Company decided not to proceed with the proposed third grant taking into consideration of the prevailing economic downturn and the Group's performance;

- (xii) reviewed the special grant allocation and participants of the LTIP; For retention of Senior Management, a special grant of 398,400 ordinary shares in the Company (Deleum Shares) under the Restricted Share Incentive Plan (RS Award) of the LTIP (Special Grant) to selected eligible employees was made on 22 March 2017. The relevant announcement in respect of the Special Grant was made to Bursa Securities on the same day. The vesting period for the Special Grant was 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. 195,300 Deleum Shares were vested to entitled eligible employees under the first tranche of the Special Grant on 15 June 2017.
- (xiii) discussed the proposed vesting of shares under the first grant and the second grant of the LTIP due in March 2018 and the second tranche of the Special Grant due in June 2018.

### 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.

A full AC Report enumerating its membership and a summary of its activities during the financial year are set out on pages 73 to 80 of this Annual Report.

### Board Risk Committee

The BRC, formerly known as "Risk Committee" was renamed as "Board Risk Committee" in August 2017 in line with the setting up of a risk committee at management level known as "Management Risk Committee" (MRC). The MRC was set up to manage risk on a day-to-day basis and to further emphasise that managing risks is the responsibility of every staff member of the Company and not the domain of Board and Senior Management. 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 such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

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 and Individual Directors

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

The outcome of the evaluation of the Board of Directors, individual Directors and Board Committees for FY2017 highlighted certain key focus areas and future priorities for the Board's consideration, amongst others, including the following:

- enhancement in risks identification and assessment and the detailed action plans to mitigate the identified risks and monitoring of action plans;
- to further exploit the existing investments in information technology (IT) to drive business efficiencies and competitiveness; and
- to consider for Board membership, person with IT knowledge and expertise given the continuing importance of technologies and innovations in driving business sustainability.

The Board will continue to review its performance and that of its Committees and individual Directors for FY2018.

### Annual Assessment of Independence

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

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

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

The Company has in place a remuneration framework for the Directors and the Senior Management personnel. 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 details of Directors' and Key Senior Management's remuneration received or to be received for FY2017 (both from the Company and the Group) are as follows:

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

During FY2017, the Group Managing Director received the following total remuneration from the Company and did not receive any remuneration from the subsidiaries of the Group:

Director/Group Managing Director	Remuneration (RM)						
	Fees	Salaries and bonuses	^Defined contribution plan	*Estimated monetary value of benefits-in-kind	#Other emoluments		
					LTIP	Total	
Nan Yusri bin Nan Rahimy	-	1,250,000	187,500	31,150	45,476	20,321	1,534,447

^ Defined contribution plan comprised of contribution to Employees Provident Fund (EPF)

\* Estimated monetary value of benefits-in-kind comprised of prescribed value of company car and driver

# Other emoluments comprised of contribution to Social Security Organisation (SOCSO) and club subscription fees

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

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

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

In addition to the above, the Group Managing Director is entitled to participate in the Group's LTIP scheme.

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 (3) months' notice in writing.

During FY2017, Encik Nan Yusri bin Nan Rahimy was granted 99,500 Deleum Shares under RS Award pursuant to the Special Grant of the LTIP as announced on 22 March 2017. 49,700 Deleum Shares under the said Special Grant were vested on 15 June 2017 and the balance of 49,800 Deleum Shares will be vested on 15 June 2018 or such other date to be determined by the Plan Committee.

### Remuneration of Non-Executive Directors

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

### **Directors' Fees:**

Designation	Fixed fee per month (RM)
Chairman	25,000
Deputy Chairman	25,000
Members of the Board	4,000

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

Designation	AC (Fixed fee per month) (RM)	JRNC (Fixed fee per month) (RM)	BRC (Fixed fee per month) (RM)
Chairman	2,500	1,000	1,000
Members of the Committee	2,000	1,000	1,000

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

The Board as a whole determines the remuneration of Non-Executive Directors which is subject to the approval of the shareholders at the AGM. There is no change in the fees and meeting allowances paid to the Non-Executive Directors during FY2017.

The Non-Executive Directors' Remuneration Framework was last reviewed and revised on 26 February 2018 with no change in fees and allowances, and is available on the Company's corporate website.

For FY2017, the total remuneration received by the Non-Executive Directors individually from the Company 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)	300,000	-	-	35,200	-	4,206	339,406
Datuk Vivekananthan a/l M.V. Nathan (Deputy Chairman of Board)	300,000	-	-	35,200	-	24,550	359,750
Datuk Ishak bin Imam Abas (Chairman of AC)	90,000	-	-	-	24,500	-	114,500
Datuk Chin Kwai Yoong (Chairman of BRC)	96,000	-	-	-	26,500	-	122,500
Datuk Ir (Dr) Abdul Rahim bin Hashim (Chairman of JRNC)	84,000	-	-	-	22,500	-	106,500
Datuk Noor Azian binti Shaari	72,000	-	-	-	18,500	-	90,500
<b>Total:</b>	<b>942,000</b>	<b>-</b>	<b>-</b>	<b>70,400</b>	<b>92,000</b>	<b>28,756</b>	<b>1,133,156</b>

\* Estimated monetary value of benefits-in-kind comprised of prescribed value of company car and driver

# Other emoluments comprised of 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 while in office. However, they are not indemnified if any negligence, fraud, breach of duty or trust is proven against them.

#### Remuneration of Senior Management

For FY2017, the aggregate total remuneration paid to Deleum Group's top five (5) Key Senior Management personnel, who are not Directors, comprising the Group Chief Financial Officer and four (4) Chief Operating Officers of the Group is RM3,606,210 as follows:

Remuneration (RM)						
Salaries and bonuses	^Defined contribution plan	** Fixed Allowances	*Estimated monetary value of benefits-in-kind	LTIP	#Other emoluments	Total
2,697,575	364,674	340,800	129,597	69,631	3,933	3,606,210

^ Defined contribution plan comprised of contribution to EPF

\*\* Fixed allowances comprised of car allowance

\* Estimated monetary value of benefits-in-kind comprised of prescribed value of company car and driver, petrol consumption, mobile expenses

# Other emoluments comprised of contribution to SOCSO

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.

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

The top five (5) 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
650,001 – 700,000	1
700,001 – 750,000	4

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.

### 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 the Companies Act 2016 (CA). The accounting policies, once adopted, are consistently applied and supported by reasonable judgments and estimates.

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

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

The Directors are required by the CA 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. 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 FY2017, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the MFRS, IFRS, the CA 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. No such matter was reported to the Board in 2017.

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.

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 recommendations of the appointment of external auditors, considering the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditors.

The external auditors also submitted their independence statement to the Board as part of their audit process. In order to further maintain independence of the external auditors, the audit partner-in-charge is rotated every five (5) years with the 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 ERM Framework to ensure a proper and structured enterprise risk management processes for the identification, assessment, response, monitoring and reporting of risks on an enterprise wide basis. The BRC reviewed the ERM Framework as and when it is necessary. The ERM Framework was last reviewed and revised on 22 August 2017.

### Board Risk Committee

The BRC comprises the following Directors and during FY2017, four (4) meetings of the BRC were held and attended by all members:

No.	Name	Designation
1	Datuk Chin Kwai Yoong	Chairman of BRC/ Independent Non-Executive Director
2	Datuk Vivekananthan a/l M. V. Nathan	Member/ Non-Independent Non-Executive Deputy Chairman
3	Nan Yusri bin Nan Rahimy (Resigned on 22 August 2017)	Member/ Group Managing Director
4	Datuk Noor Azian binti Shaari	Member/ Independent Non-Executive Director

To be in line with Step Up 9.3 of the MCCG where the BRC should comprise a majority of independent directors to oversee the Company's risk management framework and policies, Encik Nan Yusri bin Nan Rahimy, the Group Managing Director resigned as a member of the BRC during FY2017.

The BRC is primarily responsible for the following:

- (i) reviewing the Group's risk profile and appetite and establishing and monitoring the effectiveness of the risk management framework, systems, plans, and processes for identifying, evaluating, monitoring and reporting of risks;
- (ii) identifying, reviewing and evaluating risks facing the Group and reviewing the adequacy of the Group's processes and procedures to identify and mitigate key organisational risks;

- (iii) ensuring that continuous risk assessment and monitoring of key risk indicators and exposures are performed by Management based on the Group's risk profile and appetite and that adequate risk mitigation processes, action plans and controls formulated and implemented by Management are functioning effectively;
- (iv) making necessary recommendations to the Board on risk management and control, where appropriate; and
- (v) updating the Board on the activities of the BRC at the quarterly Board meetings.

The Terms of Reference of the BRC was last reviewed and revised on 22 August 2017 and is available on the Company's corporate website.

During FY2017, the following activities were undertaken by the BRC:

- (i) reviewed the revision of Group's Key Risk Profile comprising Operational and Market, Regulatory, Legal, Human Capital and Safety and Financial risks;
- (ii) reviewed the Group's Risk Impact perimeters;
- (iii) reviewed the revision of ERM Framework;
- (iv) reviewed COBC Questionnaire for Employees' online awareness test;
- (v) reviewed the Control Self-Assessment Checklist for the Group's Key Risk Profile and the results;
- (vi) reviewed the Terms of Reference of the BRC;
- (vii) discussed the establishment of the MRC which comprises the Group Managing Director, Group Chief Financial Officer and Chief Operating Officers;
- (viii) reviewed the Terms of Reference of the MRC;
- (ix) notation of the Minutes of the MRC;
- (x) reviewed the risk identification, assessment and mitigating plans for the proposed investment in a technology company;
- (xi) reviewed a dispute between DPSB and Mogbiss Sdn. Bhd;
- (xii) reviewed the compliance checklists of three major contracts; and
- (xiii) reviewed the project risk assessment for the provision of Maintenance, Construction and Modification (MCM) Services for PETRONAS Carigali Sdn. Bhd. under Package C (Offshore) – Peninsular Malaysia Gas contract.

In FY2018, in addition to its routine business, the BRC will assess the effectiveness and efficiency of the MRC on managing risks.

More comprehensive information is set out in the SRMIC.

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

### Internal Audit Function

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

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

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

#### I. Communication with Stakeholders

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

The Group continued to engage with the analysts and fund managers on investor relations. The Group held two (2) analyst briefings in FY2017 to provide updates to the investment community. Additional briefings, small group meetings, tele-conferences, and media related interviews were also held as and when required. Presentation materials of the analyst briefings were 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 an effective platform for the fund managers and analysts to receive a balanced and complete view of the business operations, financial performance, key operating statistics and corporate development and challenges facing the Group.

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

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

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

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

#### **Ms. Lee Sew Bee**

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

#### **Ms. Lee Hooi Woen**

General Manager – Group Finance  
Tel : +603-2295 7732  
Fax : +603-2295 7777  
Email : [HooiWoen.Lee@deleum.com](mailto:HooiWoen.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.

The Notice of the forthcoming Thirteenth AGM will be sent to shareholders at least 28 days ahead of the meeting date together with the Audited Financial Statements and agenda for the meeting. The AGM will be convened on 16 May 2018. At the AGM, the Group Managing Director presents the Group's financial highlights and business activities to the shareholders.

All Directors including the Chairman of the AC, JRNC and BRC as well as the external auditors were present at the last AGM to provide meaningful response to questions addressed to them. The Chairman provided ample time for shareholders to participate in the Questions and Answers session. Suggestions and comments communicated by shareholders were noted by the Board and Management.

The Company had implemented the poll voting for all resolutions as set out in the notice of the AGM held on 18 May 2017 via electronic means to expedite verification and counting of votes. An independent scrutineer was appointed to validate the votes cast at the AGM. The outcomes of voting were announced to Bursa Securities after the AGM and posted in the Company's corporate website.

## III. Dividends

Deleum continues to commit to its dividend policy of distributing 50% of the Group's annual profit attributable to the equity holders of the Company, subject to the availability of adequate distributable reserves, operating cash flow, financial commitments and expansion plans. For FY2017, the Company declared two (2) dividend payments amounting to 4.25 sen per share which were paid within 30 days from the entitlement date.

## COMPLIANCE STATEMENT

The Board recognises and subscribes to the importance of the principles and best practices set out in the MCCG. In this respect, where practical and appropriate, the Board has applied the principles and recommendations under the MCCG for FY2017. The remuneration of the Group's top five (5) Key Senior Management personnel within the disclosure band is not disclosed on named basis due to the need to preserve confidentiality and competition for quality managerial resources. The Board believed that the alternative disclosure adopted by the Company is in line with the spirit of the disclosure guidelines and in the interest of the employees concerned and shareholders. The alternative approach in the disclosure has been deployed as disclosed in this Statement.

The application of each Practice set out in the MCCG during FY2017 and the explanation for departure is disclosed in the Corporate Governance Report which is available in the Company's corporate website [www.deleum.com](http://www.deleum.com).

The Board has deliberated, reviewed and approved this Corporate Governance Overview Statement and the Corporate Governance Report on 26 February 2018.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**THIS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL IS MADE IN ACCORDANCE WITH PARAGRAPH 15.26 (B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES) AND IS IN LINE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (MCCG) 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 (the Group's) risk management and internal control systems. The systems in place are designed to ensure key risk areas are managed to an acceptable level to achieve the Group's business objectives. The Group's risk management and internal control systems is an ongoing process designed to meet the Group's particular needs based on the Group's business direction and to manage the risks in line with changes to the business environment, operating conditions and regulatory requirements.

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

## RISK MANAGEMENT

### Board Risk Committee

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

The duties and responsibilities of the BRC are set out in the Corporate Governance Overview Statement of this Annual Report.

### Management Risk Committee

The Management Risk Committee (MRC) was established during the year under review to manage risks on a dynamic basis given that all manner of risks are 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 on health, safety and environment to facilitate the identification and monitoring of existing and emerging risks impacting the businesses. The MRC is chaired by the Group Managing Director (GMD) and meets on a monthly basis.

The day-to-day management of risks is the responsibility of the GMD and the heads of business units are responsible in representing the GMD's obligation to all business units. The Senior Management team assisted by the Group Risk Department 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 2017

### Operational Risk

Operational risk relates to 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. This risk faced considerable upside pressures following the slump in oil prices in 2014 and with little prospect of prices rebounding to previous levels, all our key customers had embarked on operational efficiency programs and reigning in capital expenditures. To manage this risk, the Group widened its integration across the business units to offer customers holistic solutions, new technological products and services in collaboration with partners whilst emphasising on strict cost disciplines.

The Management's mandate is to manage operational risks in a cost effective manner to prevent financial loss or damage to the Group's reputation. In this context, the Board is reasonably satisfied that the risks had been managed appropriately in light of the difficult trading conditions. Whilst the Group's revenue earned in each of the years since 2014 were weaker year-on-year, the Group stayed profitable and cash generation remained healthy and facilitated the fulfilment of our dividend policy.

### Financial Risk

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

One of the Group's key market risks is currency volatility. A major portion of the Group's revenue and costs are conducted in foreign currencies, primarily the US Dollar (USD). Traditionally these currency exposures were mitigated by a relatively stable Ringgit Malaysia (RM)/USD relationship of a natural hedge in that foreign currency receivables and payables were denominated in the same currencies. However, following the collapse in the crude oil prices and the stated aim of the US Reserve Bank to normalise interest rates have heightened the volatility of RM in relation to the USD. For instance, in 2017 the RM had traded within a range of RM4.00 to RM4.50 to the USD. To mitigate the risk, the Group has in place arrangements with our bankers to cover exposures to currency movements. However, usage of these facilities during the year were low as the Group was able to utilise foreign currencies in hand to meet ongoing obligations. With the RM appreciating against the USD throughout 2017, the Group reported foreign exchange losses of RM4,654,374 (2016:RM3,567,743). Moving forward, the Group will utilise the available hedging tools to manage currency volatilities.

#### **Legal Risk**

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

The Group Legal Department working alongside a legally experienced Board member and where required, outside legal experts had assessed and identified the key terms and conditions of the existing major contracts. Together, they had devised a framework for ongoing monitoring and management of the contracts by the respective business units to mitigate the risk of loss arising from failure to comply with key contractual obligations.

#### **Safety Risk**

The safety of people and assets is a top priority in the oil and gas industry and any adverse incident could result in significant financial loss and damage to the Group's reputation. Hence the Group has in place comprehensive safety policies and processes to address this risk and its effectiveness could be measured by the fact that as of 28 February 2018, the Group had recorded 9.76 million free Lost Time Injury man-hours since 25 August 2012. In recognition of our excellent safety record in 2017, the Group was awarded HSE Achievement Awards by PETRONAS Carigali Sdn. Bhd., Petrofac Malaysia Limited and PCPP Operating Company Sdn. Bhd.

#### **Regulatory Risk**

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

All oil and gas industry participants in Malaysia are required to be licensed by PETRONAS. Accordingly, the Group's operations are governed by a number of licenses issued by PETRONAS. The Group has procedures and processes in place to ensure that its activities are conducted in compliance with the licensing requirements. No significant breach was reported during the year.

#### **Human Capital Risk**

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

Strong execution of the Group's business strategies requires the Group to have employees with the necessary balance of knowledge and skills demanded by customers. However, competition for skilled and competent personnel is a key challenge given that these personnel are highly sought. The Group recognises that it must have the ability to attract, motivate and above all, retain key talents. To mitigate these risks, the Group has in place a Human Resource Framework, encompassing a comprehensive Talent Management Framework and a progressive compensation scheme for the employees. In the quest to motivate, incentivise and retain key talents, the Group had established a Long-Term Incentive scheme in 2014.

#### **Risk Management Process**

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

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

#### **Control Self-Assessment Checklist**

A Control Self-Assessment (CSA) Checklist is a tool further developed during the year which is being utilised to assess the adequacy of processes and controls in place within all the business units.

Throughout the year, Management has taken the initiative with the guidance from the BRC to develop the CSA Checklist for the Group's key risks. The purpose of the CSA is to track the processes and controls that were put in place to mitigate risks and to act as a check and balance mechanism to ensure that effective action plans, processes and controls are in place. This exercise has been endorsed by the BRC in August 2017 and rolled out at all business unit functions in September 2017.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Risk Briefings and Awareness Sessions

During the year, risk briefings were held with senior managers on a quarterly basis whilst awareness sessions were conducted for all relevant personnel from business units and corporate resources units, to ensure that the processes involved are reasonably understood and that everyone involved would be able to address potential risk appropriately. Besides being briefed on the ERM Framework and the revisions made, the participants were also informed of the Group's key risks, risks impacts, control measures undertaken and the action plans in place.

Risk briefing sessions are also conducted for tendering projects to help identify and evaluate potential risks in accordance with the Project Risk Management Guideline that defines the scope and process for the identification, assessment, management and monitoring of 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 project controls and processes are effective in mitigating the identified risks.

## CONTROL STRUCTURE

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

- **The Board**

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

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

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

The planning process for the ensuing year starts with the strategy setting meeting between the Board and the GMD. The deliberations and the decisions are then taken forward in the preparation of the Group's Strategic Plan and Budget which sets out clearly the overall objectives, strategies, operating and capital budgets which are approved by the Board in November before the commencement of the new financial year. Detailed budgets are prepared by the business units and corporate resources units, and submitted to the Group Finance Department which consolidates these into a Group Budget.

The strategic plan covers the Group's strategy and key focus areas for the upcoming year, including operating and financial performance, key business indicators, Quality, Health, Safety and Environment (QHSE), resource utilisation, capital expenditure, cash flow projection, facilities and operational support, and human capital development.

Upon approval of the strategy and budget, the Group's performances against budget were reported to the GMD on a monthly basis and the respective business units' performances were reported to heads of business units.

The Board reviews the results against budget and historical results on a quarterly basis in conjunction with the public announcement of the Group's quarterly results. Concurrently, Management provides a rolling forecast / outlook of the business and any changes in plans and directions are deliberated and sanctioned by the Board accordingly.

- **Audit Committee**

The AC evaluates the adequacy and integrity of the Group's internal control systems. The AC reviews internal control matters raised by the internal and external auditors and Management. Where appropriate, the AC is briefed on matters pertaining to corporate governance, financial reporting standards, listing requirements, legal and regulatory requirements as well as key matters affecting the interim and annual financial statements. Details of the AC's activities and responsibilities are further discussed and are set out in the AC Report on pages 73 to 80 of this Annual Report.

- **Internal Audit**

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

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

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

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

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

The cost incurred for the Internal Audit Function in respect of the financial year ended 31 December 2017 amounted to RM88,875 (2016: RM89,724).

Details of the Internal Audit reviews conducted during the year can be referenced in the AC Report.

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

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

Furthermore, statements on COBC and/or business policies and principles from business partners and customers are communicated to all employees together with a reminder of the Group's COBC. For contractors, subcontractors, vendors and other service providers, the COBC is directly communicated through the updated terms and conditions.

To promote further awareness amongst the employees and visitors, posters covering key critical COBC points such as harassment, anti-bribery, drugs and alcohol are placed at the Group's offices and work places.

To ensure that all employees are aware of and familiar with the COBC, Management also conducts awareness test programs for employees to affirm their knowledge, understanding and compliance with the COBC. The test is conducted on an annual basis.

- **Whistleblowing Policy**

The Whistleblowing Policy facilitates employees of the Group and external parties to report any wrongdoings and provides assurance of confidentiality and safeguards against victimisation. The Board whilst pleased to note that there was no case reported during the year via the Whistleblowing channel, is mindful that the objectives and purposes of the policy should be more widely communicated and socialised and had entrusted Management to take the necessary measures and actions to achieve the desired awareness levels.

The policy is available on the Company's corporate website and the Board has reviewed and updated the policy in line with the current practices. The policy was last updated on 22 August 2017.

- **Authorisation Limits**

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

- **Policies and Procedures**

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group QHSE Department is responsible for the Group's QMS and EMS certification and audit. The Group successfully maintained its ISO 9001: 2015 certification under Deleum Services Sdn. Bhd. (DSSB) covering the products and services of Deleum Oilfield Services Sdn. Bhd. (DOSSB), Deleum Chemicals Sdn. Bhd. (DCSB), Deleum Primera Sdn. Bhd. (DPSB) and Deleum Rotary Services Sdn. Bhd. (DRSSB). In July 2017, Turboservices Sdn. Bhd.'s (TSSB) ISO 9001: 2015 was independently certified. The Group also maintained its ISO 14001: 2015 EMS certification for DCSB. These certifications provide assurance to customers of the delivery of quality products and services and compliance with regulatory requirements.

During the year under review, planned audits for ISO certification were performed by Certified IRCA (International Registered Certified Auditors) Internal Auditors on DSSB, DOSSB, DCSB, DRSSB, DPSB, TSSB, Information Communication Technology Department, Human Resource Department and Procurement Department. The audits confirmed these companies' and departments' continued compliance with the relevant ISO standards.

- 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.

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

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

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

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

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

## CONCLUSION

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

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

## REVIEW OF THIS STATEMENT

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

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

This Statement is made in accordance with the resolution of the Board dated 26 February 2018.

# AUDIT COMMITTEE REPORT

**THE BOARD OF DIRECTORS (THE BOARD) OF DELEUM BERHAD (DELEUM OR THE COMPANY) IS PLEASED TO PRESENT  
THE REPORT OF THE AUDIT COMMITTEE (AC) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (FY2017).**

During FY2017, the AC has continued to play a key oversight role on behalf of the Board. The AC provides assistance to the Board in fulfilling the Board's responsibilities to Deleum and its shareholders by reviewing and monitoring integrity of the financial reporting process and accounting records of Deleum and its subsidiaries (the Group). The AC also reviews the Group's 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) CONSTITUTION**

The AC had discharged its function and carried out its duties as set out in the Terms of Reference (TOR) of the AC which is accessible through the Company's corporate website at [www.deleum.com](http://www.deleum.com) under the 'Corporate Profile' section. Where necessary, the TOR will be reviewed accordingly. The TOR was last reviewed and revised on 26 February 2018.

## (II) MEMBERSHIP

The AC composition was revised during FY2017 in line with Step Up 8.4 of the Malaysian Code on Corporate Governance 2017 (MCCG) to comprise solely of independent directors as follows:

Name of AC Members	Appointment Date	Designation
Datuk Ishak bin Imam Abas	21 March 2007	Chairman of AC/ Independent Non-Executive Director
Datuk Chin Kwai Yoong	21 March 2007	Member/ Independent Non-Executive Director
Datuk Ir (Dr) Abdul Rahim bin Hashim	15 November 2013	Member/ Senior Independent Non-Executive Director

The composition of the AC meets the requirements of paragraph 15.09(1) of Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Listing Requirements) which stipulates that the AC must be composed of not fewer than three (3) members, of which, all must be non-executive directors, with a majority of them being independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants (MIA) or fulfilled the requirements as prescribed under the Listing Requirements. The AC members come from different professional and business backgrounds with two (2) members from the accounting background and are members of the MIA.

The members of the AC 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.

### **(III) COMMITTEE MEETINGS**

During FY2017, the AC held four (4) meetings which were attended by all members as reflected below:

Name	No. of attendance and meetings
Chairman : Datuk Ishak bin Imam Abas	4/4
Members : Datuk Chin Kwai Yoong	4/4
: Dato' Izham bin Mahmud (Resigned on 22 August 2017)	3/3
: Datuk Vivekananthan a/l M. V. Nathan (Resigned on 22 August 2017)	3/3
: Datuk Ir (Dr) Abdul Rahim bin Hashim	4/4

# AUDIT COMMITTEE REPORT

By invitation, the Group Managing Director, the Group Chief Financial Officer and other relevant senior management personnel, and representatives from the external and internal auditors attend the AC meetings to brief and provide clarification to the AC on their areas of responsibility. Subsequent to August 2017, invitations were extended to both Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan to AC meetings to share deeper strategic and operational insights with the AC drawing upon their cumulative and extensive knowledge and experiences of the oil and gas industry which was invaluable to the AC in their deliberations against a backdrop of low oil prices and high volatilities.

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 Executive Director and Management or employees of the Company.

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

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

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

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

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

### 1. Financial Results and Annual Reporting

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

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

#### Asset Impairment Testing

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

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

During the financial year, the non utilisation of certain assets and declining profit trends of the associate company over the previous years have given rise to an impairment indicator to the carrying value to the Group's investment value in the company and the value of its assets. The assessment of carrying value of the investment concluded that no impairment was required. However, the review on the usage of the assets consisting of mainly plant and equipment against the related business plans for the coming years indicated that certain assets were unlikely to be used for the generation of income. Accordingly, an impairment charge of RM9.2 million was recognised in the financial statements of the associate company, of which the Group's share was RM2.9 million.

With regard to plant and equipment in the Oilfield Services segment, Management has performed an impairment assessment on its carrying value in view of contracts expiry within the next two financial years and its ability to secure an extension or a new contract upon expiring. The review of its usage of the plant and equipment against the related business plans for the coming years indicated that no impairment was required.

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

#### Revenue Recognition

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

The Group has assessed the effects of applying the new accounting standard on revenue recognition, MFRS 15 Revenue from Contracts with Customers. Under this accounting standard, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for financial year beginning on or after 1 January 2018. Based on the review, the Group does not expect the new guidance on identification of one or more separate performance obligations will have material impact on the timing of the recognition of revenue going forward, and that the appropriate disclosure is made in the Group financial statements for FY2017.

The AC is satisfied that the assessment has 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;
  - Provisions of the 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 Corporate Governance, 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.
- (d) The AC noted that the Malaysian Institute of Certified Public Accountants in its continuous effort to uphold the standards of the accounting profession by supporting its members in enhancing the quality of financial statements had informed the AC Chairman and Messrs PricewaterhouseCoopers PLT (PwC) the following disclosures required under the relevant accounting standards were not complied with in respect of the 2016 Audited Financial Statements:
  - disclosure of the amount of goods sold; and
  - disclosure of unrealised gain/loss on foreign exchange.

The AC had conveyed to Management and PwC that the AC fully supports the effort of the professional accounting body to uphold professional reporting standards and specifically directed Management to rectify these omissions in the 2017 financial statements.

# AUDIT COMMITTEE REPORT

## 2. External Audit

- (a) Reviewed the external auditors' scope of work, audit plan and audit strategy for FY2017 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.
- (g) Monitored the non-audit related fees paid to the external auditors, PwC so that the services provided did not affect the objectivity and independence of the external auditors. The fees paid to PwC in FY2017 in relation to non-audit services were RM57,450 (2016: RM103,450) compared to the fees paid in relation to the statutory audit and other audit related fees of RM573,904 (2016: RM457,410).
- (h) Reviewed the performance and effectiveness of the external auditors and recommended to the Board for their re-appointment, remuneration and fees for statutory audit.
- (i) Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements including implementation of new Companies Act 2016 and new practices under the new MCCG and the extent of compliance. 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 (2) private meetings with the external auditors without the presence of the Executive Director and Management or employees of the Company. The meetings focused on the external auditors' assessment on Management's attitude and responses to adherence to the Group's core values of ethics and integrity, adequacy and competencies of the Group's accounting staff, efficiencies of the accounting, enterprise risk planning and information technology (IT) systems and adequacy of IT resources. In addition, key audit matters were discussed. The AC is satisfied that appropriate actions were taken to address the issues and concerns raised by the external auditors arising from these meetings.
- (k) Carried out evaluation of the external auditors and internal auditors, the details of which are in Section (VI) – "Evaluation" of this Report.

## 3. Internal Audit

- (a) Reviewed and approved the Internal Audit Plan prepared by the internal auditors, 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:
  - review on the "Procurement to Payment Cycle" of the Group to ensure compliance with the Group's Delegation of Authority Guidelines, accuracy and completeness of accounts payable records as well as overall efficiency of the procurement activities;
  - review on the "Cost Management" of the Group to identify areas for improvement;
  - review on the inventory management systems of the Group at warehouses located at Asian Supply Base in Labuan, Kemaman Supply Base and Telok Kalong Integrated Facility in Kemaman to ensure compliance with the Group's policies on inventory management as well as adequacy of insurance policies, security measures and safeguarding of assets; and
  - review on the "Hire and Retire Cycle" of the Group to ensure compliance with the Group's policies and procedures.

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

#### 4. Related Party Transactions

- (a) Apprised 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)

Reviewed and verified that the allocation of shares granted under the LTIP during the financial year was in compliance with the By-Laws of the LTIP approved by the Board and shareholders of the Company.

#### 6. Whistleblowing

The Group has put in place a Whistleblowing Policy 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 was no reported case of wrongdoings in 2017.

During the financial year, the AC has reviewed and proposed revision to the Whistleblowing Policy for approval of the Board.

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

#### 7. Training

Members of the AC are encouraged to stay abreast of developments in accounting, finance and relevant regulatory matters in order to discharge their duties effectively. During the FY2017, the AC members attended seminars, conferences and training sessions offered by regulators and other appropriate bodies or organisations including the following:

- MIA International Accountants Conference 2017
- Institute of Internal Auditors Annual Conference 2017
- Bursa Securities Corporate Governance Breakfast Series with Directors: Integrating an Innovation Mindset with Effective Governance

They were also briefed by Management, external and internal auditors and external consultants on corporate governance practices, changes to accounting, taxation, auditing and reporting requirements as well as the Listing Requirements and Companies Act 2016.

#### (V) INTERNAL AUDIT FUNCTION

The AC is supported by BDO, a well-established firm that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA), 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 the Executive Director – Advisory of BDO who possesses the relevant qualification and experience and assisted by four (4) 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 provide assurance to the AC on the adequacy and integrity of the internal control and governance framework of the Group. The IAF reviews and assesses whether the systems of internal control procedures are effective, and provides recommendations to strengthen internal control procedures and processes.

# AUDIT COMMITTEE REPORT

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

The IAF is effective and able to function 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 four AC meetings and the cost incurred for the outsourced IAF in respect of FY2017 amounted to RM88,875 (2016: RM89,724). The activities carried out by the IAF were as follows:

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

The plan adopts a risk-based methodology by focusing on key risk areas which is partly guided by an 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 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 (4) internal control review a year is performed under each audit plan. The work performed included financial and operational reviews across the three main business segments with emphasis on contract compliance, project management, inventory management and the Enterprise Resource Planning implementation. Their findings, together with related recommendations and Management's responses thereto, were reported to the AC on a quarterly basis.

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

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

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

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

BDO has no relationship with the Group and is independent from Management, staff, Directors and substantial shareholders. The AC is of the opinion that BDO is independent and objective in carrying out its role as IAF.

The AC is satisfied with the services provided by BDO, which have added value and are cost effective. The AC intends to continue with the engagement of BDO as IAF of the Group due to their understanding and knowledge of the Group's business and industry, systems and processes and people and culture.

## (VI) EVALUATION

### 1. External Auditors

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

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

In the evaluation, the AC also takes into account the relevant professional and regulatory requirements, the effectiveness of the audit process and the relationship with the external auditors as a whole, including the provision of any non-audit services. The outcome of the evaluation highlighted the need for PwC to review the effectiveness of risk management and its processes more comprehensively in FY2018. In addition, it was highlighted that PwC's extensive knowledge of the global oil and gas industry is well placed to share with the Board new and emerging trends and risks impacting the Group's businesses moving forward in light of the fast-moving disruptions and changes brought about by volatile global oil prices.

As part of the annual audit exercise, the Company had obtained written assurance from PwC confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. PwC has complied with the requirement of the MIA and the firm's Guidelines in rotating audit partners every five (5) years. For FY2017, a new engagement partner assumed the role in place of the previous engagement partner who completed her five (5) years tour of duty at the conclusion of the 2016 statutory audit. To further reinforce independence, 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 two (2) years. The Group also restricts the employment of former employees of the external auditors to ensure independence of the external auditors and for avoidance of any conflict of interest. During FY2017, no appointment and/or employment was offered to any former partner and/or staff of PwC.

The non-audited services conducted during FY2017 comprised mainly of tax services. As a policy, before appointing the external auditors to undertake any non-audit services, considerations would be given as to whether this would create a threat to the external auditors' independence or objectivity. The Management is obliged to obtain confirmation from the external auditors on their independence. All engagements of the external auditors to provide non-audit services are subject to the approval of the AC.

During FY2017, the amount of audit fees and non-audit fees paid/ payable to PwC or a firm or corporation affiliated to PwC by the Company and the Group respectively were as follows:

	Company (RM)	Group (RM)
Statutory audit fee	266,769	573,904
Non-audit fee	8,000	57,450

The provision of non-audit services by PwC during FY2017 did not compromise its independence and objectivity as the non-audit services was conducted by different teams from the statutory audit team of PwC. The AC concluded that it continues to be satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances.

The Board on the recommendation of the AC, is satisfied that PwC remains effective, objective and independent in carrying out its role as external auditors of the Company. The Board has at the Board meeting held on 26 February 2018 approved the AC's recommendation for the re-appointment of PwC for the ensuing year to be tabled at the forthcoming Thirteenth Annual General Meeting for shareholders' approval.

## 2. Internal Auditors

The AC had reviewed and evaluated the suitability, adequacy of the scope, competency, quality of services and sufficiency of resources of the IAF in respect of FY2017 with feedback obtained from the AC members, Management and external auditors as well as self-assessment by the internal auditors prior to the meeting. Summary of results of the assessment was tabled to the AC for deliberation at the meeting.

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

# AUDIT COMMITTEE REPORT

### 3. Audit Committee

The Board through the Joint Remuneration and Nomination Committee (JRNC) had conducted an annual evaluation and assessment on the performance of the AC and its members in respect of FY2017. 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 as per its TOR and had demonstrated a high level of diligence, independence and commitment in discharging its responsibilities. The results of the evaluation were reported to the Board accordingly. In this regard, the Board noted that in a survey conducted by the Securities Commission on the Long Form Audit Opinion, the Company was mentioned for exemplary disclosure of the Key Audit Matters and the discourse of these matters in the AC Report.

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

## DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

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

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

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

## FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year attributable to		
- Equity holders of the Company	32,277,167	16,638,263
- Non-controlling interest	6,983,364	0
Profit for the financial year	39,260,531	16,638,263

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2016 were as follows:

	RM
In respect of the financial year ended 31 December 2016, as shown in the Directors' report of that year, a second interim single tier dividend of 2.25 sen per share on 400,000,000 ordinary shares, paid on 28 March 2017	9,000,000
In respect of the financial year ended 31 December 2017, first interim single tier dividend of 1.00 sen per share on 400,195,300 ordinary shares, paid on 26 September 2017	4,001,953
	13,001,953

The Directors, had on 26 February 2018 declared a second interim single tier dividend of 3.25 sen per ordinary share in respect of the financial year ended 31 December 2017 totalling RM13,006,347, payable on 28 March 2018. The dividend payable will increase upon the increase in the number of ordinary shares as a result of the allotment of new ordinary shares pursuant to the vesting of the third tranche of the first grant of the Restricted Share Incentive Plan under the Company's Long-Term Incentive Plan due to vest in March 2018.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2017.

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL AND DEBENTURES

During the financial year, the total number of issued ordinary shares of the Company was increased from 400,000,000 to 400,195,300 by way of the issuance of 195,300 new ordinary shares at RM1.053 per share to eligible employees under the First Tranche of the Special Grant under the Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan.

The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

Other than as disclosed above, 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 30 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").

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").

During the financial year, 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") of which 195,300 ordinary shares were vested to eligible employees of the Group under the First Tranche of the Special Grant of the LTIP.

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

Date of Grant	Type of Grant	At 1.1.2017	Granted	Vested	Lapsed/ Forfeited	At 31.12.2017
2 March 2015 (1 <sup>st</sup> Grant)	RS Award	706,200	0	0	(379,002) <sup>^</sup>	327,198
	PS Award	1,013,700	0	0	(66,400) <sup>#</sup>	947,300
22 March 2016 (2 <sup>nd</sup> Grant)	RS Award	1,519,500	0	0	(548,434) <sup>^</sup>	971,066
	PS Award	1,480,300	0	0	(81,000) <sup>#</sup>	1,399,300
22 March 2017 (Special Grant)	RS Award	0	398,400	(195,300)	(8,300) <sup>®</sup>	194,800

# DIRECTORS' REPORT

## LONG-TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

The shares granted will be vested only upon fulfilment of vesting conditions which include achievement of service period and performance targets except for the RS Awards granted under the Special Grant due for vesting on 15 June 2017 and 15 June 2018 or such other date to be determined by the Plan Committee.

### Notes:

- ^ Shares lapsed due to non-vesting as the performance targets in respect of financial year ended 31 December 2016 were not met or forfeited due to the resignation of employees.
- # Shares forfeited due to the resignation of employees.
- ® Shares forfeited due to non-fulfilment of vesting conditions and resignation of employees.

## 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  
 Datuk Chin Kwai Yoong  
 Nan Yusri bin Nan Rahimy  
 Datuk Ir (Dr) Abdul Rahim bin Hashim  
 Datuk Noor Azian binti Shaari

In accordance with Article 78 of the Company's Constitution, Nan Yusri bin Nan Rahimy and Datuk Noor Azian binti Shaari retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## 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
Jayanthi a/p Gunaratnam	Deleum Primera Sdn. Bhd.
Mazrin bin Ramli	Deleum Primera Sdn. Bhd.
Khairulazmi bin Mohamad Karudin	Deleum Primera Sdn. Bhd.
Yusri bin Mohamad (appointed on 11 August 2017)	Deleum Rotary Services Sdn. Bhd.
Mhd Dzuha bin Ibrahim (resigned on 11 August 2017)	Deleum Rotary Services Sdn. Bhd.
Seow Keng Seng	Turboservices Sdn. Bhd.
Richard Garry Mundy	Turboservices Sdn. Bhd.
Nuruzzatulain binti Sahamah	Turboservices Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate to Nuruzzatulain binti Sahamah)	Turboservices Sdn. Bhd.
Heng Phok Wee	Delflow Solutions Sdn. Bhd.
Heng Phok Wee	Wisteria Sdn. Bhd.
Eric Kurt Strecker	Penaga Dresser Sdn. Bhd.
Yusri bin Mohamad (appointed on 14 September 2017)	Penaga Dresser Sdn. Bhd.
Akira Fukasawa (appointed on 9 October 2017)	Penaga Dresser Sdn. Bhd.
Mhd Dzuha bin Ibrahim (resigned on 11 August 2017)	Penaga Dresser Sdn. Bhd.
Cai Yiqing (resigned on 9 October 2017)	Penaga Dresser Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Dato' Izham bin Mahmud)	Penaga Dresser Sdn. Bhd.

## DIRECTORS OF SUBSIDIARIES (CONTINUED)

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 (continued):

Directors of Subsidiaries (continued)	Subsidiary (continued)
Alicia Chin Mei Yoke (appointed as alternate Director to Eric Kurt Strecker on 9 October 2017) (appointed as alternate Director to Akira Fukasawa on 9 October 2017)	Penaga Dresser Sdn. Bhd. Penaga Dresser Sdn. Bhd.
Rahul Arora Ravi Arora (ceased as alternate Director to Eric Kurt Strecker on 9 October 2017) (ceased as alternate Director to Cai Yiqing on 9 October 2017)	Penaga Dresser Sdn. Bhd. 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' BENEFITS

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

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

## DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares in the Company			
	At 1.1.2017	Vested/ Acquired	Sold	At 31.12.2017
<b>Direct interest</b>				
Dato' Izham bin Mahmud	11,200,000	0	0	11,200,000
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	0	0	42,799,300
Datuk Ishak bin Imam Abas	1,962,998	0	0	1,962,998
Datuk Chin Kwai Yoong	750,000	0	0	750,000
Nan Yusri bin Nan Rahimy	397,332	49,700	0	447,032
<b>Indirect interest</b>				
Dato' Izham bin Mahmud	138,264,398	0	0	138,264,398
Datuk Vivekananthan a/l M. V. Nathan	81,718,800	0	0	81,718,800
Datuk Chin Kwai Yoong	50,000	0	0	50,000
Nan Yusri bin Nan Rahimy	76,332	0	0	76,332

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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 (continued):

	Number of ordinary shares in a subsidiary, VSM Technology Sdn. Bhd.			
	At 1.1.2017	Acquired	Sold	At 31.12.2017
<u>Direct interest</u>				
Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400

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

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

	Date of Grant	Type of Grant	Number of ordinary shares granted under LTIP				At 31.12.2017
			At 1.1.2017	Granted	Vested	Lapsed	
Nan Yusri bin Nan Rahimy	2 March 2015 (1 <sup>st</sup> Grant)	RS Award	97,200	0	0	(48,600)	48,600
		PS Award	226,200	0	0	0	226,200
	22 March 2016 (2 <sup>nd</sup> Grant)	RS Award	218,200	0	0	(72,734)	145,466
		PS Award	680,600*	0	0	0	680,600*
	22 March 2017 (Special Grant)	RS Award	0	99,500	(49,700)	0	49,800

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

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

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

## INDEMNITY AND INSURANCE COSTS

The Group has in force a Directors and Officers 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 RM25,808.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

In the opinion of the Directors:

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

## SUBSIDIARIES

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

# DIRECTORS' REPORT

## AUDITORS

The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2017 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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2018.

**DATO' IZHAM BIN MAHMUD**  
DIRECTOR

**NAN YUSRI BIN NAN RAHIMY**  
DIRECTOR

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	5	<b>534,058,203</b>	608,651,926	<b>34,559,500</b>	27,328,300
Cost of sales		(394,189,675)	(474,847,455)	(15,053,800)	(11,741,100)
Gross profit		<b>139,868,528</b>	133,804,471	<b>19,505,700</b>	15,587,200
Other operating income		<b>2,946,647</b>	2,056,906	<b>1,532,589</b>	1,997,853
Selling and distribution costs		(34,101,253)	(33,423,273)	<b>0</b>	0
Administrative expenses		(44,490,096)	(44,275,410)	(2,684,869)	(5,645,521)
Other operating (losses)/gains		(6,665,380)	(3,954,899)	(49,937)	2,232,528
Operating profit		<b>57,558,446</b>	54,207,795	<b>18,303,483</b>	14,172,060
Finance cost	8	(4,005,340)	(5,348,170)	(1,232,424)	(1,432,573)
Share of results of a joint venture (net of tax)	16	<b>856,718</b>	684,182	<b>0</b>	0
Share of results of associates (net of tax)	17	(384,958)	223,513	<b>0</b>	0
Profit before tax	6	<b>54,024,866</b>	49,767,320	<b>17,071,059</b>	12,739,487
Tax expense	9	(14,764,335)	(16,946,158)	(432,796)	1,049,224
Profit for the year		<b>39,260,531</b>	32,821,162	<b>16,638,263</b>	13,788,711
Other comprehensive (loss)/income:					
Item that may be subsequently reclassified to profit or loss					
Currency translation differences of foreign operations		(445,329)	238,211	<b>0</b>	0
Total comprehensive income for the financial year		<b>38,815,202</b>	33,059,373	<b>16,638,263</b>	13,788,711

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Profit attributable to:					
Equity holders of the Company		<b>32,277,167</b>	26,513,191	<b>16,638,263</b>	13,788,711
Non-controlling interest		<b>6,983,364</b>	6,307,971	<b>0</b>	0
		<b>39,260,531</b>	32,821,162	<b>16,638,263</b>	13,788,711
Total comprehensive income attributable to:					
Equity holders of the Company		<b>32,207,838</b>	26,594,737	<b>16,638,263</b>	13,788,711
Non-controlling interest		<b>6,607,364</b>	6,464,636	<b>0</b>	0
		<b>38,815,202</b>	33,059,373	<b>16,638,263</b>	13,788,711
Earnings per share (sen)					
- Basic	10	<b>8.07</b>	6.63		
- Diluted	10	<b>8.01</b>	6.56		

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 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	<b>163,525,366</b>	192,002,549	<b>3,238,766</b>	3,428,521
Investment properties	13	<b>817,999</b>	841,574	<b>0</b>	0
Intangible assets	14	<b>1,644,162</b>	2,371,281	<b>237,007</b>	292,372
Subsidiaries	15	<b>0</b>	0	<b>136,612,423</b>	135,365,103
Joint venture	16	<b>28,563,089</b>	27,706,371	<b>29,375,937</b>	29,375,937
Associates	17	<b>38,595,019</b>	39,744,617	<b>0</b>	0
Deferred tax assets	28	<b>2,009,874</b>	3,525,646	<b>1,680,838</b>	2,074,053
Other long-term receivables	20	<b>4,921,400</b>	0	<b>0</b>	0
		<b>240,076,909</b>	266,192,038	<b>171,144,971</b>	170,535,986
<b>CURRENT ASSETS</b>					
Amounts due from subsidiaries	18	<b>0</b>	0	<b>75,484,653</b>	76,790,117
Tax recoverable		<b>1,739,790</b>	2,695,422	<b>27,857</b>	27,437
Inventories	19	<b>18,340,764</b>	22,078,366	<b>0</b>	0
Trade and other receivables	20	<b>206,593,631</b>	228,500,381	<b>403,483</b>	343,656
Deferred cost		<b>1,351,805</b>	4,604,834	<b>0</b>	0
Amounts due from associates	21	<b>5,639</b>	13,153	<b>40</b>	0
Amounts due from a joint venture	22	<b>162,609</b>	105,492	<b>138,264</b>	104,126
Cash and bank balances	24	<b>141,387,717</b>	140,433,965	<b>6,634,501</b>	7,905,165
		<b>369,581,955</b>	398,431,613	<b>82,688,798</b>	85,170,501

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>LESS: CURRENT LIABILITIES</b>					
Amounts due to subsidiaries	18	0	0	<b>15,005,795</b>	12,225,967
Amounts due to associates	21	<b>7,050,562</b>	7,847,000	0	108
Amounts due to a joint venture	22	0	77,589	0	0
Borrowings	25	<b>45,298,235</b>	54,218,044	<b>17,800,000</b>	28,900,000
Taxation		<b>2,783,396</b>	2,117,456	0	0
Dividends payable		0	146,537	0	0
Deferred revenue		<b>1,972,986</b>	7,361,717	0	0
Derivative financial instrument	23	<b>23,775</b>	0	0	0
Trade and other payables	26	<b>148,187,863</b>	187,833,798	<b>3,437,820</b>	2,620,708
Financial guarantee liabilities	27	0	8,712	0	8,712
		<b>205,316,817</b>	259,610,853	<b>36,243,615</b>	43,755,495
<b>NET CURRENT ASSETS</b>		<b>164,265,138</b>	138,820,760	<b>46,445,183</b>	41,415,006
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	28	<b>22,724,247</b>	21,221,976	0	0
Borrowings	25	<b>30,750,172</b>	55,349,295	0	0
		<b>53,474,419</b>	76,571,271	0	0
		<b>350,867,628</b>	328,441,527	<b>217,590,154</b>	211,950,992
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Ordinary shares	29	<b>200,205,651</b>	200,000,000	<b>200,205,651</b>	200,000,000
Share based payment	30	<b>2,451,689</b>	654,488	<b>2,451,689</b>	654,488
Retained earnings		<b>172,044,528</b>	152,769,314	<b>14,932,814</b>	11,296,504
Merger deficit	31	(50,000,000)	(50,000,000)	0	0
Foreign currency translation		(2,723,274)	(2,653,945)	0	0
Shareholders' equity		<b>321,978,594</b>	300,769,857	<b>217,590,154</b>	211,950,992
<b>NON-CONTROLLING INTEREST</b>		<b>28,889,034</b>	27,671,670	0	0
<b>TOTAL EQUITY</b>		<b>350,867,628</b>	328,441,527	<b>217,590,154</b>	211,950,992

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 2017

Group	Note	Attributable to equity holders of the Company								
		Issued and fully paid ordinary shares			Non- distributable			Distributable		
		Number of shares	Share capital RM	Share based payment RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM	Non- controlling interest RM	Total equity RM
At 1 January 2017		400,000,000	200,000,000	654,488	(2,653,945)	(50,000,000)	152,769,314	300,769,857	27,671,670	328,441,527
Profit for the financial year		0	0	0	0	0	32,277,167	32,277,167	6,983,364	39,260,531
Other comprehensive loss for the financial year		0	0	0	(69,329)	0	0	(69,329)	(376,000)	(445,329)
Total comprehensive (loss)/income for the financial year		0	0	0	(69,329)	0	32,277,167	32,207,838	6,607,364	38,815,202
Share based payment	30	0	0	2,002,852	0	0	0	2,002,852	0	2,002,852
Ordinary shares issued pursuant to the Long-Term Incentive Plan	29	195,300	205,651	(205,651)	0	0	0	0	0	0
Dividends	11	0	0	0	0	0	(13,001,953)	(13,001,953)	(5,390,000)	(18,391,953)
At 31 December 2017		400,195,300	200,205,651	2,451,689	(2,723,274)	(50,000,000)	172,044,528	321,978,594	28,889,034	350,867,628
At 1 January 2016		400,000,000	200,000,000	206,323	(2,735,491)	(50,000,000)	145,256,123	292,726,955	26,262,513	318,989,468
Profit for the financial year		0	0	0	0	0	26,513,191	26,513,191	6,307,971	32,821,162
Other comprehensive income for the financial year		0	0	0	81,546	0	0	81,546	156,665	238,211
Total comprehensive income for the financial year		0	0	0	81,546	0	26,513,191	26,594,737	6,464,636	33,059,373
Share based payment	30	0	0	448,165	0	0	0	448,165	0	448,165
Dividends	11	0	0	0	0	0	(19,000,000)	(19,000,000)	(5,055,479)	(24,055,479)
At 31 December 2016		400,000,000	200,000,000	654,488	(2,653,945)	(50,000,000)	152,769,314	300,769,857	27,671,670	328,441,527

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 2017

Company	Note	Issued and fully paid ordinary shares		Non- distributable	Distributable		Total RM
		Number of shares	Share capital RM		Share based payment RM	Retained earnings RM	
<b>At 1 January 2017</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>654,488</b>	<b>11,296,504</b>	<b>211,950,992</b>	
Total comprehensive income for the financial year		0	0	0	16,638,263	16,638,263	
Share based payment	30	0	0	2,002,852	0	2,002,852	
Ordinary shares issued pursuant to the Long-Term Incentive Plan	29	195,300	205,651	(205,651)	0	0	0
Dividends	11	0	0	0	(13,001,953)	(13,001,953)	
<b>At 31 December 2017</b>		<b>400,195,300</b>	<b>200,205,651</b>	<b>2,451,689</b>	<b>14,932,814</b>	<b>217,590,154</b>	
<b>At 1 January 2016</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>206,323</b>	<b>16,507,793</b>	<b>216,714,116</b>	
Total comprehensive income for the financial year		0	0	0	13,788,711	13,788,711	
Share based payment	30	0	0	448,165	0	448,165	
Dividends	11	0	0	0	(19,000,000)	(19,000,000)	
<b>At 31 December 2016</b>		<b>400,000,000</b>	<b>200,000,000</b>	<b>654,488</b>	<b>11,296,504</b>	<b>211,950,992</b>	

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 2017

Note	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the year	<b>39,260,531</b>	32,821,162	<b>16,638,263</b>	13,788,711
<u>Adjustments for:</u>				
Impairment for doubtful debts				
- Trade receivables				
- impairment made	<b>364,635</b>	506,684	<b>0</b>	0
- write back of impairment	<b>(100,454)</b>	(60,552)	<b>0</b>	0
Impairment for doubtful debts				
- Other receivables				
- impairment made	<b>48,030</b>	0	<b>0</b>	0
Allowance for slow moving inventories				
- allowance made	<b>317,545</b>	283,492	<b>0</b>	0
- write back of allowance made	<b>(119,907)</b>	(88,641)	<b>0</b>	0
Amortisation of intangible assets	<b>727,119</b>	1,108,535	<b>55,365</b>	51,911
Depreciation				
- property, plant and equipment	<b>30,723,481</b>	32,706,473	<b>305,629</b>	460,606
- investment properties	<b>23,575</b>	23,576	<b>0</b>	0
Impairment of property, plant and equipment	<b>0</b>	4,357,087	<b>0</b>	0
Bad debts written off				
- trade receivables	<b>0</b>	63,262	<b>0</b>	0
- other receivables	<b>2,120</b>	18,502	<b>0</b>	0
Provision for liquidated damages				
- provision made	<b>0</b>	459,203	<b>0</b>	0
- write back of allowance	<b>(182,486)</b>	0	<b>0</b>	0
(Gain)/Loss on disposal of property, plant and equipment	<b>(76,683)</b>	110,167	<b>3,920</b>	0
Write-off				
- property, plant and equipment	<b>77,563</b>	1,023,066	<b>0</b>	1,357
- intangible assets	<b>0</b>	5,577	<b>0</b>	0
- inventories	<b>88,371</b>	1,175,345	<b>0</b>	0
Interest income	<b>(2,385,117)</b>	(1,452,419)	<b>(173,443)</b>	(435,897)
Amortisation of financial guarantee liabilities	<b>(8,712)</b>	(18,067)	<b>(8,712)</b>	(18,067)
Dividend income	<b>0</b>	0	<b>(18,000,000)</b>	(15,000,000)
Inter-company interest income	<b>0</b>	0	<b>(1,335,469)</b>	(1,515,334)
Finance cost	<b>4,005,340</b>	5,348,170	<b>1,232,424</b>	1,432,573
Share based payment expense	<b>2,002,852</b>	448,165	<b>755,532</b>	178,370
Share of results of associates	<b>384,958</b>	(223,513)	<b>0</b>	0
Share of results of a joint venture	<b>(856,718)</b>	(684,182)	<b>0</b>	0
Tax expense	<b>14,764,335</b>	16,946,158	<b>432,796</b>	(1,049,224)
Unrealised foreign exchange loss/(gain)	<b>396,087</b>	(5,904,444)	<b>0</b>	0
Fair value loss from forward foreign exchange contract	<b>23,775</b>	0	<b>0</b>	0
Operating profit/(loss) before working capital changes	<b>89,480,240</b>	88,972,806	<b>(93,695)</b>	(2,104,994)

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Note	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Changes in working capital</b>				
Amounts due from subsidiaries	0	0	(4,956,530)	2,866,686
Inventories	3,451,593	(3,008,148)	0	0
Trade and other receivables	19,811,614	(31,587,603)	(59,296)	2,154,635
Deferred cost	3,253,029	4,621,364	0	0
Amounts due from a joint venture	(57,117)	41,478	(36,682)	41,478
Amounts due to subsidiaries	0	0	2,779,828	(10,235,890)
Trade and other payables	(36,249,436)	9,840,768	845,901	(1,870,960)
Deferred revenue	(5,388,731)	(1,521,408)	0	0
Cash generated from/(used in) operation	74,301,192	67,359,257	(1,520,474)	(9,149,045)
Tax paid	(10,124,720)	(11,473,626)	(40,001)	0
Interest paid	(4,021,449)	(5,257,148)	(1,261,211)	(1,362,580)
Net cash generated from/(used in) operating activities	60,155,023	50,628,483	(2,821,686)	(10,511,625)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	2,346,175	1,442,488	1,224,307	2,629,020
Purchase of property, plant and equipment	12 (2,641,335)	(4,008,947)	(122,097)	(91,257)
Proceeds from disposal of property, plant and equipment	163,373	596,075	2,303	0
Purchase of intangible assets	14 0	(416,600)	0	(416,600)
Deposits made for an investment	(4,921,400)	0	0	0
Amounts due from/(to) an associate	7,514	2,449	(148)	2,449
Amounts due from a joint venture	0	52,905	2,544	39,215
Amounts due to a joint venture	(77,589)	(221,461)	0	0
Dividends received from subsidiaries	0	0	15,000,000	23,600,000
Dividends received from associates	0	7,200,000	0	0
Repayment of advances from subsidiaries	0	0	9,546,066	9,173,971
Net cash (used in)/generated from investing activities	(5,123,262)	4,646,909	25,652,975	34,936,798

Note	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Term loan:				
- repayments	(24,599,123)	(24,600,000)	0	0
Revolving credit:				
- drawn down	0	1,150,000	0	650,000
- repayments	(11,100,000)	(5,050,000)	(11,100,000)	(2,550,000)
Loans against imports				
- drawn down	4,939,631	2,780,496	0	0
- repayments	(2,748,398)	(2,073,322)	0	0
Finance lease liabilities				
- repayments	(11,042)	(25,685)	0	0
Dividends paid to:				
- shareholders	(13,001,953)	(19,074,008)	(13,001,953)	(19,074,008)
- non-controlling interest	(5,536,537)	(5,178,184)	0	0
Increase in restricted cash	83,071	58,692	0	74,008
Net cash used in financing activities	(51,974,351)	(52,012,011)	(24,101,953)	(20,900,000)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>				
FOREIGN CURRENCY TRANSLATION	3,057,410	3,263,381	(1,270,664)	3,525,173
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>				
	129,611,074	123,830,695	7,905,165	4,379,992
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	24	<b>130,647,897</b>	129,611,074	<b>6,634,501</b>

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 2017

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 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) Amendments to published standards that are effective and applicable to the Group and the Company

The amendments to published standards that are effective for the Group's and the Company's financial year beginning on or after 1 January 2017 are as follows:

- Amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiatives
- Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRS 2014 – 2016 cycle (Amendments to MFRS 12 Disclosure of Interests in Other Entities)

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities which has been reflected in the Statements of Cash Flows of the Group and the Company. Other than that, the adoption of these amendments did not have any material impact on the current periods or any prior period and is not likely to affect future periods.

### (b) Standards, amendments to published standards and IC Interpretations 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 Interpretations in the following periods:

#### (i) Financial year beginning on or after 1 January 2018

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 140 Transfer of Investment Property
- IC Interpretations 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to MFRS 2014 – 2016 cycle (Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Amendments to MFRS 128 Investment in Associates and Joint Ventures)

#### (ii) Financial year beginning on or after 1 January 2019

- MFRS 16 Leases
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015 – 2017 cycle (Amendments to MFRS 3 Business Combinations, Amendments to MFRS 11 Joint Arrangements, Amendments to MFRS 112 Income Taxes, Amendments to MFRS 123 Borrowing Costs)

## A BASIS OF PREPARATION (CONTINUED)

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

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

- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

### MFRS 9 Financial Instruments

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group is reviewing its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

All financial assets held by the Group are classified as loans and receivables and subsequently measured at amortised cost. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of Group's financial assets.

There will be no material impact expected on the Group's accounting for financial liabilities given that the new requirements only affects the accounting for financial liabilities that are designated at fair value through profit or loss and the Group only has limited exposure on such financial liabilities that are designated at fair value through profit or loss with its financial exposure and impact as disclosed in Note 23. The derecognition rules have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under MFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects no material financial impact upon the adoption of the MFRS 9.

The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## A BASIS OF PREPARATION (CONTINUED)

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

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

### MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue and MFRS 111 Construction Contracts and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift, some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements.
- As with any new standard, there are also increased disclosures.

In assessing the effects of applying the new standard, the Group has performed an assessment on its revenue recognition process and method across all operating segments within the Group and against the five-step process and key provisions introduced by the new standard on revenue recognition.

In the assessment, the Group has identified the following areas that will be affected:

- The Group does not expect the new guidance on revenue recognition will have a material impact on the method and timing of the Group's revenue recognition going forward; and
- Separate presentation on contract assets and contract liabilities in the Statements of Financial Position which will result in some reclassifications as of 1 January 2018 to contract assets and contract liabilities in relation to accrued revenue, deferred cost, deferred revenue and advance payments received from customer which are currently included in "trade and other receivables", "deferred costs", "deferred revenue" and "trade and other payables" respectively line items of the Statements of Financial Position.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

## A BASIS OF PREPARATION (CONTINUED)

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

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

### MFRS 16 Leases

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in profit or loss.

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 adoption of MFRS 16 will result in a change in accounting policy. Based on the assessments undertaken to date, the Group expects no material financial impact upon the adoption of the MFRS 16.

## B CONSOLIDATION

- (a) Subsidiaries

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

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

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

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## B CONSOLIDATION (CONTINUED)

### (a) Subsidiaries (continued)

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. 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 CONSOLIDATION (CONTINUED)**

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

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

## (c) Disposal of subsidiaries

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

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

## (d) Joint Ventures

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

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

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

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

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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. The Group's investment in associates includes goodwill identified on acquisition (see accounting policy Note C(a)), net of any accumulated impairment loss. Carrying amount of the investment is reduced by dividends receivable from associates when the Group's right to receive payment is established. Dividends receivable is presented within amount due from associate.

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

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

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

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

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

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

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

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

## C INTANGIBLE ASSETS

### (a) Goodwill

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

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

### (b) Contracts

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

### (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.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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, net of the amount of goods and services tax. 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. Leasehold land classified as finance lease (refer to accounting policy Note H on leases) is amortised in equal instalments over the period of the respective leases that range from 60 to 99 years. Other property, plant and equipment are depreciated on the straight line basis to allocate the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

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

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

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

At the end of the reporting period, the Group 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 (see accounting policy Note J on impairment of non-financial assets).

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

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

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

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

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

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

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

## G INVENTORIES

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

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

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

## H LEASES

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

Accounting by lessee

Finance leases

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## H LEASES (CONTINUED)

### Accounting by lessee (continued)

#### Finance leases (continued)

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

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

#### Operating leases

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

## I CASH AND CASH EQUIVALENTS

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

## J IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

## K FINANCIAL ASSETS

### (a) Classification

The Group and the Company classifies all its financial assets as loans and receivables other than financial assets acquired principally for the purpose of selling in the short term, i.e. are held for trading in which these financial assets shall be classified at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired and are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. Management determines the classification at initial recognition.

## K FINANCIAL ASSETS (CONTINUED)

### (a) Classification (continued)

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise "amounts due from subsidiaries", "trade and other receivables (excluding prepayments)", "amounts due from associates", "amounts due from a joint venture", and "cash and bank balances" in the statements of financial position (Notes 18, 20, 21, 22 and 24).

### (b) Recognition and initial measurement

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

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

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

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

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

#### Assets carried at amortised cost

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

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

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

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

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## K FINANCIAL ASSETS (CONTINUED)

### (e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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.

Financial liabilities, within the scope of MFRS 139, 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 comprise "amounts due to subsidiaries", "amounts due to associates", "amounts due to a joint venture", "borrowings", "trade and other payables (excluding statutory obligations)" and "financial guarantee liabilities" in the statements of financial position (Notes 18, 21, 22, 25, 26 and 27).

### (b) Recognition and initial measurement

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

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group 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 derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of comprehensive income.

## M OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the 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 FINANCIAL GUARANTEE CONTRACTS**

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

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

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

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

## **P 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.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## **Q TRADE AND OTHER RECEIVABLES**

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

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

The net amount of goods and services tax ("GST") recoverable from the government is presented as "other receivable" in the statements of financial position and are classified as operating cash flows.

## **R TRADE AND OTHER PAYABLES**

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

Trade and other payables are recognised initially at fair value with the amount of GST included. The net amount of GST payable to the government is presented as "other payables" in the statements of financial position. Cash flows are included in the statements of cash flows on a gross basis. The GST component of cash flows which are payable to the government are classified as operating cash flows.

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

## **S BORROWINGS AND BORROWING COSTS**

### **(a) Borrowings**

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

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

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired.

### **(b) Borrowing Costs**

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

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

## T REVENUE RECOGNITION

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

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

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

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

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

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

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

Dividend income earned by the Company is classified as revenue.

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

Other operating income earned by the Group is recognised on the following basis:

- (i) Interest income – using the effective interest method.
- (ii) Rental income – on a straight-line basis over the lease term.
- (iii) Dividend income – when the Group's right to receive payment is established.

## U EMPLOYEE BENEFITS

### (a) Short term employee benefits

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

The Group and the Company recognise a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## U EMPLOYEE BENEFITS (CONTINUED)

### (b) Defined contribution plans

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

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

### (c) Share based payment transactions

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

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

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

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

## V CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

## V CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

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

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

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

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

## 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 Group's and 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 (losses)/gains – net".

### (c) Group companies

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

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## W FOREIGN CURRENCIES (CONTINUED)

### (c) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially sold or disposed of 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 the 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 arising 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 2017

## 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 the 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 2017

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Market risk (continued)

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

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currencies are as follows:

	Group			
	2017		2016	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
US Dollar	109,505,658	97,055,138	195,311,379	127,978,630
Others	124,615	258,892	414,186	183,566
	<b>109,630,273</b>	<b>97,314,030</b>	195,725,565	128,162,196

### 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 (decrease)/increase by:

	Group	
	2017	2016
	RM	RM
<u>Weaken by 10% impact to profit or loss</u>		
US Dollar	(946,240)	(5,117,289)
<u>Strengthen by 10% impact to profit or loss</u>		
US Dollar	946,240	5,117,289

## 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 variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit or loss would increase by RM577,968 (2016: RM832,628). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit before tax would decrease by a similar amount.

#### (iii) Price risk

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

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

### Credit risk

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

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

#### (i) Receivables

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

#### (i) Receivables (continued)

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

	Group	
	2017 RM	2016 RM
<b>Neither past due nor impaired:</b>		
Counterparties without external credit rating		
- New customers during the year	2,010,607	181,730
- Existing customers with no defaults in the past	163,201,871	180,102,254
<b>Total unimpaired trade receivables</b>	<b>165,212,478</b>	180,283,984
 <b>Past due but not impaired:</b>		
Counterparties without external credit rating		
- New customers during the year	351,072	167,691
- Existing customers with no defaults in the past	27,347,120	37,594,827
<b>Total past due but not impaired trade receivables</b>	<b>27,698,192</b>	37,762,518
 <b>Not past due but impaired:</b>		
Counterparties without external credit rating		
- New customers during the year	800	0
- Existing customers with no defaults in the past	622,334	0
<b>Total neither past due but impaired trade receivables</b>	<b>623,134</b>	0
 <b>Past due and impaired:</b>		
Counterparties without external credit rating		
- New customers during the year	0	82,512
- Existing customers	2,049,988	2,550,858
<b>Total past due and impaired trade receivables</b>	<b>2,049,988</b>	2,633,370

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Credit risk (continued)

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

The Company provides unsecured loans and advances to subsidiaries and a joint venture. The amounts due from associates is in relation to payment of operating expenses on behalf of the associates. The Company monitors the results of the subsidiaries, associates and joint venture regularly. As at 31 December 2017, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries, associates and a joint venture are stated at the realisable values. As at 31 December 2017, 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) Bank balances

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

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

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
AAA	141,266,434	140,344,366	6,562,227	7,851,958
AA	84,202	62,290	70,274	51,535

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Liquidity risk

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

### 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.

	2017			
	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 statutory obligations)	139,878,375	0	0	139,878,375
Derivative financial instrument	23,775	0	0	23,775
Borrowings	47,156,355	25,372,809	6,190,581	78,719,745
<b>Total undiscounted financial liabilities</b>	<b>187,058,505</b>	<b>25,372,809</b>	<b>6,190,581</b>	<b>218,621,895</b>
<u>Company</u>				
<u>Financial liabilities</u>				
Amounts due to subsidiaries	15,005,795	0	0	15,005,795
Borrowings	17,875,139	0	0	17,875,139
Other payables and accruals (excluding statutory obligations)	3,266,489	0	0	3,266,489
<b>Total undiscounted financial liabilities</b>	<b>36,147,423</b>	<b>0</b>	<b>0</b>	<b>36,147,423</b>

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Liquidity risk (continued)

	2016			
	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 statutory obligations)	180,419,162	0	0	180,419,162
Financial guarantee liabilities	8,712	0	0	8,712
Borrowings	57,075,931	26,348,235	31,561,862	114,986,028
Amounts due to a joint venture	77,589	0	0	77,589
<b>Total undiscounted financial liabilities</b>	<b>237,581,394</b>	<b>26,348,235</b>	<b>31,561,862</b>	<b>295,491,491</b>
<u>Company</u>				
<u>Financial liabilities</u>				
Amounts due to subsidiaries	12,225,967	0	0	12,225,967
Amounts due to associates	108	0	0	108
Borrowings	29,023,518	0	0	29,023,518
Financial guarantee liabilities	8,712	0	0	8,712
Other payables and accruals (excluding statutory obligations)	2,494,077	0	0	2,494,077
<b>Total undiscounted financial liabilities</b>	<b>43,752,382</b>	<b>0</b>	<b>0</b>	<b>43,752,382</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

### (a) Critical accounting estimates and judgments

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

#### (i) Deferred tax assets

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

#### (ii) Revenue recognition

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

#### (iii) Impairment assessment of property, plant and equipment

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

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

During the financial year, the Group performed an impairment assessment on the Group's slickline plant and equipment of the oilfield services segment with a carrying amount of RM138.3 million in accordance with its accounting policy Note J on impairment of non-financial assets amidst volatility of the oil and gas business environment and the operating conditions in which this segment operates including its ability to secure new contracts and/or renew existing contracts. These assets are assessed for impairment with the value-in-use calculation based on a cash flow projection expected to be generated over the remaining useful life of these assets that has been approved by the management to determine its recoverable amount.

The key assumptions for the cash flow projections used is the projected revenue with a growth rate of 5%, at a discount rate of 9.72%. The key estimation uncertainty over the assumption used is the value-in-use calculations is the achievability of the projected revenue. The sensitivity of the assumptions to the recoverable amount, with all other variables remain constant, is that impairment loss will occur when the projected revenue on a year-on-year growth rate of the slickline business is reduced to below 2%.

Other than as disclosed above, 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.

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

(a) Critical accounting estimates and judgments (continued)

(iv) Impairment assessment of investment in an associate

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

In assessing whether there is a "loss event" (or events) that has an impact on the estimated future cash flows on the issuer of the equity investment, the Group will consider the significant changes with an adverse effect, if any, that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

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

During the financial year, the Group reviewed its material associate with a carrying amount of RM31.4 million as at 31 December 2017 for potential impairment amidst low drilling activities within the oil and gas industry in Malaysia in which the associate operates and this has resulted in a decline in revenues and profits reported by the associate in the recent years coupled with a loss reported of RM29,000 recorded in the current financial year.

The recoverable amount was determined based on the value-in-use calculation based on the cash flow projection expected to be generated by the associate up to its expected terminal life after adjusting for the annual estimated costs of asset replacement that will be shared by the Group based on its equity interest in the associate. The cash flow projections include approved budgeted and forecasted financials based on the following assumptions:

Revenue rental growth rate within the next five-years	5.0%
Services related revenue growth rate within next five-years	5.0%
Revenue rental growth rate beyond five years	0.0%
Services related revenue growth rate beyond five years	3.0%
Inflation rate	3.0%
Cost of equity	11.44%
Earnings before interest, taxes, depreciation and amortisation margin	41% - 55%

The key estimation uncertainty over the assumptions used in the value-in-use calculations is the achievability of the projected revenue by the associate or the return on cost of equity estimated. The sensitivity of the assumptions to the recoverable amount, with all other variables remain constant, is that impairment loss will occur when the projected fixed revenue on a year-on-year growth rate is reduced to 2% or if the cost of equity used is higher than 13%.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 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 and services for tanks, vessels, structures and piping.
- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2017.

The P&M and OS segments comprise of 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 comprised mainly interest income earned by the Group. These income are not allocated to the business segments, as these types of activities are driven by the Group treasury function, which manages the cash position of the Group.

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

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

#### 4 SEGMENTAL REPORTING (CONTINUED)

##### (a) Business Segments

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
<b>Financial year ended 31 December 2017</b>				
<b>SEGMENT REVENUE</b>				
External revenue	364,409,777	119,402,748	49,746,028	533,558,553
Other non-reportable segment				499,650
				534,058,203
<b>SEGMENT RESULTS</b>				
Segment operating profit	39,108,529	14,523,273	4,071,905	57,703,707
Other non-reportable segment				55,550
				57,759,257
Profit from operations				57,759,257
Unallocated income				197,165
Unallocated corporate expenses				(4,403,316)
Share of results of a joint venture				856,718
Share of results of associates				(384,958)
Profit before tax				54,024,866
Tax expense				(14,764,335)
Profit for the year				39,260,531

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 SEGMENTAL REPORTING (CONTINUED)

### (a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
<b>Financial year ended 31 December 2017</b>				
Other information:				
Depreciation and amortisation	1,300,559	27,616,292	1,280,616	30,197,467
Other material items				
Impairment for doubtful debts				
- trade receivables	102,180	63,610	198,845	364,635
- other receivables	0	0	48,030	48,030
Write back of impairment for doubtful debts	0	(38,685)	(61,769)	(100,454)
Write-off of property, plant and equipment	5,188	29,287	43,088	77,563
Write-off of inventories	0	84,764	3,607	88,371
Allowance for slow moving inventories	317,545	0	0	317,545
Reversal of allowance for slow moving inventories	(119,907)	0	0	(119,907)
Reversal of allowance for provision of liquidated damages	(182,486)	0	0	(182,486)
Unrealised (gains)/losses on foreign exchange	458,210	(102,629)	40,506	396,087
Finance cost	289	3,870,100	134,951	4,005,340
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(111,173,962)	(50,706,727)	(43,277,734)	(205,158,423)
- Customer B	(68,596,390)	(42,334)	0	(68,638,724)
Addition of plant and equipment	454,906	775,269	1,267,477	2,497,652
Segment assets	243,796,595	234,289,309	37,089,286	515,175,190
Unallocated corporate assets				94,483,674
Total assets				609,658,864
Segment liabilities	113,543,495	93,641,072	15,587,937	222,772,504
Unallocated corporate liabilities				36,018,732
Total liabilities				258,791,236

#### 4 SEGMENTAL REPORTING (CONTINUED)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 SEGMENTAL REPORTING (CONTINUED)

### (a) Business Segments (continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
<b>Financial year ended 31 December 2016</b>				
Other information:				
Depreciation and amortisation	1,973,300	28,568,581	1,669,728	32,211,609
Other material items				
Impairment for property, plant and equipment	4,357,087	0	0	4,357,087
Impairment for doubtful debts	231,275	213,640	61,769	506,684
Write back of impairment for doubtful debts	0	(60,552)	0	(60,552)
Write-off of property, plant and equipment	273,977	726,889	20,843	1,021,709
Write-off of inventories	0	1,173,542	1,803	1,175,345
Allowance for slow moving inventories	283,492	0	0	283,492
Reversal of allowance for slow moving inventories	(88,641)	0	0	(88,641)
Provision for liquidated damages	459,203	0	0	459,203
Unrealised (gains)/losses on foreign exchange	(6,136,267)	244,704	(12,881)	(5,904,444)
Finance cost	1,068	5,022,044	325,058	5,348,170
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(106,421,970)	(50,893,257)	(41,531,899)	(198,847,126)
- Customer B	(43,374,014)	(46,423,555)	0	(89,797,569)
- Customer C	(92,468,299)	0	0	(92,468,299)
Addition of plant and equipment	1,360,226	1,289,065	1,119,962	3,769,253
Segment assets	278,036,400	250,691,920	33,347,864	562,076,184
Unallocated corporate assets				102,547,467
<b>Total assets</b>				<b>664,623,651</b>
Segment liabilities	160,044,567	125,084,221	16,920,041	302,048,829
Unallocated corporate liabilities				34,133,295
<b>Total liabilities</b>				<b>336,182,124</b>

### (b) Geographical information

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

## 5 REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of equipment	133,733,100	131,154,844	0	0
Rendering of services	397,844,816	474,355,281	0	0
Marketing fee	1,980,637	2,742,601	0	0
Dividend income	11,250	0	18,000,000	15,000,000
Management fee	488,400	399,200	16,559,500	12,328,300
	534,058,203	608,651,926	34,559,500	27,328,300

## 6 PROFIT BEFORE TAX

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
The following items have been charged/ (credited) in arriving at profit before tax:				
Inventories consumed and recognised as cost of sales	107,121,694	102,518,070	0	0
Cost of services purchased	200,134,785	277,579,491	0	0
Purchase of products, parts and consumable	10,392,156	13,674,920	0	0
Inter-company interest income	0	0	(1,335,469)	(1,515,334)
Impairment for doubtful debts:				
- Trade receivables				
- impairment made	364,635	506,684	0	0
- write back of impairment	(100,454)	(60,552)	0	0
- Other receivables				
- impairment made	48,030	0	0	0
Bad debts recovered	0	(2,421,344)	0	(2,300,000)
Amortisation of financial guarantee liabilities	(8,712)	(18,067)	(8,712)	(18,067)
Amortisation of intangible assets	727,119	1,108,535	55,365	51,911
Depreciation:				
- property, plant and equipment	30,723,481	32,706,473	305,629	460,606
- investment properties	23,575	23,576	0	0
Fees to PricewaterhouseCoopers PLT Malaysia:				
- statutory audit services				
- current year	402,027	344,560	123,234	118,490
- audit related services	143,535	112,850	143,535	112,850
- non-audit related services	57,450	103,450	8,000	16,102
Statutory audit fees to other auditors				
- current year	46,248	83,841	0	0
(Gain)/Loss on disposal of property, plant and equipment	(76,683)	110,167	3,920	0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 6 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
The following items have been charged/ (credited) in arriving at profit before tax (continued):				
Impairment of property, plant and equipment	<b>0</b>	4,357,087	<b>0</b>	0
Loss/(gain) on foreign exchange:				
- realised	<b>4,654,374</b>	3,567,743	<b>(15,433)</b>	(9,742)
- unrealised	<b>396,087</b>	(5,904,444)	<b>0</b>	0
Fair value loss on forward foreign exchange contract	<b>23,775</b>	0	<b>0</b>	0
Allowance for slow moving inventories	<b>317,545</b>	283,492	<b>0</b>	0
Reversal of allowance for slow moving inventories	<b>(119,907)</b>	(88,641)	<b>0</b>	0
Write off:				
- property, plant and equipment	<b>77,563</b>	1,023,066	<b>0</b>	1,357
- trade receivables	<b>0</b>	63,262	<b>0</b>	0
- other receivables	<b>2,120</b>	18,502	<b>0</b>	0
- inventories	<b>88,371</b>	1,175,345	<b>0</b>	0
- intangible assets	<b>0</b>	5,577	<b>0</b>	0
Provision for liquidated damages				
- provision made	<b>0</b>	459,203	<b>0</b>	0
- write back of allowance	<b>(182,486)</b>	0	<b>0</b>	0
Interest income	<b>(2,385,117)</b>	(1,452,419)	<b>(173,443)</b>	(435,897)
Rental income	<b>(144,120)</b>	(129,652)	<b>0</b>	0
Rental expense:				
- business premises	<b>3,368,378</b>	3,465,166	<b>0</b>	0
- equipment	<b>12,967,231</b>	13,911,579	<b>0</b>	0
Staff cost (including executive directors' remuneration as disclosed in Note 7)				
- Wages, salaries and others	<b>72,844,989</b>	72,581,533	<b>10,701,921</b>	10,716,173
- Share based payment expense	<b>2,002,852</b>	448,165	<b>755,532</b>	178,370
- Defined contribution plan	<b>7,612,499</b>	8,463,015	<b>1,194,097</b>	1,206,444

## 7 DIRECTORS' REMUNERATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Executive Directors:</b>				
- salaries and bonuses	<b>1,250,000</b>	1,350,000	<b>1,250,000</b>	1,350,000
- defined contribution plan	<b>187,500</b>	202,500	<b>187,500</b>	202,500
- other emoluments	<b>46,305</b>	6,763	<b>46,305</b>	6,763
- estimated monetary value of benefits-in-kind	<b>50,642</b>	31,150	<b>50,642</b>	31,150
<b>Non-executive Directors:</b>				
- fees	<b>942,000</b>	942,000	<b>942,000</b>	942,000
- other emoluments	<b>92,000</b>	105,870	<b>92,000</b>	105,870
- estimated monetary value of benefits-in-kind	<b>99,156</b>	70,400	<b>99,156</b>	70,400
	<b>2,667,603</b>	2,708,683	<b>2,667,603</b>	2,708,683

## 8 FINANCE COST

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest on revolving credit facilities	<b>1,232,424</b>	1,490,139	<b>1,232,424</b>	1,432,573
Interest on loans against imports	<b>42,499</b>	25,289	<b>0</b>	0
Interest on term loan	<b>2,730,128</b>	3,831,674	<b>0</b>	0
Interest on finance lease	<b>289</b>	1,068	<b>0</b>	0
	<b>4,005,340</b>	5,348,170	<b>1,232,424</b>	1,432,573

During the current financial year, finance cost incurred of RM1,232,424 (2016: RM1,420,825) at the Company level had been re-charged to its subsidiaries for the utilisation of the revolving credit facility.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 9 TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax:				
- Malaysian tax	11,612,697	12,342,751	39,581	0
Under/(Over) provision in prior periods:				
- Malaysian tax	133,595	(736,194)	0	0
Deferred tax (Note 28):				
- Origination and reversal of temporary differences	3,974,603	508,803	393,215	(1,049,224)
- Recognition of previously unrecognised temporary differences	(956,560)	0	0	0
- Reversal of deferred tax assets recognised in prior periods	0	3,068,945	0	0
- Deferred tax assets not recognised	0	1,761,853	0	0
	14,764,335	16,946,158	432,796	(1,049,224)

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	24	24	24	24
Tax effects of:				
- expenses not deductible for tax purposes	5	2	3	3
- income not subject to tax	(1)	(1)	(25)	(33)
- recognition of previously unrecognised temporary differences	(2)	0	0	0
- reversal of deferred tax assets recognised in prior periods	0	6	0	0
- deferred tax assets not recognised	0	3	0	0
- under/(over) provision in prior periods	1	0	1	(2)
Effective tax rate	27	34	3	(8)

## 10 EARNINGS PER SHARE

### Basic earnings per share

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

	Group	
	2017 RM	2016 RM
Profit for the financial year attributable to equity holders of the Company	<b>32,277,167</b>	26,513,191
Number of ordinary shares at the beginning of the year	<b>400,000,000</b>	400,000,000
Adjusted weighted average number of ordinary shares	<b>400,195,300</b>	400,000,000
Basic earnings per share (sen)	<b>8.07</b>	6.63

### Diluted earnings per share

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

	Group	
	2017 RM	2016 RM
Profit for the financial year attributable to equity holders of the Company	<b>32,277,167</b>	26,513,191
Adjusted weighted average number of ordinary shares as per basic earnings per share	<b>400,195,300</b>	400,000,000
Effect of potential vesting of LTIP	<b>2,776,918</b>	4,005,078
Adjusted weighted average number of ordinary shares	<b>402,972,218</b>	404,005,078
Diluted earnings per share (sen)	<b>8.01</b>	6.56

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 11 DIVIDENDS

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

	2017	2016		
	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 2015</u>				
Second interim single tier dividend, on 400,000,000 ordinary shares, paid on 25 March 2016	0	0	3.50	14,000,000
<u>In respect of the financial year ended 31 December 2016</u>				
First interim single tier dividend, on 400,000,000 ordinary shares, paid on 26 September 2016	0	0	1.25	5,000,000
Second interim single tier dividend, on 400,000,000 ordinary shares, paid on 28 March 2017	2.25	9,000,000	0	0
<u>In respect of the financial year ended 31 December 2017</u>				
First interim single tier dividend, on 400,195,300 ordinary shares, paid on 26 September 2017	1.00	4,001,953	0	0
	<b>13,001,953</b>		<b>19,000,000</b>	

The Directors had on 26 February 2018 declared a second interim single tier dividend of 3.25 sen per share in respect of the financial year ended 31 December 2017, totaling RM13,006,347, payable on 28 March 2018. The dividend payable will increase upon the increase in the number of ordinary shares as a result of the allotment of new ordinary shares pursuant to the vesting of the third tranche of the first grant of the Restricted Share Incentive Plan under the Company's Long-Term Incentive Plan due to vest in March 2018.

Total dividend for the financial year ended 31 December 2017 is 4.25 sen (2016: 3.50 sen) based on ordinary shares of 400,195,300 (2016: 400,000,000).

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2017.

## 12 PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Plant, machinery and other equipment RM	Motor vehicles RM	Total RM
<u>Year ended 31 December 2017</u>						
<u>Net book value</u>						
At 1 January 2017	3,291,398	3,506,959	9,168,486	175,591,314	444,392	192,002,549
Additions	0	0	592,049	2,049,286	0	2,641,335
Written off	0	0	(4,592)	(72,971)	0	(77,563)
Disposals	0	0	(277,724)	(39,750)	0	(317,474)
Depreciation charge	(87,758)	(172,735)	(3,199,825)	(27,055,753)	(207,410)	(30,723,481)
At 31 December 2017	3,203,640	3,334,224	6,278,394	150,472,126	236,982	163,525,366
<u>At 31 December 2017</u>						
Cost	4,387,284	5,885,747	30,818,841	292,048,877	4,141,191	337,281,940
Accumulated depreciation	(1,183,644)	(2,551,523)	(24,540,447)	(137,219,664)	(3,904,209)	(169,399,487)
Accumulated impairment	0	0	0	(4,357,087)	0	(4,357,087)
Net book value	3,203,640	3,334,224	6,278,394	150,472,126	236,982	163,525,366
<u>At 31 December 2016</u>						
Cost	4,387,284	5,885,747	30,919,492	290,402,534	4,141,191	335,736,248
Accumulated depreciation	(1,095,886)	(2,378,788)	(21,751,006)	(110,454,133)	(3,696,799)	(139,376,612)
Accumulated impairment	0	0	0	(4,357,087)	0	(4,357,087)
Net book value	3,291,398	3,506,959	9,168,486	175,591,314	444,392	192,002,549

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Plant, machinery and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
<u>Year ended 31 December 2016</u>							
<u>Net book value</u>							
At 1 January 2016	3,379,155	3,835,270	10,963,218	207,633,629	841,444	133,754	226,786,470
Additions	0	0	1,651,385	2,242,522	115,040	0	4,008,947
Written off	0	0	(274,724)	(748,342)	0	0	(1,023,066)
Transfer	0	0	511,506	(377,752)	0	(133,754)	0
Disposals	0	(147,405)	(14,822)	(390,722)	(153,293)	0	(706,242)
Depreciation charge	(87,757)	(180,906)	(3,668,077)	(28,410,934)	(358,799)	0	(32,706,473)
Impairment charge	0	0	0	(4,357,087)	0	0	(4,357,087)
At 31 December 2016	3,291,398	3,506,959	9,168,486	175,591,314	444,392	0	192,002,549
<u>At 31 December 2016</u>							
Cost	4,387,284	5,885,747	30,919,492	290,402,534	4,141,191	0	335,736,248
Accumulated depreciation	(1,095,886)	(2,378,788)	(21,751,006)	(110,454,133)	(3,696,799)	0	(139,376,612)
Accumulated impairment	0	0	0	(4,357,087)	0	0	(4,357,087)
Net book value	3,291,398	3,506,959	9,168,486	175,591,314	444,392	0	192,002,549
<u>At 31 December 2015</u>							
Cost	4,387,284	6,152,947	29,277,063	293,262,912	4,385,557	133,754	337,599,517
Accumulated depreciation	(1,008,129)	(2,317,677)	(18,313,845)	(85,629,283)	(3,544,113)	0	(110,813,047)
Net book value	3,379,155	3,835,270	10,963,218	207,633,629	841,444	133,754	226,786,470

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Motor vehicles RM	Total RM
<u>Year ended 31 December 2017</u>					
<u>Net book value</u>					
At 1 January 2017	2,057,554	1,073,790	297,174	3	3,428,521
Additions	0	0	122,097	0	122,097
Disposal	0	0	(6,223)	0	(6,223)
Depreciation charge	(48,892)	(26,190)	(230,547)	0	(305,629)
At 31 December 2017	2,008,662	1,047,600	182,501	3	3,238,766
<u>At 31 December 2017</u>					
Cost	2,444,000	1,309,500	4,501,239	2,227,587	10,482,326
Accumulated depreciation	(435,338)	(261,900)	(4,318,738)	(2,227,584)	(7,243,560)
Net book value	2,008,662	1,047,600	182,501	3	3,238,766
<u>At 31 December 2016</u>					
Cost	2,444,000	1,309,500	4,390,933	2,227,587	10,372,020
Accumulated depreciation	(386,446)	(235,710)	(4,093,759)	(2,227,584)	(6,943,499)
Net book value	2,057,554	1,073,790	297,174	3	3,428,521

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Motor vehicles RM	Total RM
<u>Year ended 31 December 2016</u>					
<u>Net book value</u>					
At 1 January 2016	2,106,446	1,099,980	491,666	101,135	3,799,227
Additions	0	0	91,257	0	91,257
Written off	0	0	(1,357)	0	(1,357)
Depreciation charge	(48,892)	(26,190)	(284,392)	(101,132)	(460,606)
At 31 December 2016	2,057,554	1,073,790	297,174	3	3,428,521
<u>At 31 December 2016</u>					
Cost	2,444,000	1,309,500	4,390,933	2,227,587	10,372,020
Accumulated depreciation	(386,446)	(235,710)	(4,093,759)	(2,227,584)	(6,943,499)
Net book value	2,057,554	1,073,790	297,174	3	3,428,521
<u>At 31 December 2015</u>					
Cost	2,444,000	1,309,500	5,352,061	2,227,587	11,333,148
Accumulated depreciation	(337,554)	(209,520)	(4,860,395)	(2,126,452)	(7,533,921)
Net book value	2,106,446	1,099,980	491,666	101,135	3,799,227

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2017 RM	2016 RM
Net book value of property, plant and equipment of the Group pledged as security:		
- long term leasehold land	1,194,979	1,233,844
- long term leasehold buildings	1,177,171	1,292,734
- office equipment, furniture & fittings and renovations	2,015,013	1,638,017
- plant, machinery and other equipment	145,938,172	168,849,463
- motor vehicles	114,899	194,679
	<b>150,440,234</b>	173,208,737

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 net book value of motor vehicles acquired under hire purchase arrangement amounted to RM Nil (2016: RM20,426).

## 13 INVESTMENT PROPERTIES

	Group	
	2017 RM	2016 RM
<u>Net book value</u>		
At 1 January	841,574	865,150
Depreciation charge	(23,575)	(23,576)
At 31 December	<b>817,999</b>	841,574
Cost		
Accumulated depreciation	1,178,764	1,178,764
Accumulated impairment loss	(329,302)	(305,727)
	(31,463)	(31,463)
	<b>817,999</b>	841,574
Fair value of investment properties		
	<b>1,048,900</b>	1,018,050

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 13 INVESTMENT PROPERTIES (CONTINUED)

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2017 RM	2016 RM
Rental income	85,152	85,152

There were no direct operating expenses incurred in respect of investment properties as they were borne by the lessee.

The investment properties have been pledged as security for the unutilised banking facilities as at financial year end.

The fair value of the investment properties was estimated by Directors using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for difference in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

The Group measures the fair value using the level 3 fair value hierarchy. This level represents unobservable inputs to valuation techniques used to measure fair value.

Description	Valuation technique	Unobservable input	Unobservable input	Relationships of unobservable inputs to fair value
Office lot – Mutiara Bangsar	Sales comparison approach	Price per square metre	RM340	The higher the price per square metre, the higher fair value

## 14 INTANGIBLE ASSETS

Group	Goodwill RM	Contracts RM	Software costs RM	Software costs for assets in progress RM	Total RM
<u>2017</u>					
At 1 January	108,997	0	2,118,325	143,959	2,371,281
Amortisation	0	0	(727,119)	0	(727,119)
At 31 December	108,997	0	1,391,206	143,959	1,644,162
Cost	108,997	3,953,810	3,501,010	143,959	7,707,776
Accumulated amortisation	0	(3,953,810)	(2,109,804)	0	(6,063,614)
At 31 December	108,997	0	1,391,206	143,959	1,644,162
<u>2016</u>					
At 1 January	108,997	430,210	1,841,927	710,313	3,091,447
Additions	0	0	0	416,600	416,600
Transfer	0	0	982,954	(982,954)	0
Written off	0	0	(5,577)	0	(5,577)
Re-charge to a joint venture	0	0	(22,654)	0	(22,654)
Amortisation	0	(430,210)	(678,325)	0	(1,108,535)
At 31 December	108,997	0	2,118,325	143,959	2,371,281
Cost	108,997	3,953,810	3,501,010	143,959	7,707,776
Accumulated amortisation	0	(3,953,810)	(1,382,685)	0	(5,336,495)
At 31 December	108,997	0	2,118,325	143,959	2,371,281

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 14 INTANGIBLE ASSETS (CONTINUED)

Company	Software costs RM	Software costs for assets in progress RM	Total RM
<u>2017</u>			
At 1 January	148,413	143,959	292,372
Amortisation	(55,365)	0	(55,365)
At 31 December	93,048	143,959	237,007
Cost	270,108	143,959	414,067
Accumulated amortisation	(177,060)	0	(177,060)
	93,048	143,959	237,007
<u>2016</u>			
At 1 January	174,759	37,031	211,790
Additions	0	416,600	416,600
Transfer	309,672	(309,672)	0
Re-charge to subsidiaries	(261,453)	0	(261,453)
Re-charge to a joint venture	(22,654)	0	(22,654)
Amortisation	(51,911)	0	(51,911)
At 31 December	148,413	143,959	292,372
Cost	270,108	143,959	414,067
Accumulated amortisation	(121,695)	0	(121,695)
	148,413	143,959	292,372

## 15 SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares at cost	146,012,423	144,765,103
Less: Impairment loss	(9,400,000)	(9,400,000)
	<b>136,612,423</b>	135,365,103

During the financial year, the Company increased its investment in its subsidiaries by RM1,247,320 (2016: RM269,795) through grant of shares to selected eligible employees of subsidiaries in the Group under the LTIP.

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in Note 34 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	Turbo Services Sdn. Bhd.	Deleum Primera Sdn. Bhd.	Other individually immaterial subsidiary	Total
<b>In RM</b>						
<u>Year ended 31 December 2017</u>						
NCI percentage of ownership						
interest and voting interest	49%	40%	26%	40%		
Carrying amount of NCI	13,728,475	5,399,349	5,411,657	4,387,566	(38,013)	28,889,034
<u>Year ended 31 December 2016</u>						
NCI percentage of ownership						
interest and voting interest	49%	40%	26%	40%		
Carrying amount of NCI	13,866,238	5,930,647	4,506,894	3,384,069	(16,178)	27,671,670

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	<b>59,009,091</b>	53,824,077	<b>0</b>	0	<b>294,594,977</b>	352,829,704	<b>49,746,028</b>	43,557,634
Profit/(Loss) before tax	<b>14,261,205</b>	11,915,969	<b>(366,457)</b>	572,668	<b>5,792,021</b>	1,770,985	<b>3,617,088</b>	4,483,979
Tax expense	<b>(3,542,353)</b>	(2,903,733)	<b>0</b>	0	<b>(2,312,162)</b>	(253,450)	<b>(1,108,344)</b>	(1,318,441)
Profit/(Loss) for the year	<b>10,718,852</b>	9,012,236	<b>(366,457)</b>	572,668	<b>3,479,859</b>	1,517,535	<b>2,508,744</b>	3,165,538
Other comprehensive (loss)/income								
Currency translation differences	<b>0</b>	0	<b>(961,788)</b>	450,264	<b>0</b>	0	<b>0</b>	0
Total comprehensive income/(loss) for the financial year	<b>10,718,852</b>	9,012,236	<b>(1,328,245)</b>	1,022,932	<b>3,479,859</b>	1,517,535	<b>2,508,744</b>	3,165,538
Total profit or loss allocated to NCI	<b>5,252,237</b>	4,415,996	<b>(146,582)</b>	229,067	<b>904,763</b>	394,561	<b>1,003,497</b>	1,266,215
Total comprehensive income/(loss) allocated to NCI	<b>5,252,237</b>	4,415,996	<b>(531,298)</b>	409,172	<b>904,763</b>	394,561	<b>1,003,497</b>	1,266,215
Dividends to NCI	<b>5,390,000</b>	4,900,000	<b>0</b>	0	<b>0</b>	155,479	<b>0</b>	0

## 15 SUBSIDIARIES (CONTINUED)

Summarised statements of financial position

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
<u>Current</u>								
Assets	37,324,638	35,858,190	3,957,236	4,541,137	142,679,575	174,877,327	31,363,415	27,436,066
Liabilities	(11,118,846)	(9,810,257)	(7,070,762)	(8,016,020)	(122,847,685)	(160,968,889)	(25,559,477)	(24,495,218)
Total current net assets/ (liabilities)	26,205,792	26,047,933	(3,113,526)	(3,474,883)	19,831,890	13,908,438	5,803,938	2,940,848
<u>Non-current</u>								
Assets	2,163,863	2,323,816	16,611,899	18,301,501	1,475,702	3,425,770	5,740,396	5,802,801
Liabilities	0	0	0	0	(493,525)	0	(275,403)	(211,211)
Total non-current net assets	2,163,863	2,323,816	16,611,899	18,301,501	982,177	3,425,770	5,464,993	5,591,590
Net assets	28,369,655	28,371,749	13,498,373	14,826,618	20,814,067	17,334,208	11,268,931	8,532,438

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 15 SUBSIDIARIES (CONTINUED)

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	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities								
Cash generated from/(used in) operations	9,855,067	14,488,514	(46,701)	(14,164)	(6,733,715)	(16,737,686)	(4,636,505)	4,885,642
Tax paid	(2,986,289)	(4,241,883)	0	0	(151,071)	0	(1,520,411)	(398,909)
Interest (paid)/received	(289)	(24,420)	0	0	767,253	372,220	(219,409)	(413,136)
Net cash generated from/(used in) operating activities	6,868,489	10,222,211	(46,701)	(14,164)	(6,117,533)	(16,365,466)	(6,376,325)	4,073,597
Net cash used in investing activities	(134,675)	(336,264)	(139,191)	(134,520)	(85,051)	(764,054)	(1,266,003)	(969,018)
Net cash (used in)/generated from financing activities	(11,011,042)	(10,025,685)	0	0	(2,697,963)	(2,397,492)	1,399,330	(3,650,028)
Net decrease in cash and cash equivalents	(4,277,228)	(139,738)	(185,892)	(148,684)	(8,900,547)	(19,527,012)	(6,242,998)	(545,449)
Foreign currency translation	(37,601)	(18,556)	(411,208)	194,419	42,723	1,195,524	0	0
Cash and cash equivalents at beginning of the financial year	13,035,141	13,193,435	4,476,140	4,430,405	38,422,784	56,754,272	10,526,969	11,072,418
Cash and cash equivalents at end of the financial year	8,720,312	13,035,141	3,879,040	4,476,140	29,564,960	38,422,784	4,283,971	10,526,969

## 16 JOINT VENTURE

	Company	
	2017 RM	2016 RM
Unquoted shares at cost	<b>29,375,937</b>	29,375,937
<hr/>		
	Group	
	2017 RM	2016 RM
Group's share of net assets of joint venture	<b>28,563,089</b>	27,706,371

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.

## Summarised statement of comprehensive income

	TOSB For the financial year ended	
	2017 RM	2016 RM
Revenue	<b>6,763,568</b>	6,427,568
Depreciation	(2,925,583)	(2,597,628)
Interest expense	(8,592)	(51,337)
Interest income	<b>252,763</b>	191,997
Profit before tax	<b>1,421,111</b>	1,166,782
Tax expense	(357,526)	(317,394)
Profit for the year/Total comprehensive income for the financial year	<b>1,063,585</b>	849,388
<hr/>		
Interest in joint venture (80.55%)		
Share of results	<b>856,718</b>	684,182

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 16 JOINT VENTURE (CONTINUED)

Summarised statement of financial position

	TOSB As at 31 December	
	2017 RM	2016 RM
<u>Current</u>		
Cash and bank balances	12,959,621	7,929,145
Other current assets (excluding cash)	3,053,628	4,180,093
Total current assets	<b>16,013,249</b>	12,109,238
Financial liabilities (excluding trade payables)	(544,469)	(685,330)
Other current liabilities (including trade payables)	(166,521)	(137,491)
Total current liabilities	<b>(710,990)</b>	(822,821)
<u>Non-current</u>		
Assets	20,998,193	23,180,449
Other liabilities	(840,379)	(535,066)
Total non-current liabilities	<b>(840,379)</b>	(535,066)
Net assets	<b>35,460,073</b>	33,931,800

## 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	
	2017 RM	2016 RM
Opening net assets		
1 January	<b>27,706,371</b>	27,022,189
Share of profit for the year	<b>856,718</b>	684,182
 Closing net assets	<b>28,563,089</b>	27,706,371
 Interest in joint venture (80.55%)	<b>28,563,089</b>	27,706,371
 Carrying value	<b>28,563,089</b>	27,706,371

## 17 ASSOCIATES

	Group	
	2017 RM	2016 RM
Group's share of net assets of associates	<b>38,595,019</b>	39,744,617

In the opinion of the Directors, Malaysian Mud and Chemicals Sdn. Bhd. ("MMC") and Cambodia Utilities Pte Ltd ("CUPL") are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship, place of business and country of incorporation are set out in Note 34 to the financial statements. The associates have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

Both associates are private companies and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associates.

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired in May 2015. Upon its expiration, the Company will continue to equity account for the results of CUPL until it ceases to be an associate. The Company's interest in CUPL at that date will be represented by current assets which are expected to be liquidated in which the surplus after net of any amount due to CUPL will be returned to the Company in the form of cash. The share of loss from this associate and its contribution attributable to the shareholders of the Company in the financial year ended 31 December 2017 amounted to RM375,622 (2016: profit of RM594,351) and RM225,373 (2016: RM356,611) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 17 ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income

	MMC		CUPL		Total	
	For the financial year ended	2017 RM	For the financial year ended	2016 RM	For the financial year ended	2016 RM
Revenue	<b>31,925,418</b>	34,471,308	<b>0</b>	0	<b>31,925,418</b>	34,471,308
Depreciation	<b>(8,880,272)</b>	(17,179,977)	<b>0</b>	0	<b>(8,880,272)</b>	(17,179,977)
Interest expense	<b>0</b>	(154,178)	<b>0</b>	0	<b>0</b>	(154,178)
Interest income	<b>0</b>	0	<b>13,399</b>	37,188	<b>13,399</b>	37,188
(Loss)/Profit before tax	<b>(312,874)</b>	(983,476)	<b>(1,878,113)</b>	3,059,049	<b>(2,190,987)</b>	2,075,573
Tax expense	<b>283,700</b>	(175,393)	<b>0</b>	(87,294)	<b>283,700</b>	(262,687)
(Loss)/Profit for the year	<b>(29,174)</b>	(1,158,869)	<b>(1,878,113)</b>	2,971,755	<b>(1,907,287)</b>	1,812,886
Other comprehensive (loss)/income						
Currency translation differences	<b>0</b>	0	<b>(3,823,202)</b>	1,853,150	<b>(3,823,202)</b>	1,853,150
Total comprehensive (loss)/income for the financial year	<b>(29,174)</b>	(1,158,869)	<b>(5,701,315)</b>	4,824,905	<b>(5,730,489)</b>	3,666,036
Interest in associates (32%; 20%)						
Share of results	<b>(9,336)</b>	(370,838)	<b>(375,622)</b>	594,351	<b>(384,958)</b>	223,513
Dividends received from associate	<b>0</b>	7,200,000	<b>0</b>	0	<b>0</b>	7,200,000

## 17 ASSOCIATES (CONTINUED)

Summarised statements of financial position

	MMC		CUPL		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
<b>Current</b>						
Cash and bank balances	<b>3,195,994</b>	3,073,042	<b>457,181</b>	2,564,396	<b>3,653,175</b>	5,637,438
Other current assets (excluding cash)	<b>36,044,006</b>	23,416,982	<b>35,831,018</b>	39,553,328	<b>71,875,024</b>	62,970,310
Total current assets	<b>39,240,000</b>	26,490,024	<b>36,288,199</b>	42,117,724	<b>75,528,199</b>	68,607,748
 Financial liabilities						
(excluding trade payables)	<b>(1,388,923)</b>	(872,194)	<b>0</b>	0	<b>(1,388,923)</b>	(872,194)
Other current liabilities (including trade payables)	<b>(2,686,241)</b>	(5,174,406)	<b>(344,112)</b>	(472,322)	<b>(3,030,353)</b>	(5,646,728)
Total current liabilities	<b>(4,075,164)</b>	(6,046,600)	<b>(344,112)</b>	(472,322)	<b>(4,419,276)</b>	(6,518,922)
 <u>Non-current</u>						
Assets	<b>74,481,562</b>	89,948,225	<b>0</b>	0	<b>74,481,562</b>	89,948,225
Other liabilities	<b>(11,502,018)</b>	(12,218,095)	<b>0</b>	0	<b>(11,502,018)</b>	(12,218,095)
Total non-current liabilities	<b>(11,502,018)</b>	(12,218,095)	<b>0</b>	0	<b>(11,502,018)</b>	(12,218,095)
Net assets	<b>98,144,380</b>	98,173,554	<b>35,944,087</b>	41,645,402	<b>134,088,467</b>	139,818,956

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Opening net assets						
1 January	<b>98,173,554</b>	116,832,423	<b>41,645,402</b>	36,820,497	<b>139,818,956</b>	153,652,920
(Loss)/Profit for the year	(29,174)	(1,158,869)	(1,878,113)	2,971,755	(1,907,287)	1,812,886
Other comprehensive (loss)/income	0	0	(3,823,202)	1,853,150	(3,823,202)	1,853,150
Dividends	0	(17,500,000)	0	0	0	(17,500,000)
Closing net assets	<b>98,144,380</b>	98,173,554	<b>35,944,087</b>	41,645,402	<b>134,088,467</b>	139,818,956
Interest in associates (32%; 20%)	<b>31,406,202</b>	31,415,537	<b>7,188,817</b>	8,329,080	<b>38,595,019</b>	39,744,617
Carrying value	<b>31,406,202</b>	31,415,537	<b>7,188,817</b>	8,329,080	<b>38,595,019</b>	39,744,617

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Amounts due from subsidiaries	<b>75,484,653</b>	76,790,117
Amounts due to subsidiaries	(15,005,795)	(12,225,967)

Included in amounts due from subsidiaries are amounts due from a subsidiary amounting to RM2,200,000 (2016: RM2,200,000) in relation to finance the purchase of equipment. These amounts are unsecured, charged interest at 4.15% per annum (2016: 4.15% per annum) and are repayable on demand.

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

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

## 19 INVENTORIES

	Group	
	2017 RM	2016 RM
<b>At cost:</b>		
Finished goods	<b>19,029,398</b>	22,756,392
Less: Allowance for slow moving inventories	(1,280,046)	(962,501)
Less: Written-off on allowance for slow moving inventories	<b>187,030</b>	0
Add: Reversal of allowance for slow moving inventories	<b>404,382</b>	284,475
	<b>18,340,764</b>	22,078,366

Included in costs of sales are inventories consumed and recognised as cost of sales during the year of RM107,121,694 (2016: RM102,518,070).

## 20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-current:</b>				
Other long-term receivables	<b>4,921,400</b>	0	<b>0</b>	0
<b>Current:</b>				
Retention sum	<b>1,177,775</b>	828,799	<b>0</b>	0
Accrued revenue	<b>80,104,292</b>	92,654,056	<b>0</b>	0
Trade receivables	<b>114,301,725</b>	127,197,017	<b>0</b>	0
	<b>195,583,792</b>	220,679,872	<b>0</b>	0
Less: Impairment of receivables	(2,673,122)	(2,633,370)	<b>0</b>	0
Trade receivables, net	<b>192,910,670</b>	218,046,502	<b>0</b>	0
Other receivables	<b>8,278,421</b>	5,262,014	<b>48,320</b>	160,606
Less: Impairment of receivables	(48,030)	0	<b>0</b>	0
Deposits	<b>8,230,391</b>	5,262,014	<b>48,320</b>	160,606
Prepayments	<b>1,572,866</b>	1,669,882	<b>23,100</b>	21,100
	<b>3,879,704</b>	3,521,983	<b>332,063</b>	161,950
	<b>13,682,961</b>	10,453,879	<b>403,483</b>	343,656
	<b>206,593,631</b>	228,500,381	<b>403,483</b>	343,656

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Other long-term receivables

The other long-term receivables are non-current upfront deposits paid by the Group totalling RM4,921,400 for an investment which involves a joint collaborative effort with an independent third party and is held for long-term for strategical purposes.

### Trade receivables

The currency profile of trade receivables is as follows:

	Group	
	2017 RM	2016 RM
- Ringgit Malaysia	<b>103,465,102</b>	75,604,400
- US Dollar	<b>89,445,568</b>	142,358,281
- Euro	<b>0</b>	83,821
	<b>192,910,670</b>	218,046,502

Credit terms of trade receivables range from 30 to 90 days (2016: 30 to 90 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

69% of the Group's trade receivables as at 31 December 2017 (2016: 76%) relates to 6 (2016: 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.

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Trade receivables (continued)

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

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	165,212,478	180,283,984
1 to 30 days past due not impaired	14,477,434	21,687,772
31 to 60 days past due not impaired	9,007,291	12,259,901
61 to 90 days past due not impaired	2,511,234	2,501,947
91 to 120 days past due not impaired	482,102	353,004
More than 121 days past due not impaired	1,220,131	959,894
Not past due but impaired	623,134	0
Past due and impaired:		
61 to 90 days past due and impaired	63,610	42,683
More than 121 days past due and impaired	1,986,378	2,590,687
Less: Impairment of receivables	195,583,792 (2,673,122)	220,679,872 (2,633,370)
	192,910,670	218,046,502

### 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 RM27,698,192 (2016: RM37,762,518) 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Trade receivables (continued)

Movement in impairment of trade receivables is as follows:

	Group	
	2017 RM	2016 RM
At 1 January	2,633,370	2,217,364
Impairment made during the year	364,635	506,684
Written off during the year	(220,431)	(34,124)
Reversal of impairment losses	(100,454)	(60,552)
Exchange differences	(3,998)	3,998
At 31 December	2,673,122	2,633,370

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

### Other receivables

Other receivables are non-trade in nature, unsecured, interest free, payable on demand and in relation to payments made on behalf and GST recoverable from the Royal Malaysian Customs Department.

Movement in impairment of other receivables is as follows:

	Group	
	2017 RM	2016 RM
At 1 January	0	2,300,000
Impairment made during the year	48,030	0
Bad debts recovered	0	(2,300,000)
At 31 December	48,030	0

During the year, the impairment made on other receivables relate to an earnest deposit paid for a space rental. This amount was impaired in view that the space rental arrangement was cancelled and that the recoverability of the amount is uncertain.

## 21 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amounts due from associates	5,639	13,153	40	0
Amounts due to associates	(7,050,562)	(7,847,000)	0	(108)

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.

## 22 AMOUNTS DUE FROM/(TO) A JOINT VENTURE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amounts due from a joint venture	162,609	105,492	138,264	104,126
Amounts due to a joint venture	0	(77,589)	0	0

The amounts due from/(to) a joint venture are unsecured, interest free, repayable/payable on demand and are denominated in Ringgit Malaysia.

## 23 DERIVATIVE FINANCIAL INSTRUMENT

	Group
	2017 RM
As at 1 January	0
Changes in fair value	(23,775)
As at 31 December	(23,775)

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 currency exchange contract was RM609,300.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 23 DERIVATIVE FINANCIAL INSTRUMENT (CONTINUED)

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 the year end, the loss on the changes in fair value of the derivative financial instrument relating to a forward foreign exchange contract used on hedging was RM23,775 with a corresponding unrealised foreign currency exchange gain on the hedged item of RM25,798.

## 24 CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and cash equivalents	<b>130,647,897</b>	129,611,074	<b>6,634,501</b>	7,905,165
Add:				
Cash held in a designated account	<b>5,239,820</b>	5,322,891	<b>0</b>	0
Deposits pledged as security	<b>5,500,000</b>	5,500,000	<b>0</b>	0
Total cash and bank balances	<b>141,387,717</b>	140,433,965	<b>6,634,501</b>	7,905,165
Represented by:				
Deposits with licensed banks	<b>100,884,814</b>	97,194,357	<b>6,500,000</b>	7,730,000
Cash and bank balances	<b>40,502,903</b>	43,239,608	<b>134,501</b>	175,165
Total cash and bank balances	<b>141,387,717</b>	140,433,965	<b>6,634,501</b>	7,905,165

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
- Ringgit Malaysia	<b>121,203,012</b>	87,150,502	<b>6,634,501</b>	7,905,165
- US Dollar	<b>20,060,090</b>	52,953,098	<b>0</b>	0
- Euro	<b>15,534</b>	216,971	<b>0</b>	0
- Singapore Dollar	<b>90,608</b>	92,488	<b>0</b>	0
- Hong Kong Dollar	<b>18,473</b>	20,906	<b>0</b>	0
	<b>141,387,717</b>	140,433,965	<b>6,634,501</b>	7,905,165

## 24 CASH AND BANK BALANCES (CONTINUED)

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

	Group		Company	
	2017	2016	2017	2016
Interest rate (%)	<b>0.10 – 2.97</b>	0.10 – 3.25	<b>2.65 – 2.90</b>	2.40 – 2.80
Maturities (days)	<b>1 – 40</b>	1 – 34	<b>1 – 31</b>	1 – 31

Cash held in a designated account is required by the terms of the term loan undertaken by a subsidiary company (Note 25).

## 25 BORROWINGS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Revolving credits	<b>17,800,000</b>	28,900,000	<b>17,800,000</b>	28,900,000
Finance lease liabilities	<b>0</b>	11,042	<b>0</b>	0
Term loan	<b>55,350,000</b>	79,949,123	<b>0</b>	0
Loans against imports	<b>2,898,407</b>	707,174	<b>0</b>	0
	<b>76,048,407</b>	109,567,339	<b>17,800,000</b>	28,900,000
Less: amount repayable within 12 months				
Revolving credits	<b>(17,800,000)</b>	(28,900,000)	<b>(17,800,000)</b>	(28,900,000)
Finance lease liabilities	<b>0</b>	(11,042)	<b>0</b>	0
Term loan	<b>(24,599,828)</b>	(24,599,828)	<b>0</b>	0
Loans against imports	<b>(2,898,407)</b>	(707,174)	<b>0</b>	0
	<b>(45,298,235)</b>	(54,218,044)	<b>(17,800,000)</b>	(28,900,000)
Amount repayable after 12 months	<b>30,750,172</b>	55,349,295	<b>0</b>	0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 25 BORROWINGS (CONTINUED)

### (a) Term loan (secured)

The above term loan was structured as follows:

	Group	
	2017 RM	2016 RM
Term loan	<b>55,350,000</b>	79,949,123

On 29 October 2013, a subsidiary of the Group drew down a term loan to part finance the purchase of slickline equipment and tools. The total draw down was RM122,999,142. The term loan is secured by an “all monies” first legal charge over machinery of slickline equipment and tools of the subsidiary as disclosed in Note 12 and corporate guarantee of RM123,000,000 furnished by another subsidiary of the Group.

The term loan carries an interest of 3.97% per annum (0.85% above the bank’s cost of funds of 3.12%) (2016: 4.12%). The loan is repayable by way of 60 monthly principal instalments of RM2,049,986. The first instalment commences on the 18<sup>th</sup> month from the date of the first drawdown or the 6<sup>th</sup> month from the date of the full drawdown, whichever is earlier. The first instalment payment was made in April 2015. The tenure of the loan is 5 years.

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

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2017 is RM5,239,820 (2016: RM5,322,891) (Note 24).

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

	Group	
	2017 RM	2016 RM
Not later than 1 year	<b>24,599,828</b>	24,599,828
Later than 1 year but not later than 2 years	<b>24,599,828</b>	24,599,828
Later than 2 years but not later than 5 years	<b>6,150,344</b>	30,749,467
	<b>55,350,000</b>	79,949,123

## 25 BORROWINGS (CONTINUED)

(b) Revolving credit (unsecured)

The revolving credit 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 4.96% (1.20% per annum above the bank's cost of fund) (2016: 4.91%). The interest is fixed at the date of each draw down and subsequently revised at the commencement of each roll-over period. No securities have been pledged under this facility.

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

(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 4.51% (1.15% per annum above the bank's cost of fund) (2016: 4.66%). 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.

(d) Finance lease liabilities

	Group
	2016
	RM
<hr/>	
<u>Future minimum lease payments</u>	
Not later than 1 year	11,212
<hr/>	
Less: Future finance charges	11,212 (170)
<hr/>	
Present value of finance lease liabilities	11,042
<hr/>	
<u>Analysis of present value of finance lease liabilities</u>	
Not later than 1 year	11,042
<hr/>	
	11,042
<hr/>	

The finance lease liabilities was fully repaid during the financial year. There is no outstanding lease liability as at 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 26 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	<b>120,298,228</b>	165,202,739	<b>0</b>	0
Other payables	<b>14,620,552</b>	10,431,574	<b>1,196,961</b>	391,601
Staff related accruals	<b>6,899,958</b>	6,561,017	<b>1,652,676</b>	1,427,634
Other accruals	<b>6,369,125</b>	5,638,468	<b>588,183</b>	801,473
	<b>13,269,083</b>	12,199,485	<b>2,240,859</b>	2,229,107
	<b>27,889,635</b>	22,631,059	<b>3,437,820</b>	2,620,708
	<b>148,187,863</b>	187,833,798	<b>3,437,820</b>	2,620,708

The currency profile of trade payables is as follows:

	Group	
	2017 RM	2016 RM
- Ringgit Malaysia	<b>22,984,198</b>	37,040,543
- US Dollar	<b>97,055,138</b>	127,978,630
- Singapore Dollar	<b>100,634</b>	179,881
- Euro	<b>158,258</b>	3,685
	<b>120,298,228</b>	165,202,739

Credit terms of payment granted by the suppliers of the Group are 30 to 60 days (2016: 30 to 60 days).

## 27 FINANCIAL GUARANTEE LIABILITIES

	Group and Company	
	2017 RM	2016 RM
Financial guarantee contracts	0	8,712

The financial guarantee amount relates to unsecured corporate guarantees provided by the Company to a bank for Islamic term financing long term non-interest bearing facilities taken by a joint venture.

The banking facilities has been fully settled by the joint venture during the current financial year and the joint venture is currently in the midst of discharging the guarantee.

## 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:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets	2,009,874	3,525,646	1,680,838	2,074,053
Deferred tax liabilities	(22,724,247)	(21,221,976)	0	0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 28 DEFERRED TAX (CONTINUED)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	(17,696,330)	(12,356,729)	2,074,053	1,024,829
(Charged)/credited to profit or loss (Note 9)				
- property, plant and equipment	(1,234,229)	(3,331,285)	(244,226)	59,430
- unutilised tax losses	(1,578,073)	(1,575,110)	(171,493)	1,102,594
- deferred cost	1,342,964	661,649	0	0
- deferred revenue	(1,889,796)	(152,084)	0	0
- intangible assets*	0	106,952	0	0
- accruals	(29,152)	(367,306)	22,504	(97,733)
- others	370,243	(682,417)	0	(15,067)
	(3,018,043)	(5,339,601)	(393,215)	1,049,224
	(20,714,373)	(17,696,330)	1,680,838	2,074,053

### Recognised deferred tax assets

#### Deferred tax assets (before offsetting)

Property, plant and equipment	317	453,592	39,927	284,153
Unutilised tax losses	1,230,141	2,808,214	1,170,940	1,342,433
Deferred revenue	151,670	2,041,466	0	0
Accruals	1,419,361	1,448,513	469,971	447,467
Others	441,408	394,552	0	0
	3,242,897	7,146,337	1,680,838	2,074,053
Less: Offsetting	(1,233,023)	(3,620,691)	0	0
Deferred tax assets (after offsetting)	2,009,874	3,525,646	1,680,838	2,074,053

\* This includes intangible assets arising from acquisition of subsidiary.

## 28 DEFERRED TAX (CONTINUED)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Recognised deferred tax liabilities</u>				
<u>Deferred tax liabilities (before offsetting)</u>				
Property, plant and equipment	(22,941,019)	(22,160,065)	0	0
Deferred cost	(280,510)	(1,623,474)	0	0
Others	(735,741)	(1,059,128)	0	0
	(23,957,270)	(24,842,667)	0	0
Less: Offsetting	1,233,023	3,620,691	0	0
Deferred tax liabilities (after offsetting)	(22,724,247)	(21,221,976)	0	0
<u>Unrecognised deferred tax assets</u>				
Deferred tax assets have not been recognised in respect of the following items:				
	Group			
	2017 RM	2016 RM		
Property, plant and equipment	3,648,820	6,788,085		
Unutilised tax losses	12,039,563	11,898,760		
Deferred revenue	94,060	1,023,152		
Deferred cost	(160,571)	(63,742)		
Accruals	510,115	490,745		
Others	30,433	(8,750)		
Total unrecognised deferred tax assets	16,162,420	20,128,250		

The unabsorbed capital allowances, unutilised tax losses and other deductible temporary difference do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profits will be available against which the Group can utilise the benefits therefrom.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 29 SHARE CAPITAL

	Group and Company	
	2017 RM	2016 RM
<u>Authorised ordinary shares:</u>		
At 1 January/31 December 2016		
- 500,000,000 ordinary shares of RM0.50 each	0	500,000,000
<u>Issued and fully paid ordinary shares:</u>		
At 1 January		
- 400,000,000 ordinary shares with no par value (2016: 400,000,000 ordinary shares of RM0.50 each)	200,000,000	200,000,000
Issued pursuant to the Long-Term Incentive Plan (Note 30)		
- 195,300 ordinary shares with no par value (2016: Nil)	205,651	0
At 31 December		
- 400,195,300 ordinary shares with no par value (2016: 400,000,000 ordinary shares of RM0.50 each)	200,205,651	200,000,000

During the financial year, the total number of issued ordinary shares of the Company was increased from 400,000,000 to 400,195,300 by way of the issuance of 195,300 new ordinary shares at RM1.053 per share to eligible employees under the First Tranche of the Special Grant under the Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan.

The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

## 30 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.

### 30 SHARE BASED PAYMENT (CONTINUED)

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 (continued):

- (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 movement during the financial year in the number of shares in which employees of the Group and the Company is entitled to are as follows:

Date of Grants	Type of Grant	At 1.1.2017	Granted	Vested	Lapsed/Forfeited	At 31.12.2017
2 March 2015 (1 <sup>st</sup> Grant)	RS Award	<b>706,200</b>	0	0	(379,002) <sup>^</sup>	<b>327,198</b>
	PS Award	<b>1,013,700</b>	0	0	(66,400) <sup>#</sup>	<b>947,300</b>
22 March 2016 (2 <sup>nd</sup> Grant)	RS Award	<b>1,519,500</b>	0	0	(548,434) <sup>^</sup>	<b>971,066</b>
	PS Award	<b>1,480,300</b>	0	0	(81,000) <sup>#</sup>	<b>1,399,300</b>
22 March 2017 (Special Grant)	RS Award	<b>0</b>	398,400	(195,300)	(8,300) <sup>@</sup>	<b>194,800</b>

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.

Notes:

- <sup>^</sup> Shares lapsed due to non-vesting as the performance targets in respect of financial year ended 31 December 2016 were not met or forfeited due to the resignation of employees.
- <sup>#</sup> Shares forfeited due to the resignation of employees.
- <sup>@</sup> Shares forfeited due to non-fulfilment of vesting conditions and resignation of employees.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 30 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 RM1.053 and
Aggregated fair values/Fair value at grant date – RS Award	RM1.567	RM1.100	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.

During the financial year, the Company made a special grant of LTIP comprising solely of the RS Award of 398,400 ordinary shares to selected eligible employees of the Group which is based on the fulfilment of performance targets immediately prior to vesting ("Special Grant") of which 195,300 ordinary shares were vested by eligible employees of the Group under the First Tranche of the Special Grant of the RS Award portion of the Group's LTIP.

## 31 MERGER DEFICIT

	Group	
	2017 RM	2016 RM
Arising from the Company's business combination with Deleum Services Sdn. Bhd.	50,000,000	50,000,000

Merger deficit represents the excess of the nominal value of the shares of the Company being allotted of RM60,000,000 over the nominal value of the share capital of Deleum Services Sdn. Bhd. acquired of RM10,000,000.

## 32 FINANCIAL INSTRUMENTS

Financial instruments by category

Year ended 31 December 2017

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Fair value through profit or loss RM	Total RM
<u>Group</u>				
<u>Assets</u>				
Trade and other receivables (excluding prepayments and GST receivables)	202,685,791	0	0	202,685,791
Amounts due from associates	5,639	0	0	5,639
Amounts due from a joint venture	162,609	0	0	162,609
Cash and bank balances	141,387,717	0	0	141,387,717
	344,241,756	0	0	344,241,756
<u>Liabilities</u>				
Trade and other payables (excluding statutory obligations)	0	139,878,375	0	139,878,375
Amounts due to associates	0	7,050,562	0	7,050,562
Borrowings	0	76,048,407	0	76,048,407
Derivative financial instrument	0	0	23,775	23,775
	0	222,977,344	23,775	223,001,119
<u>Company</u>				
<u>Assets</u>				
Trade and other receivables (excluding prepayments and GST receivables)	71,420	0	0	71,420
Amounts due from subsidiaries	75,484,653	0	0	75,484,653
Amounts due from a joint venture	138,264	0	0	138,264
Amounts due from an associate	40	0	0	40
Cash and bank balances	6,634,501	0	0	6,634,501
	82,328,878	0	0	82,328,878
<u>Liabilities</u>				
Other payables and accruals (excluding statutory obligations)	0	3,266,489	0	3,266,489
Amounts due to subsidiaries	0	15,005,795	0	15,005,795
Borrowings	0	17,800,000	0	17,800,000
	0	36,072,284	0	36,072,284

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 32 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Year ended 31 December 2016

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<u>Group</u>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	224,614,651	0	224,614,651
Amounts due from associates	13,153	0	13,153
Amounts due from a joint venture	105,492	0	105,492
Cash and bank balances	140,433,965	0	140,433,965
	365,167,261	0	365,167,261
<u>Liabilities</u>			
Trade and other payables (excluding statutory obligations)	0	180,419,162	180,419,162
Amounts due to associates	0	7,847,000	7,847,000
Amounts due to a joint venture	0	77,589	77,589
Borrowings	0	109,567,339	109,567,339
Financial guarantee liabilities	0	8,712	8,712
	0	297,919,802	297,919,802
<u>Company</u>			
<u>Assets</u>			
Trade and other receivables (excluding prepayments and GST receivables)	34,477	0	34,477
Amounts due from subsidiaries	76,790,117	0	76,790,117
Amounts due from a joint venture	104,126	0	104,126
Cash and bank balances	7,905,165	0	7,905,165
	84,833,885	0	84,833,885
<u>Liabilities</u>			
Other payables and accruals (excluding statutory obligations)	0	2,494,077	2,494,077
Amounts due to associate	0	108	108
Amounts due to subsidiaries	0	12,225,967	12,225,967
Borrowings	0	28,900,000	28,900,000
Financial guarantee liabilities	0	8,712	8,712
	0	43,628,864	43,628,864

### 33 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

- (a) The following transactions are with subsidiaries of the Company

	Company	
	2017 RM	2016 RM
- Management fees	16,071,100	11,929,100
- Dividend income	18,000,000	15,000,000
- Inter-company interest income	1,335,469	1,515,334
- Re-charge of expenses	2,751,690	3,802,465

- (b) The following transactions are with a joint venture of the Company

	Group and Company	
	2017 RM	2016 RM
- Management fees	488,400	399,200
- Re-charge of expenses	69,556	110,711

- (c) The following transactions are with a party related to a corporate shareholder and affiliated companies of a subsidiary of the Group, Turboservices Sdn. Bhd.

	Group	
	2017 RM	2016 RM
Purchases from Solar Turbines International Company ("STICO")	211,930,753	264,881,371
Purchases from an affiliated company of STICO	8,747,582	0
Technical fees from STICO	3,377,691	1,058,264
Re-charge of expenses from an affiliated company of STICO	591,774	0
	<b>224,647,800</b>	<b>265,939,635</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (c) The following transactions are with a party related to a corporate shareholder and affiliated companies of a subsidiary of the Group, Turboservices Sdn. Bhd. (continued)

	Group	
	2017 RM	2016 RM
Manpower services to STICO	4,042,447	0
Rental income from an affiliated company of STICO	113,400	0
	4,155,847	0

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

	Group	
	2017 RM	2016 RM
Amount due from STICO and its affiliated company	5,773,692	0
Amount due to STICO and its affiliated company	85,988,991	101,384,237

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

	Group	
	2017 RM	2016 RM
Sales to related parties of Dresser Italia S.R.L	21,979	43,340
Purchases from Dresser Italia S.R.L	0	49,340
Purchases from related parties of Dresser Italia S.R.L	29,437,643	25,558,693
	29,437,643	25,608,033

### 33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

	Group	
	2017 RM	2016 RM
Amount due to related parties of Dresser Italia S.R.L	3,104,199	5,464,678

- (e) TOSB is a joint venture between the Company and Solar Turbines International Company ("STICO") and the related party transactions during the year are as follows:

	Group	
	2017 RM	2016 RM
Sales to STICO	5,936,000	5,600,000
Rental income from affiliated company of STICO	827,568	827,568
	<b>6,763,568</b>	6,427,568

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

	Group	
	2017 RM	2016 RM
Amount due from STICO	538,434	1,198,291

- (f) The following transaction is with a person connected to Datuk Vivekananthan a/l M.V. Nathan, the Deputy Chairman and a major shareholder of the Company.

	Group and Company	
	2017 RM	2016 RM
Purchase of a motor vehicle	7,000	0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' fees	942,000	942,000	942,000	942,000
Salaries and bonuses	8,493,274	8,975,862	2,993,589	2,963,750
Defined contribution plans	1,133,103	1,205,729	411,378	408,805
Other remuneration	995,092	1,086,719	224,619	193,208
Share based payment	1,254,193	453,577	530,142	178,372
Estimated monetary value of benefits-in-kind	421,954	361,290	234,732	192,444
	13,239,616	13,025,177	5,336,460	4,878,579

The above are inclusive of directors' remuneration as disclosed in Note 7 to the financial statements.

## 34 CORPORATIONS IN THE GROUP

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

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2017 %	2016 %	
<b>SUBSIDIARIES:</b>				
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.

### 34 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities		
		2017 %	2016 %			
<b>SUBSIDIARIES (CONTINUED):</b>						
Subsidiaries of <u>Deleum Services Sdn. Bhd.</u> (continued)						
Turboservices Sdn. Bhd.	Malaysia	<b>74</b>	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	<b>90</b>	90	Dormant.		
Deleum Chemicals Sdn. Bhd.	Malaysia	<b>100</b>	100	Development and provision of solid deposit removal solutions for enhancement of crude oil production and the supply of oilfield chemicals and services to the oil and gas industry.		
Wisteria Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.		
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.		
Sledgehammer Malaysia Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.		
Deleum Primera Sdn. Bhd. ("DPSB")	Malaysia	<b>60</b>	60	Provision of integrated corrosion and inspection services, blasting technology and services for tanks, vessels, structures and piping.		
Penaga Dresser Sdn. Bhd. #	Malaysia	<b>51</b>	0	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.		
Subsidiary of <u>Delcom Holdings Sdn. Bhd.</u>						
Penaga Dresser Sdn. Bhd. #	Malaysia	<b>0</b>	51	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 34 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities		
		2017 %	2016 %			
<b>SUBSIDIARIES (CONTINUED):</b>						
Subsidiaries of <u>Deleum Services Holdings Limited</u>						
Delcom Utilities (Cambodia) Limited *	British Virgin Islands	<b>60</b>	60	Investment holding.		
Delcom Power (Cambodia) Limited *	British Virgin Islands	<b>60</b>	60	Dormant.		
<b>JOINT VENTURE:</b>						
Joint venture of <u>Deleum Berhad</u>						
Turboservices Overhaul Sdn. Bhd.	Malaysia	<b>80.55</b>	80.55	Overhaul of gas turbine and maintenance services to oil and gas companies.		
<b>ASSOCIATES:</b>						
Associate of <u>Deleum Services Sdn. Bhd.</u>						
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.		
Associate of <u>Delcom Utilities (Cambodia) Limited</u>						
Cambodia Utilities Pte Ltd ^	Cambodia	<b>12<sup>®</sup></b>	12 <sup>®</sup>	Maintain and operate a power plant in Cambodia in line with the power generation business.		

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

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

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

# On 25 October 2016, Deleum Services Sdn. Bhd. ("DSSB") had entered into a conditional share sale agreement with Delcom Holdings Sdn. Bhd. ("DHSB"), a wholly-owned subsidiary of DSSB, to acquire the entire 51% issued and paid-up share capital of Penaga Dresser Sdn. Bhd. ("PDSB") which is equivalent to 1,275,000 ordinary shares from DHSB at a consideration of RM7,200,000. The share sale exercise was completed on 9 January 2017.

### 35 OPERATING LEASE COMMITMENTS

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

	Group	
	2017 RM	2016 RM
Within one year	648,209	836,628
Between two to five years	605,552	549,702

### 36 CAPITAL COMMITMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Authorised and contracted for at the end of the reporting period but not yet incurred				
- Plant and machinery	2,479,588	188,408	0	0
- Others	6,221,609	2,599	7,000	0
Authorised but not contracted for at the end of the reporting period				
- Plant and machinery	30,220,810	7,125,614	0	0
- Others	13,707,267	2,646,270	1,968,520	1,406,160
	52,629,274	9,962,891	1,975,520	1,406,160
Share of capital commitment of a joint venture	58,880	0	0	0
	52,688,154	9,962,891	1,975,520	1,406,160

### 37 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM32,898,112 (2016: RM26,861,182) to third parties in respect of operational requirements, utilities and maintenance contracts.

The Company provides financial guarantees amounting to RM2,668,803 (2016: RM Nil) to bank in favour of its subsidiaries to third parties for their operational requirements, utilities and maintenance contracts.

Included in the previous financial year, the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a joint venture which amounts to RM379,663 representing the outstanding banking facilities of the joint venture as at 31 December 2016. The banking facilities has been fully settled by the joint venture in the current financial year and the joint venture is currently in the midst of discharging the guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 38 CAPITAL MANAGEMENT

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

The capital structure for the Group and the Company consists of borrowings, cash and bank balances and total equity as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and cash equivalents	130,647,897	129,611,074	6,634,501	7,905,165
Less: Total borrowings	(76,048,407)	(109,567,339)	(17,800,000)	(28,900,000)
	<b>54,599,490</b>	20,043,735	<b>(11,165,499)</b>	(20,994,835)
Total equity	<b>350,867,628</b>	328,441,527	<b>217,590,154</b>	211,950,992

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

## 39 MATERIAL LITIGATION

On 28 September 2017, DPSB, a 60% owned subsidiary of the Group was served with the Writ of Summons ("Writ") and Statement of Claim, both dated 21 September 2017, by Mogbiss Sdn. Bhd. ("Mogbiss") claiming *inter alia* the sum of RM947,000.00 ("Suit"). The Suit was initiated against DPSB by Mogbiss through its solicitors, Messrs Khairul, Suhaila & Hazlina, whereas Messrs Zain & Co. has been retained by DPSB to act on its behalf in the matter.

By way of the Suit, Mogbiss claims the sum of RM947,000.00 against DPSB, being the alleged sum due and owing by DPSB to Mogbiss for the works allegedly performed by Mogbiss in respect of the project known as "3 Centre Cargo Tank De-Sanding and Cleaning Campaign for FPSO KIKEH".

In particular, Mogbiss' claim against DPSB pursuant to the Writ and Statement of Claim in this matter is for the following:

- (a) claim sum in the amount of RM947,000.00;
- (b) interest at the rate of 5% per annum on the judgment sum chargeable from the date of judgment until the date of full settlement;
- (c) costs to be determined by the Court; and
- (d) any other order and/or relief deemed fit by the Court.

At the Case Management before the Shah Alam Sessions Court on 30 November 2017, the learned Judge had issued directions for pre-trial case management and the matter was fixed for further Case Management on 29 January 2018.

Mogbiss had in or about early January 2018, approached DPSB and pursuant to negotiations between the parties, an amicable out-of-court settlement of the matter was reached between DPSB and Mogbiss. DPSB has paid Mogbiss a sum of money in full and final settlement of the matter with no admission as to liability. The suit was withdrawn by Mogbiss and struck out by the Court on 9 February 2018 with no Order as to costs and with no liberty to file afresh. The settlement did not have a material impact on the reported results and the financial assets and liabilities of the Group for the financial year ended 31 December 2017.

## 40 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation as disclosed below:

2016	Group		
	As previously reported RM	Reclassification RM	As restated RM
Statements of comprehensive income:			
Cost of sales	480,130,677	(5,283,222)	474,847,455
Selling and distribution costs	28,140,051	5,283,222	33,423,273

## 41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 February 2018.

# 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 89 to 181 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 2017 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 26 February 2018.

**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 89 to 181 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 : 26 February 2018

Before me:

*COMMISSIONER FOR OATHS*

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DELEUM BERHAD (Incorporated in Malaysia) (Company No. 715640-T)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Deleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 89 to 181.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There are no key audit matters in relation to the Financial Statements of the Company.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment assessment of property, plant and equipment (“PPE”) in oilfield services segment</b>  – Note 3 - Critical accounting estimates and judgments.</p> <p>As at 31 December 2017, the Group has PPE on slickline related to the oilfield services segment of RM138.3 million.</p> <p>The Group has performed an impairment assessment on the carrying values of the PPE in the oilfield services segment given the low and volatile crude oil price during the year which may impact the Group’s ability to renew or secure new contracts.</p> <p>The impairment review was performed by management in accordance with the requirements of MFRS 136 ‘Impairment of Assets’. Management has determined the recoverable amount of the PPE based on its value in use (“VIU”) which requires significant judgment as the timing and quantum of the future cash flow and the use of key assumptions such as revenue growth targets and ability to renew or secure new contracts.</p> <p>Based on the impairment assessment performed by management, the Directors concluded that no impairment of PPE is required.</p> <p>We focused on this matter as the estimation of recoverable amount is inherently uncertain and requires significant judgment on the future cash flows and the discount rate applied to the calculation of the VIU.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding on the process by which the VIU cash flows were developed and agreed the VIU cash flows to the financial budgets approved by the Board of Directors;</li> <li>• Checked the key assumptions used in the VIU, in particular average revenue growth rates by comparing to the segment’s actual revenue growth rate over the past years and benchmarked against the expected revenue growth rates of comparable companies in the oil and gas industry in Malaysia;</li> <li>• Discussed with management the rationale applied on the assumption of sourcing contract renewals by considering the Company’s historical experience;</li> <li>• Checked the discount rate used in the VIU based on inputs that are publicly available; and</li> <li>• Checked sensitivity analysis performed by management on the key assumptions used.</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) (Company No. 715640-T)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment assessment on the carrying value of investment in a material associate</b>  – Note 3 - Critical accounting estimates and judgements.</p> <p>As at 31 December 2017, the carrying value of the material associate recorded in the Group amounted to RM31.4 million. The associate reported a loss of RM29,000 during the year.</p> <p>The performance of the associate has been impacted due to the low drilling activities in Malaysia and this has resulted in decline in revenue and profits of the associate in the recent years. In view of this, management has performed an impairment assessment and determined the recoverable amount of the associate based on its VIU.</p> <p>Based on the impairment assessment performed by management, the Directors concluded that no impairment on the associate is required.</p> <p>We focused on this matter as the carrying amount of the associate is material to the Group and the estimation of recoverable amount is inherently uncertain and requires significant judgment on the future cash flows and the discount rate applied to the calculation of the VIU.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Evaluated management's cash flow projections and the process by which they were developed to ensure key inputs are in line with the cash flow projections approved by the associate's Board of Directors;</li> <li>Compared the key assumptions used in the VIU which comprised of revenue growth rate and Earnings before interest, taxes, depreciation and amortisation ("EBITDA") margins to historical results and industry forecasts of comparable oil and gas companies in Malaysia;</li> <li>Checked the discount rate used in the model by comparing them to market data and industry research; and</li> <li>Independently performed sensitivity analysis on those key assumptions used in the model.</li> </ul> <p>Based on the procedures performed, no material exceptions were noted.</p>

### 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 Directors' Report, Statement of Risk Management and Internal Control, Financial Highlights, Group Corporate Structure, Message from Chairman, Management Discussion and Analysis, Sustainability Statement, Audit Committee Report, Corporate Governance Report, List of Properties and other sections of the 2017 Annual Report which we obtained prior to the date of this auditors' report, and Analysis of Shareholdings, 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.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)****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 the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DELEUM BERHAD (Incorporated in Malaysia) (Company No. 715640-T)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 34 to the financial statements.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

**SOO KWAI FONG**  
03144/07/2019 J  
Chartered Accountant

Kuala Lumpur  
26 February 2018

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirteenth Annual General Meeting of DELEUM BERHAD (the Company) will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 16 May 2018 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 2017 together with the Reports of the Directors and Auditors thereon.

**Please refer to Explanatory Note A**

2. To re-elect the following Directors who retire by rotation pursuant to Article 78 of the Company's Constitution and, being eligible, have offered themselves for re-election:

- (a) Datuk Noor Azian binti Shaari  
(b) Nan Yusri bin Nan Rahimy

**Ordinary Resolution 1**  
**Ordinary Resolution 2**

3. To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,250,000 from 17 May 2018 until the next Annual General Meeting of the Company.

**Ordinary Resolution 3**

**Please refer to Explanatory Note B**

4. 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:

5. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

**Ordinary Resolution 5**

**"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 not more than ten percent (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Please refer to Explanatory Note C**

# NOTICE OF ANNUAL GENERAL MEETING

6. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTIONS 2.5(i)(1) AND 2.5(ii)(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 17 APRIL 2018**

Ordinary Resolution 6

**“THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Sections 2.5(i)(1) and 2.5(ii)(1) of the Circular to the Shareholders dated 17 April 2018 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 D**

7. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(i)(2) OF THE CIRCULAR TO SHAREHOLDERS DATED 17 APRIL 2018**

Ordinary Resolution 7

**“THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5(i)(2) of the Circular to the Shareholders dated 17 April 2018 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 D**

8. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Ordinary Resolution 8**

“**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 nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**Please refer to Explanatory Note E**

9. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Ordinary Resolution 9**

“**THAT** approval be and is hereby given to Datuk Chin Kwai Yoong, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**Please refer to Explanatory Note E**

10. To transact any other business of which due notice shall have been given.

**BY ORDER OF THE BOARD**

**LEE SEW BEE** (MAICSA 0791319)

**LIM HOOI MOOI** (MAICSA 0799764)

Company Secretaries

Kuala Lumpur

17 April 2018

# NOTICE OF ANNUAL GENERAL MEETING

## Notes on Proxy

1. A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.
5. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Thirteenth AGM will be put to vote by poll.

## Explanatory Notes to the Agenda

### A. For Agenda Item 1

**To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon**

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 (the Act) for discussion only under this Agenda item. They do not require shareholders' approval and hence, will not be put for voting.

### B. For Agenda Item 3

**To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,250,000 from 17 May 2018 until the next Annual General Meeting of the Company**

The amount of up to RM1,250,000 under Ordinary Resolution 3 comprising Directors' fees and benefits to Non-Executive Directors of the Company is estimated for the period from 17 May 2018 until the next AGM of the Company to be held in 2019. Directors' benefits comprises 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 estimated amount of Directors' fees and benefits is based on the estimated number of scheduled meetings of Board and Board Committees, no change in the Non-Executive Directors' remuneration framework and no increase in fees to any Director for the financial year ending 31 December 2018 up to the next AGM of the Company in 2019.

**C. For Agenda Item 5****Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The Company had at the Twelfth AGM held on 18 May 2017, 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 this AGM, authority to allot and issue shares not exceeding 10% of the total number of issued shares of the Company.

A renewal of this general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions and/or for issuance of shares as settlement of purchase consideration.

**D. For Agenda Items 6 and 7****Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(i)(1), 2.5(ii)(1) and 2.5(i)(2) of the Circular to Shareholders dated 17 April 2018**

Please refer to the Circular to Shareholders dated 17 April 2018 accompanying the Company's Annual Report for the financial year ended 31 December 2017 for detailed information. The Ordinary Resolutions proposed under Agenda Items 6 and 7, 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.

**E. For Agenda Items 8 and 9****Retention of Independent Non-Executive Directors**

The Joint Remuneration and Nomination Committee and the Board of Directors have assessed the independence of Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong, who have each served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, but less than 12 years. Based on the assessment, the Board is satisfied that Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong continue to be independent and the Board recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

- (a) they are able to exercise independent and objective judgement and to act in the best interest of the Company, notwithstanding their tenure of service;
- (b) they have met the independence guidelines set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (c) they have contributed sufficient time and efforts and exercised due care in all undertakings of the Company and have acted and carried out their fiduciary duties in the interest of the Company during their tenure as Independent Directors;
- (d) they are independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company; and
- (e) Datuk Ishak bin Imam Abas, having held various senior positions in the oil and gas industry before retirement, has vast experience and a depth of knowledge of the industry. Datuk Chin Kwai Yoong has extensive experience in audits of major companies which included oil and gas companies. Their in-depth knowledge of the industry, understanding of the Company's objectives, strategies and business operations and proven commitment, experience and competency will continue to benefit the Board in discharging its duties and provide advice and critical oversight to Management effectively.

The proposed Ordinary Resolutions which are in line with Practice 4.2 of the Malaysian Code on Corporate Governance 2017, will enable Datuk Ishak bin Imam Abas and Datuk Chin Kwai Yoong to hold office as Independent Non-Executive Directors until the conclusion of the next AGM of the Company.

**Members Entitled to Attend**

For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 9 May 2018 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote in his/her stead.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no person seeking election as Director of the Company at this Annual General Meeting (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 C of the Notice of this AGM.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2017 (FY2017).

## 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 FY2017.

- (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) and FY2017 are set out below:

Description	Number of Shares Granted	
	Total	Executive Director
<b>FY2015</b>		
Granted		
- First Grant of Restricted Share Incentive Plan (RS)	1,254,300	145,800
- First Grant of Performance Share Incentive Plan (PS)	1,142,200	226,200
Vested		
- First Grant of RS	-	-
- First Grant of PS	-	-
Forfeited		
- First Grant of RS	150,300 <sup>#</sup>	-
- First Grant of PS	101,200 <sup>#</sup>	-
Outstanding as at 31 December 2015		
- First Grant of RS	1,104,000	145,800
- First Grant of PS	1,041,000	226,200
<b>FY2016</b>		
Granted		
- Second Grant of RS	1,598,700	218,200
- Second Grant of PS	1,521,600	680,600*
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	2,225,700	315,400
- PS	2,494,000	906,800

# ADDITIONAL COMPLIANCE INFORMATION

## 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 and FY2017 are set out 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	1,493,064	243,866
- PS	2,346,600	906,800

Notes:

- # Shares forfeited due to the resignation of employees.
- ^ Shares lapsed due to non-vesting as the performance targets in respect of FY2015 and FY2016 were not met or forfeited due to the resignation of employees.
- \* The number of shares granted to the Group Managing Director under the Second Grant of PS was up to maximum based on outstanding performance targets.
- ^ Shares lapsed due to non-vesting as the performance targets in respect of FY2015 and FY2016 were not met.
- @ Shares forfeited due to non-fulfilment of vesting conditions and resignation of employees.

**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 FY2017 are set out below:

<b>Executive Director and Senior Management and key employees</b>	<b>Percentage (%)</b>	
	<b>During the financial year</b>	<b>Since commencement up to FY2017</b>
(i) Aggregate maximum allocation	100	100
(ii) Actual shares granted	0.99	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 FY2017 or entered into since the end of the previous financial year.

# LIST OF PROPERTIES

No	Company	Address	Brief Description	Existing Use	Land Area/ Built up Area	Tenure/ Date of Expiry of Lease		Age of Building	Net Book Value @31/12/17	Revaluation, if any	Date of Acquisition
1	Deleum Berhad (Corporate Head Office)	No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	6 storey corner shop office	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 03/12/2085	19 years	3,056,262			02/05/2006
2	Deleum Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey corner shop office	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 03/12/2085	29 years	443,897			19/09/1988
3	Deleum Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey shop office	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 03/12/2085	29 years	464,252			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	15 years	398,661			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	15 years	419,338			03/02/1997
6	Deleum Services Sdn. Bhd.	Lot 1315, Block 9, Miri Concession Land District, Miri Waterfront Commercial Centre, Jalan Bendahara, 98008 Miri, Sarawak, Malaysia	4 storey corner shop office	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/09/2066	13 years	864,000			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	17 years	600,000			-

No	Company	Address	Brief	Existing	Land Area/	Tenure/	Net Book		
			Description	Use	Built up Area	Date of Expiry of Lease	Age of Building	Value @31/12/17	Revaluation, if any
8	Deleum Services Sdn. Bhd. (Operations)	Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman, Malaysia	Warehouse	Warehouse	4,134.00 sq metres/ 1,456.00 sq metres	On Lease/ 31/03/2019	9 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	25 years	1,109,453	04/11/2009 12/04/2004

# ANALYSIS OF SHAREHOLDINGS

As at 15 March 2018

Total number of issued shares : 400,492,500 ordinary shares  
 Voting rights : One (1) vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	Total Shareholdings	% of Shareholdings
less than 100 shares	250	5.84	7,105	0.00
100 to 1,000 shares	504	11.77	321,051	0.08
1,001 to 10,000 shares	2,305	53.82	12,047,196	3.01
10,001 to 100,000 shares	1,028	24.00	32,816,053	8.19
100,001 to less than 5% of issued shares	192	4.48	158,504,777	39.58
5% and above of issued shares	4	0.09	196,796,318	49.14
<b>Total</b>	<b>4,283</b>	<b>100.00</b>	<b>400,492,500</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	20.41
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	48,165,418	12.03
3.	Datuk Vivekananthan a/l M.V. Nathan	42,530,000	10.62
4.	IM Holdings Sdn. Bhd.	24,360,000	6.08
5.	Datin Che Bashah @ Zaiton binti Mustaffa	19,024,000	4.75
6.	Dato' Izham bin Mahmud	11,200,000	2.80
7.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (Margin)	8,666,998	2.16
8.	Datin Che Bashah @ Zaiton binti Mustaffa	7,741,600	1.93
9.	Salient Lifestyle Sdn. Bhd.	7,370,400	1.84
10.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Cheu Leong	3,935,000	0.98
11.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Credit Suisse (SG BR-TST-ASING)	3,884,600	0.97
12.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	3,352,300	0.84

**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.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	3,333,000	0.83
14.	Dilip Manharlal Gathani	2,971,800	0.74
15.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	2,901,066	0.72
16.	Neoh Choo Ee & Company, Sdn. Berhad	2,749,332	0.69
17.	Hj. Abd Razak bin Abu Hurairah	2,681,946	0.67
18.	Lee Sew Bee	2,574,800	0.64
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Affin HWNG SM CF)	2,570,000	0.64
20.	Saudah binti Hashim	2,500,000	0.62
21.	Goh Thong Beng	2,250,000	0.56
22.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0239)	2,050,000	0.51
23.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Vcam Equity FD)	2,000,000	0.50
24.	Datuk Ishak bin Imam Abas	1,846,332	0.46
25.	Universal Trustee (Malaysia) Berhad KAF Dana Alif	1,820,200	0.45
26.	Universal Trustee (Malaysia) Berhad KAF Tactical Fund	1,759,500	0.44
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB)	1,700,000	0.42
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Swee Leong (PBCL-0G0165)	1,660,000	0.41
29.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kenanga Islamic Investors Bhd for Lembaga Tabung Haji	1,655,100	0.41
30.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0054)	1,650,000	0.41

# ANALYSIS OF SHAREHOLDINGS

As at 15 March 2018

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Lantas Mutiara Sdn. Bhd.	81,740,900	20.41	0	0
Hartapac Sdn. Bhd.	48,165,418	12.03	0	0
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.69	81,740,900 <sup>(1)</sup>	20.41
Datin Che Bashah @ Zaiton binti Mustaffa	32,185,598	8.04	0	0
IM Holdings Sdn. Bhd.	24,360,000	6.08	0	0
Dato' Izham bin Mahmud	11,200,000	2.80	138,286,498 <sup>(2)</sup>	34.53
Datin Sian Rahimah Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.03
Faye Miriam Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.03
Hugh Idris Abdullah	0	0	48,165,418 <sup>(3)</sup>	12.03
Farid Riza Izham	0	0	24,360,000 <sup>(4)</sup>	6.08
Faidz Raziff Izham	0	0	24,360,000 <sup>(4)</sup>	6.08
Hana Sakina Izham	0	0	24,360,000 <sup>(4)</sup>	6.08

### Notes:

- (1) Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 (the Act).
- (2) Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.
- (3) Deemed interested by virtue of his/her shareholdings in Hartapac Sdn. Bhd. pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his/her shareholdings in IM Holdings Sdn. Bhd. pursuant to Section 8 of the Act.

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Izham bin Mahmud	11,200,000	2.80	138,286,498 <sup>(1)</sup>	34.53
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	10.69	81,740,900 <sup>(2)</sup>	20.41
Datuk Ishak bin Imam Abas	1,962,998	0.49	0	0
Datuk Chin Kwai Yoong	750,000	0.19	50,000 <sup>(3)</sup>	0.01
Nan Yusri bin Nan Rahimy <sup>(4)</sup>	495,632	0.12	76,332 <sup>(3)</sup>	0.02

### Notes:

- (1) Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.
- (2) Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of shares held by his spouse.
- (4) Nan Yusri bin Nan Rahimy is also deemed to have interest in the shares of Deleum Berhad to the extent of the shares granted to him pursuant to the Long-Term Incentive Plan (LTIP) of Deleum Berhad as follows:
  - (a) 145,466 shares granted under the second grant of the LTIP under Restricted Share Incentive Plan (RS Award)
  - (b) Up to maximum of 680,600 shares granted under the second grant of the LTIP under Performance Share Incentive Plan, based on outstanding performance targets
  - (c) 49,800 shares granted under the special grant of the LTIP under RS Award

The shares granted under Note (4)(a) and (b) will be vested only upon fulfilment of vesting conditions which include achievement of service period and performance targets.

# CORPORATE DIRECTORY

## HEAD OFFICE

### **Deleum Berhad and its subsidiaries:**

#### **Deleum Services Sdn. Bhd.**

#### **Deleum Oilfield Services Sdn. Bhd.**

#### **Deleum Chemicals Sdn. Bhd.**

#### **Turboservices Sdn. Bhd.**

No. 2, Jalan Bangsar Utama 9  
Bangsar Utama, 59000  
Kuala Lumpur, Malaysia  
Tel : +603-2295 7788  
Fax : +603-2295 7777  
Email : info@deleum.com

## BRANCH OFFICE

### **Miri**

Lot 1315, Miri Waterfront  
Commercial Centre  
98008 Miri  
Sarawak, Malaysia  
Tel : +6085-413528/417 020  
Fax : +6085-418 037  
Email : info@deleum.com

### **Kota Kinabalu**

Unit No. J-55-3A, 4th Floor  
Block J, KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : info@deleum.com

## SUBSIDIARIES

### **Deleum Rotary Services Sdn. Bhd.**

No. 3, Jalan P4/8, Seksyen 4  
Bandar Teknologi Kajang  
43500 Kajang  
Selangor Darul Ehsan, Malaysia  
Tel : +603-8723 7070  
Fax : +603-8723 3070  
Email : info@deleum.com

### **Turboservices Sdn. Bhd.**

Unit No. B-23-1, Level 23, Tower B  
Menara UOA Bangsar  
No.5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur, Malaysia  
Tel : +603-2280 2200  
Fax : +603-2280 2249/2250

## **Deleum Primera Sdn. Bhd.**

No. 1-2, Jalan Tasik Utama 8  
Medan Niaga Tasik Damai  
Sungai Besi, 57100  
Kuala Lumpur, Malaysia  
Tel : +603-9054 4441  
Fax : +603-9054 4442  
Email : info@deleum.com

## **Penaga Dresser Sdn. Bhd.**

Business Suite, 19A-9-1  
Level 9, UOA Centre, No. 19  
Jalan Pinang, 50450  
Kuala Lumpur, Malaysia  
Tel : +603-2163 2322  
Fax : +603-2161 8312  
Email : sales@penagadresser.com

## **Penaga Dresser Sdn. Bhd.**

(Kota Kinabalu Sales Office)  
Unit No. J-55-3A, 4th Floor  
Block J, KK Times Square  
Off Coastal Highway  
88100 Kota Kinabalu  
Sabah, Malaysia  
Tel : +6088-485 189  
Email : sales@penagadresser.com

## OPERATIONS AND SUPPLY BASES

### **Kemaman**

Kemaman Supply Base  
Warehouse 28, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-863 1407/1408  
Fax : +609-863 1379  
Email : info@deleum.com

### **Labuan**

Asian Supply Base  
Rancha Ranch Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-413 935/583 205  
Fax : +6087-425 694  
Email : info@deleum.com

## **SERVICE CENTRE/ FACILITY**

### **Miri**

(Miri Service Facility)  
Sublot 3017  
Permyjaya Technology Park  
Bandar Baru Permyjaya,  
98000 Miri,  
Sarawak., Malaysia  
Tel / Fax : 085 418364  
Email : info@deleum.com

## **Deleum Rotary Services Sdn. Bhd.**

(Bintulu Service Facility)  
Lot 3955, Block 32  
Jalan Sungai Nyigu  
97000 Bintulu, Sarawak, Malaysia  
Tel : +6086-339 964  
Fax : +6086-339 984  
Email : info@deleum.com

## **Penaga Dresser Sdn. Bhd.**

(Terengganu Engineering Centre)  
Lot A1-A2, Kawasan Miel  
Jakar Phase III, 24000 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-868 6799  
Fax : +609-868 3453  
Email : sales@penagadresser.com

## **Penaga Dresser Sdn. Bhd.**

(Sabah Sarawak Engineering  
Centre)  
Lot 3326 & 3327, Piasau Industrial  
Shophouse, Off Jalan Piasau Utara  
98000 Miri, Sarawak, Malaysia  
Tel : +6085-419 126  
Fax : +6085-412 127  
Email : sales@penagadresser.com

## **Penaga Dresser Sdn. Bhd.**

(Labuan Engineering Service  
Centre)  
Asian Supply Base  
Rancha Ranch Industrial Estate  
87017 Labuan, Malaysia  
Tel : +855-23 425 592  
Fax : +855-23 425 050  
Email : adminisrationcupl@cupl.com.kh

## OTHER FACILITIES

### **Research & Development Facility**

No. 26-G, Block I, Tingkat G  
Jalan PJS 5/28, Pusat  
Perdagangan Petaling Jaya Selatan  
46150 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : +603-7772 3028  
Email : info@deleum.com

### **Integrated Workshop Facility**

Lot 4019, Kawasan Industri Teluk  
Kalong, 24007 Kemaman  
Terengganu Darul Iman, Malaysia  
Tel : +609-8634 588  
Fax : +609-8632 588  
Email : info@deleum.com

## JOINT VENTURE

### **Turboservices Overhaul Sdn. Bhd.**

(Turboservices: Solar Turbines  
Integrated Service Centre)  
Lot 26197, Kawasan Perindustrian  
Tuanku Jaafar, 71450 Seremban  
Negeri Sembilan Darul Khusus  
Malaysia  
Tel : +606-6798 270/207  
Fax : +606-6798 267  
Email : info@deleum.com

## ASSOCIATES

### **Malaysian Mud And Chemicals Sdn. Bhd.**

Asian Supply Base  
Rancha Ranch Industrial Estate  
87017 Labuan, Malaysia  
Tel : +6087-415 922  
Fax : +6087-415 921  
Email : mc2@tm.net.my

### **Cambodia Utilities Pte. Ltd.**

Power Plant #2, Road #2  
Sangkat Chak Angre Leu  
Khan Meanchey, Phnom Penh  
Kingdom of Cambodia  
Tel : +855-23 425 592  
Fax : +855-23 425 050  
Email : adminisrationcupl@cupl.com.kh

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# PROXY FORM



**DELEUM**  
Deleum Berhad  
(Company No. 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 Thirteenth Annual General Meeting of the Company to be held at **Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia** on **Wednesday, 16 May 2018 at 10:00 a.m.** and at any adjournment thereof.

No.	Resolutions	For	Against
<b>Ordinary Business</b>			
1.	To re-elect Datuk Noor Azian binti Shaari as Director.		
2.	To re-elect Nan Yusri bin Nan Rahimy as Director.		
3.	To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM1,250,000 from 17 May 2018 until the next Annual General Meeting of the Company.		
4.	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.		
<b>Special Business</b>			
5.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
6.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Sections 2.5(i)(1) and 2.5(ii)(1) of the Circular to Shareholders dated 17 April 2018.		
7.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(i)(2) of the Circular to Shareholders dated 17 April 2018.		
8.	Retention of Datuk Ishak bin Imam Abas as an Independent Non-Executive Director of the Company.		
9.	Retention of Datuk Chin Kwai Yoong 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 \_\_\_\_\_ 2018.

\_\_\_\_\_  
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:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in respect of the number of ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.
5. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Thirteenth AGM will be put to vote by poll.
6. For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 9 May 2018 and only a depositor whose name appears on this Record shall be entitled to attend this AGM or appoint proxy or proxies to attend and/or vote in his/her stead.

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AFFIX  
STAMP

The Company Secretary

**DELEUM BERHAD**

(Company No. 715640-T)  
(Incorporated in Malaysia)

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

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**DELEUM BERHAD (715640-T)**

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

Tel : 603 2295 7788 Fax : 603 2295 7777

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