

# PROFESSIONALISM

It is our aim to perform to the highest standards of professionalism. To this end, we will provide uncompromising quality products and services by listening to our clients' needs and responding to market changes.

# CHAIRMAN'S STATEMENT



"I am particularly proud to acknowledge the signing of a Joint Commercialisation Agreement with PETRONAS Technology Ventures Sdn. Bhd. to commercialise an innovative Solid Deposition Treatment Technology (SDTT) on 3 November 2011. This technology was successfully developed from an earlier collaborative research effort and collective hard work between the Group and PETRONAS Research Sdn. Bhd. SDTT is a thermo-chemical solution developed to resolve complex organic solid deposition problems in producing wells. I believe that, with SDTT, we will be in a position to play a more significant role in the domestic oil and gas production enhancement activities."

**DATO' IZHAM BIN MAHMUD**  
Chairman

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors and Management of the Deleum Group, I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2011.

During the year, the oil and gas industry received a positive boost by the Government's ambitious Economic Transformation Programme (ETP) with fiscal incentives being offered to stimulate exploration and development activities in Malaysia. The ETP targets the development of marginal fields and other capital-intensive projects that together will enhance production levels and contribute towards meeting the expected increase in energy demands in the country. Indeed, the year 2011 marked a considerable increase in oil and gas activities. For Deleum, this has resulted in a more robust financial performance, which I have pleasure in sharing with you.

## FINANCIAL PERFORMANCE

During the year, the Group revised its operating segments following a management change to be based on three main business segments, namely Power and Machinery, Oilfield Services, and Maintenance, Repair and Overhaul (MRO). The details of the three main business segments are explained in the Business Performance Review section of this Annual Report.

The Group recorded a total revenue of RM396.3 million for the year 2011, which was marginally less than RM399.0 million achieved in 2010. This was attributed to the completion of a one-off gas turbine project in 2010 that led to a lower revenue contribution during the year under review. However, our PATAMI increased by 25% from RM23.2 million in 2010 to RM29.0 million due to higher operating profits in the Power and Machinery segment, as well as improved results from our associate companies.

## DIVIDEND

Deleum remains committed to its dividend policy of distributing gross dividend of 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 requirements, financial commitments, expansion plans and other relevant factors.

During the year, the Company paid a first interim single tier dividend of 5.0 sen per ordinary share to its shareholders on 21 September 2011, and I am pleased to report that the Board had subsequently declared a second interim single tier dividend of 9.0 sen per ordinary share which was paid on 23 March 2012. This brought the total dividend payout for the financial year 2011 to 14.0 sen per ordinary share as compared to 11.5 sen per ordinary share in 2010.

## PROPOSED BONUS ISSUE

On 15 March 2012, the Company made an announcement of a proposed bonus issue of 50,000,000 ordinary shares on the basis of one (1) bonus share for every two (2) existing shares held by the entitled shareholders of the Company on the entitlement date to be determined and announced later. The proposed bonus issue would result in the issued and paid-up share capital of Deleum increasing from RM100 million to RM150 million. The Company is seeking the shareholders' approval, subject to the approval of the relevant authorities, at this Annual General Meeting.

## HIGHLIGHTS OF THE YEAR

We continue with our commitment to provide quality and timely service to all our customers. I am proud to inform you that our wholly owned subsidiary, Delcom Oilfield Services Sdn. Bhd. (DOSSB) was recognised by PETRONAS Carigali Sdn. Bhd. (PCSB) for its performance and we were presented an Outstanding Vendor Award 2011. This award was given following the evaluation by PCSB of all aspects of its vendors' performance in 2010, including Health, Safety and Environment (HSE), timeliness of service delivery, responsiveness and Non-Productive Time (NPT). What makes the award truly meaningful to us is that, in 2010, PCSB had more than 400 vendors and contractors working with it and DOSSB was selected as one of the 20 recipients of the award.

I am particularly proud to acknowledge the signing of a Joint Commercialisation Agreement with PETRONAS Technology Ventures Sdn. Bhd. to commercialise an innovative Solid Deposition Treatment Technology (SDTT) on 3 November 2011. This technology was successfully developed from an earlier collaborative research effort and collective hard work between the Group and PETRONAS Research Sdn. Bhd. SDTT is a thermo-chemical solution developed to resolve complex organic solid deposition problems in producing wells. I believe that, with SDTT, we will be in a position to play a more significant role in the domestic oil and gas production enhancement activities.

## QHSE

Deleum has always placed the highest priority on safety of our operations and personnel. We conduct regular training to keep our employees up-to-date with the latest safety mechanisms and technologies, and attend safety seminars organised by the industry. In 2011, the entire Group achieved a notable zero Lost Time Incident for the year. Further, DOSSB continued to achieve recognition for its high standards of safety. During the year, we received the Goal Zero Achievement from Sarawak Shell Berhad for achieving 1,440 days without any recordable incident.

Our commitment to protect our employees extends beyond ensuring their safety at work. During our annual HSE Week in 2011, we also emphasised ways in which employees can enhance the safety of their homes and communities. In addition, we organised health talks and free health checks to promote greater employee wellbeing.

## CORPORATE GOVERNANCE

Good corporate governance is fundamental to direct and manage business and company affairs towards enhancing business prosperity and corporate accountability. In our efforts to continue to uphold good corporate governance, we are committed to ensure that high standards of corporate governance are practised to safeguard the best interests of our shareholders and other stakeholders.

The Group's risk management system will continue to be strengthened to ensure that we are able to mitigate risks and respond effectively to the constantly changing business environment and to promote greater awareness of risk management at all levels.

## HUMAN CAPITAL DEVELOPMENT

Deleum recognises that our success hinges on the calibre and level of motivation of our employees. We therefore place emphasis on the continued professional development of our employees and engage them actively to create a sense of belonging with the Group. We employ a range of learning methodologies from on-the-job and classroom training to workshops and coaching sessions. Employees' individual capabilities are assessed to identify their strengths and development needs.

In maintaining a well balanced corporate culture, we unite our employees through the Group's Shared Values of Integrity, Professionalism, HSE and Excellence.

## CORPORATE RESPONSIBILITY ("CR")

At Deleum, we believe in giving back to the communities in which we operate. Over the years, we have been involved with various homes for the underprivileged while supporting worthy causes that provide aid to the less fortunate. In 2011, we implemented various CR initiatives aimed at promoting employees' welfare, HSE awareness and practices. We continued to support and contribute our time and effort to a number of homes for underprivileged children from diverse backgrounds.

For the first time, the Group organised a blood donation drive at the head office in partnership with the Pusat Darah Negara targeting our employees and business associates. In addition,

we co-sponsored the SPE (Society of Petroleum Engineers) Life Aid 2011 aimed at creating public awareness of the importance of blood and organ donation. As in previous years, in 2011, Deleum continued to support the global Earth Hour initiative to inculcate the collaborative awareness message for action against climate change in our employees and their families.

## OUTLOOK

In line with the ETP, exploration and production activities by PETRONAS and its production sharing contractors are expected to increase. These activities are expected to spur business opportunities in the oil and gas industry and promote upstream investment in the country. We, therefore, remain positive about our prospects in Malaysia, while also working towards geographical expansion to establish an operational presence regionally by 2015.

The Group will also continue to look for opportunities to form strategic alliances and mergers and acquisitions which are viable and synergistic to our core business. We will remain focused on our current core business while increasing service related business to further enhance the sustainability and growth of the Group.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to express my sincere appreciation to our Management and employees for their dedication and hard work, without whom the Group would not be where it is today. To my fellow Board Members, I would also like to convey my appreciation and thanks for your continued valuable contributions and guidance throughout the year.

Last but not least, I wish to thank all our stakeholders, in particular our shareholders, customers, suppliers, business partners and financiers for their continued support and confidence in us, which has enabled us to grow steadily over the years.

I am confident that with the collaborative effort of the Board and the Management, 2012 will be another successful year.



**Dato' Izham bin Mahmud**  
Chairman

3 April 2012



# HEALTH, SAFETY & ENVIRONMENT

Health, Safety & Environment remains our top priority in safeguarding the welfare of our employees, assets, environment and society at large. We will make every effort to further improve our policies and procedures and implement various initiatives across the Group.

# Business Performance Review

Although the year 2011 was challenging on many fronts, the Malaysian economy remained robust, boosted especially by the Government's Economic Transformation Programme (ETP) initiatives. Under the ETP, the oil and gas sector has been identified as one of the National Key Economic Areas (NKEAs). In line with this, the Government had introduced various tax incentives to encourage greater exploration and production activities. This has spurred greater upstream activities, especially in improved oil recovery (IOR) and enhanced oil recovery (EOR) technologies, to increase production in ageing fields while exploring new oil and gas fields off Peninsular and East Malaysia.

The robust price of oil, too, contributed to a revitalised industry that is seeing several marginal and deepwater fields being developed which in the past were viewed as uneconomical. Aside from the existing exploration works conducted by PETRONAS and major oil companies via the production sharing contracts, the introduction of the risk service contract (RSC) whereby foreign companies are encouraged to form joint ventures with local service providers to develop marginal fields has also given a boost to the industry. These changes in the energy landscape have been a boon to all oil and gas companies, from the major producers to the service providers.

The increase in oil and gas activities has spurred business opportunities and led to an increase in demand for the products and services offered by Deleum, which charted a commendable performance for the year. Although the total revenue of RM396.3 million was marginally less than RM399.0 million achieved in 2010, the Group's PATAMI for the year ended 31 December 2011 increased from RM23.2 million in 2010 to RM29.0 million. The decrease in revenue was due mainly to the completion of a one-off gas turbine supply project, while the improvement in PATAMI by 25% was due to higher operating profits from the Power and Machinery segment and improved performance of the Group's associate companies.

**“Aside from the existing exploration works conducted by PETRONAS and major oil companies via the production sharing contracts, the introduction of the risk service contract (RSC) whereby foreign companies are encouraged to form joint ventures with local service providers to develop marginal fields has also given a boost to the industry.”**



Load Testing



Technical Training

## POWER AND MACHINERY

The Power and Machinery segment focuses on the entire value chain of providing, installing and maintaining gas turbine packages, combined heat and power plants, supply, repair, maintenance and installation of valves and flow regulators, provision of umbilicals and mooring systems and services.

For the financial year ended 31 December 2011, the revenue of the Power and Machinery segment decreased by RM9.8 million. This was attributed to the completion of a one-off gas turbine supply project that led to a lower revenue contribution during the year under review. This was, however, offset by higher after-market sales, leading to increased segment results for the year of RM43.1 million as compared to RM37.8 million in 2010.

The Group managed to secure a number of new gas turbine package orders for various oil and gas offshore projects. In addition, the Group was awarded a contract to supply umbilicals for an East Malaysia deepwater project and another to supply mooring system parts. It also continued to provide safety and control valves, and aftermarket services to various Production Sharing Contractors (PSCs).

In the Industrial Power Generation (IPG) sector, the Group successfully completed a combined heat and power plant in Pasir Gudang, Johor, on a fast-track turnkey project basis. In anticipation of an increase in the availability of gas for industrial usage following completion of a re-gasification terminal in Melaka in 2012, the Group anticipates further growth in the IPG business.



Preparation for engine test

At the same time, the Group continues to strengthen its performance in the gas turbine package aftermarket services, focusing on total lifecycle basic maintenance. This includes the supply of parts and services, overhauls, training and package renewals and upgrades. The reputation of Deleum's project management team is further strengthened with the successful completion of a retrofit project in Myanmar, in addition to completing various equipment upgrades and retrofit projects locally.

In further support of its aftermarket activities, the Group's integrated facility in Senawang provides overhaul and repair services for gas turbines for both local and regional customers. It also serves as a training centre and is equipped with simulators to facilitate hands-on training. Factory pre-commissioning tests for control retrofits can also be carried out in this facility.

The control and safety valves business continued to contribute positively to the Group's overall performance, mainly from its aftermarket services, despite a reduction in revenue due to fewer orders being secured in 2011.



Gas Turbine assembly

## OILFIELD SERVICES

The Oilfield Services segment consists mainly of the provision of wireline equipment and services, integrated wellhead maintenance services, oilfield chemicals and other oilfield products and technical services. During the year, the segment contributed RM66.0 million to the Group revenue, which was marginally less than the RM66.2 million achieved in 2010. However, the segment results increased marginally from RM7.9 million in 2010 to RM8.0 million in 2011 consistent with the previous year in delivering products and services catering to the contracts already in hand.

Within this segment, the Group continued to service existing contracts, comprising mainly the provision of wireline equipment and services to various PSCs in Malaysia. Given heightened drilling and production activities and concerted efforts by various PSCs to reactivate idle wells and to enhance production, demands for additional wireline units and electronic data acquisition services had increased as well. At the same time, the Group further expanded its product lines by introducing wireline perforation services, and also the marketing of sand monitoring products and services.

Following the Group's earlier collaboration with PETRONAS Research Sdn. Bhd. to find solutions to address organic solid deposit problems, a thermo-chemical Solid Deposition Treatment Technology (SDTT) was developed which has superior advantages both technically and commercially. In November 2011, the Group entered into a Joint Commercialisation Agreement (JCA) with PETRONAS Technology Ventures Sdn. Bhd., to jointly commercialise this novel and innovative system which is very flexible and effective in removing predominantly organic deposits in flow conduits such as wells, pipelines, flowlines, topsides and process equipment.

Under the JCA, Delcom Chemicals Sdn. Bhd., a wholly owned subsidiary of Deleum, has been granted the exclusive rights to undertake the commercialisation activities for this home-grown technology which has been able to reduce operation costs by increasing the sustainability of well production. SDTT is also compatible with hydrocarbon formation, well completion systems, flowlines and refinery processes.



Pre-mobilisation Inspection



QA/QC for Auxiliary Cementing Accessories



Slickline Tool Maintenance

## MAINTENANCE, REPAIR AND OVERHAUL (MRO)

The Maintenance, Repair and Overhaul (MRO) segment oversees the servicing, repair and maintenance of motors, generators, transformers, pumps and valves. During the year, the MRO segment contributed RM13.0 million to the Group's revenue compared to RM5.7 million in 2010, with the acquisition of Rotary Technical Services Sdn. Bhd. (Rotary), in July 2010. However, the MRO segment recorded a negative result of RM0.8 million in 2011 compared to a profit of RM0.4 million in 2010 which was largely due to impairment for doubtful debts.

This segment enables the Group to achieve its vision of offering a more comprehensive range of services to the oil and gas industry. In order to strengthen this business segment, Rotary in 2011 obtained international IECEx certification from Simtars, Australia, which endorses the safety levels of the technical facilities and human resource capabilities offered at Rotary's facility in Kajang.

The Group is focusing on growing the MRO business and is actively marketing its services to the oil and gas industry.

## ASSOCIATES

Malaysian Mud And Chemicals Sdn. Bhd., which provides dry and liquid bulking services for East Malaysia offshore operations at the Asian Supply Base in Labuan, saw an increase in contribution to the Group as a result of higher throughput from increased drilling activities.

Cambodia Utilities Pte. Ltd. (CUPL) is the first independent power producer in Cambodia, delivering a net capacity of 36MW of electricity to the city of Phnom Penh. In 2011, the increased demand from the power grid resulted in heightened revenue and profit for CUPL, which continued to contribute to the Group's overall earnings.

## PROSPECTS

The Group has made significant strides over the years and continues to look actively for opportunities to expand either via mergers and acquisitions or through strategic alliances which are synergistic to its existing businesses in oil and gas and industrial power generation. Given that the energy sector is indispensable to economic development, the Group is confident of further successes and is focusing more intently to penetrate neighbouring markets in order to establish an operational presence regionally by 2015.



Motor circuit test & analysis



Skimming work

# Quality, Health, Safety and Environment

Deleum Group constantly strives to maintain a safe and conducive work environment for its employees by implementing best practices in Quality, Health, Safety and Environment (QHSE) management. As a result of continuous improvements in its QHSE Plan, the Group achieved notable results in 2011, namely zero Lost Time Incident (LTI) and zero Recordable Case Frequency.

In line with the Group's objective of creating a culture of safety, Deleum participated in several HSE forums and conferences organised by customers, business partners and relevant authorities. Internally, a number of QHSE programmes and activities were conducted during the year. These included:

- **HSE Week** – Health, Safety and Environment Week was organised at the Group's head office and all operating units in various locations. The aim was to create greater awareness among Deleum's employees of the importance of creating a safe environment not only in the workplace but also at home. Stressing on the element of safety, presentations and briefings were also held on crime prevention and road safety against crime. At the same time, health issues were highlighted and various health checks were made available to employees.
- **Monthly Safety Bulletin** – Monthly safety bulletins were produced, highlighting safety issues and good practices. These were disseminated to all employees throughout the year.
- **Safety Meetings** – Safety meetings were held on a regular basis to review the Group's safety performance and statistics, yearly QHSE Plan progress, incident/accident investigation reports (if any), STOP Card analysis, and the workplace audit and inspection report.
- **HSE Management System Audit and Review** – Periodic audits of the HSE Management System were undertaken at the operational facilities, and the system reviewed yearly by HSE Committee.
- **Employee Training** – Various training sessions and seminars were organised to instill a culture of safety among Deleum's employees.

Deleum's conscientious efforts to instill safety awareness and practices did not go unnoticed. A wholly-owned subsidiary, Delcom Oilfield Services Sdn. Bhd. (DOSSB), received Goal Zero recognition from Sarawak Shell Berhad for 1,440 days without any recordable incident. DOSSB also received a number of awards from PETRONAS Carigali Sdn. Bhd. Most notably, it was named champion for the Highest UAUC (Unsafe Act Unsafe Condition), while its employee Eddrus bin Radie did the company proud by receiving an award for The Most UAUC Reporting for Q4 FY2010/2011. These awards validate and illustrate the effectiveness of the QHSE Management System implemented in Deleum.

The Group's subsidiary, Delcom Services Sdn. Bhd., was successfully audited by Det Norske Veritas for its ISO 9001:2008 in January 2011. This is in line with the Group's commitment to continuously improve its quality management system and to meet customers' contractual requirements and expectations.



Blood Donation Drive



Fire Fighting Team Training



Health Talk

# Activities of 2011

## Corporate & Business Activities

20 – 23 February 2011

### Society of Petroleum Engineers (SPE) Applied Technology Workshop (ATW) 'Well Intervention – Extracting Value from Existing Resources'

The Group participated in a workshop which was organised by SPE in Kuching, Sarawak for knowledge sharing on Thermo Chemical In-Situ Heat Generation Technique to remove organic solid depositions. A presentation was made by our chemical team during the workshop.



18 May 2011

### Annual General Meeting

Deleum's 6th Annual General Meeting was held at the Kuala Lumpur Golf & Country Club and attended by a diverse group of shareholders.



1 – 3 June 2011

### 14th Asian Oil, Gas & Petrochemical Engineering Exhibition (OGA 2011)

The Group participated in the OGA 2011 exhibition which was organised in conjunction with the 14th Annual Asia Oil & Gas Conference (AOGC 2011). The participation was to further promote the Group's diverse range of supporting specialised products and services for the oil and gas industry.



23 June 2011

### PCSB Outstanding Vendor Award

Delcom Oilfield Services Sdn. Bhd. (DOSSB) was awarded the PETRONAS Carigali Sdn. Bhd. Outstanding Vendor Award 2011 for outstanding performance for the year 2010.

22 – 25 July 2011

#### **SPE Applied Technology Workshop**

The Group participated in a training on Mature Fields – Extracting Prescriptions for Mid to Late Field Life which was organised by SPE at the Shangri-La Tanjung Aru, Kota Kinabalu. The Technology of Thermo Chemical In-Situ Heat Generation Technique to remove organic solid depositions was also presented by our chemical team.

3 November 2011

#### **Joint Commercialisation Agreement Signing Ceremony**

The Group signed a Joint Commercialisation Agreement with PETRONAS Technology Ventures Sdn. Bhd. to commercialise an innovative technology, Solid Deposition Treatment Technology (SDTT), which was developed to resolve complex organic solid deposition problems in producing wells.



8 December 2011

#### **SPE Luncheon Talk 'Production Enhancement – Thermo Chemical In-Situ Heat Generation Technique'**

The Group participated in a talk which was organised by SPE in Kuala Lumpur for knowledge sharing on the nature of organic deposits and the SDTT's superior advantages in removing organic deposits in producing wells. A presentation was made by our chemical team.



2 – 4 November 2011

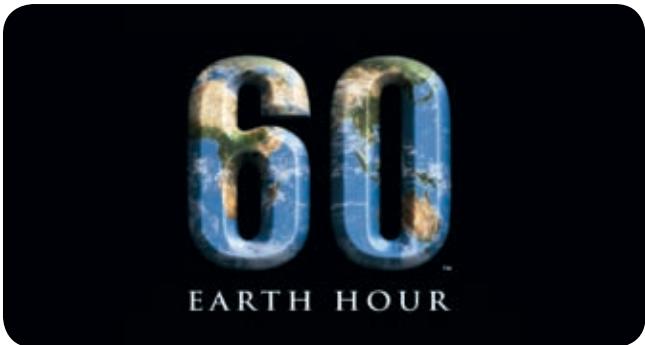
#### **Asean Oil & Gas Expo 2011 (AGEX 2011), Labuan**

Deleum participated in AGEX 2011 to exhibit its products and services. It was a good avenue for the Group to highlight its capabilities especially in integrated wellhead maintenance, wireline services, specialty chemical services and drilling accessories to various parties.



# Activities of 2011

## Corporate Responsibility Activities



26 March 2011

### Earth Hour 2011

Deleum supported Earth Hour 2011. The employees and their families were encouraged to turn off lights for one hour in support of the global collaborative awareness message for action against climate change and to demonstrate our commitment towards creating a more sustainable planet.



21 April 2011

### Donations for Shelter Home

Deleum organised a donation drive to collect clothes, books and toys from employees to be donated to Rumah Titian Kasih, Kuala Lumpur.



25 – 26 July 2011

### 'Blood Donation Drive' during HSE week

Deleum and the Pusat Darah Negara jointly organised a blood donation drive at Deleum's head office in Kuala Lumpur during the HSE week. 65 pints of blood were donated.



5 – 26 August 2011

### 'Projecting a Professional Corporate Image' Seminar Series

A seminar series on 'Projecting a Professional Corporate Image' for the enhancement of the employees' professional corporate image and business etiquette development was organised.



13 August 2011

### 'Majlis Berbuka Puasa' with Underprivileged Children

Through the initiatives and assistance from Miri office, we also organised a 'Majlis Berbuka Puasa' with orphans from Rumah Amal Anak Kesayangan Kami, located in Miri.



19 August 2011

#### **Majlis Berbuka Puasa with Underprivileged Children**

During the festive season of Hari Raya Puasa, Deleum organised a 'Majlis Berbuka Puasa' with the Muslim refugee children from Myanmar and Indonesia housed at the Rumah Madrasah home. We donated basic necessities to the children.



19 October 2011

#### **Sharing and Caring Session**

A visit to Pusat Penjagaan Kanak-Kanak Cacat Taman Megah for special needs and underprivileged children was organised. The children were treated to lunch and given new school uniforms. Donations of essential items were also made to this home.



14 December 2011

#### **'Edu - Fun Learning' Outing at PETROSAINS**

The Group organised an 'Edu - Fun Learning' outing for 39 underprivileged children from Rumah Hope in conjunction with the festive season of Christmas.



14 December 2011

#### **Blood Donation Campaign at Miri Office**

Our Miri office organised a blood donation campaign aimed at creating public awareness of the importance of blood donation.



15 – 16 December 2011

#### **SPE Life Aid 2011**

Deleum co-sponsored the SPE Life Aid 2011 event, which aimed to create public awareness on the importance of blood and organ donation, and to instill in young professionals the importance of their involvement in service to society.

# Activities of 2011

## Employees' Sports & Recreational Activities



15 July 2011

### Pool Tournament

This tournament was held at Brewball, Mid Valley Megamall. It was a fun tournament with great interaction among participants from various departments in the quest of victory.



15 October 2011

### Go-Kart

This activity was held at the 'Go-Kart' circuit in Shah Alam with employees from various departments vying to be the 'F1' champion. This event saw a healthy competition between the employees and everyone enjoyed themselves.



12 November 2011

### Paintball

Employees from various departments participated in the paintball competition held at Canyon Paintball, Bandar Utama. The participants enjoyed themselves in various outdoor battle scenes amidst the natural lush environment.

27 July 2011

### Netball Tournament

The netball challenge was held at the Pusat Sukan Negara, University of Malaya. The friendly battle between the teams was an enjoyable event. Great sportsmanship and good team spirit were displayed during the game.



22 September – 3 November 2011

### Bowling League

This bowling league continued to be held at the Cosmic Bowl at Mid Valley Megamall. Each week, the teams competed to bowl to their highest scores. It was a close race to finish with different teams taking the lead each week. We saw good interaction and team spirit among the employees during the league.



3 December 2011

### Miri Office Family Day

Approximately 50 employees and their families attended this event which was held at Tanjung Lobang, Miri. Various games and activities were organised for the employees and their families.



16 – 18 December 2011

### DSRC Family Trip 2011

With the collective effort made by our sports club committee members, the Annual Trip for 2011 was successfully held at the Shangri-La Golden Sands Hotel, Penang. Approximately 180 employees and their families attended this event and enjoyed themselves in various activities organised during the 3-day stay.

## Annual Dinners



1 April 2011

### Annual Dinner for Kemaman Office

The Annual Dinner for Kemaman based employees was held at the Holiday Villa Beach Resort & Spa, Cherating. Approximately 100 employees and their family members attended this event.



15 April 2011

### Annual Dinner for Miri Office

Miri based employees organised their Annual Dinner at the Dynasty Hotel with the theme 'In Red & Black Night'. Long service awards were also presented in recognition of the employees' loyalty to the Group.



16 April 2011

### Annual Dinner for Labuan Office

An Annual Dinner, with the theme 'Black & White' for Labuan based employees was held at the Tiara Hotel Labuan. It was a joyous occasion for approximately 50 employees and their family members who attended this event.



17 December 2011

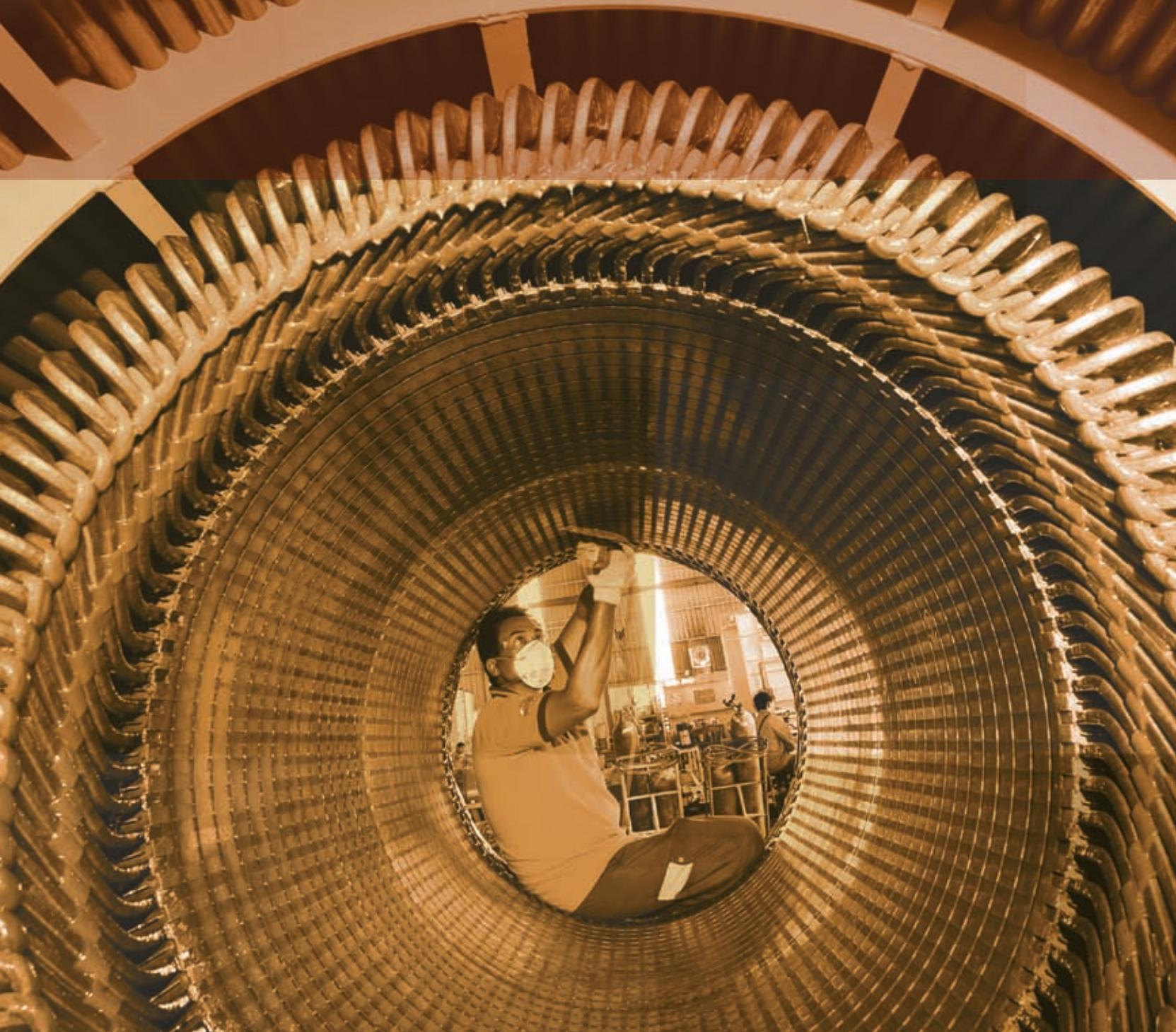
### DELEUM Annual Dinner 2011

An Annual Dinner & Dance, with the theme 'Rainbow' was held at the Shangri-La Golden Sands Resort, Penang in conjunction with the DSRC Family Trip 2011. In appreciation of the employees who had contributed their services for over 10 to 25 years, the Company presented long service awards to them during the event. Singing and dance performances by the employees were among the highlights of the evening.



# EXCELLENCE

We are committed to excellence in all areas of our work. At Deleum, we continuously strive to provide the highest quality of specialised products and services and to uphold excellence in conducting our business, every day, in every way.



# Statement of Corporate Governance

The Board of Directors (“the Board”) of Deleum Berhad (“Deleum” or “the Company”) remains firmly determined and committed in ensuring that high standards of corporate governance are practised and applied throughout Deleum and its subsidiaries (collectively “the Group”) to safeguard and promote the best interests of all stakeholders.

The Board is aware that good and effective corporate governance practices should extend beyond mere compliance. It should seek to attain high standards of business ethics, accountability, integrity, transparency and professionalism across all the Group’s activities and overall conduct. This is reflected by the Group’s adherence to, among others, the Code of Business Conduct which places a high value on integrity in business dealings and the Group’s Shared Values which promote a culture of integrity, professionalism, health safety environment and excellence among staff.

The Board is guided and mindful of the principles and best practices of corporate governance.

## 1. THE BOARD OF DIRECTORS

### 1.1 Composition

Deleum is led and managed by a pro-active Board that is able to provide a clear and effective leadership in the Group to achieve the Group’s mission and vision.

The members of the Board are high calibre individuals drawn from differing professional backgrounds. With a blend of good management, entrepreneurial skills and industry specific knowledge, they bring depth and diversity in experience and perspectives to the Group’s business operations.

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

No	Name	Designation
1	Dato’ Izham bin Mahmud	Non-Independent Non-Executive Chairman
2	Datuk Vivekananthan a/l M. V. Nathan	Non-Independent Non-Executive Deputy Chairman
3	Dato’ Kamaruddin bin Ahmad	Independent Non-Executive Director

No	Name	Designation
4	Datuk Ishak bin Imam Abas	Independent Non-Executive Director
5	Chin Kwai Yoong	Independent Non-Executive Director
6	Dato’ Seri Abdul Ghani bin Abdul Aziz	Non-Independent Non-Executive Director
7	Nan Yusri bin Nan Rahimy (Appointed on 1 March 2011)	Group Managing Director

The profiles of each Director are presented on pages 11 to 14 of this Annual Report.

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

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

The Board is satisfied that its current composition and size constitute an effective Board to the Group.

### 1.2 Roles and Responsibilities

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

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

The Chairman leads the Board and presides over meetings. He ensures that all its members, executive and non-executive alike are enabled and encouraged to play their full roles effectively.

He is primarily responsible for the orderly conduct and effective working of the Board, and acts as a liaison between the Board and Management.

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

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

The Chairman and the Deputy Chairman work closely with the Group Managing Director in the development of business and corporate policies and strategies for the Group.

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

### 1.3 Board Meetings

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

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

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

During the financial year ended 31 December 2011, ten (10) meetings of the Board of Directors were held with details of attendance as follows:

No	Name	No. of attendance and meetings
1	Dato' Izham bin Mahmud	10/10
2	Datuk Vivekananthan a/l M. V. Nathan	10/10
3	Dato' Kamaruddin bin Ahmad	10/10
4	Datuk Ishak bin Imam Abas	10/10
5	Chin Kwai Yoong	9/10
6	Dato' Seri Abdul Ghani bin Abdul Aziz	9/10
7	Chandran Aloysius Rajadurai (Resigned on 21 March 2011)	0/2
8	Nan Yusri bin Nan Rahimy	8/8

All Directors have complied with the minimum 50% attendance required at board meetings during the financial year ended 31 December 2011 as stipulated in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

### 1.4 Supply of Information

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

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

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

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

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

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

## 2. BOARD COMMITTEES

The Board has established Board Committees namely an Audit Committee ("the AC"), a Joint Remuneration and Nomination Committee ("the JRNC"), and a Risk Management Committee ("the RMC").

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

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

The Board also carries out an annual evaluation on the effectiveness of the Board and the AC. The findings of the evaluation are subsequently tabled at the JRNC meeting for discussion and subsequently reported to the Board.

### 2.1 Audit Committee

The composition of the AC, its terms of reference and a summary of its activities are set out in the AC Report on pages 42 to 45 of this Annual Report.

### 2.2 Joint Remuneration and Nomination Committee

The JRNC is primarily responsible for the following:

- i) reviewing and recommending appropriate remuneration packages for Executive Directors of Deleum to the Board;
- ii) identifying and recommending new individuals to be appointed to the Board as well as Directors to the Board Committees;
- iii) evaluating the effectiveness of the Board and Board Committees including reviewing the Board's required mix of skills, experience, other qualities and core competencies; and
- iv) 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.

The JRNC has five (5) members comprising the three (3) Independent Directors and two (2) Non-Independent Non-Executive Directors.

The above composition ensures a healthy and balanced mix of views on the duties and responsibilities of the JRNC. This enables the JRNC as a whole to assess the calibre, professionalism and core competencies of individuals recommended to the Board to ensure that these individuals, if appointed, will be able to discharge their duties and contribute effectively to the Group.

During the financial year ended 31 December 2011, two (2) meetings of the JRNC were held with details of attendance as follows:

		Name	No. of attendance and meetings
Chairman	:	Dato' Kamaruddin bin Ahmad	2/2
Members	:	Dato' Izham bin Mahmud	2/2
	:	Datuk Vivekananthan a/l M. V. Nathan	2/2
	:	Datuk Ishak bin Imam Abas	2/2
	:	Chin Kwai Yoong	1/2

### 2.3 Risk Management Committee

During the financial year ended 31 December 2011, the composition of the RMC, the number and details of meeting attendance of the RMC members were as follows:

	Name	No. of attendance and meetings
Chairman	: Dato' Seri Abdul Ghani bin Abdul Aziz	4/4
Members	: Chandran Aloysius Rajadurai (Resigned on 21 March 2011)	1/1
	: Nan Yusri bin Nan Rahimy	3/3

The RMC is primarily responsible for the following:

- i) reviewing the Group's risk profile and establishing a risk management framework to implement the processes for identifying, evaluating, monitoring and reporting of risks.
- ii) identifying, reviewing and evaluating risks facing the Group and formulating risk management processes and procedures and establishing risk action plans, where appropriate.
- iii) reviewing the adequacy of the Group's processes to identify the key organisational risks and the systems in place to monitor and manage these risks.
- iv) making necessary recommendations to the Board on risk management and control, where appropriate.
- v) updating the Board on the activities of the Committee at their quarterly meetings.

### 3. DIRECTORS' TRAINING

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

During the financial year ended 31 December 2011, the Company organised an inhouse briefing for the Directors and Senior Management by PricewaterhouseCoopers on risk management.

Also, in line with Bursa Malaysia's commitment to reach out to more board of directors of public listed companies to promote good corporate governance and sustainability practices, the Directors attended talks, educational and engagement initiatives by Bursa Malaysia designed for board of directors such as:

- the half day governance program entitled "Assessing the Risk and Control Environment";
- "Sustainability Programme for Corporate Malaysia – Trading Services & Industrial Products" for an overview of good practices for sustainable business growth and practical applications of sustainability in various industries; and
- the presentation on "The Board's Responsibility for Corporate Culture – Selected Governance Concerns and Tools for Addressing Corporate Culture and Board Performance".

The Group Managing Director, Encik Nan Yusri bin Nan Rahimy, who was appointed during the year, completed the Mandatory Accreditation Programme for Directors of public listed companies in compliance with the Listing Requirements of Bursa Malaysia. He also attended talks and briefings on investors relations and the Securities Commission's New Corporate Governance Blueprint and a workshop on the Latest Amendments to the Listing Requirements and the Corporate Disclosure Guide.

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

#### 4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of Directors is undertaken by the Board as a whole upon recommendation by the JRNC.

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

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

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

Directors who are over seventy (70) years of age are required to submit themselves for re-appointment by shareholders with not less than a three-fourth majority in accordance with Section 129 of the Companies Act, 1965. At the Sixth AGM held on 18 May 2011, three Directors were re-appointed pursuant to this provision.

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

#### 5. DIRECTORS' REMUNERATION

The details of Directors' remuneration during the financial year ended 31 December 2011 disclosed by categories are as follows:

##### Aggregate Remuneration

Remuneration	Executive (RM)	Non-Executive (RM)
Fees	–	750,000
Salaries and bonuses	1,399,932	–
Defined contribution plan	234,501	–
Estimated monetary value of benefits-in-kind	40,321	70,400

Remuneration	Executive (RM)	Non-Executive (RM)
Other emoluments	50,281	95,353
<b>Total</b>	<b>1,725,035</b>	<b>915,753</b>

##### Analysis of Remuneration

Remuneration Band (RM)	Executive	Non-Executive
50,001 – 100,000	–	3
150,001 – 200,000	1	–
250,001 – 300,000	–	2
500,001 – 550,000*	–	1
1,000,001 – 1,050,000	1	–

Note: \*Includes RM528,796 relating to remuneration received as executive director of a subsidiary.

An Executive Director was appointed on 1 March 2011.

An Executive Director resigned on 21 March 2011.

The Board of Directors is of the view that the disclosure of remuneration by appropriate components and bands are sufficient to meet the objectives of the Malaysian Code on Corporate Governance.

Directors' remuneration is decided and reviewed in line with the objectives of attracting and retaining directors of the calibre, expertise and experience needed to lead the Group successfully. The remuneration for the Executive Director is aligned to individual and corporate performance. The Non-Executive Directors are paid fees for the responsibility they shoulder and meeting allowances for the Board and Board Committees Meetings they attend.

The JRNC recommends to the Board for approval of the remuneration of the Executive Director in accordance with the remuneration policy established. The Board as a whole determines the remuneration of the Non-Executive Directors. Each individual Director abstains from the Board's decision on his own remuneration. The fees of the Directors are subject to the approval of the shareholders at the AGM.

## 6. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

The Board is committed to providing timely, fair and accurate disclosure of all material information about the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to Bursa Malaysia, quarterly financial reports, the Annual Report and media releases. The timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations progressively. In addition to quarterly financial reports, the Group communicates with shareholders and investors through its Annual Report, which comprehensively sets out and contains sufficient material information on the Group's business, activities and financial performance for the financial year under review.

Shareholders and investors can obtain pertinent information on the Group's finances, operations, products and services by accessing its website at [www.deleum.com](http://www.deleum.com). The website has a dedicated online investor relations portal providing information on financials, Annual Report, announcements, media releases and share price. The portal also has an e-mail alerts service where shareholders and anyone who are interested may register to receive newly posted Company announcements and news updates on the Company via e-mail.

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

Shareholders are encouraged to participate in the question and answer session at AGMs. The Company will convene its Seventh AGM on 24 May 2012 which provides an open forum for the shareholders to direct their questions on the Group's performance and prospects to the Board.

The Company holds briefings and discussions with analysts and fund managers and interviews with media representatives as appropriate. This medium of communication is an integral part of the Company's relations with the investing public. Presentations based on permissible disclosures are made to explain the Group's performance and major development plans. However, price sensitive information about the Group is not discussed in these exchanges until after the prescribed announcements to Bursa Malaysia have been made.

## 7. ACCOUNTABILITY AND AUDIT

### 7.1 Financial Reporting

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

The Board is assisted by the AC to oversee the Group's financial reporting process, the quality of its financial reporting and also to ensure that the financial statements are drawn up following appropriate accounting policies and in accordance with the provisions of the Companies Act, 1965 and the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. The accounting policies once adopted, are consistently applied and supported by reasonable judgments and estimates.

### 7.2 Internal Control

The Board has the overall responsibility for maintaining a sound and effective internal control system of the Group, covering matters relating to operations, compliance and risk management to safeguard shareholders' investment and the Group's assets, save and except for associate companies.

The Statement of Internal Control set out on pages 40 and 41 of this Annual Report provides an overview of the state of internal controls of the Group.

### 7.3 Relationship with the Auditors

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

During the financial year ended 31 December 2011, the AC met twice with the external auditors without the presence of the executive Board members and employees of the Company.

### 7.4 Statement of Directors' Responsibility

The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2011, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, and any material departures have been disclosed and explained in the financial statements;
- made estimates and judgments which are reasonable and prudent; and
- ensured the financial statements have been prepared on a going concern basis.

### 7.5 Compliance Statement

The Board is of the opinion that it has, in all material aspects, complied with the principles and best practices outlined in the Malaysian Code on Corporate Governance for the financial year ended 31 December 2011.

# Statement of Internal Control

The Statement of Internal Control is made in accordance with Paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia which requires Malaysian public listed companies to make a statement about their internal control, as a Group, in their annual reports. This is in line with the Malaysian Code on Corporate Governance which requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets.

## BOARD RESPONSIBILITIES

The Board of Directors ("the Board") of Deleum Berhad ("Deleum") is committed to maintaining a sound internal control system for Deleum Group ("the Group") and is responsible for reviewing its adequacy and integrity so as to safeguard shareholders' investment and the assets of the Group.

The Board and Management have implemented a control system designed to identify and manage risks faced by the Group in the pursuit of its business objectives including updating the system in line with changes to business environment, operating conditions and regulatory requirements. As any system of internal control has inherent limitations, such systems are designed to manage rather than eliminate the risk that may restrict or prevent the achievement of the Group's business objectives. This internal control system, by its nature, can only provide reasonable and not absolute assurance against material misstatements, losses or fraud. The Group's internal controls system does not apply to associate companies.

## RISK MANAGEMENT

The Risk Management Committee has identified the key risks faced by the Group, the potential impact and likelihood of those risks occurring, the effectiveness of controls and the action plans being taken to manage those risks to the desired level. This process is regularly reviewed by the Board. The duties and responsibilities of the Committee are set out in the section entitled "Board Committees" in the Statement of Corporate Governance.

## INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system include the following:

- **Written communication of Company values and the expected code of conduct**  
The Company values are communicated through the Group's corporate statement and each employee is required to read the Group's Code of Conduct upon commencement of employment.
- **Organisational structure**  
Specifies lines of responsibility, accountability and delegation of authority to facilitate the Group's daily operations and to ensure consistency with the Group's corporate objectives, strategies, budgets, policies and business directions as approved by the Board.
- **Delegation of Authorities Guidelines**  
Delineates the authorisation limits in respect of purchases of goods/services, capital expenditures, day to day banking and operations. The limits are reviewed and updated regularly to reflect the business environment, operational and structural changes.
- **Policies and procedures**  
Clear, formal and documented internal policies and procedures are in place to ensure compliance with internal controls and relevant rules and regulations. Regular reviews are performed to ensure that documentation remains current and relevant.
- **Budget process and reporting**  
The Board is responsible for approving the Group's budget on a yearly basis. Performance is monitored and follow up action taken by Management, where necessary. Regular and comprehensive information is provided to Management, covering operating and financial performance, key business indicators, Health, Safety and Environment ("HSE"), resource utilisation, cash flow performance, project achievement, human resource and information technology. Monthly monitoring of results are conducted against projections, with major variances being followed up and Management action taken, where necessary.

- **Review and monitoring**

The Board receives and reviews quarterly performance reports on the Group and its business segments from Management, and discusses significant business and risk issues.

- **Internal audit function**

The Internal Audit Function is undertaken by BDO Governance Advisory Sdn. Bhd. ("BDO") which provides assurance to the Audit Committee on the adequacy and integrity of the Group's internal controls. Internal Audit reviews are executed based on an approved internal audit plan. The findings of the Internal Audit reviews together with Management's responses are presented to the Audit Committee. The Audit Committee had considered the findings and accordingly instructed the Management to rectify and implement improved control procedures based on recommendations and suggestions made by the Internal Auditors. Implementation of improved control procedures by Management and the outstanding issues are reviewed and reported to the Audit Committee in the following Audit Committee meeting to ensure the key risks and control weaknesses are properly mitigated and addressed.

- **Quality management**

Annual audits on quality accreditations of the Group are performed by accreditation bodies to ensure compliance with certification and regulatory requirements.

- **Centralised functions**

Centralised control of selected key functions of the Group such as Finance, Procurement, Administration, HSE, Legal, Human Resources and Treasury enables Management to standardise processes across the Group, which in turn increases the efficiency and effectiveness of the business operations.

- **Training and development**

Personnel are kept up to date with the required competencies to carry out their duties and responsibilities toward achieving the Group's objectives.

- **Health, Safety and Environment**

The HSE functions are administered at the Group level and operating bases to carry out ongoing HSE activities, awareness programmes and continuous improvement.

- **Public reporting processes**

The Board has considered issues dealt with in reports reviewed by it during the year to ascertain the adequacy and integrity of the Company's public reporting processes.

## CONCLUSION

The Board is pleased to report that there were no significant internal control deficiencies or weaknesses that resulted in material losses or contingencies to the Group for the financial year under review.

The Board has an ongoing commitment to ensure continuous improvement in the effectiveness and integrity of the Group's internal control system.

This Statement is made in accordance with the resolution of the Board of Directors dated 3 April 2012.

# Audit Committee Report

The Board is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2011 in accordance with Paragraph 15.15 of the Listing Requirements of Bursa Malaysia.

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

## I. CONSTITUTION

The terms of reference of the Audit Committee are set out in pages 44 and 45 of the Annual Report.

## II. MEMBERSHIP AND MEETINGS

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

The Audit Committee met five (5) times during the financial year ended 31 December 2011. Details of members of the Audit Committee and their attendance of meetings are set out below:

	Name	Total Meetings Attended
Chairman	: Datuk Ishak bin Imam Abas (Independent Non-Executive Director)	5/5
Members	: Dato' Kamaruddin bin Ahmad (Independent Non-Executive Director)	5/5
	: Chin Kwai Yoong (Independent Non-Executive Director)	5/5

Name	Total Meetings Attended
: Dato' Izham bin Mahmud (Non-Independent Non-Executive Director)	5/5
: Datuk Vivekananthan a/l M. V. Nathan (Non-Independent Non-Executive Director)	5/5

By invitation, the Group Managing Director and other relevant Senior Management personnel, external and internal auditors were also present during deliberations.

## III. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2011, the Audit Committee's duties included the following:

### 1. Financial Results

- (a) Reviewed the unaudited quarterly financial results and announcements before recommending them to the Board for consideration and approval and the release of the Group's results to Bursa Malaysia.

- (b) Reviewed the annual audited financial statements before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were in compliance with:
  - Listing Requirements of Bursa Malaysia;
  - Provisions of the Companies Act, 1965 and other relevant legal and regulatory requirements; and
  - Applicable Approved Accounting Standards of the Malaysian Accounting Standards Board.

## 2. Annual Reporting

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

## 3. External Audit

- (a) Reviewed the external auditors' scope of work and audit plan for the year.
- (b) Reviewed the results of their audit of the year end financial statements and quarterly statements and the resolution of issues highlighted in their report to the Audit Committee.
- (c) Reviewed the independence of the external auditors during the year.
- (d) Reviewed and recommended external auditors' remuneration to the Board.
- (e) Reviewed with the external auditors the impact of new or proposed changes in accounting standards and regulatory requirements and the extent of compliance.
- (f) Held two meetings with the external auditors without the presence of the executive directors and employees of Deleum Berhad.

## 4. Internal Audit

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

## 5. Related Party Transactions

Reviewed the Related Party Transactions of the Group.

#### **IV. INTERNAL AUDIT FUNCTION**

The Internal Audit Function ("IAF") of the Group is outsourced to BDO Governance Advisory Sdn. Bhd. The cost incurred for the outsourced IAF in respect of the financial year ended 31 December 2011 amounted to RM92,797.00.

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

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

The activities carried out were as follows:

- (a) Conducted internal audit engagements consistent with the annual audit plan presented and approved by the Audit Committee.
- (b) Reviewed the adequacy, integrity and effectiveness of the system of controls to ensure there is a systematic methodology in identifying, assessing and managing risk areas with regard to:
  - reliability and integrity of financial and operational information;
  - effectiveness and efficiency of operations;
  - safeguarding of assets; and
  - compliance with laws, regulations and contractual obligations within the Company's governance, operations and information systems.
- (c) Reviewed and appraised the soundness, adequacy and application of controls and procedures in respect of compliance, efficiency and effectiveness.
- (d) Identified opportunities to improve the operations and processes of the Group and recommended improvements to existing system of internal controls.

#### **V. TERMS OF REFERENCE**

The Audit Committee is guided by a terms of reference, of which the salient points are as follows:

##### **1. Objectives of the Audit Committee**

The Audit Committee shall assist the Board:

- (a) in complying with specified accounting standards and the necessary disclosure as required by Bursa Malaysia, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) in presenting a balanced and understandable assessment of the Company's positions and prospects;
- (c) in establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors; and
- (d) in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

##### **2. Composition of the Audit Committee**

- (a) The Audit Committee shall comprise a minimum of three (3) members, of which a majority must be Independent Directors.
- (b) All members of the Audit Committee must be non-executive directors.
- (c) At least one (1) member of the Audit Committee shall be a member of the Malaysian Institute of Accountants ("MIA") or a person who fulfils the requirements of the Listing Requirements.
- (d) The Chairman of the Audit Committee shall be an Independent Director.
- (e) All members of the Audit Committee shall hold office only for so long as they serve as Directors of the Company.

### 3. Duties and Responsibilities of the Committee

- (a) Nominates and recommends the appointment of the external auditors and considers the adequacy of experience, resources, audit fee and any issues regarding their re-appointment, resignation or dismissal;
- (b) Reviews with the external auditors the nature and scope of the audit before commencement of the audit and reports the same to the Board;
- (c) Reviews with the external auditors its audit report, evaluation of the system of internal controls and reports the same to the Board;
- (d) Performs the following in respect of the IAF:
  - (i) Reviews and reports to the Board on:
    - the adequacy of the scope, authority, function, resources and competency of the IAF;
    - the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken;
  - (ii) Discusses and reviews the major findings of internal audit investigations and Management's response and where necessary, ensures that appropriate action is taken on the recommendations of the IAF;
  - (iii) Reviews any appraisal or assessment of the performance of the members of the IAF;
  - (iv) Ensures the independence of the IAF and that it reports directly to the Audit Committee;
- (e) Prior to the approval of the Board, reviews the quarterly and year-end financial statements and reports the same to the Board, focusing particularly on any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions, and compliance with accounting standards and other statutory requirements.
- (f) Reviews and reports to the Board on any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) Discusses problems and reservations, if any, arising from the interim and final audits and any matters which the external auditor wishes to discuss in the absence of management, where necessary;
- (h) Performs any other work that it is required or empowered to do by statutory legislation or guidelines as prepared by the relevant Government authorities;
- (i) Reports to the Board of Directors if there is any breach of the Listing Requirements and recommends corrective measures;
- (j) To promptly report to Bursa Malaysia where a matter reported by the Audit Committee to the Board has not been satisfactorily resolved resulting in a breach of Listing Requirements; and
- (k) To consider other issues as defined by the Board.



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# Financial Statements

# 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 2011.

## 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 and maintenance of rotating equipment 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	29,033,439	70,414,593
– Non-controlling interest	5,677,661	0
Profit for the financial year	34,711,100	70,414,593

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2010 were as follows:

	RM
In respect of the financial year ended 31 December 2010, as shown in the Directors' report of that year, a second interim single tier dividend of 8 sen per share on 100,000,000 ordinary shares, paid on 8 April 2011	8,000,000
In respect of the financial year ended 31 December 2011, first interim single tier dividend of 5 sen per share on 100,000,000 ordinary shares, paid on 21 September 2011	5,000,000
	13,000,000

The Directors, had on 22 February 2012 declared a second interim single tier dividend of 9 sen per share of RM1.00 each in respect of the financial year ended 31 December 2011 totaling RM9,000,000 payable on 23 March 2012.

## RESERVES AND PROVISIONS

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

## Directors' Report

### DIRECTORS

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

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

In accordance with Article 78 of the Company's Articles of Association, Chin Kwai Yoong and Dato' Seri Abdul Ghani bin Abdul Aziz retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in note 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

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

	Number of ordinary shares of RM1 each in the Company			
	At 1.1.2011/ date of appointment	Acquired	Sold	At 31.12.2011
<b>Direct interest</b>				
Dato' Izham bin Mahmud	2,797,000	0	0	2,797,000
Datuk Vivekananthan a/l M.V. Nathan	10,625,837	0	0	10,625,837
Nan Yusri bin Nan Rahimy	83,500	0	0	83,500
Datuk Ishak bin Imam Abas	350,000	0	0	350,000
Chin Kwai Yoong	187,500	0	0	187,500
Dato' Seri Abdul Ghani bin Abdul Aziz	142,900	0	0	142,900

**DIRECTORS' INTERESTS (CONTINUED)**

	<b>Number of ordinary shares of RM1 each in the Company</b>			
	<b>At 1.1.2011/ date of appointment</b>	<b>Acquired</b>	<b>Sold</b>	<b>At 31.12.2011</b>
<b>Indirect interest</b>				
Dato' Izham bin Mahmud	34,524,739	15,000	0	34,539,739
Datuk Vivekananthan a/l M.V. Nathan	20,420,677	0	0	20,420,677
Nan Yusri bin Nan Rahimy	3,000	0	0	3,000

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

	<b>At 1.1.2011</b>	<b>Acquired</b>	<b>Sold</b>	<b>At 31.12.2011</b>
<b>Direct interest</b>				
Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400

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

	<b>At 1.1.2011</b>	<b>Acquired</b>	<b>Sold</b>	<b>At 31.12.2011</b>
<b>Direct interest</b>				
Dato' Seri Abdul Ghani bin Abdul Aziz	20,000	0	0	20,000

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

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

## Directors' Report

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

**SUBSEQUENT EVENT**

On 15 March 2012, the Company proposed to undertake a bonus issue of 50,000,000 new ordinary shares of RM1.00 each in the Company, to be credited as fully paid-up, on the basis of one (1) new share for every two (2) existing shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later.

The proposed bonus issue is subject to approvals being obtained from the shareholders of the Company at the next Annual General Meeting, Bursa Malaysia Securities Berhad and any other relevant authorities where applicable, for the listing of and quotation for the new shares arising from the proposed bonus issue.

The proposed bonus issue is expected to be completed by the end of the second quarter of the financial year ending 31 December 2012.

**AUDITORS**

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 March 2012.

**DATO' IZHAM BIN MAHMUD**

Director

**NAN YUSRI BIN NAN RAHIMY**

Director

# Statements of Comprehensive Income

## For the financial year ended 31 December 2011

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	5	<b>396,302,738</b>	399,045,384	<b>97,088,400</b>	10,000,000
Cost of sales		<b>(312,260,143)</b>	(323,095,352)	<b>(6,018,500)</b>	0
Gross profit		<b>84,042,595</b>	75,950,032	<b>91,069,900</b>	10,000,000
Other operating income		<b>3,055,879</b>	2,768,899	<b>1,406,218</b>	399,491
Selling and distribution costs		<b>(3,501,302)</b>	(3,661,461)	<b>(867,949)</b>	(865,240)
Administrative expenses		<b>(44,745,760)</b>	(39,890,392)	<b>(2,972,879)</b>	(7,285,524)
Other operating expenses		<b>(5,213,336)</b>	(5,700,007)	<b>(1,951,907)</b>	(1,736,246)
Finance cost	8	<b>(1,608,016)</b>	(1,616,783)	<b>0</b>	0
Share of results of associates (net of tax)	16	<b>13,679,265</b>	9,743,815	<b>0</b>	0
Profit before tax	6	<b>45,709,325</b>	37,594,103	<b>86,683,383</b>	512,481
Tax expense	9	<b>(10,998,225)</b>	(7,380,642)	<b>(16,268,790)</b>	(316,892)
Profit for the financial year		<b>34,711,100</b>	30,213,461	<b>70,414,593</b>	195,589
<b>Other comprehensive income</b>		<b>683,253</b>	(2,935,299)	<b>0</b>	0
Total comprehensive income for the financial year		<b>35,394,353</b>	27,278,162	<b>70,414,593</b>	195,589
Profit attributable to:					
Equity holders of the Company		<b>29,033,439</b>	23,236,557	<b>70,414,593</b>	195,589
Non-controlling interest		<b>5,677,661</b>	6,976,904	<b>0</b>	0
		<b>34,711,100</b>	30,213,461	<b>70,414,593</b>	195,589
Total comprehensive income attributable to:					
Equity holders of the Company		<b>29,349,970</b>	21,679,167	<b>70,414,593</b>	195,589
Non-controlling interest		<b>6,044,383</b>	5,598,995	<b>0</b>	0
		<b>35,394,353</b>	27,278,162	<b>70,414,593</b>	195,589
Earnings per share (sen)					
– Basic	10	<b>29.03</b>	23.24		

The above statements of comprehensive income are to be read in conjunction with the significant accounting policies and notes 1 to 36 to the Financial Statements.

# Statements of Financial Position

## As at 31 December 2011

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	<b>99,105,833</b>	93,463,580	<b>6,516,351</b>	6,048,723
Investment properties	13	<b>958,768</b>	982,311	<b>0</b>	0
Intangible assets	14	<b>365,195</b>	739,553	<b>0</b>	0
Subsidiaries	15	<b>0</b>	0	<b>74,990,456</b>	74,990,456
Prepayments	33	<b>0</b>	318,365	<b>0</b>	0
Associates	16	<b>44,053,829</b>	41,435,937	<b>0</b>	0
Deferred tax assets	25	<b>475,743</b>	69,856	<b>0</b>	4,700
Amount due from a subsidiary	17	<b>0</b>	0	<b>10,952,374</b>	0
		<b>144,959,368</b>	137,009,602	<b>92,459,181</b>	81,043,879
<b>CURRENT ASSETS</b>					
Amounts due from subsidiaries	17	<b>0</b>	0	<b>69,368,498</b>	15,388,427
Tax recoverable		<b>3,972,232</b>	4,880,083	<b>2,476,674</b>	3,734,266
Inventories	18	<b>13,429,169</b>	9,045,679	<b>0</b>	0
Trade and other receivables	19	<b>104,533,563</b>	142,605,372	<b>90,924</b>	103,038
Amounts due from associates	20	<b>15,008</b>	14,908	<b>28</b>	0
Cash and bank balances	21	<b>70,599,159</b>	57,609,656	<b>18,255,483</b>	11,854,544
		<b>192,549,131</b>	214,155,698	<b>90,191,607</b>	31,080,275
<b>LESS: CURRENT LIABILITIES</b>					
Amounts due to subsidiaries	17	<b>0</b>	0	<b>3,438,915</b>	1,145,418
Amounts due to associates	20	<b>0</b>	124	<b>0</b>	124
Borrowings	22	<b>16,998,664</b>	6,214,153	<b>11,300,000</b>	0
Taxation		<b>1,262,825</b>	166,175	<b>0</b>	0
Dividends payable		<b>68,029</b>	437,882	<b>0</b>	0
Deferred revenue		<b>6,054,668</b>	0	<b>0</b>	0
Trade and other payables	23	<b>83,207,797</b>	123,310,505	<b>1,689,545</b>	2,041,899
Financial guarantee liabilities	24	<b>0</b>	0	<b>236,372</b>	393,450
		<b>107,591,983</b>	130,128,839	<b>16,664,832</b>	3,580,891
NET CURRENT ASSETS		<b>84,957,148</b>	84,026,859	<b>73,526,775</b>	27,499,384
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	25	<b>5,796,846</b>	5,087,129	<b>28,100</b>	0
Borrowings	22	<b>9,918,830</b>	15,407,196	<b>0</b>	0
		<b>15,715,676</b>	20,494,325	<b>28,100</b>	0
		<b>214,200,840</b>	200,542,136	<b>165,957,856</b>	108,543,263

## Statements of Financial Position

As at 31 December 2011

Note	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	26	100,000,000	100,000,000	100,000,000
Retained earnings		141,510,089	125,476,650	8,543,263
Merger deficit	27	(50,000,000)	(50,000,000)	0
Foreign currency translation		(2,597,265)	(2,913,796)	0
Shareholders' equity		188,912,824	172,562,854	108,543,263
NON-CONTROLLING INTEREST		25,288,016	27,979,282	0
TOTAL EQUITY		214,200,840	200,542,136	108,543,263

The above statements of financial position are to be read in conjunction with the significant accounting policies and notes 1 to 36 to the Financial Statements.

# Consolidated Statement of Changes in Equity

## For the financial year ended 31 December 2011

Attributable to equity holders of the Company										
Issued and fully paid ordinary shares of RM1 each										
Group	Note	Number of shares RM	Nominal value RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM	Non- controlling interest RM	Total equity RM	
At 1 January 2011		100,000,000	100,000,000	(2,913,796)	(50,000,000)	125,476,650	172,562,854	27,979,282	200,542,136	
Total comprehensive income for the financial year		0	0	316,531	0	29,033,439	29,349,970	6,044,383	35,394,353	
Dividends	11	0	0	0	0	(13,000,000)	(13,000,000)	(8,735,649)	(21,735,649)	
At 31 December 2011		100,000,000	100,000,000	(2,597,265)	(50,000,000)	141,510,089	188,912,824	25,288,016	214,200,840	
At 1 January 2010 (restated)		100,000,000	100,000,000	(1,356,406)	(50,000,000)	112,740,093	161,383,687	27,537,120	188,920,807	
Total comprehensive income for the financial year		0	0	(1,557,390)	0	23,236,557	21,679,167	5,598,995	27,278,162	
Dividends	11	0	0	0	0	(10,500,000)	(10,500,000)	(5,156,833)	(15,656,833)	
At 31 December 2010		100,000,000	100,000,000	(2,913,796)	(50,000,000)	125,476,650	172,562,854	27,979,282	200,542,136	

The above consolidated statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 36 to the Financial Statements.

# Company Statement of Changes in Equity

## For the financial year ended 31 December 2011

Company	Note	Issued and fully paid ordinary shares of RM1 each		Distributable	Total RM
		Number of shares RM	Nominal value RM		
At 1 January 2011	11	100,000,000	100,000,000	8,543,263	108,543,263
Total comprehensive income for the financial year		0	0	70,414,593	70,414,593
Dividends		0	0	(13,000,000)	(13,000,000)
At 31 December 2011		100,000,000	100,000,000	65,957,856	165,957,856
At 1 January 2010 (restated)	11	100,000,000	100,000,000	18,847,674	118,847,674
Total comprehensive income for the financial year		0	0	195,589	195,589
Dividends		0	0	(10,500,000)	(10,500,000)
At 31 December 2010		100,000,000	100,000,000	8,543,263	108,543,263

The above statement of changes in equity is to be read in conjunction with the significant accounting policies and notes 1 to 36 to the Financial Statements.

# Statements of Cash Flows

## For the financial year ended 31 December 2011

	Note	Group		Company	
		2011 RM	2010 (Restated) RM	2011 RM	2010 (Restated) RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipt from customers		<b>445,143,095</b>	318,903,589	<b>0</b>	0
Cash payments to suppliers		<b>(335,554,996)</b>	(236,971,848)	<b>0</b>	0
Cash payments to employees and for operating expenses		<b>(64,066,353)</b>	(50,001,553)	<b>(3,040,350)</b>	(8,168,093)
Tax (paid)/refunded		<b>45,521,746</b>	31,930,188	<b>(3,040,350)</b>	(8,168,093)
Interest paid		<b>(8,689,894)</b>	(9,561,964)	<b>1,571,602</b>	1,124,257
Interest paid		<b>(1,397,404)</b>	(1,434,740)	<b>0</b>	0
Net cash generated from/(used in) operating activities		<b>35,434,448</b>	20,933,484	<b>(1,468,748)</b>	(7,043,836)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		<b>1,342,469</b>	980,793	<b>387,712</b>	154,406
Amount due from subsidiaries		<b>0</b>	0	<b>(1,790,500)</b>	12,612,506
Acquisition of subsidiary net cash	33	<b>0</b>	(5,112,607)	<b>0</b>	0
Purchase of property, plant and equipment		<b>(19,580,442)</b>	(8,434,320)	<b>(2,304,727)</b>	(65,572)
Proceeds from disposal of property, plant and equipment		<b>668,492</b>	112,951	<b>358,202</b>	0
Dividends received from subsidiaries		<b>0</b>	0	<b>24,219,000</b>	7,500,000
Dividends received from associates		<b>11,746,115</b>	8,250,652	<b>0</b>	0
Net cash (used in)/generated from investing activities		<b>(5,823,366)</b>	(4,202,531)	<b>20,869,687</b>	20,201,340
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Bank borrowings:					
– drawdown		<b>11,300,000</b>	0	<b>0</b>	0
– repayments		<b>(6,230,391)</b>	(4,618,438)	<b>0</b>	0
Dividends paid to:					
– shareholders		<b>(13,000,000)</b>	(10,500,000)	<b>(13,000,000)</b>	(10,500,000)
– Non-controlling interest		<b>(8,735,649)</b>	(5,156,833)	<b>0</b>	0
Decrease in cash held in trust for dividends		<b>1,034</b>	33,418	<b>0</b>	0
Net cash used in financing activities		<b>(16,665,006)</b>	(20,241,853)	<b>(13,000,000)</b>	(10,500,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		<b>12,946,076</b>	(3,510,900)	<b>6,400,939</b>	2,657,504
FOREIGN CURRENCY TRANSLATION		<b>44,511</b>	(368,650)	<b>0</b>	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		<b>57,098,033</b>	60,977,583	<b>11,854,544</b>	9,197,040
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	21	<b>70,088,620</b>	57,098,033	<b>18,255,483</b>	11,854,544

The above statements of cash flows are to be read in conjunction with the significant accounting policies and notes 1 to 36 to the Financial Statements.

# Summary of Significant Accounting Policies

## For the financial year ended 31 December 2011

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 Company have been prepared in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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 Financial Reporting Standards 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 Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### (a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2011 are as follows:

Revised FRS 1	"First-time Adoption of Financial Reporting Standards"
Revised FRS 3	"Business combinations" (Revised)
Revised FRS 127	"Consolidated and Separate Financial Statements"
Amendment to FRS 2	"Share-based payment – Group cash-settled share-based payment transactions"
Amendment to FRS 7	"Financial instruments: Disclosures – improving disclosures about financial instruments"
Amendments to FRS 1	"First-time adoption of financial reporting standards"
Amendment to FRS 132	"Financial instruments: Presentation – Classification of rights issues"
IC Interpretation 4	"Determining whether an arrangement contains a lease"
IC Interpretation 12	"Service concession arrangements"
IC Interpretation 16	"Hedges of a net investment in a foreign operation"
IC Interpretation 17	"Distribution of non-cash assets to owners"
Improvements to FRSs (2010)	

There is no material impact upon adoption of the above FRSs, Amendments to FRSs and IC Interpretations.

## A BASIS OF PREPARATION (CONTINUED)

### (b) Standards early adopted by the Group and the Company

There were no standards early adopted by the Group and the Company during the financial year.

### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

In the next financial year, the Group and the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS". MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

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

#### (i) Financial year beginning on/after 1 January 2012

In the next financial year, the Group and the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.
- Amendments to IC Interpretation 14 "MFRS 119 – The limit on a defined benefit assets, minimum funding requirements and their interaction" (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.
- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2011

### A BASIS OF PREPARATION (CONTINUED)

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

- (i) Financial year beginning on/after 1 January 2012 (continued)
  - Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- (ii) Financial year beginning on/after 1 January 2013
  - MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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

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

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".
- MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

## A BASIS OF PREPARATION (CONTINUED)

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

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

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.
- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The Group and the Company have started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group and the Company expects to be in position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2011

### B ECONOMIC ENTITIES IN THE GROUP

#### (a) Subsidiaries

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

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

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

The Group has taken advantage of the transitional provision provided by MASB 21, FRS 3 and FRS 3 revised to apply these Standards prospectively. Accordingly, business combinations entered into prior to the effective dates have not been restated to comply with these Standards.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss. Refer to accounting policy Note C(a) on goodwill.

## B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

### (a) Subsidiaries (continued)

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.

#### Change in accounting policy

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business combinations" and FRS 127 "Consolidated and separate financial statements".

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Previously, the Group had stopped attributing losses to the non-controlling interest because the losses exceeded the carrying amount of the non-controlling interest. The Group has applied this policy prospectively. On the date of adoption of the new policy, the non-controlling interest reflects its previous carrying amount (that is, zero).

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

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2011

### B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

#### (a) Subsidiaries (continued)

##### Change in accounting policy (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

#### (b) Associate

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associates are accounted for using equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (see accounting policy note C(a)), net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in profit or loss.

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

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

## B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

### (d) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value is its fair value on initial recognition as a financial asset in accordance with FRS 139. 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.

#### Changes in accounting policy

The Group has changed its accounting policy prospectively for transactions occurring on or after 1 January 2011 with non-controlling interests and transactions involving the loss of control, joint control or significant influence when it adopted the revised FRS 127 "Consolidated and Separate Financial Statements". The revisions to FRS 127 contained consequential amendments to FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures".

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost on initial measurement as a financial asset in accordance with FRS 139.

## C INTANGIBLE ASSETS

### (a) Goodwill

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

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

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

Any excess of the Group's share of the identifiable net assets at the date of acquisition over the cost of acquisition is recognised immediately in the Statement of Comprehensive Income.

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

### (b) Contracts

Acquired contracts with finite useful life which ranges between one to two years are capitalised at cost and amortised using the straight line basis over their contractual periods or estimated useful lives, whichever is shorter. Acquired contracts are tested for impairment whenever indication of impairment exists.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2011

### D INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

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

### E PROPERTY, PLANT AND EQUIPMENT

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

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 charged to 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 finance 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 represent plant and building in progress and are not depreciated until they are ready for their intended use.

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

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

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

## F INVESTMENT PROPERTIES

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

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

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

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 derecognised.

Investment property is derecognised 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 cost method. Goods purchased for resale are stated at cost. For other inventories, the cost comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowings costs.

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

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2011

### H LEASES

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

#### Accounting by lessee

##### Finance leases

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

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

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

##### Operating leases

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

### I CASH AND CASH EQUIVALENTS

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

The presentation of the statement of cash flows for the Group and the Company was changed from an indirect method to a direct method to meet the requirements of the corporate disclosure framework under Bursa Malaysia Securities Berhad during the year to adhere to Bursa Malaysia Securities Berhad's best practises.

## **J IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life 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. 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 net selling price 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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at end of each reporting period.

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

## **K FINANCIAL ASSETS**

### **(a) Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

#### 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 loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the statement of financial position (Notes 19 and 21).

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2011

### K FINANCIAL ASSETS (CONTINUED)

#### (b) Recognition and initial measurement

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

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy note K(d)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

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

##### Assets carried at amortised cost

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

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

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

## K FINANCIAL ASSETS (CONTINUED)

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

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

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

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

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

#### Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for assets carried at amortised cost above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

### (e) De-recognition

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

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised 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.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

## **Summary of Significant Accounting Policies**

For the financial year ended 31 December 2011

### **L OFFSETTING FINANCIAL INSTRUMENTS**

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

### **M FINANCIAL GUARANTEE CONTRACTS**

Financial guarantee contracts are contracts that require the Group or 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 FRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

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

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

### **N SHARE CAPITAL**

#### **(a) Classification**

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

#### **(b) Share issue costs**

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

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

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

### **O PAYABLES**

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

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

## P 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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

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

## Q REVENUE RECOGNITION

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

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

Revenues are measured at the fair value of the consideration received or receivable by the Group. In arrangements whereby the criteria set out in note 3(ii)(b) to the financial statements are not met, the marketing fee earned on the sale is recognised as revenue.

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

Revenue associated with performance milestones are recognised based on achievement of the deliverables as defined in the respective agreements. Upfront payments for which there are subsequent deliverables are initially reported as deferred revenue and are recognised as revenue only when the deliverables are completed and accepted by the customers.

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 and rental income – as it accrues unless collectability is in doubt.
- (ii) Dividend income – when the Group's right to receive payment is established.

## Summary of Significant Accounting Policies

For the financial year ended 31 December 2011

### R EMPLOYEE BENEFITS

#### Defined contribution plans

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

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

### S CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

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

## **T FOREIGN CURRENCIES**

The financial statements are presented in Ringgit Malaysia.

### **(a) Functional and presentation currency**

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

### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

### **(c) Group companies**

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially sold or disposed of, exchange differences that were recorded in other comprehensive income are recognised in the profit or loss as part of the gain or loss on sale.

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.

## **U 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.

# Notes to the Financial Statements

## – 31 December 2011

### 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 and maintenance of rotating equipment predominantly for the oil and gas industry.

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

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

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

### 2 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

#### Market risk

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

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

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

## 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			
	2011 Assets RM	2011 Liabilities RM	2010 Assets RM	2010 Liabilities RM
US Dollar	71,620,096	60,619,878	116,537,048	92,431,096
Others	2,062,853	2,210,993	1,400,678	1,562,327
	<b>73,682,949</b>	<b>62,830,871</b>	117,937,726	93,993,423

The Group enters into forward exchange contracts to reduce exposure where deemed appropriate. These foreign currency forward contracts are recognised in the financial statements as financial derivatives. The Group and the Company have no outstanding foreign currency forward contracts as at 31 December 2011.

### Foreign currency sensitivity

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

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

	Group	
	2011 RM	2010 RM
<b>Weaken by 10% impact to profit or loss</b>		
US Dollar	(1,100,022)	(2,410,595)
<b>Strengthen by 10% impact to profit or loss</b>		
US Dollar	1,100,022	2,410,595

## Notes to the Financial Statements

– 31 December 2011

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Market risk (continued)

##### (ii) Interest rate risk

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

##### Interest rate sensitivity

This is mainly attributable to group's exposure to interest rates on its variable rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit before tax would increase by RM169,320 (2010: RM81,280). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit before tax would decrease by a similar amount.

##### (iii) Price risk

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

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

#### Credit risk

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

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

##### (i) Receivables

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

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

## 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	
	2011 RM	2010 RM
Neither past due nor impaired:		
Counterparties without external credit rating		
– New customers during the year	<b>509,613</b>	186,904
– Existing customers with no defaults in the past	<b>82,631,200</b>	128,457,972
Total unimpaired trade receivables	<b>83,140,813</b>	128,644,876
Past due but not impaired:		
Counterparties without external credit rating		
– New customers during the year	<b>348,185</b>	754,894
– Existing customers with no defaults in the past	<b>12,641,404</b>	8,724,765
Total past due but not impaired trade receivables	<b>12,989,589</b>	9,479,659
Past due and impaired:		
Counterparties without external credit rating		
– New customers during the year	<b>0</b>	0
– Existing customers	<b>1,001,961</b>	99,200
Total past due and impaired trade receivables	<b>1,001,961</b>	99,200

#### (ii) Intercompany balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at 31 December 2011, 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 intercompany receivables are stated at the realisable values. As at 31 December 2011, there was no indication that the loans and advances extended to the subsidiaries are not recoverable.

## Notes to the Financial Statements

– 31 December 2011

### 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

#### Credit risk (continued)

##### (iii) Bank balances

Bank balances are with approved financial institutions and reputable banks.

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

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
AAA	70,545,913	57,405,366	18,239,416	11,838,496
AA	16,924	16,500	16,007	15,500
A	0	131,467	0	0

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

##### (iv) Financial guarantees

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

The maximum exposure to credit risk amounts to RM15,617,494 (2010: RM21,059,105) representing the outstanding banking facilities of the subsidiaries as at end of reporting period. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

#### Liquidity risk

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

## 2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

### Liquidity risk (continued)

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2011			
	On demand or within one year RM	One to two years RM	More than two years RM	Total RM
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	83,207,797	0	0	83,207,797
Borrowings	17,695,981	6,147,379	4,060,183	27,903,543
Total undiscounted financial liabilities	100,903,778	6,147,379	4,060,183	111,111,340
<b>Company</b>				
<b>Financial liabilities</b>				
Amounts due to subsidiaries	3,438,915	0	0	3,438,915
Borrowings	11,300,000	0	0	11,300,000
Other payables and accruals	1,689,545	0	0	1,689,545
Financial guarantee liabilities	18,455,556	0	0	18,455,556
Total undiscounted financial liabilities	34,884,016	0	0	34,884,016
	2010			
	On demand or within one year RM	One to two years RM	More than two years RM	Total RM
<b>Group</b>				
<b>Financial liabilities</b>				
Amount due to associate	124	0	0	124
Trade and other payables	123,310,505	0	0	123,310,505
Borrowings	6,644,582	6,395,981	10,207,562	23,248,125
Total undiscounted financial liabilities	129,955,211	6,395,981	10,207,562	146,558,754
<b>Company</b>				
<b>Financial liabilities</b>				
Amounts due to subsidiaries	1,145,418	0	0	1,145,418
Amounts due to associate	124	0	0	124
Other payables and accruals	2,041,899	0	0	2,041,899
Financial guarantee liabilities	26,016,175	0	0	26,016,175
Total undiscounted financial liabilities	29,203,616	0	0	29,203,616

## Notes to the Financial Statements

– 31 December 2011

### 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.

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

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

##### Taxation

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

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

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

##### (a) Functional currency

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

##### (b) Revenue recognition

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

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

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

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

#### 4 SEGMENTAL REPORTING

During the financial year, the Group revised its segments following a management change. This change resulted in a refinement of the internal reporting information provided to the new chief decision maker. With this change, it was concluded that the Group is now primarily engaged in the following segments, by nature of business activities:

**Power and Machinery** – Mainly consist of provision of gas turbine packages, supply of gas turbine parts, gas turbine overhaul, maintenance and technical services, combined heat and power plant, supply, repair, maintenance and installation of valves and flow regulators and other production related equipment and services.

**Oilfield Services** – Mainly consist of provision of wireline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield products and technical services.

**Maintenance, Repair and Overhaul** – Mainly consist of repair, servicing, maintenance and overhaul of motors, generators, transformers and pumps.

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

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

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

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

## Notes to the Financial Statements

– 31 December 2011

### 4 SEGMENTAL REPORTING (CONTINUED)

The comparative segmental information of the previous year has been represented accordingly.

#### (a) Business Segments

	Power and machinery RM	Oilfield services RM	Maintenance, repair and overhaul RM	Group RM
<b>Financial year ended 31 December 2011</b>				
<b>SEGMENT REVENUE</b>				
External revenue	317,332,440	65,956,413	13,013,885	396,302,738
<b>SEGMENT RESULTS</b>				
Segment operating profit/(loss)	43,058,808	8,016,687	(778,026)	50,297,469
Profit from operations				50,297,469
Unallocated income				620,658
Finance cost				(1,608,016)
Unallocated corporate expense				(17,280,051)
Share of results of associates				13,679,265
Profit before tax				45,709,325
Tax expense				(10,998,225)
Profit for the financial year				34,711,100
Other information:				
Depreciation and amortisation	2,463,553	6,854,951	471,454	9,789,958
Other material non-cash items				
Impairment of receivables	0	382,304	619,657	1,001,961
Provision for liquidated damages	39,657	0	0	39,657
Write back of provision for liquidated damages	(467,341)	0	0	(467,341)
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
– Customer A	(65,007,922)	(41,637,808)	0	(106,645,730)
– Customer B	(50,059,138)	(10,612,402)	0	(60,671,540)
– Customer C	(55,045,090)	0	0	(55,045,090)
– Customer D	(47,658,942)	(2,113,225)	0	(49,772,167)

#### 4 SEGMENTAL REPORTING (CONTINUED)

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

	Power and machinery RM	Oilfield services RM	Maintenance, repair and overhaul RM	Group RM
<b>Financial year ended 31 December 2010</b>				
<b>SEGMENT REVENUE</b>				
External revenue	327,160,634	66,194,599	5,690,151	399,045,384
<b>SEGMENT RESULTS</b>				
Segment operating profit	37,771,022	7,916,693	415,477	46,103,192
Profit from operations				46,103,192
Unallocated income				197,287
Finance cost				(1,616,783)
Unallocated corporate expense				(16,833,408)
Share of results of associates				9,743,815
Profit before tax				37,594,103
Tax expense				(7,380,642)
Profit for the financial year				30,213,461
Other information:				
Depreciation and amortisation	3,844,877	6,360,000	151,385	10,356,262
Write back of impairment of receivables	(1,069,025)	0	0	(1,069,025)
Provision for liquidated damages	770,528	0	0	770,528
Write back of provision for liquidated damages	(56,112)	0	0	(56,112)
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
– Customer A	(50,065,334)	(39,163,485)	0	(89,228,819)
– Customer B	(62,282,097)	0	0	(62,282,097)
– Customer C	(56,183,971)	(5,540,201)	0	(61,724,172)
– Customer D	(32,576,817)	(8,195,693)	0	(40,772,510)

##### (b) Geographical information

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

## Notes to the Financial Statements

– 31 December 2011

### 5 REVENUE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sale of equipment	<b>163,371,580</b>	188,344,734	0	0
Rendering of services	<b>223,968,332</b>	200,177,180	0	0
Marketing fee	<b>8,962,826</b>	10,523,470	0	0
Dividend income	<b>0</b>	0	<b>90,769,000</b>	10,000,000
Management fee	<b>0</b>	0	<b>6,319,400</b>	0
	<b>396,302,738</b>	399,045,384	<b>97,088,400</b>	10,000,000

### 6 PROFIT BEFORE TAX

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
The following items have been charged/ (credited) in arriving at profit before tax:				
Purchase of products, parts and consumables	<b>221,636,177</b>	222,157,741	0	0
Cost of services purchased	<b>69,941,222</b>	69,818,640	0	0
Management fees	<b>0</b>	0	<b>(6,319,400)</b>	0
Inter-company interest income	<b>0</b>	0	<b>(775,600)</b>	0
Impairment for doubtful debts:				
– impairment made	<b>1,001,961</b>	0	0	0
– write back of impairment	<b>0</b>	(1,069,025)	0	0
Amortisation:				
– intangible assets	<b>374,358</b>	947,177	0	0
– financial guarantee liabilities	<b>0</b>	0	<b>(157,078)</b>	(217,473)
Negative goodwill	<b>0</b>	(202,802)	0	0
Depreciation:				
– property, plant and equipment	<b>13,147,117</b>	11,706,747	<b>1,454,745</b>	1,277,564
– investment properties	<b>23,543</b>	23,544	0	0
Director remunerations (Note 7)	<b>2,640,788</b>	5,068,434	<b>2,111,992</b>	4,389,887
Fees to PricewaterhouseCoopers Malaysia:				
– statutory audit services	<b>320,000</b>	280,000	<b>96,500</b>	91,000
– audit related services	<b>140,000</b>	50,000	<b>140,000</b>	40,500
Statutory audit fees to other auditors				
– current year	<b>125,531</b>	55,866	0	0
– under provision in previous year	<b>0</b>	1,000	0	0
(Gain)/loss on disposal of property, plant and equipment	<b>(87,177)</b>	6,531	<b>(17,046)</b>	0
Loss/(gain) on foreign exchange:				
– realised	<b>1,024,743</b>	882,779	<b>(37,325)</b>	0
– unrealised	<b>92,546</b>	(263,693)	0	(186,111)
Impairment losses for inventories	<b>47,335</b>	0	0	0

## 6 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
The following items have been charged/ (credited) in arriving at profit before tax (continued):				
Write off:				
– property, plant and equipment	<b>209,757</b>	6,821	<b>1,747</b>	0
– inventories	<b>17,886</b>	147,325	<b>0</b>	0
– intangible assets	<b>0</b>	65,337	<b>0</b>	0
Interest expense	<b>1,608,016</b>	1,616,783	<b>0</b>	0
Interest income	<b>(1,342,469)</b>	(980,793)	<b>(387,712)</b>	(154,406)
Rental income	<b>(243,596)</b>	(206,988)	<b>0</b>	0
Rental expense:				
– business premises	<b>1,329,431</b>	1,164,698	<b>0</b>	0
– lease of equipment and motor vehicles	<b>100,011</b>	751,569	<b>0</b>	0
Staff cost (excluding directors' remuneration as disclosed in note 7)	<b>38,260,334</b>	33,689,259	<b>4,917,694</b>	3,149,781
Defined contribution plan (excluding directors' remuneration as disclosed in note 7)	<b>3,997,027</b>	3,451,803	<b>501,359</b>	195,036
Provision for liquidated damages	<b>39,657</b>	770,528	<b>0</b>	0
Write back of provision for liquidated damages	<b>(467,341)</b>	(56,112)	<b>0</b>	0
Income receivable on retention sum	<b>(580,997)</b>	0	<b>0</b>	0

## 7 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

### Executive Director

Nan Yusri bin Nan Rahimy

### Non-executive Directors

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

## Notes to the Financial Statements

– 31 December 2011

### 7 DIRECTORS' REMUNERATION (CONTINUED)

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Executive Directors:				
– salaries and bonuses	<b>1,399,932</b>	1,908,226	<b>999,032</b>	1,380,000
– defined contribution plan	<b>234,501</b>	358,521	<b>154,617</b>	250,200
– other emoluments	<b>50,281</b>	46,943	<b>7,569</b>	4,943
– estimated monetary value of benefits-in-kind	<b>40,321</b>	35,200	<b>35,021</b>	35,200
– retirement gratuities	<b>0</b>	1,997,500	<b>0</b>	1,997,500
Non-executive Directors:				
– fees	<b>750,000</b>	561,250	<b>750,000</b>	561,250
– other emoluments	<b>95,353</b>	90,394	<b>95,353</b>	90,394
– estimated monetary value of benefits-in-kind	<b>70,400</b>	70,400	<b>70,400</b>	70,400
	<b>2,640,788</b>	5,068,434	<b>2,111,992</b>	4,389,887

### 8 FINANCE COST

	Group	
	2011 RM	2010 RM
Revolving credit interest	<b>298,917</b>	0
Term loan interest	<b>978,775</b>	1,188,521
Profit sharing margin on Islamic term loan	<b>282,930</b>	314,027
Bank overdraft interest and other commitment fees	<b>47,394</b>	111,049
Hire purchase interest	<b>0</b>	3,186
	<b>1,608,016</b>	1,616,783

### 9 TAX EXPENSE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax:				
– Malaysian tax	<b>9,959,665</b>	6,794,193	<b>15,962,659</b>	388,092
Under/(over) provision in prior years:				
– Malaysian tax	<b>734,730</b>	(703,655)	<b>273,331</b>	0
Deferred tax (Note 25):				
– Origination and reversal of temporary differences	<b>303,830</b>	1,290,104	<b>32,800</b>	(71,200)
	<b>10,998,225</b>	7,380,642	<b>16,268,790</b>	316,892

## 9 TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	<b>25</b>	25	<b>25</b>	25
Tax effects of:				
– expenses not deductible for tax purposes	<b>2</b>	2	<b>1</b>	48
– under/(over) provision in prior years	<b>2</b>	(2)	<b>0</b>	0
– share of result of associates	<b>(7)</b>	(6)	<b>0</b>	0
– income not subject to tax	<b>0</b>	0	<b>(7)</b>	(11)
– deferred tax asset not recognised	<b>2</b>	1	<b>0</b>	0
Effective tax rate	<b>24</b>	20	<b>19</b>	62

## 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	
	2011 RM	2010 RM
Profit for the financial year attributable to equity holders of the Company	<b>29,033,439</b>	23,236,557
Weighted average number of ordinary shares in issue	<b>100,000,000</b>	100,000,000
Basic earnings per share (sen)	<b>29.03</b>	23.24

## Notes to the Financial Statements

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### 11 DIVIDENDS

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

	2011		2010	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
<b>In respect of the financial year ended 31 December 2009</b>				
Final single tier dividend, on 100,000,000 ordinary shares, paid on 27 May 2010	0	0	7.00	7,000,000
<b>In respect of the financial year ended 31 December 2010</b>				
First interim single tier dividend, on 100,000,000 ordinary shares, paid on 21 September 2010	0	0	3.50	3,500,000
		0		10,500,000
<b>In respect of the financial year ended 31 December 2010</b>				
Second interim single tier dividend, on 100,000,000 ordinary shares, paid on 8 April 2011	8.00	8,000,000	0	0
<b>In respect of the financial year ended 31 December 2011</b>				
First interim single tier dividend, on 100,000,000 ordinary shares, paid on 21 September 2011	5.00	5,000,000	0	0
		13,000,000		0

The Directors on 22 February 2012 declared a second interim single tier dividend of 9 sen per share of RM1.00 each in respect of the financial year ended 31 December 2011, totaling RM9,000,000 payable on 23 March 2012.

## 12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold building RM	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
<b>Year ended 31 December 2011</b>							
<b>Net book value</b>							
At 1 January 2011	1,040,000	8,703,106	3,817,908	4,735,665	11,330,718	63,836,183	93,463,580
Additions	0	120,038	0	0	2,226,880	17,233,524	19,580,442
Written off	0	0	0	0	(19,332)	(190,425)	(209,757)
Disposals	0	0	0	0	(30,895)	(550,420)	(581,315)
Depreciation charge	0	(182,399)	(87,745)	(176,771)	(3,313,008)	(9,387,194)	(13,147,117)
At 31 December 2011	1,040,000	8,640,745	3,730,163	4,558,894	10,194,363	70,941,668	99,105,833
<b>At 31 December 2011</b>							
Cost	1,040,000	9,240,008	4,387,284	6,152,947	24,580,316	106,657,176	152,057,731
Accumulated depreciation	0	(599,263)	(657,121)	(1,594,053)	(14,385,953)	(35,715,508)	(52,951,898)
Net book value	1,040,000	8,640,745	3,730,163	4,558,894	10,194,363	70,941,668	99,105,833
<b>At 31 December 2010</b>							
Cost	1,040,000	9,119,970	4,387,285	6,152,947	27,018,630	108,439,580	156,158,412
Accumulated depreciation	0	(416,864)	(569,377)	(1,417,282)	(15,687,912)	(44,603,397)	(62,694,832)
Net book value	1,040,000	8,703,106	3,817,908	4,735,665	11,330,718	63,836,183	93,463,580
<b>Year ended 31 December 2010</b>							
<b>Net book value</b>							
At 1 January 2010	1,040,000	8,885,505	3,887,501	4,916,572	9,127,106	66,126,575	93,983,259
Acquisition of subsidiary (Note 33)	0	0	0	0	231,791	2,759,319	2,991,110
Additions	0	0	0	0	5,019,815	3,414,505	8,434,320
Reclassification	0	0	0	0	(112,059)	0	(112,059)
Written off	0	0	0	0	(4,646)	(2,175)	(6,821)
Disposals	0	0	0	0	(9,814)	(109,668)	(119,482)
Depreciation charge	0	(182,399)	(69,593)	(180,907)	(2,921,475)	(8,352,373)	(11,706,747)
At 31 December 2010	1,040,000	8,703,106	3,817,908	4,735,665	11,330,718	63,836,183	93,463,580
<b>At 31 December 2010</b>							
Cost	1,040,000	9,119,970	4,387,285	6,152,947	27,018,630	108,439,580	156,158,412
Accumulated depreciation	0	(416,864)	(569,377)	(1,417,282)	(15,687,912)	(44,603,397)	(62,694,832)
Net book value	1,040,000	8,703,106	3,817,908	4,735,665	11,330,718	63,836,183	93,463,580
<b>At 1 January 2010</b>							
Cost	1,040,000	9,119,970	4,387,285	6,152,947	22,614,465	100,875,456	144,190,123
Accumulated depreciation	0	(234,465)	(499,784)	(1,236,375)	(13,487,359)	(34,748,881)	(50,206,864)
Net book value	1,040,000	8,885,505	3,887,501	4,916,572	9,127,106	66,126,575	93,983,259

## Notes to the Financial Statements

– 31 December 2011

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

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
<b>Year ended 31 December 2011</b>					
<b>Net book value</b>					
At 1 January 2011	2,350,870	1,230,930	1,834,824	632,099	6,048,723
Additions	0	0	77,140	2,227,587	2,304,727
Disposal	0	0	0	(341,156)	(341,156)
Transfer to subsidiary	0	0	(39,451)	0	(39,451)
Write off	0	0	(1,747)	0	(1,747)
Depreciation charge	(48,880)	(26,190)	(894,349)	(485,326)	(1,454,745)
At 31 December 2011	2,301,990	1,204,740	976,417	2,033,204	6,516,351
<b>At 31 December 2011</b>					
Cost	2,444,000	1,309,500	4,532,910	2,737,731	11,024,141
Accumulated depreciation	(142,010)	(104,760)	(3,556,493)	(704,527)	(4,507,790)
Net book value	2,301,990	1,204,740	976,417	2,033,204	6,516,351
<b>At 31 December 2010</b>					
Cost	2,444,000	1,309,500	4,585,879	1,792,337	10,131,716
Accumulated depreciation	(93,130)	(78,570)	(2,751,055)	(1,160,238)	(4,082,993)
Net book value	2,350,870	1,230,930	1,834,824	632,099	6,048,723
<b>Year ended 31 December 2010</b>					
<b>Net book value</b>					
At 1 January 2010	2,381,598	1,257,120	2,879,561	854,495	7,372,774
Additions	0	0	65,572	0	65,572
Reclassified	0	0	(112,059)	0	(112,059)
Depreciation charge	(30,728)	(26,190)	(998,250)	(222,396)	(1,277,564)
At 31 December 2010	2,350,870	1,230,930	1,834,824	632,099	6,048,723
<b>At 31 December 2010</b>					
Cost	2,444,000	1,309,500	4,585,879	1,792,337	10,131,716
Accumulated depreciation	(93,130)	(78,570)	(2,751,055)	(1,160,238)	(4,082,993)
Net book value	2,350,870	1,230,930	1,834,824	632,099	6,048,723
<b>At 1 January 2010</b>					
Cost	2,444,000	1,309,500	4,632,366	1,792,337	10,178,203
Accumulated depreciation	(62,402)	(52,380)	(1,752,805)	(937,842)	(2,805,429)
Net book value	2,381,598	1,257,120	2,879,561	854,495	7,372,774

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2011 RM	2010 RM
Net book value of property, plant and equipment of the Group pledged as security:		
– freehold land	1,040,000	1,040,000
– freehold building	8,640,745	8,703,106
– long term leasehold land	1,428,174	1,467,039
– long term leasehold buildings	2,058,815	2,182,551
– office equipment, furniture & fittings and renovations	4,310,819	4,077,285
– plant, machinery, other equipment and motor vehicles	51,541,202	52,520,802
	<b>69,019,755</b>	69,990,783

The property, plant and equipment have been pledged as security for borrowings as disclosed in note 22 and the unutilised banking facilities as at financial year end.

## 13 INVESTMENT PROPERTIES

	Group	
	2011 RM	2010 RM
<b>Net book value</b>		
At 1 January	982,311	1,005,855
Depreciation charge	(23,543)	(23,544)
At 31 December	<b>958,768</b>	982,311
Cost	1,178,764	1,178,764
Accumulated depreciation	(188,533)	(164,990)
Accumulated impairment loss	(31,463)	(31,463)
	<b>958,768</b>	982,311
Fair value of investment properties	<b>1,079,750</b>	1,172,300

The investment properties have been pledged as security for borrowings as disclosed in note 22 and the unutilised banking facilities as at financial year end.

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

## Notes to the Financial Statements

– 31 December 2011

### 14 INTANGIBLE ASSETS

Group	Goodwill RM	Contracts RM	Total RM
<b>2011</b>			
At 1 January	108,997	630,556	739,553
Amortisation	0	(374,358)	(374,358)
	<b>108,997</b>	<b>256,198</b>	<b>365,195</b>
Cost			
Accumulated amortisation	108,997	1,887,643	1,996,640
	0	(1,631,445)	(1,631,445)
	<b>108,997</b>	<b>256,198</b>	<b>365,195</b>
<b>2010</b>			
At 1 January	174,334	354,403	528,737
Fair value of contracts on acquisition of Rotary Technical Services Sdn. Bhd. (Note 33)	0	1,223,330	1,223,330
Amortisation	0	(947,177)	(947,177)
Write off	(65,337)	0	(65,337)
	<b>108,997</b>	<b>630,556</b>	<b>739,553</b>
Cost			
Accumulated amortisation	108,997	1,887,643	1,996,640
	0	(1,257,087)	(1,257,087)
	<b>108,997</b>	<b>630,556</b>	<b>739,553</b>

### 15 SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Unquoted shares at cost	<b>74,990,456</b>	74,990,456

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in note 29 to the financial statements.

## 16 ASSOCIATES

	Group	
	2011	2010
	RM	RM
Group's share of net assets of associates	<b>44,053,829</b>	41,435,937

The Group's effective equity interest in the associates, their respective principal activities and country of incorporation are set out in note 29 to the financial statements.

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

	Group	
	2011	2010
	RM	RM
Current assets	<b>33,876,683</b>	28,942,714
Non-current assets	<b>20,265,240</b>	22,900,583
Current liabilities	<b>(7,523,440)</b>	(8,161,944)
Non-current liabilities	<b>(2,564,654)</b>	(2,245,416)
	<b>44,053,829</b>	41,435,937
Revenue	<b>43,211,923</b>	35,345,832
Expenses	<b>(26,817,914)</b>	(23,916,100)
Taxation	<b>16,394,009</b>	11,429,732
Share of post tax results from associates	<b>(2,714,744)</b>	(1,685,917)
	<b>13,679,265</b>	9,743,815

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

During the financial year, the Group adopted IC Interpretation 12 Service Concession Arrangements ("IC 12") which applies to contractual arrangements whereby a private sector operator participates in the development, financing operation and maintenance of infrastructure for public sector services. Depending on the contractual terms, this interpretation requires the operator to recognise a financial asset if it has an unconditional contractual right to receive cash or an intangible asset if it receives a right (license) to charge users of the public service.

This interpretation impacts Cambodia Utilities Pte Ltd, an associate of the Group, in which the Group has an effective interest of 12%, as the associate has signed a power purchase agreement for the installation, operation and maintenance of a power plant in Cambodia. The power purchase agreement is for a period of 18 years to 2015. The power plant will be transferred to the grantor in the final year of the concession. At that juncture, the Group's interest in the associate will largely be represented by financial assets held by the associate company.

## Notes to the Financial Statements

– 31 December 2011

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

	Company	
	2011 RM	2010 RM
<b>Non-current</b>		
Amount due from a subsidiary	<b>10,952,374</b>	0
<b>Current</b>		
Amounts due from subsidiaries	<b>69,368,498</b>	15,388,427
Amounts due to subsidiaries	<b>(3,438,915)</b>	(1,145,418)

Included in amount due from subsidiaries under current assets are amounts due from two subsidiaries in relation to finance purchase of equipment and facilities. These amounts are unsecured, charged interest at 6.9% per annum (2010: nil) and are repayable on demand.

The non-current portion of the amount due from a subsidiary is stated at fair value, including an amount in relation to finance purchase of equipment and facilities. This amount is unsecured, charged interest at 6.9% per annum (2010: nil) and is repayable on demand.

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

During the financial year, the Company has drawn down a revolving credit of RM11,300,000 solely to finance purchase of equipment for a subsidiary and it was drawn down directly to the subsidiary.

### 18 INVENTORIES

	Group	
	2011 RM	2010 RM
At lower of cost and net realisable value:		
Finished good	<b>13,429,169</b>	9,045,679

## 19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Retention sum	<b>1,658,054</b>	2,488,762	<b>0</b>	0
Trade receivables	<b>95,474,309</b>	135,734,973	<b>0</b>	0
	<b>97,132,363</b>	138,223,735	<b>0</b>	0
Less: Impairment for doubtful debts	<b>(1,001,961)</b>	(99,200)	<b>0</b>	0
	<b>96,130,402</b>	138,124,535	<b>0</b>	0
Other receivables	<b>4,812,154</b>	2,829,413	<b>3,840</b>	3,724
Deposits	<b>2,270,911</b>	513,632	<b>22,320</b>	16,820
Prepayments	<b>1,320,096</b>	1,137,792	<b>64,764</b>	82,494
	<b>8,403,161</b>	4,480,837	<b>90,924</b>	103,038
	<b>104,533,563</b>	142,605,372	<b>90,924</b>	103,038

The currency profile of trade receivables is as follows:

	Group	
	2011 RM	2010 RM
– Ringgit Malaysia	<b>26,439,402</b>	27,246,898
– US Dollar	<b>67,784,917</b>	110,178,289
– Australian Dollar	<b>295,948</b>	687,824
– Euro	<b>665,146</b>	11,524
– Singapore Dollar	<b>944,989</b>	0
	<b>96,130,402</b>	138,124,535

Credit terms of trade receivables range from 30 to 60 days (2010: 30 to 60 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

67% of the Group's trade receivables as at 31 December 2011 (2010: 85%) relates to 5 (2010: 5) main customers while the remaining balance is spread over a large numbers of customers. These customers are primarily major players in the oil and gas industry with high credit worthiness.

The Group's historical experience in collection of trade receivables falls within the recorded impairment.

## Notes to the Financial Statements

– 31 December 2011

### 19 TRADE AND OTHER RECEIVABLES (CONTINUED)

#### Ageing Analysis of trade receivables

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

	Group	
	2011 RM	2010 RM
Neither past due nor impaired	<b>83,140,813</b>	128,644,876
1 to 30 days past due not impaired	<b>9,149,269</b>	4,638,692
31 to 60 days past due not impaired	<b>1,764,688</b>	2,514,870
61 to 90 days past due not impaired	<b>836,551</b>	761,478
91 to 120 days past due not impaired	<b>310,385</b>	245,655
More than 121 days past due not impaired	<b>928,696</b>	1,318,964
 Past due and impaired:		
More than 121 days	<b>1,001,961</b>	99,200
 Less: Impairment for doubtful debts		
	<b>97,132,363</b>	138,223,735
	<b>(1,001,961)</b>	(99,200)
	<b>96,130,402</b>	138,124,535

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

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment history. A number of these debtors are from the oil and gas industry. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

#### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM12,989,589 (2010: RM9,479,659) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature.

Movement in impairment for doubtful debts is as follows:

	Group	
	2011 RM	2010 RM
<b>Trade receivables</b>		
At 1 January	<b>99,200</b>	1,453,838
Impairment made during the year	<b>1,001,961</b>	0
Written off during the year	<b>(99,200)</b>	(285,613)
Reversal of impairment losses	<b>0</b>	(1,069,025)
 At 31 December	<b>1,001,961</b>	99,200

## 19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

The trade receivables of subsidiaries totalling RM24,265,976 (2010: RM15,199,228) have been pledged as security for borrowings as disclosed in note 22 and the unutilised banking facilities as at financial year end.

## 20 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Amounts due from associates	<b>15,008</b>	14,908	<b>28</b>	0
Amounts due to associates	<b>0</b>	(124)	<b>0</b>	(124)

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

The amount due to from/(to) associates are in relation to payments made on behalf for operating expenses.

## 21 CASH AND BANK BALANCES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deposits with licensed banks	<b>63,639,767</b>	44,053,039	<b>18,098,584</b>	11,598,584
Cash and bank balances	<b>6,959,392</b>	13,556,617	<b>156,899</b>	255,960
Total cash and bank balances	<b>70,599,159</b>	57,609,656	<b>18,255,483</b>	11,854,544
Less:				
Cash held in trust for dividends	<b>(9,997)</b>	(11,031)	<b>0</b>	0
Cash held in a designated account	<b>(500,542)</b>	(500,592)	<b>0</b>	0
Cash and cash equivalents	<b>70,088,620</b>	57,098,033	<b>18,255,483</b>	11,854,544

## Notes to the Financial Statements

– 31 December 2011

### 21 CASH AND BANK BALANCES (CONTINUED)

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
– Ringgit Malaysia	<b>66,607,210</b>	50,549,567	<b>18,255,483</b>	11,854,544
– US Dollar	<b>3,835,179</b>	6,358,759	<b>0</b>	0
– Euro	<b>156,770</b>	701,330	<b>0</b>	0
	<b>70,599,159</b>	57,609,656	<b>18,255,483</b>	11,854,544

The average interest rates of deposits ranged between 2.55% to 2.95% (2010: 1.10% to 2.75%) for the Group and the Company.

Deposits of the Group and the Company have an average maturity period of 12 days (2010: 15 days) and 15 days (2010: 15 days) respectively. Bank balances are deposits held at call with banks and earn no interest.

Cash held in a designated account is required by the terms of the term loan undertaken by a subsidiary company (Note 22).

### 22 BORROWINGS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Revolving credits	<b>11,300,000</b>	0	<b>11,300,000</b>	0
Term loan	<b>11,995,941</b>	17,185,367	<b>0</b>	0
Islamic term financing long term non-interest bearing facilities	<b>3,621,553</b>	4,435,982	<b>0</b>	0
	<b>26,917,494</b>	21,621,349	<b>11,300,000</b>	0
<b>Less: amount repayable within 12 months</b>				
Revolving credits	<b>(11,300,000)</b>	0	<b>(11,300,000)</b>	0
Term loan	<b>(5,028,493)</b>	(5,554,245)	<b>0</b>	0
Islamic term financing long term non-interest bearing facilities	<b>(670,171)</b>	(659,908)	<b>0</b>	0
	<b>(16,998,664)</b>	(6,214,153)	<b>(11,300,000)</b>	0
Amount repayable after 12 months	<b>9,918,830</b>	15,407,196	<b>0</b>	0

## 22 BORROWINGS (CONTINUED)

### (a) Term loan (secured)

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

	Group	
	2011 RM	2010 RM
Not later than 1 year	5,028,493	5,554,245
Later than 1 year but not later than 2 years	5,095,889	4,992,000
Later than 2 years but not later than 5 years	1,871,559	6,639,122
	<b>11,995,941</b>	17,185,367

On 3 April 2009, a subsidiary of the Group drew down on term loan to part finance the purchase of wireline equipment and tools. Under the loan covenant, the subsidiary is to open an escrow account under its own name. A minimum of one installment (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2011 is RM500,542 (2010: RM500,592) (Note 21). The term loan is secured by an “all monies” debenture creating charge over all the fixed and floating assets of the subsidiary as disclosed in notes 12, 13 and 19, and corporate guarantee for RM20,000,000 furnished by the Company.

The above term loan was structured by way of two facilities as follows:

	Group	
	2011 RM	2010 RM
(i) Term loan 1	5,632,000	8,128,000
(ii) Term loan 2	6,363,941	8,495,123
	<b>11,995,941</b>	16,623,123

Term loan 1 carries an interest of 5.35% per annum (2% per annum above the bank's cost of funds of 3.35%) (2010: 5.65% per annum). Term loan 2 carries a fixed interest rate of 5.4% per annum (2010: 5.4% per annum). Term Loan 1 and 2 are repayable by way of 47 monthly principal instalments of RM416,000 per month and a final principal instalment of RM448,000. The first instalment commences on the 13th month from the date of the first drawdown. The tenure of the loan is 5 years.

The fair value of the Term loan 1 approximates its carrying amount due to floating rate instruments, and fair value of Term loan 2 is estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the reporting date. Total fair value of the term loan is RM11,275,176 (2010: RM16,223,988).

The remaining term loan amount of RM562,244 in previous financial year relates to a subsidiary acquired in previous year. The amount was fully repaid during the financial year.

## Notes to the Financial Statements

– 31 December 2011

### 22 BORROWINGS (CONTINUED)

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

	Group	
	2011 RM	2010 RM
Not later than 1 year	670,171	659,908
Later than 1 year but not later than 2 years	756,736	706,664
Later than 2 years but not later than 5 years	2,194,646	3,069,410
	<b>3,621,553</b>	4,435,982

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

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

The facilities bear profit sharing margins of 6.55% to 7.00% per annum (2010: 6.55% to 7.00% per annum) as at the financial year end and are secured by a first party fixed charge on the property and a debenture over all the fixed and floating assets of the respective subsidiary as disclosed in notes 12, 13 and 19, and corporate guarantee for RM7,000,000 furnished by the Company.

The fair value amount of the Islamic term financing long term non-interest bearing facilities at the end of reporting date is RM3,969,679 (2010: RM4,734,060).

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

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

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

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

## 23 TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade payables	<b>70,120,404</b>	111,391,170	<b>0</b>	0
Other payables	<b>4,546,704</b>	1,861,986	<b>790,253</b>	575,133
Accruals	<b>8,540,689</b>	10,057,349	<b>899,292</b>	1,466,766
	<b>13,087,393</b>	11,919,335	<b>1,689,545</b>	2,041,899
	<b>83,207,797</b>	123,310,505	<b>1,689,545</b>	2,041,899

The currency profile of trade payables is as follows:

	Group	
	2011 RM	2010 RM
– Ringgit Malaysia	<b>7,289,533</b>	17,397,747
– US Dollar	<b>60,619,878</b>	92,431,096
– Singapore Dollar	<b>976,027</b>	0
– Australian Dollar	<b>282,194</b>	654,126
– Euro	<b>501,596</b>	831,498
– Japanese Yen	<b>451,176</b>	76,703
	<b>70,120,404</b>	111,391,170

Credit terms of payment granted by the suppliers of the Group are 30 to 45 days (2010: 30 to 45 days).

## 24 FINANCIAL GUARANTEE LIABILITIES

	Company	
	2011 RM	2010 RM
Financial guarantee contracts	<b>236,372</b>	393,450

The financial guarantee amount relates to corporate guarantees provided by the Company to a bank for term loan and Islamic term financing long term non-interest bearing facilities taken by subsidiary companies (Note 22).

## Notes to the Financial Statements

– 31 December 2011

### 25 DEFERRED TAX

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deferred tax assets	475,743	69,856	0	4,700
Deferred tax liabilities	(5,796,846)	(5,087,129)	(28,100)	0
At 1 January	(5,017,273)	(3,254,810)	4,700	(66,500)
Acquisition of subsidiary	0	(472,359)	0	0
(Charged)/credited to profit or loss (Note 9)				
– property, plant and equipment	(828,357)	(1,502,776)	(79,328)	117,728
– unutilised tax losses	274,600	0	0	0
– others	249,927	212,672	46,528	(46,528)
	(303,830)	(1,290,104)	(32,800)	71,200
	(5,321,103)	(5,017,273)	(28,100)	4,700
<b>Deferred tax assets (before offsetting)</b>				
Property, plant and equipment	4,730,792	4,486,810	0	51,228
Unutilised tax losses	274,600	0	0	0
Others	486,917	450,246	0	0
	5,492,309	4,937,056	0	51,228
Less: Offsetting	(5,016,566)	(4,867,200)	0	(46,528)
Deferred tax assets (after offsetting)	475,743	69,856	0	4,700
<b>Deferred tax liabilities (before offsetting)</b>				
Property, plant and equipment	(10,721,231)	(9,648,892)	(28,100)	0
Others	(92,181)	(305,437)	0	(46,528)
	(10,813,412)	(9,954,329)	(28,100)	(46,528)
Less: Offsetting	5,016,566	4,867,200	0	46,528
Deferred tax liabilities (after offsetting)	(5,796,846)	(5,087,129)	(28,100)	0

## 25 DEFERRED TAX (CONTINUED)

The amounts of unabsorbed capital allowances and unutilised tax losses for which no deferred tax asset is recognised in the statements of financial position are as follows:

	Group	
	2011 RM	2010 RM
Unabsorbed capital allowances	1,325,444	0
Unutilised tax losses	2,678,924	329,868
	<b>4,004,368</b>	329,868

## 26 SHARE CAPITAL

	Group/Company	
	2011 RM	2010 RM
<b>Authorised ordinary shares of RM1 each:</b>		
At 1 January/31 December	<b>500,000,000</b>	500,000,000
<b>Issued and fully paid ordinary shares of RM1 each:</b>		
At 1 January/31 December	<b>100,000,000</b>	100,000,000

## 27 MERGER DEFICIT

	Group	
	2011 RM	2010 RM
Arising from the Company's business combination with Delcom Services Sdn. Bhd.	<b>50,000,000</b>	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 Delcom Services Sdn. Bhd. acquired of RM10,000,000.

## Notes to the Financial Statements

– 31 December 2011

### 28 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 transaction is with a party related to a corporate shareholder of a subsidiary, Turboservices Sdn. Bhd.

	Group	
	2011 RM	2010 RM
Purchases:		
– Solar Turbines International Company	133,643,005	107,235,361

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

	Group	
	2011 RM	2010 RM
Amount due to Solar Turbines International Company	30,159,866	13,814,926

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

	Group	
	2011 RM	2010 RM
Sales to Dresser Italia S.R.L	(129,125)	0
Sales to related parties of Dresser Italia S.R.L	(9,062)	(30,214)
Purchases from Dresser Italia S.R.L	2,178,196	323,581
Purchases from related parties of Dresser Italia S.R.L	13,054,242	16,577,380
	15,094,251	16,870,747

## 28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

	Group	
	2011 RM	2010 RM
Amount due to related parties of Dresser Italia S.R.L	1,722,119	2,114,807

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors' fees	750,000	561,250	750,000	561,250
Salaries and bonuses	5,005,263	5,069,876	1,694,232	1,970,300
Defined contribution plans	683,508	758,879	248,209	329,964
Other remuneration	502,095	527,285	74,400	141,140
Estimated monetary value of benefits-in-kind	471,355	476,236	236,344	162,514
Retirement gratuities	0	1,997,500	0	1,997,500
	7,412,221	9,391,026	3,003,185	5,162,668

Directors' remuneration and emoluments are disclosed in note 7 to the financial statements.

## 29 CORPORATIONS IN THE GROUP

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

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2011 %	2010 %	
<b>SUBSIDIARIES:</b>				
Delcom Services Sdn. Bhd.	Malaysia	100	100	Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry.
Delcom Services Holdings Limited *	Hong Kong	100	100	Investment holding.

## Notes to the Financial Statements

– 31 December 2011

### 29 CORPORATIONS IN THE GROUP (CONTINUED)

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2011 %	2010 %	
<b>SUBSIDIARIES (CONTINUED):</b>				
Turboservices Overhaul Sdn. Bhd.	Malaysia	<b>100</b>	100	Provision of gas turbine overhaul and maintenance services.
Delflow Solutions Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant.
<b>Subsidiaries of Delcom Services Sdn. Bhd.</b>				
Delcom Oilfield Services Sdn. Bhd.	Malaysia	<b>100</b>	100	Provision of wireline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield related products and services for the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	<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.
Delcom 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>80</b>	80	Investment Holding.
Rotary Technical Services Sdn. Bhd. <sup>+</sup>	Malaysia	<b>100</b>	100	Servicing, repair, and maintenance of motors, generators, transformers, pumps and valves.
Sledgehammer Malaysia Sdn. Bhd. <sup>#</sup>	Malaysia	<b>100</b>	100	Dormant.
<b>Subsidiaries of Delcom Holdings Sdn. Bhd.</b>				
Penaga Dresser Sdn. Bhd. *	Malaysia	<b>41</b>	41	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.

## 29 CORPORATIONS IN THE GROUP (CONTINUED)

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities		
		2011 %	2010 %			
<b>SUBSIDIARIES (CONTINUED):</b>						
<b>Subsidiaries of Delcom Services Holdings Limited</b>						
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>ASSOCIATES:</b>						
<b>Associates of Delcom Services Sdn. Bhd.</b>						
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 exploration companies.		
<b>Associate of Delcom Utilities (Cambodia) Limited</b>						
Cambodia Utilities Pte. Ltd. ^	Cambodia	<b>12<sup>®</sup></b>	12	Maintain and operate a power plant in Cambodia.		

<sup>^</sup> Audited by member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

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

# On 2 July 2010, the Company incorporated Sledgehammer Malaysia Sdn. Bhd. with a paid-up capital of RM100, consisting of 100 ordinary shares of RM1.00 each via its wholly-owned subsidiary, Delcom Services Sdn. Bhd.

+ On 6 July 2010, the Group acquired 1,275,000 ordinary shares of RM1.00 each representing the entire issued and paid-up ordinary share of Rotary Technical Services Sdn. Bhd. ("RTSSB"). Following the completion of the acquisition, RTSSB became a wholly-owned subsidiary of the Company via its wholly-owned subsidiary, Delcom Services Sdn. Bhd. Refer to note 33 for details of the acquisition.

<sup>®</sup> Deemed as associate as significant influence is exercised by the Group by virtue of the 20% voting rights held by the Group and Board representation.

## Notes to the Financial Statements

– 31 December 2011

### 30 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	
	2011 RM	2010 RM
Within one year	370,866	382,866
Between one to five years	1,021,764	1,274,964
More than five years	662,664	710,664

### 31 CAPITAL COMMITMENTS

	Group	
	2011 RM	2010 RM
<b>Capital expenditure for property, plant and equipment</b>		
Authorised and contracted for at the end of the reporting period but not yet incurred	2,336,500	1,619,222

### 32 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM23,240,260 (2010: RM7,758,224) to third parties in respect of operating requirements, utilities and maintenance contracts.

### 33 ACQUISITION IN PREVIOUS FINANCIAL YEAR

On 6 July 2010, Delcom Services Sdn. Bhd., a wholly-owned subsidiary, completed the acquisition of 1,275,000 ordinary shares of RM1.00 each representing the entire equity interest in Rotary Technical Services Sdn. Bhd. ('RTSSB') for a total consideration of RM5,937,248.

The acquired business contributed revenue of RM5,690,151 and profits of RM340,002 to the Group for the period from 6 July 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, Group revenue and profits for the previous financial year would have been higher by RM5,462,632 and RM513,730 respectively. These amounts have been calculated using the Group's accounting policies together with the consequential tax effects.

### 33 ACQUISITION IN PREVIOUS FINANCIAL YEAR (CONTINUED)

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

#### Purchase consideration

	2010 RM
Cash paid	8,663,000
Less:	
– Purchase consideration adjustment	(1,098,701)
– Prepayment *	(1,273,461)
– Other receivables	(353,590)
Purchase consideration by cash	5,937,248
Net assets acquired	(5,222,553)
Negative goodwill	202,802
Intangible assets net of deferred tax liability	917,497
Represented by:	
Intangible assets	1,223,330
Deferred tax liability	(305,833)
	917,497

The above computation was provisionally calculated as at 31 December 2010. During the financial year, upon the finalisation of the fair value exercise, there have been no adjustments made to the provisional values.

The assets and liabilities as of 6 July 2010 arising from the acquisition are as follows:

	RM
Property, plant and equipment	2,991,110
Inventories	343,886
Trade and other receivables	4,068,429
Tax recoverable	2,445
Cash and bank balance	824,641
	8,230,511
Borrowings	774,151
Trade and other payables	2,067,281
Deferred taxation	166,526
	3,007,958
Net assets acquired	5,222,553

## Notes to the Financial Statements

– 31 December 2011

### 33 ACQUISITION IN PREVIOUS FINANCIAL YEAR (CONTINUED)

The cash outflow of the Group on acquisition of RTSSB is as follows:

	RM
Purchase consideration satisfied by cash	5,937,248
Cash and cash equivalents of subsidiary acquired	(824,641)
Net cash outflows on acquisition of subsidiary	5,112,607
Prepayment *	1,273,461
Acquisition of subsidiary, net cash	6,386,068

\* Prepayment relates to an amount paid for the continuity of employment of several individuals for a period of 24 months from the acquisition date. This amount is classified as prepayment and amortised over a period of 24 months from 6 July 2010.

Prepayment as at the reporting date can be analysed as follows:

	Group	
	2011 RM	2010 RM
As at 1 January	955,096	0
Prepayment	0	1,273,461
Amortised to statement of comprehensive income	(636,731)	(318,365)
	<b>318,365</b>	955,096
<b>Prepayment</b>		
Represented by:		
– Non-current	0	318,365
– Current	318,365	636,731
	<b>318,365</b>	955,096

### 34 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard 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 Company may adjust the amount of dividend payment, return capital to shareholders or issue new shares.

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

	Group	
	2011 RM	2010 RM
Cash and cash equivalents	<b>70,088,620</b>	57,098,033
Less: Total borrowings	<b>(26,917,494)</b>	(21,621,349)
Net cash	<b>43,171,126</b>	35,476,684
 Total equity	 <b>214,200,840</b>	 200,542,136

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

### 35 SUBSEQUENT EVENT

On 15 March 2012, the Company proposed to undertake a bonus issue of 50,000,000 new ordinary shares of RM1.00 each in the Company, to be credited as fully paid-up, on the basis of one (1) new share for every two (2) existing shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later.

The proposed bonus issue is subject to approvals being obtained from the shareholders of the Company at the next Annual General Meeting, Bursa Malaysia Securities Berhad and any other relevant authorities where applicable, for the listing of and quotation for the new shares arising from the proposed bonus issue.

The proposed bonus issue is expected to be completed by the end of the second quarter of the financial year ending 31 December 2012.

### 36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 March 2012.

## Notes to the Financial Statements

– 31 December 2011

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

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

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained profits of the Group and its subsidiaries:				
Realised	<b>130,267,538</b>	119,408,211	<b>65,986,056</b>	8,352,452
Unrealised	<b>(5,330,018)</b>	(5,490,108)	<b>(28,200)</b>	190,811
	<b>124,937,520</b>	113,918,103	<b>65,957,856</b>	8,543,263
Total share of retained profits from associated companies:				
Realised	<b>40,837,312</b>	38,596,292	<b>0</b>	0
Unrealised	<b>(2,203,006)</b>	(1,895,135)	<b>0</b>	0
	<b>38,634,306</b>	36,701,157	<b>0</b>	0
Less: Consolidation adjustments	<b>(22,061,737)</b>	(25,142,610)	<b>0</b>	0
Total Group's and Company's retained profits	<b>141,510,089</b>	125,476,650	<b>65,957,856</b>	8,543,263

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

# Statement by Directors

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

We, Dato' Izham bin Mahmud and Nan Yusri bin Nan Rahimy, two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 52 to 113 are drawn up in accordance with the provisions of Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

The supplementary information set out in note 37 on page 114 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 March 2012.

**DATO' IZHAM BIN MAHMUD**  
DIRECTOR

**NAN YUSRI BIN NAN RAHIMY**  
DIRECTOR

# Statutory Declaration

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

I, Jayanthi a/p Gunaratnam, the officer primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 113 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: 15 March 2012

Before me:

COMMISSIONER FOR OATHS

# Independent Auditors' Report

## To the members of Deleum Berhad

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Deleum Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 36.

#### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

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

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

#### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 29 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 37 on page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. I, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
15 March 2012

**IRVIN GEORGE LUIS MENEZES**  
(No. 2932/06/12 (J))  
Chartered Accountant

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Seventh Annual General Meeting of DELEUM BERHAD ("the Company") will be held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 24 May 2012 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 2011 together with the Reports of the Directors and Auditors thereon.  
(Please refer to Note (i)).
2. To re-elect the following Directors who retire by rotation pursuant to Article 78 of the Company's Articles of Association of the Company and being eligible, offer themselves for re-election:
  - (a) Mr. Chin Kwai Yoong **Ordinary Resolution 1**
  - (b) Dato' Seri Abdul Ghani bin Abdul Aziz **Ordinary Resolution 2**
3. To approve the payment of the Directors' fees of RM750,000 in respect of the financial year ended 31 December 2011. **Ordinary Resolution 3**
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

### AS SPECIAL BUSINESS:

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

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

"THAT Dato' Izham bin Mahmud, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Ordinary Resolution 5**

"THAT Datuk Vivekananthan a/l M.V. Nathan, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Ordinary Resolution 6**

"THAT Dato' Kamaruddin bin Ahmad, being over the age of 70 years and retiring in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Ordinary Resolution 7**

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

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and any other governmental/regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to allot and issue not more than ten percent (10%) of the issued and paid-up share capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 8**

7. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(1) OF THE CIRCULAR TO SHAREHOLDERS DATED 2 MAY 2012** **Ordinary Resolution 9**

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 party ("Recurrent Related Party Transactions") as set out in Section 2.5(1) of the Circular to the Shareholders dated 2 May 2012 ("the Circular"), subject further to the following:

- (i) the Recurrent Related Party Transactions are entered into in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arms' length basis and are not to the detriment of the minority shareholders of the Company;
- (ii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:
  - (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting, at which this shareholders' mandate will lapse, unless by a resolution passed at the said Annual General Meeting, such authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting; whichever is the earlier;

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

8. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SET OUT UNDER SECTION 2.5(2) OF THE CIRCULAR TO SHAREHOLDERS DATED 2 MAY 2012** **Ordinary Resolution 10**

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 party ("Recurrent Related Party Transactions") as set out in Section 2.5(2) of the Circular to the Shareholders dated 2 May 2012 ("the Circular"), subject further to the following:

- (i) the Recurrent Related Party Transactions are entered into in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arms' length basis and are not to the detriment of the minority shareholders of the Company;
- (ii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:
  - (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting, at which this shareholders' mandate will lapse, unless by a resolution passed at the said Annual General Meeting, such authority is renewed;

- (b) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting; whichever is the earlier;

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

#### 9. **PROPOSED BONUS ISSUE**

"THAT subject to the approvals of Bursa Malaysia Securities Berhad and any other relevant authorities for the listing of and quotation for the new ordinary shares to be issued hereunder, the Directors be and are hereby authorised to capitalise a sum of RM50,000,000 from the retained earnings of the Company as at 31 December 2011 by way of a bonus issue and that the same be applied in making payment in full for 50,000,000 new ordinary shares of RM1.00 each in the share capital of the Company, such new ordinary shares be distributed and credited as fully paid-up to the registered shareholders of the Company whose names shall appear in the Record of Depositors of the Company at the close of business on a date to be determined by the Directors (the "Book Closure Date"), in the proportion of one (1) new ordinary share of RM1.00 each for every two (2) existing ordinary shares of RM1.00 each held at the Book Closure Date (the "Proposed Bonus Issue") and that such new shares shall upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions whose entitlement date precedes the allotment date of the Proposed Bonus Issue;

THAT fractional entitlements, if any, arising from the Proposed Bonus Issue shall be disregarded and be dealt with in such manner as the Directors in their absolute discretion shall think fit in the best interest of the Company;

AND THAT the Directors be and are hereby authorised to give effect to the aforesaid Proposed Bonus Issue with full power to assent to any modifications and/or amendments as may be required or permitted by the relevant authorities."

#### 10. **PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

"THAT the alterations, modifications and/or additions to the Articles of Association of the Company as set out below be and are hereby approved and that the Directors and Secretaries be and are hereby authorised to carry out all the necessary formalities in effecting the aforesaid amendments".

##### **Existing Article 53(5)**

A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined in accordance with the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

### **Proposed Article 53(5)**

A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined in accordance with the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. **Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.**

**Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.**

### **Existing Article 62**

All business shall be deemed special that is transacted at an extraordinary meeting, and all that is transacted at an ordinary meeting shall also be deemed special, with the exception of sanctioning a dividend, the consideration of the accounts and balance sheets and the reports of the Directors and Auditors, and any other documents annexed thereto, the election of Directors in the place of those retiring by rotation, and the appointment and fixing of the remuneration of the Auditors.

### **Proposed Article 62**

All business shall be deemed special that is transacted at an extraordinary general meeting, and all that is transacted at an ordinary general meeting shall also be deemed special, with the exception of sanctioning a dividend, the consideration of the accounts and balance sheets and the reports of the Directors and Auditors, and any other documents annexed thereto, the election of Directors in the place of those retiring by rotation, **the appointment or re-appointment of Directors who are over the age of 70 years**, and the appointment and fixing of the remuneration of the Auditors.

11. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

### **BY ORDER OF THE BOARD**

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

**Notes:**

- (i) The Agenda item No. 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 ("the Act") and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting ("AGM"). As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.
- (ii) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply.
- (iii) A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. 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 the exempt authorised nominee may appoint in respect of each omnibus account it holds.

Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- (iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its Common Seal or the hand of its duly authorised officer.
- (v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
- (vi) For the purpose of determining who shall be entitled to attend this Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 17 May 2012 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend this Meeting.

**Explanatory Notes on Special Business:**

- (i) **Ordinary Resolutions 5 to 7**  
**Re-appointment of Directors pursuant to Section 129(2) of the Companies Act, 1965**  
The proposed Ordinary Resolutions 5 to 7 are to seek shareholders' approval for the re-appointment of Directors who are over the age of 70 years and retiring in accordance with Section 129(2) of the Act. If passed, it will enable the Directors to hold office until the next AGM of the Company.

**(ii) Ordinary Resolution 8****Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

The Company had on the Sixth AGM held on 18 May 2011, obtained its shareholders' approval for the renewal of the general mandate for issuance of shares pursuant to Section 132D 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 8 is a renewal mandate for the issue of shares under Section 132D of the Act. If passed, it will give the Directors of the Company from the date of the above AGM, authority to allot and issue shares from the unissued capital of the Company but not exceeding 10% of the issued and paid-up share capital of the Company.

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

**(iii) Ordinary Resolutions 9 and 10****Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.5(1) and 2.5(2) respectively of the Circular to Shareholders dated 2 May 2012**

The proposed Ordinary Resolutions 9 and 10, if passed, will enable the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature and is to comply with Paragraph 10.09, Part E of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The mandate will take effect from the date of the passing of the ordinary resolution until the next AGM.

**(iv) Ordinary Resolution 11****Proposed Bonus Issue**

The proposed Ordinary Resolution 11, if passed, will increase the capital base of the Company and also reward shareholders for their continuous support to the Company. The increased number of shares in issue is expected to improve the liquidity of the shares in the market.

**(v) Special Resolution 1****Proposed amendments to the Company's Articles of Association**

The proposed Special Resolution 1, if passed, will render Article 53(5) of the Articles of Association of the Company to be in line with the current provisions of Paragraphs 7.21 of the Listing Requirements which have been effective from 3 January 2012.

Article 62 of the Articles of Association of the Company has been modified for administrative efficiency to facilitate the appointment and re-appointment respectively of Directors who are over the age of 70 years.

# Statement Accompanying **Notice of Annual General Meeting**

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

There is no person seeking election as Director at this Annual General Meeting.

# Additional Compliance Information

## 1. SHARE BUYBACKS

During the financial year ended 31 December 2011, there were no share buybacks by the Company.

## 2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company had not issued any options, warrants or convertible securities during the financial year ended 31 December 2011.

## 3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2011.

## 4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by relevant regulatory bodies during the financial year ended 31 December 2011.

## 5. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group for the financial year ended 31 December 2011 was as follows:

	RM
Professional fees in connection with the review of quarterly announcements on the Main Market of Bursa Malaysia	140,000
<b>Total Amount</b>	<b>140,000</b>

## 6. VARIATION IN RESULTS

The Company did not release any profit estimate, forecast or projection for the financial year. There was no significant variance between results for the financial year and the unaudited results previously released by the Company.

## 7. PROFIT GUARANTEE

The Company did not receive any profit guarantee during the financial year ended 31 December 2011.

## 8. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors and major shareholders during the financial year ended 31 December 2011.

# 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 @ 31/12/11	Revaluation if any	Date of acquisition
1	Corporate Head Office Deleum Berhad	No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000, Kuala Lumpur	6 storey corner shopoffice	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 3/12/2085	13 years	3,506,730		2/5/06
2	Delcom Services Sdn. Bhd.	No. 42, Jalan Bangsar Utama 1, Bangsar Utama, 59000, Kuala Lumpur	5 storey corner shopoffice	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 3/12/2085	23 years	566,356		19/9/88
3	Delcom Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000, Kuala Lumpur	5 storey shop office	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 3/12/2085	23 years	541,627		28/9/88
4	Delcom Services Sdn. Bhd.	Unit No. 8-11-3, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar 59100, Kuala Lumpur	Office Lot	Office	-/ 139.72 sq metres	Freehold	9 years	467,315		3/2/97
5	Delcom Services Sdn. Bhd.	Unit No. 8-11-4, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar 59100, Kuala Lumpur	Office Lot	Office	-/ 146.87 sq metres	Freehold	9 years	491,421		3/2/97
6	Miri Office Delcom Services Sdn. Bhd.	Lot 1315, Block 9, Miri Concession Land District, Miri Waterfront Commercial Centre, Jalan Bendahara, 98008 Miri, Sarawak	4 storey corner shopoffice	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/9/2066	7 years	1,008,000		20/8/04
7	Operations Delcom Services Sdn. Bhd.	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	Leasehold/ 30/9/2014	11 years	1,200,001		-
8	Operations Delcom Services Sdn. Bhd.	Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman	Warehouse	Warehouse	4,341.00 sq metres/ 1,456.00 sq metres	Leasehold/ 30/9/2012	3 years	2,368,881		-
9	Operations Turboservices Overhaul Sdn. Bhd.	Lot 26197, Kawasan Perindustrian Tuanku Jaafar, 71450 Seremban, Negeri Sembilan Darul Khusus	Integrated service centre	Turboservices: Solar Integrated Service Centre	14,495.00 sq metres/ 2,735.90 sq metres	Freehold	14 years	9,805,743		30/12/05
10	Operations Penaga Dresser Sdn. Bhd.	No A1-A2, Kawasan MIEL, Jakar Phase III, 24000 Kemaman, Terengganu Darul Iman	2 units of semi-detached factory	Assembly Plant	A1-1723 sq metres/ A2-1229 sq metres	Leasehold/ 19/4/2053	19 years	1,100,950	4/11/09	12/4/04
11	Delcom Services Sdn. Bhd.	Unit E-P 17, Bayu Beach Resort, Port Dickson, 71050, Negeri Sembilan Darul Khusus	Apartment	Apartment	-/ 143.53 sq metres	Leasehold/ 12/6/2092	17 years	171,008		24/2/92

# Analysis of Shareholdings

## As at 30 March 2012

Authorised share capital	:	RM500,000,000
Issued and paid-up capital	:	RM100,000,000
No. of shareholders	:	2,189
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	% of Holdings
Less than 100 shares	146	4,703	*
100 to 1,000 shares	238	165,690	0.17
1,001 to 10,000 shares	1,430	4,859,509	4.86
10,001 to 100,000 shares	316	9,542,250	9.54
100,001 to less than 5% of issued shares	53	26,081,149	26.08
5% and above of issued shares	6	59,346,699	59.35
Total	2,189	100,000,000	100.00

Note:

\* Less than 0.01%

### TOP 30 SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	Lantas Mutiara Sdn. Bhd.	20,420,677	20.42
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	12,041,355	12.04
3.	Datuk Vivekananthan a/l M.V. Nathan	10,623,037	10.62
4.	IM Holdings Sdn. Bhd.	6,086,355	6.09
5.	Chandran Aloysius Rajadurai	5,172,925	5.17
6.	Datin Che Bashah @ Zaiton binti Mustaffa	5,002,350	5.00
7.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (DLR 065-Margin)	4,199,780	4.20
8.	Dato' Izham bin Mahmud	2,797,000	2.80
9.	Datin Che Bashah @ Zaiton binti Mustaffa	2,015,357	2.02
10.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	1,250,000	1.25

**TOP 30 SECURITIES ACCOUNT HOLDERS (CONTINUED)**

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	Percentage (%)
11.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB)	1,000,000	1.00
12.	Hj. Abd Razak bin Abu Hurairah	899,537	0.90
13.	Goh Thong Beng	880,000	0.88
14.	Manharlal Bhaichand Gathani Jain	829,700	0.83
15.	Neoh Choo Ee & Company, Sdn. Berhad	804,000	0.80
16.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	675,000	0.68
17.	Lee Sew Bee	660,000	0.66
18.	Mohd Fauzi bin Ahmad	625,000	0.63
19.	Saudah binti Hashim	625,000	0.63
20.	Dato' Yahya bin Ya'acob	618,750	0.62
21.	Tan Swee Leong	500,000	0.50
22.	Cartaban Nominees (Tempatan) Sdn. Bhd. Axa Affin General Insurance Berhad	450,000	0.45
23.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datuk Ishak bin Imam Abas (REM 851)	418,000	0.42
24.	Celine D'Cruz a/p Francis D' Cruz	412,500	0.41
25.	Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	400,000	0.40
26.	Ong Say Kiat	343,100	0.34
27.	Datin Ishah binti Ismail	302,500	0.30
28.	Thai Ah Heng	276,000	0.28
29.	Mohammad Zuki bin Abd Rahman	250,000	0.25
30.	Mayban Nominees (Tempatan) Sdn. Bhd. Amanahraya Investment Management Sdn. Bhd. for Yayasan Tuanku Syed Putra (C386-270336)	250,000	0.25

## Analysis of Shareholdings

As at 30 March 2012

### SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Lantas Mutiara Sdn. Bhd.	20,420,677	20.42	0	0
Hartapac Sdn. Bhd.	12,041,355	12.04	0	0
Datuk Vivekananthan a/l M.V. Nathan	10,625,837	10.63	20,420,677 <sup>(1)</sup>	20.42
Datin Che Bashah @ Zaiton binti Mustaffa	8,036,400	8.04	0	0
IM Holdings Sdn. Bhd.	6,090,000	6.09	0	0
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	5,849,780	5.85	0	0
Chandran Aloysius Rajadurai	5,172,925	5.17	0	0
Dato' Izham bin Mahmud	2,797,000	2.80	34,547,077 <sup>(2)</sup>	34.55
Datin Sian Rahimah Abdullah	0	0	12,041,355 <sup>(3)</sup>	12.04
Faye Miriam Abdullah	0	0	12,041,355 <sup>(3)</sup>	12.04
Hugh Idris Abdullah	0	0	12,041,355 <sup>(3)</sup>	12.04
Farid Riza Izham	0	0	6,090,000 <sup>(4)</sup>	6.09
Faiz Raziff Izham	0	0	6,090,000 <sup>(4)</sup>	6.09
Hana Sakina Izham	0	0	6,090,000 <sup>(4)</sup>	6.09

#### Notes:

- (1) Deemed interested by virtue of his shareholding in Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 ("the Act").
- (2) Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act and shares held by his spouse.
- (3) Deemed interested by virtue of his/her shareholding in Hartapac Sdn. Bhd. pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of his/her shareholding in IM Holdings Sdn. Bhd. pursuant to Section 6A of the Act.

### DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Izham bin Mahmud	2,797,000	2.80	34,547,077 <sup>(1)</sup>	34.55
Datuk Vivekananthan a/l M.V. Nathan	10,625,837	10.63	20,420,677 <sup>(2)</sup>	20.42
Datuk Ishak bin Imam Abas	418,000	0.42	0	0
Chin Kwai Yoong	187,500	0.19	0	0
Dato' Seri Abdul Ghani bin Abdul Aziz	142,900	0.14	0	0
Nan Yusri bin Nan Rahimy	83,500	0.09	8,000 <sup>(3)</sup>	0.01

#### Notes:

- (1) Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act and shares held by his spouse.
- (2) Deemed interested by virtue of his shareholding in Lantas Mutiara Sdn. Bhd. pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of shares held by his spouse.



# Corporate Directory

## HEAD OFFICE

**Deleum Berhad and its Subsidiaries:**  
**Delcom Services Sdn. Bhd.**  
**Delcom Oilfield Services Sdn. Bhd.**  
**Turboservices Sdn. Bhd.**

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

## SALES AND MARKETING OFFICE (EAST MALAYSIA)

### Miri

Lot 1315, Miri Waterfront  
Commercial Centre  
98008 Miri, Sarawak  
Tel : +6085-413 528/417 020  
Fax : +6085-418 037  
Email : info@deleum.com

## SERVICE CENTRE

### Turboservices Overhaul Sdn. Bhd. (Turboservices: Solar Turbines Integrated Service Centre)

Lot 26197, Kawasan Perindustrian  
Tuanku Jaafar, 71450 Seremban  
Negeri Sembilan Darul Khusus  
Tel : +606-679 8270/207  
Fax : +606-679 8267  
Email : info@deleum.com

## OPERATIONS AND SUPPLY BASES

### Kemaman

Kemaman Supply Base  
Warehouse 28, 24007 Kemaman  
Terengganu Darul Iman  
Tel : +609-863 1407/1408  
Fax : +609-863 1379  
Email : info@deleum.com

### Labuan

Asian Supply Base  
Rancha Rancha Industrial Estate  
87000 Labuan  
Tel : +6087-413 935/583 205  
Fax : +6087-425 694  
Email : info@deleum.com

### Miri

Lot 3017, Permy Jaya Teknologi Park  
Bandar Baru Permy Jaya  
98000 Miri, Sarawak  
Tel : +6085-413 528/417 020  
Fax : +6085-418 037  
Email : info@deleum.com

## SUBSIDIARIES

### Penaga Dresser Sdn. Bhd.

#### Head Office

Business Suite, 19A-9-1, Level 9  
UOA Centre, No. 19, Jalan Pinang  
50450 Kuala Lumpur  
Tel : +603-2163 2322  
Fax : +603-2161 8312  
Email : sales@penagadresser.com

### Kemaman Office & Service Centre

Lot A1-A2, Kawasan Miel  
Jakar Phase III, 24000 Kemaman  
Terengganu Darul Iman  
Tel : +609-868 6799  
Fax : +609-868 3453  
Email : sales@penagadresser.com

### Miri Office

Lot 1401, Ground Floor  
Centre Point Commercial Centre  
Phase 2, Jalan Kubu  
98000 Miri, Sarawak  
Tel : +6085-419 126  
Fax : +6085-412 127  
Email : sales@penagadresser.com

## Rotary Technical Services Sdn. Bhd.

### Head Office & Service Centre

No. 3, Jalan P4/8, Seksyen 4  
Bandar Teknologi Kajang  
43500 Kajang  
Selangor Darul Ehsan  
Tel : +606-8723 7070  
Fax : +606-8723 3070  
Email : enquiry@rotary.com.my

### Pasir Gudang Office

No. 39, Jalan Masai Utama 1  
Taman Masai Utama  
81750 Masai, Johor Darul Takzim  
Tel : +607-253 2070  
Fax : +607-255 3070  
Email : enquiry@rotary.com.my

## ASSOCIATES

### Malaysian Mud And Chemicals Sdn. Bhd.

Asian Supply Base  
Rancha Rancha Industrial Estate  
87000 Labuan  
Tel : +6087-415 922  
Fax : +6087-415 921  
Email : mc2@tm.net.my

### Cambodia Utilities Pte. Ltd.

Power Plant #2, Route 2  
Chak Angre District  
Khan Meanchey, Phnom Penh  
Kingdom of Cambodia  
Tel : +855-23 425 592  
Fax : +855-23 425 050  
Email : administrationcupl@cupl.com.kh

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# Proxy Form

CDS Account No.	No. of Shares Held

I/We \_\_\_\_\_  
(Full name in block letters)

I.C/Passport/Company No. \_\_\_\_\_  
of \_\_\_\_\_  
(Address in full)

being a member of **DELEUM BERHAD** hereby appoint \_\_\_\_\_  
(Full name in block letters)

I.C/Passport/Company No. \_\_\_\_\_  
of \_\_\_\_\_  
(Address in full)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at **Ballroom 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 24 May 2012 at 10:00 a.m.** and at any adjournment thereof.

No.	Resolutions	For	Against
<b>Ordinary Business</b>			
1.	To re-elect Mr. Chin Kwai Yoong as Director.		
2.	To re-elect Dato' Seri Abdul Ghani bin Abdul Aziz as Director.		
3.	To approve the payment of Directors' fees of RM750,000 in respect of the financial year ended 31 December 2011.		
4.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
<b>Special Business</b>			
5.	To re-appoint Dato' Izham bin Mahmud as Director.		
6.	To re-appoint Datuk Vivekananthan a/l M.V. Nathan as Director.		
7.	To re-appoint Dato' Kamaruddin bin Ahmad as Director.		
8.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
9.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions as set out under Section 2.5(1) of the Circular to Shareholders dated 2 May 2012.		
10.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions as set out under Section 2.5(2) of the Circular to Shareholders dated 2 May 2012.		
11.	Proposed Bonus Issue.		
12.	Proposed Amendments to the Articles of Association 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 \_\_\_\_\_ 2012

Signature/Common Seal of Shareholder(s)

**Notes:**

- (i) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- (ii) A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. 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 for multiple beneficial owners in an omnibus account, there is no limit to the number of proxy which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (iii) 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.
- (iv) 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 Meeting or any adjournment thereof.
- (v) For the purpose of determining who shall be entitled to attend this Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at **17 May 2012** and only a depositor whose name appears on such Record of Depositors shall be entitled to attend this Meeting.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

No. of Shares	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

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The Company Secretary

**DELEUM BERHAD**

(Co. No. 715640-T)

(Incorporated in Malaysia)

**No. 2, Jalan Bangsar Utama 9**

**Bangsar Utama, 59000 Kuala Lumpur, Malaysia**

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