DELEUM BERHAD

ANNUAL REPORT 2010

UNISON IN DIVERSITY

DELEUM BERHAD (Co. No. 715640-T)

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UNISON IN DIVERSITY

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

Mission Statement

"To be The Preferred Service Company focusing on the oil and gas and power generation industries and expanding beyond our current markets"

DELEUM BERHAD

Contents


DELEUM







The Deleum Family

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of DELEUM BERHAD ("the Company") will be held at the Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, off Jalan Bukit Kiara, 60000 Kuala Lumpur, Malaysia on Wednesday, 18 May 2011 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 2010 together with the Reports of the Directors and Auditors thereon. (Please refer to Note (i)).

2. To re-elect the following Directors:

   2.1 Datuk Ishak bin Imam Abas who retires by rotation pursuant to Article 78 of the Company's Articles of Association and being eligible, offers himself for re-election. **Ordinary Resolution 1**

   2.2 Encik Nan Yusri bin Nan Rahimy who retires pursuant to Article 76 of the Company's Articles of Association and being eligible, offers himself for re-election. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees of RM558,250.00 in respect of the financial year ended 31 December 2010. (2009: RM199,355.00) **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 Ordinary 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 issue shares pursuant to Section 132D of the Companies Act, 1965:**

"THAT subject always to the Companies Act, 1965, 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. To transact any other ordinary business for 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

25 April 2011

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. 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 provision 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.

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.

EXPLANATORY NOTES ON SPECIAL BUSINESS

i. **Ordinary Resolutions 5 to 7 – Re-appointment of Directors pursuant to Section 129(6) 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 issue shares pursuant to Section 132D of the Companies Act, 1965:**

The Company had on the Fifth Annual General Meeting held on 27 April 2010, 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 Annual General Meeting, authority to issue and allot 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 the general mandate is to provide flexibility to the Company to issue new securities without the need to convene 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.

Statement Accompanying Notice of Sixth 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.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors and the Management of Deleum Group, I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2010.

Dato' Izham bin Mahmud
Chairman

The year under review was a challenging year for the Group. Slower pace of economic activities and deferment of projects had impacted the financial performance of the Group. In spite of these challenges, the Group managed to record a commendable profit mainly due to the diversity of products and services, wide coverage of infrastructure and operational bases, as well as hard work and dedication of all employees.

FINANCIAL AND OPERATIONS REVIEW

The Group recorded a revenue of RM399.0 million for the financial year 2010, a decrease of 22.4% from the previous year of RM514.3 million, mainly due to the significantly high number of projects being completed in the previous year as well as deferment of some projects in 2010. Accordingly, the profit after tax and minority interest (PATAMI) decreased by 12.1% from the previous year of RM26.5 million to RM23.2 million. This was also attributable to the gratuity payments made out to Executive Directors upon their retirement.

During the year under review, we continued to strengthen and enhance our position as a provider of oilfield equipment and services to the upstream sector of the oil and gas industry. In July 2010, we completed the acquisition of Rotary Technical Services Sdn. Bhd., which is involved in the servicing, repair and maintenance of motors, generators, transformers, pumps and valves. This has further expanded our scope of services and enhanced our service capabilities to support our customers.

We continue to focus on increasing our employee base and investing in human capital through continuous training and development to improve and enhance the employees' competency levels and skill sets. We are looking forward to completing our certification in Competency Management System which will serve as a reference point for technical competency evaluation and assessment of our oilfield personnel.

Corporate Head Office, Bangsar

DIVIDEND

The Company had paid a first single tier tax exempt dividend of 3.5 sen per share on 21 September 2010. I am pleased to inform that the Board had further declared a second interim single tier tax exempt dividend of 8.0 sen per share to the shareholders which is payable on 8 April 2011. The total dividend for the year 2010 will be 11.5 sen per share with a total payout of RM11.5 million compared to RM12.0 million for the previous year.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT ("QHSE")

Ever mindful of the paramount importance of QHSE, we continue to uphold our continuous commitment to the improvement and enhancement of QHSE culture and performance within the Group.

Safety has always been the number one priority of the Group and in this regard, we shall continue to make every effort to further improve our policies and procedures, and implement various initiatives across the Group.

The Group was successfully certified and accredited with ISO 9001:2008 by Det Norske Veritas under its subsidiary Delcom Services Sdn. Bhd. in March 2010. This certification is in line with the Group's commitment to continuously improve its management system and meet customers' contractual requirements.

CORPORATE GOVERNANCE

The Group remains committed and determined to uphold good corporate governance and ensure that highest standards of corporate governance are practised in the interests of all stakeholders.

We have continued to integrate good and effective corporate governance practices into the overall business direction and management of the Group. The Group's risk management system will continue to be strengthened to ensure that we are able to respond effectively to the constantly changing business environment.

CORPORATE RESPONSIBILITY ("CR")

The Group strives to integrate CR principles and practices into its operations. During the year, we implemented various CR initiatives aimed at promoting employee welfare, health, safety and environment awareness and practices. Our CR initiatives included contributions and sponsorships to various charitable organisations such as a home for underprivileged children in Petaling Jaya and a charity campaign for breast cancer awareness. The Group also employed four personnel from the Montfort Boys Home currently based in various operating bases within the Group. Employee participation in charitable initiatives and contributions towards meaningful causes were also actively encouraged.

OUTLOOK

Under the Government's Economic Transformation Programme ("ETP"), the oil and gas sector has been identified as one of the key economic areas in propelling Malaysia towards becoming a high income developed nation. With the projects initiated under the ETP and the positive moves by PETRONAS, the outlook for Malaysia's oil and gas industry is promising. It is anticipated that there would be a rise in activities in the area of deepwater development, enhanced oil recovery and marginal field projects. In light of these developments, we see an increase in opportunities for the Group and envisage that the demand for our products and services will remain encouraging.

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

"The Group remains committed and determined to uphold good corporate governance and ensure that highest standards of corporate governance are practised in the interests of all stakeholders."

Recognising that our employees form the foundation and strength of our organisation, we continuously place a high emphasis on nurturing, training and developing our employees to enhance and protect our human capital.

With these initiatives, we will continue to deliver value to our stakeholders.

APPRECIATION

On behalf of the Board of Directors, I wish to express my sincerest appreciation to all shareholders, customers, suppliers and business partners for their continuous support and confidence in the Group. I would also like to extend my gratitude to the Management and employees of the Group for their unwavering dedication, commitment, hard work and contributions throughout this challenging year.

Miri Office

To my fellow Board Members, I would like to convey my appreciation and thanks for your continued valuable contributions and guidance throughout the year. On behalf of the Board of Directors, I would like to record our utmost appreciation to Mr. Chandran Aloysius Rajadurai, our previous Group Managing Director for his invaluable service, dedication and leadership during his long tenure in the Group, where the Group has grown in size and capabilities. I also wish to extend a warm welcome to the new member of the Board, Encik Nan Yusri bin Nan Rahimy who was appointed as Group Managing Director on 1 March 2011. Encik Nan Yusri is no stranger to the Group, having served the Group for 15 years. His last position with the Group was the Chief Executive Officer of Delcom Services Sdn. Bhd.

I am pleased and honoured that our collective efforts had contributed towards Deleum being ranked 3rd in the Energy & Natural Resources sector in terms of shareholder value creation in KPMG's Shareholder Value Award (SVA) 2010 Programme.

Dato' Izham bin Mahmud
Chairman

6 April 2011

Corporate Information

BOARD OF DIRECTORS

Dato' Izham bin Mahmud
Chairman

Datuk Vivekananthan a/l M. V. Nathan
Deputy Chairman

Datuk Ishak bin Imam Abas
Independent Non-Executive Director

Dato' Kamaruddin bin Ahmad
Independent Non-Executive Director

Chin Kwai Yoong
Independent Non-Executive Director

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

Nan Yusri bin Nan Rahimy
Group Managing Director

AUDIT COMMITTEE

Datuk Ishak bin Imam Abas
Chairman

Dato' Kamaruddin bin Ahmad

Chin Kwai Yoong

Dato' Izham bin Mahmud

Datuk Vivekananthan a/l M. V. Nathan

JOINT REMUNERATION AND NOMINATION COMMITTEE

Dato' Kamaruddin bin Ahmad
Chairman

Dato' Izham bin Mahmud

Datuk Vivekananthan a/l M. V. Nathan

Datuk Ishak bin Imam Abas

Chin Kwai Yoong

RISK MANAGEMENT COMMITTEE

Dato' Seri Abdul Ghani bin Abdul Aziz
Chairman

Nan Yusri bin Nan Rahimy

JOINT COMPANY SECRETARIES

Lee Sew Bee
MAICSA No. 0791319

Lim Hooi Mooi
MAICSA No. 0799764

REGISTERED OFFICE/HEAD OFFICE

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

SHARE REGISTRARS

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

AUDITORS

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

SOLICITORS

Zain & Co.
6th and 7th Floors
Akademi Etiqa
23, Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel : 603-2698 6255
Fax : 603-2693 6488

PRINCIPAL BANKERS

Standard Chartered Bank Malaysia Berhad

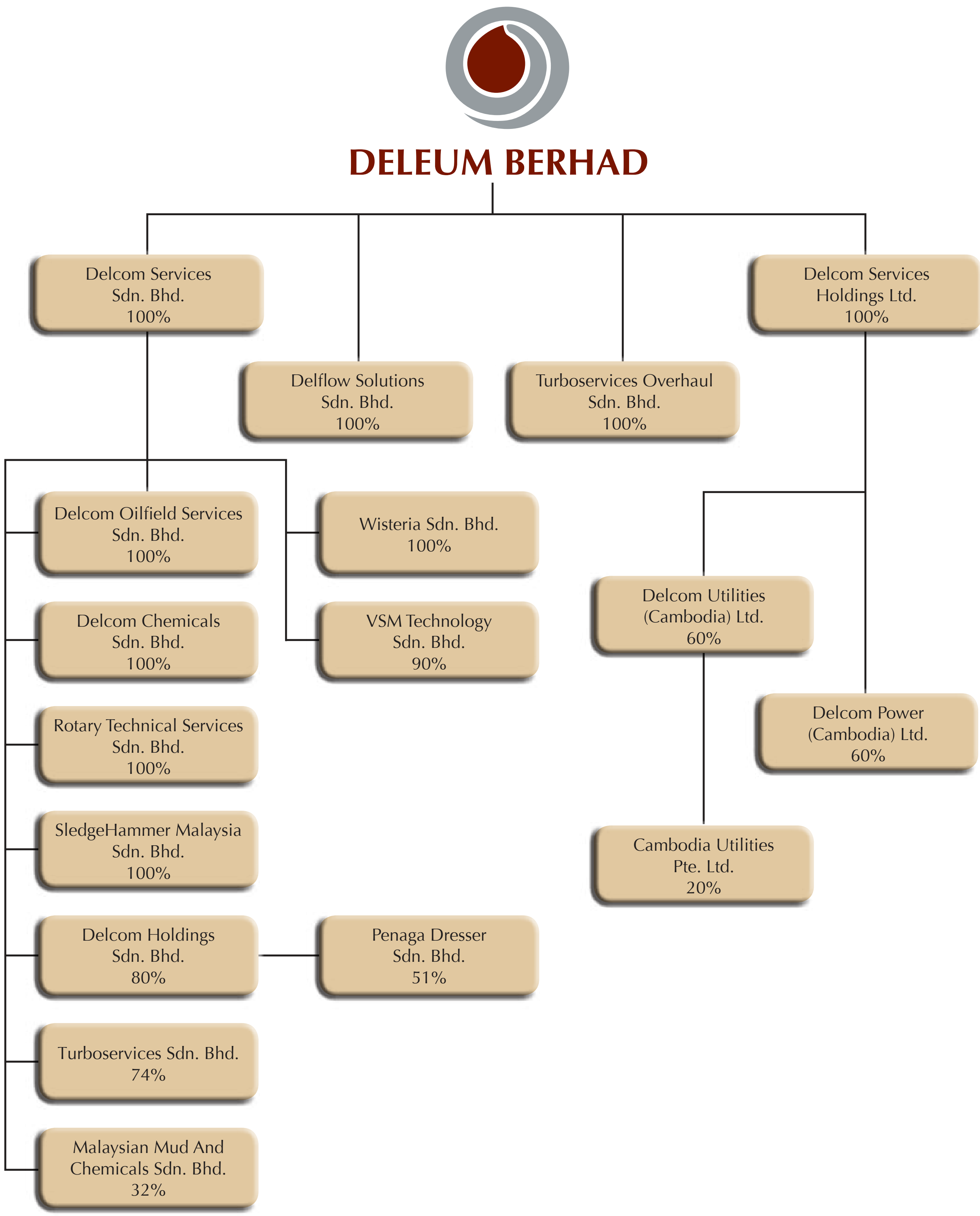
HSBC Bank Malaysia Berhad

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code: 5132

Group Corporate Structure



Profiles of Directors

Dato' Izham bin Mahmud
Non-Independent Non-Executive Chairman

Dato' Izham bin Mahmud, a Malaysian, aged 70, was appointed to the Board of Deleum Berhad on 21 December 2005. He holds a Bachelor of Science Degree (Honours) in Economics from Queen's University Belfast, UK and a Master of Arts (Economics Development) from Vanderbilt University, USA. He is one of the co-founders of Delcom Services Sdn. Bhd. ("DSSB"), now a wholly owned subsidiary of Deleum Berhad, via his family holding company IM Holdings Sdn. Bhd.

Dato' Izham joined the Federal Treasury in 1965 and attained the level of Principal Assistant Secretary before being seconded to the Malacca State Development Corporation as General Manager in 1972. He embarked on his banking career in 1974 when he joined Aseambankers Malaysia Berhad where he served as General Manager and later Managing Director in 1979 until his retirement. During this period, he also served as Director of various subsidiaries of the Maybank Group and Cagamas Berhad.

Upon his retirement in 1996, he joined DSSB as its Chairman and was subsequently appointed Executive Chairman in 2000. He was the Executive Chairman of Deleum Berhad until his retirement on 31 May 2010 and subsequently became the Non-Executive Chairman. He also served as a Director of RHB Capital Berhad, RHB Bank Berhad, Renong Berhad and Opus Berhad.

Currently, Dato' Izham sits on the Boards of AMMB Holdings Berhad and AmInvestment Bank Berhad.

Datuk Vivekananthan a/l M. V. Nathan
Non-Independent Non-Executive Deputy Chairman

Datuk Vivekananthan a/l M. V. Nathan, a Malaysian, aged 69, was appointed to the Board of Deleum Berhad on 21 December 2005. He is one of the co-founders of DSSB.

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

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

He sits on the Board of WGC 2012, a company limited by guarantee, set up by the Malaysian Gas Association to organise the 25th World Gas Conference ("WGC") in Kuala Lumpur in 2012. He also sits on the Boards of Malaysia Deepwater Production Contractors Sdn. Bhd. and Malaysia Deepwater Floating Terminal (Kikeh) Ltd.

Datuk Ishak bin Imam Abas
Independent Non-Executive Director

Datuk Ishak bin Imam Abas, a Malaysian, aged 65, was appointed to the Board of Deleum Berhad on 21 March 2007. He is a Fellow Member of Chartered Institute of Management Accountants (CIMA) and a member of Malaysian Institute of Accountants (MIA).

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

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

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

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

Dato' Kamaruddin bin Ahmad
Independent Non-Executive Director

Dato' Kamaruddin bin Ahmad, a Malaysian, aged 71, was appointed to the Board of Deleum Berhad on 21 March 2007. He is a chartered accountant and a member of the MIA. He holds an accountancy qualification from Royal Melbourne Institute of Technology, Australia. He is also a member of the Malaysian Institute of Certified Public Accountants (MICPA) and fellow of the CPA Australia. He also attended the Advance Management Programme at the Harvard Business School, USA.

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

He currently sits on the Boards of Intelligent Edge Technologist Berhad and Himpunan Seri Sdn. Bhd.

Chin Kwai Yoong
Independent Non-Executive Director

Chin Kwai Yoong, a Malaysian, aged 62, was appointed to the Board of Deleum Berhad on 21 March 2007. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the MICPA and MIA.

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

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

Currently, he sits on the Boards of Astro All Asia Networks Plc., Genting Berhad, Syarikat Prasarana Negara Berhad and Bank Negara Malaysia.

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

Dato' Seri Abdul Ghani bin Abdul Aziz, a Malaysian, aged 65, and was appointed to the Board of Deleum Berhad on 30 April 2009. He holds a Master of Arts Degree in International Relations and Strategic Studies from the University of Lancaster, UK, and a Master of Human Sciences (History and Civilization) from the International Islamic University, Malaysia.

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

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

Nan Yusri bin Nan Rahimy
Group Managing Director

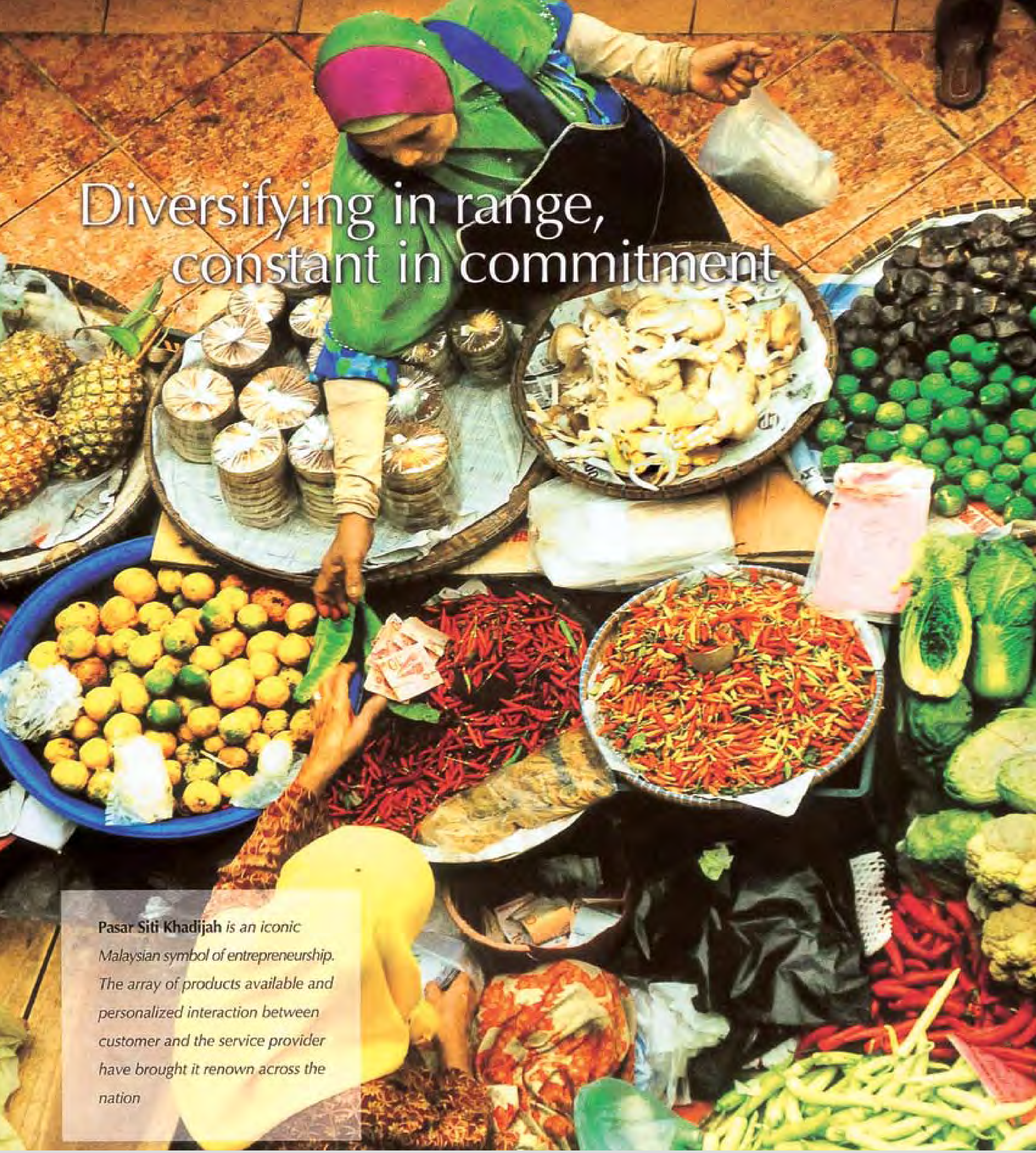
Nan Yusri bin Nan Rahimy, a Malaysian, aged 39, was appointed to the Board of Deleum Berhad on 1 March 2011. He holds a Bachelor of Engineering Degree (Honours) in Mechanical Engineering from the RMIT University (formerly known as Royal Melbourne Institute of Technology), Australia and is a member of the Society of Petroleum Engineers.

He started his career with DSSB, in April 1996 as a Marketing Executive supporting the turbomachinery business and was later re-designated to Application Engineer in November 1996. He had held several senior positions within the Group since then including Senior Marketing Manager, Assistant Vice President – Business Development, Vice President – Exploration and Production and Chief Operating Officer – Oilfield Services.

In August 2009, he was promoted to Chief Executive Officer of Delcom Oilfield Services Sdn. Bhd., another wholly-owned subsidiary of Deleum Berhad and in September 2010 promoted to Chief Executive Officer of DSSB before being appointed to his current position on 1 March 2011.

Notes:

1. Directors' attendance at the Board and Board Commitees' meetings during the financial year ended 31 December 2010 are set out in the Statement of Corporate Governance and Audit Committee Report.
2. None of the directors has any family relationship with any other director or major shareholder.
3. None of the directors has had convictions for any offence within the past 10 years.
4. None of the directors has any business arrangement with the Company in which he has a personal interest.



Diversifying in range, constant in commitment

Pasar Siti Khadijah *is an iconic Malaysian symbol of entrepreneurship. The array of products available and personalized interaction between customer and the service provider have brought it renown across the nation*

DELEUM BERHAD

Key Management

Nan Yusri bin Nan Rahimy
Group Managing Director

Heng Phok Wee
Chief Operating Officer
Delcom Services Sdn. Bhd.

Ahmad Uzhir bin Khalid
Chief Operating Officer
Delcom Oilfield Services Sdn. Bhd.

Shankarvelu Sarawanan
General Manager
IPG and Rotary

Lee Sew Bee
Vice President
Corporate Services

Jayanthi Gunaratnam
General Manager
Finance and Administration

Business Performance Review

The year 2010 had been a challenging year for the Group, mainly due to the slow economic climate which had impacted the industry. The Group recorded a revenue of RM399.0 million for the financial year ended 31 December 2010, a decrease of 22.4% from the previous year of RM514.3 million. This was mainly due to the lower activity levels during the year and deferment of projects to 2011.

The Group's profit before tax (PBT) had correspondingly decreased from the previous year's RM45.7 million to RM37.6 million, a reduction of 17.7% due to the decrease in revenue and increase in operating expenses. This was mainly attributable to the gratuity payments made out to the Executive Directors upon their retirement, coupled with increase in payroll costs and inclusion of the expenses of Rotary Technical Services Sdn. Bhd. which was acquired during the year.

In line with the decrease in revenue and increase in operating expenses, the Group recorded a profit after tax and minority interest (PATAMI) of RM23.2 million, a decrease of 12.1% from the previous year of RM26.5 million.

"With a sustaining and stable financial foundation built over the years, together with the concerted effort of our experienced and dedicated team, we have strategised accordingly and worked towards ensuring continuity and progression in the coming years."

INDUSTRY OVERVIEW

Under the Economic Transformation Programme (ETP), the Malaysian Government has identified the oil and gas sector as one of the key growth engines within the twelve National Key Economic Areas (NKEAs) in achieving a high income nation status by 2020. With the high expectation placed on the industry and challenges faced in global discoveries, greater emphasis has been placed on domestic growth in terms of efficiently growing reserves and maximising production.

Based on the current scenario, greater opportunities are anticipated as exploration and production activities shall focus on non-conventional prospects to increase oil recovery from existing fields through its capability development focus areas, such as Enhanced Oil Recovery (EOR) and Full Field Review (FFR). With added focus on small marginal fields and EOR development, we anticipate further increase in projects and activities in the industry. This will provide an increase in opportunities for the Group in the provision of oilfield equipment and services. Also, in line with our focus on sustainable business, we shall continue to develop and seize opportunities in the areas of maintenance, repair and service based activities.

Gas Turbine assembly works

OPERATIONS OVERVIEW

During the financial year under review, the Group was awarded a major contract for the supply of new gas turbine packages to an onshore oil and gas terminal facility in East Malaysia. With proven track record in meeting the customers' delivery requirements, the Group had also managed to secure awards to supply gas turbines packages for several "fast track" projects in relation to the recent oil and gas industry development. The accelerated delivery of these gas turbine packages is a testament of the commitment to support the customers in meeting their tight overall project schedules.

Integrated Service Centre, Senawang

Complementing the sales of gas turbines, the Group has further strengthened its performance in the gas turbine aftermarket services. Through its Long Term Service Agreements, the Group maintains its primary focus in the aftermarket sales with emphasis on total life cycle basic maintenance support which includes service parts, overhaul exchange, field service and technical training. The Group has also renewed a fleet management services contract with a Production Sharing Contractor ("PSC") providing expanded scope of services and extended coverage for new installations. During the financial year under review, the Group recorded an increase in demand for services in equipment upgrades and retrofit projects. These projects were successfully executed by the in-house project team, with several other projects expected to be completed in the near future.

Through the integrated service centre in Senawang, Negeri Sembilan Darul Khusus, the Group continues to provide overhaul services for gas turbines throughout Malaysia as well as the region. The service centre has also been upgraded to facilitate classroom training for customers.


Wireline Operations

The Group continues to provide wireline equipment rental and services, integrated wellhead maintenance services and well services to various PSCs in Malaysia. With the current pool of experienced and skilled resources, the Group continues to focus in expanding and enhancing value added services within these key business areas. In this regard, the Group is further enhancing its technical capabilities and competencies to meet continuous demands for these various and additional services from the provision of logging and intervention services to comprehensive technical consultancy on well services.

The financial year under review marked a milestone for the casing and cementing accessories business which has expanded into the Malaysia-Thailand Joint Development Area (MTJDA). Together with OEM partners, the Group also continues to supply drilling and completion equipment to various customers through long-term and short-term contracts.

The Group continues to provide comprehensive specialised maintenance programs for OEM surface wellheads and christmas trees through an integrated approach. This approach provides additional value to the customers whilst maintaining their assets through a one stop solution.

During the year, the Group persisted in its efforts to pursue the potential with customers and partners in finding solutions for organic solid deposition treatment and specialty chemicals. Even though the advancement in this area is challenging, we remain optimistic in being able to further identify and secure projects in the near future.

Amongst the initiatives undertaken by the Group was to embark on certification of OPITO Competency Management System ("CMS"), which is targeted to be completed in the second quarter of 2011. Once this system is in place, the Group shall commence with the certification of its wireline personnel and subsequently extend the CMS to other services within the Group.


Motor repair works

In line with the Group's expansion plan, Rotary Technical Services Sdn. Bhd. was acquired in July 2010. Rotary's core business is the servicing, repair and maintenance of motors, generators, transformers, pumps and valves. The acquisition of Rotary complements the Group's range of services and is expected to further expand the scope of services provided by the Group.

The Group's control and safety valves business has continued to contribute to the Group's overall performance and revenue. This was a result of the activities in Maintenance, Repair and Overhaul services as well as orders for new equipment awarded during the year.

ASSOCIATES

Malaysian Mud and Chemicals Sdn. Bhd. which provides dry and liquid bulking services for East Malaysia offshore operations at Asian Supply Base, Labuan sustained its profitability for the financial year under review.

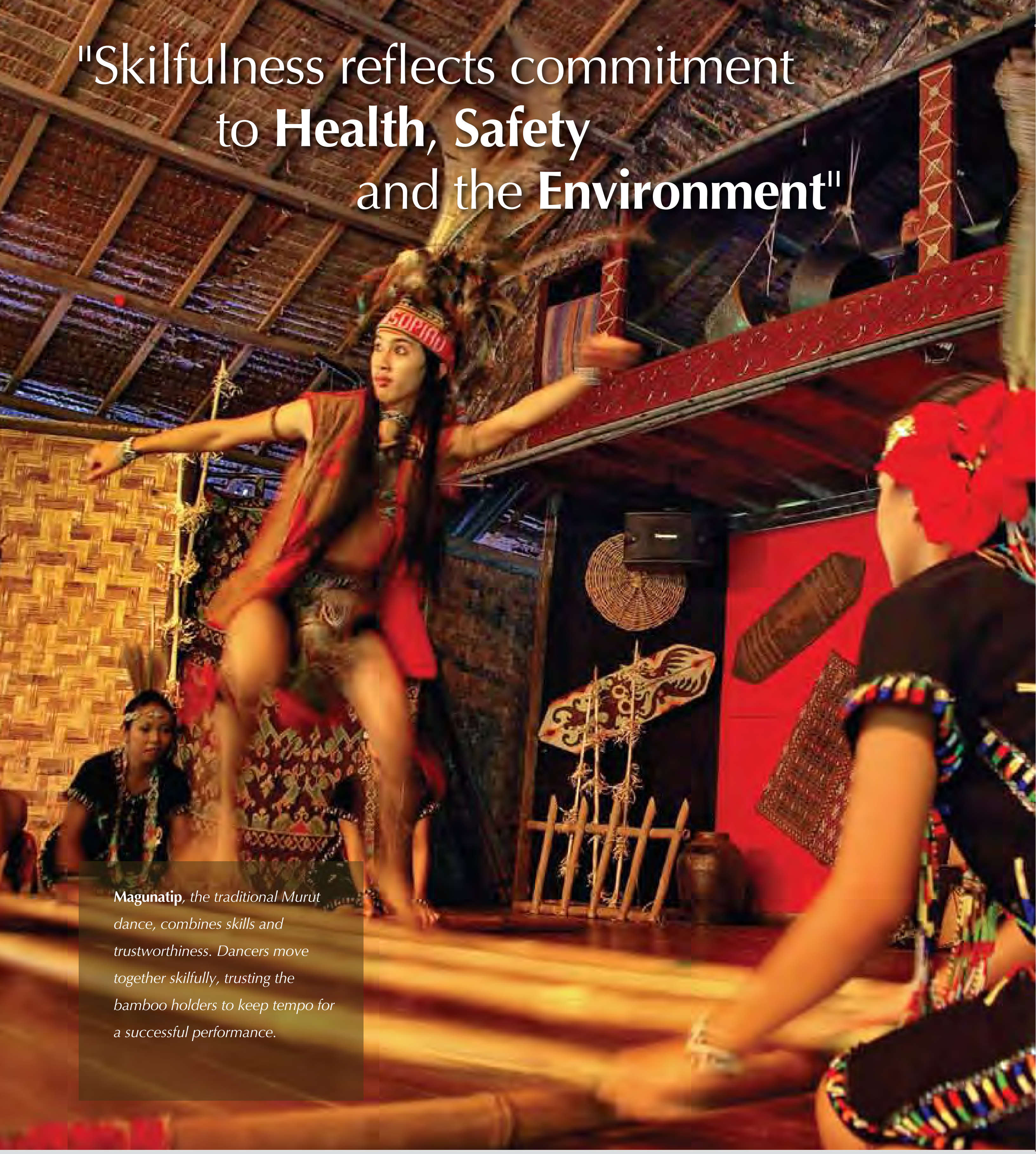

Integrated Wellhead Maintenance

Cambodia Utilities Pte. Ltd., the first Independent Power Producer (IPP) in Cambodia delivering a net capacity of 36MW electricity to the city of Phnom Penh, continues to strengthen the Group's performance and contributes to the Group's overall earnings.

LOOKING AHEAD

With a sustaining and stable financial foundation built over the years, together with the concerted effort of our experienced and dedicated team, we have strategised accordingly and worked towards ensuring continuity and progression in the coming years. The Group will also continue to remain focused on key business areas whilst looking out for opportunities to expand in areas that complement our current business.

"Skilfulness reflects commitment to **Health**, **Safety** and the **Environment**"



Magunatip, *the traditional Murut dance, combines skills and trustworthiness. Dancers move together skilfully, trusting the bamboo holders to keep tempo for a successful performance.*

DELEUM BERHAD

Quality, Health, Safety and Environment

Quality, Health, Safety and Environment ("QHSE") remains the Group's top priority in safeguarding the welfare of its employees, assets, environment and society at large. Management and all employees are responsible for implementing QHSE policies and procedures which are integrated into daily operations in line with the Group HSE slogan "Collective Responsibility towards HSE Excellence".

Various activities were carried out throughout the year to continuously instil ownership and collective involvement by every employee towards achieving the Group's HSE objectives. HSE programmes and activities during the year included the following:

- HSE Week was organised at headquarters and all operating units in various locations. The activities included presentations and briefings on safety awareness at the workplace and home, crime prevention, health talks and employees health check;
- Regular HSE bulletins highlighting HSE issues and good practices were disseminated to all employees;
- Regular and periodic reviews of HSE performance and statistics and HSE management system at operational facilities; and
- Periodic HSE training and seminars for employees.

The Group has also participated in several HSE forums and conferences organised by customers, business partners and relevant authorities.

The year 2010 had been a progressive year for the Group with the following achievements and recognitions:

- Active Unsafe Act Unsafe Condition (UAUC) Reporting (October 2009-February 2010) Award from Petronas Carigali Sdn. Bhd. ("PCSB") SBO;
- HSE Special Award in recognition of 250 days free of Total Recordable Case from PCSB Drilling Department, Development Division;
- Certificate of Appreciation for the valuable contribution of Non Production Time (NPT) Reduction for 2009/2010 from PCSB Drilling Department, Development Division;
- Highest UAUC Report – Champion for 2010 from PCSB SBO.

In March 2010, Delcom Services Sdn. Bhd. was successfully certified with ISO 9001:2008 by Det Norske Veritas. This certification is in line with the Group's commitment to continuously improve its management system and meet customers' contractual requirements.

HSE Week

Fire Fighting Training

Safety being practised

Unison in Diversity

We embrace the values of diverse cultures which bring about a wealth of perspectives, enabling us to coexist in harmony. Together with our individual strengths, we move forward as one.

DELEUM BERHAD

Activities of 2010

CORPORATE ACTIVITIES

10 February 2010

Social Outing with a Charity Home (CR)

Deleum organised a social outing with children and senior citizens from a charity home in Puchong, Selangor. They were entertained with a 3D movie and presented with goodie bags.

27 March 2010

Earth Hour 2010 (CR)

Deleum supported Earth Hour 2010 in Malaysia. 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.

27-28 March 2010

MGA PRESTIGE Programme 2010 (Business)

Deleum assisted in organising the MGA (Malaysian Gas Association) PRESTIGE Programme which was held in Malacca. The comprehensive 2-day HSE event covered practical information and tools to enhance the awareness of the oil and gas industry and HSE knowledge of university students.

27 April 2010

Annual General Meeting (Corporate)

Deleum's 5th AGM was held at Sime Darby Convention Centre and attended by a diverse group of shareholders.

27 April 2010

Final Dividend (Corporate)

Announcement of the final single tier tax exempt dividend of 7.0 sen per share for the financial year ended 31 December 2009 which was paid on 27 May 2010.

8 June 2010

PETRONAS – Turboservices Sdn. Bhd. (TSSB) LTSA Workshop (Business)

The workshop was co-organised with PETRONAS in Putrajaya as a platform to present updates and discuss the Long Term Service Agreement (LTSA) between customers and TSSB.

CORPORATE ACTIVITIES (continued)

6 July 2010

Acquisition of Rotary Technical Services Sdn. Bhd. (Corporate)

Acquisition of 100% equity interest in Rotary was completed.

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16 August 2010

Interim Dividend (Corporate)

Announcement of the first interim single tier tax exempt dividend of 3.5 sen per share for the financial year ended 31 December 2010 which was paid on 21 September 2010.

10 September 2010

Caring and Sharing Session with Underprivileged Children (CR)

A visit to a home in Petaling Jaya for special needs and underprivileged children was organised with the assistance of the sports club. The children were treated to lunch and goodie bags were given.

2 October 2010

PinkRibbon Gala Dinner – Breast Cancer Awareness Month (CR)

The Group participated in a charity dinner in support of PinkRibbon Reach to Recovery campaign for breast cancer awareness.

6-7 October 2010

UTP Career Placement Week (Business)

In participation as an exhibitor in the UTP Career Placement Week, a career talk and interview sessions for internship placements and employment opportunities were conducted throughout the two day event.

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15 October 2010

SPE UTM Student Chapter Talk 2010 (Business)

The Group participated in the event organised by SPE UTM Student Chapter in UTM Skudai. The main aim of the event was to provide exposure to the students on careers in engineering.

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24 November 2010

Process Technology Managers Panel (Business)

A paper on Solid Deposition Treatment Technology (SDTT) was presented in a forum organised by PETRONAS Group Technology Solutions in Kota Kinabalu, Sabah. This technology provides a unique solution to enhance oil production.

18 December 2010

Year End Gathering for Underprivileged Children (CR)

Over 2,000 underprivileged children from various charity homes were treated for a full day of fun and games at a theme park in Kuala Lumpur. Volunteers from Deleum participated in ensuring the smooth flow of the event and took the opportunity to spend quality time with the children.

26 December 2010

SSMH Painting (CR)

A group of employees painted the home of the Society for the Severely Mentally Handicapped, Selangor and Federal Territory ("SSMH") during their visit. In addition, the Group contributed to the Charity Carnival 2010 organised by SSMH.

EMPLOYEES' SPORTS & RECREATIONAL ACTIVITIES

20 March 2010

Go Kart

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

30 April 2010

Paintball

Employees from various departments participated in the paintball competition held in Kem Isi Rimba. The participants enjoyed themselves in various outdoor battle scenes amidst the natural lush environment.

EMPLOYEES' SPORTS & RECREATIONAL ACTIVITIES (continued)

21 May 2010

Futsal Challenge

Champion for the 2010 Futsal Challenge went to the 'Old-Block' team. The battle between Deleum's 'Old' and 'New' Blocks was an enjoyable event and displayed great sportsmanship and camaraderie.

18 June 2010

Netball

The inaugural netball challenge between the 'Old-Block' and 'New-Block' teams was won by the 'New-Block' team. There was good fun and interaction amongst the participants in the quest for victory.

16 August 2010

Pool

This year's event drew the biggest participation to play in a knock-out competition, cheered by supporters from various departments.

24 September 2010

Karaoke Competition

The Karaoke Competition was held in The Gardens Mid Valley with employees participating in various solo, duet and group categories. An overwhelming response was received from the employees vying to be the 'Deleum Idol'.

25 October 2010

Bowling League

This bowling tournament was held over a period of thirteen weeks with massive support being given to the team members. It was a close race to the finish and there was good interaction and socialising amongst our employees.

EMPLOYEES' SPORTS & RECREATIONAL ACTIVITIES (continued)

20 November 2010

Family Day

Approximately 100 employees and their families attended this event which was held at the Forest Research Institute of Malaysia (FRIM). Various games and activities were organised for the employees and their families.

ANNUAL DINNERS

19 March 2010

Annual Dinner for Labuan

An Annual Dinner, with the theme 'Flora and Fauna' for Labuan based employees and their families was held at the Tiara Hotel Labuan.

20 March 2010

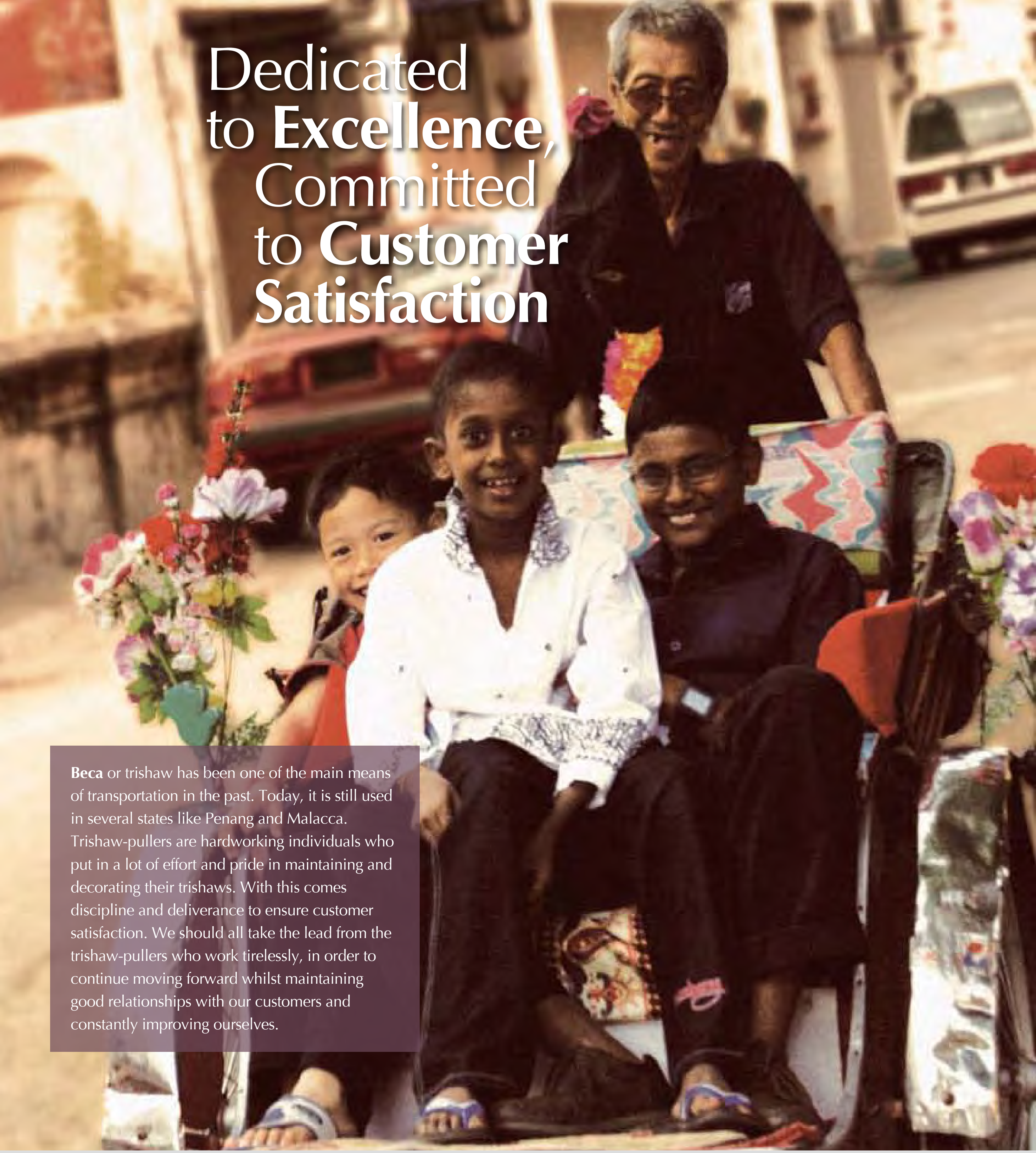
Annual Dinner for Miri

Miri based employees organised their Annual Dinner at the JW Marriot Resort with the theme "In the 60's".

10 December 2010

Annual Dinner for HQ

The Deleum Headquarters Annual Dinner themed 'White & Gold' was held at the Eastin Hotel. As an appreciation to loyal employees, the Company presented Long Service awards to those who had contributed their services for over 10 to 25 years. Among the highlights of the evening were singing and dance performances by Deleum employees.



Dedicated to **Excellence**, Committed to **Customer Satisfaction**

Beca or trishaw has been one of the main means of transportation in the past. Today, it is still used in several states like Penang and Malacca. Trishaw-pullers are hardworking individuals who put in a lot of effort and pride in maintaining and decorating their trishaws. With this comes discipline and deliverance to ensure customer satisfaction. We should all take the lead from the trishaw-pullers who work tirelessly, in order to continue moving forward whilst maintaining good relationships with our customers and constantly improving ourselves.

DELEUM BERHAD

Statement of Corporate Governance

The Board of Directors ("the Board") of Deleum Berhad ("Deleum" or "the Company") remain determined and committed in ensuring that high standards of corporate governance are practised throughout the Group to safeguard and promote the best interests of all shareholders and other stakeholders.

The Board has continuously endeavoured to practise good and effective corporate governance in the conduct and the overall business direction and management of the Group consistent with the principles and best practices of the Malaysian Code on Corporate Governance ("the Code") and the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Board will continuously strive to evaluate the status of the Group's corporate governance practices and procedures to embrace an optimal corporate governance framework which will enhance shareholders value and facilitate sustainable value creation for all other stakeholders.

1. THE BOARD OF DIRECTORS

1.1 Composition

Deleum is led and managed by a committed, experienced and pro-active Board which is able to provide clear direction and effective leadership.

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

The Board composition provides an effective check and balance to the functioning of the Board, and is in compliance with the Listing Requirements of Bursa Malaysia which require one-third (1/3) of the Board to be independent.

Collectively, the Board brings a wide range of management, entrepreneurial skills and industry specific knowledge pertinent to the Group's business in the oil and gas industry. The strong backgrounds of the Directors enable the Board to effectively lead and control the Group.

A brief profile of each director is set out on pages 13 to 16 of this Annual Report.

All Directors are equally and collectively accountable for the proper stewardship of the Group's business activities and affairs. 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 and has the ultimate and overall responsibility for the entire affairs of the Group and the proper and effective conduct of its business. This responsibility includes value creation, corporate governance, formulating and reviewing the Company's strategic plans and policies, strategic direction, leadership and supervision of the Group's business affairs to enable the Group to meet its business objectives in the best interests of all shareholders and other stakeholders.

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. To this end, the Board also reviews the performance of the Group and ensures that a proper internal control system is in place.

The positions of the Chairman, Deputy Chairman and Group Managing Director are held by separate members of the Board. This creates a clear division of responsibilities and ensures a balance of power and authority.

1. THE BOARD OF DIRECTORS (continued)

1.2 Roles and Responsibilities (continued)

Dato' Izham bin Mahmud and Datuk Vivekananthan a/l M.V. Nathan retired from employment as Executive Chairman and Deputy Executive Chairman respectively of Deleum on 31 May 2010. They remained as Non-Executive Chairman and Non-Executive Deputy Chairman respectively.

Encik Nan Yusri bin Nan Rahimy was appointed as Group Managing Director of Deleum with effect from 1 March 2011 to succeed Mr. Chandran Aloysius Rajadurai whose resignation took effect from 21 March 2011.

The Chairman is primarily responsible for the orderly conduct and effective working of the Board, and acts as a liaison between the Board and Management. The Chairman presides over meetings of the Board and ensures that all its members, executive and non-executive alike are enabled and encouraged to play their full roles effectively. The Deputy Chairman supports the Chairman and also assists in high level business development and customer relations. The Group Managing Director 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 Deputy Chairman work closely with the Group Managing Director in the development and implementation of business and corporate policies and strategies for the Group. They are accountable to the Board for the profitability, operations and development of the Group, consistent with the primary objective of protecting and enhancing long-term shareholder value and the financial performance of the Group whilst taking into account the interests of other stakeholders and sustainable value creation.

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, so as to safeguard the interests of the Group and its stakeholders whilst ensuring that high standards of conduct and integrity are maintained.

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 so as to enable all Directors to plan ahead.

The Company Secretary ensures 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.

During the financial year ended 31 December 2010, the Board met eight (8) times and all Directors have complied with the requirement in respect of board meeting attendance as provided in the Listing Requirements of Bursa Malaysia.

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 Committee meetings to brief and advise on relevant agenda items to enable the Board to arrive at a considered decision. Decisions reached at the meetings normally reflect the consensus of the whole 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 accurate and proper records of the proceedings of the Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of Deleum.

1. THE BOARD OF DIRECTORS (continued)

1.3 Board Meetings (continued)

The details of the attendance of each Director at Board meetings during the financial year ended 31 December 2010 were as follows:

No.	Name	Designation	No. of Board Meetings attended
1	Dato' Izham bin Mahmud	Non-Independent Non-Executive Chairman	8/8
2	Datuk Vivekananthan a/l M. V. Nathan	Non-Independent Non-Executive Deputy Chairman	8/8
3	Chandran Aloysius Rajadurai	Group Managing Director	8/8
4	Dato' Kamaruddin bin Ahmad	Independent Non-Executive Director	8/8
5	Datuk Ishak bin Imam Abas	Independent Non-Executive Director	8/8
6	Chin Kwai Yoong	Independent Non-Executive Director	8/8
7	Dato' Seri Abdul Ghani bin Abdul Aziz	Non-Independent Non-Executive Director	7/8

All Directors have complied with the minimum 50% attendance required at board meetings during the financial year ended 31 December 2010 as stipulated in the Listing Requirements of 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, and Directors may raise comments or seek clarification on the minutes prior to its confirmation.

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

The Directors are apprised of all the Company's announcements to Bursa Malaysia. They are also apprised of the restriction in dealing with the securities of the Company at least thirty (30) days prior to the release of the announcement of quarterly financial results.

2. BOARD COMMITTEES

The Board has established Board Committees namely an Audit Committee, a Joint Remuneration and Nomination Committee and a Risk Management Committee.

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 Board Committees as a whole. The findings of the evaluation are subsequently tabled at the Joint Remuneration and Nomination Committee meeting for discussion and subsequently reported to the Board.

2.1 Audit Committee

The composition of the Audit Committee, its terms of reference and a summary of its activities are set out in Audit Committee Report on pages 43 to 46 of this Annual Report

2.2 Joint Remuneration and Nomination Committee

The Joint Remuneration and Nomination Committee is primarily responsible for the following:

i. reviewing and recommending the 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 and 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 upon its effectiveness.

The Joint Remuneration and Nomination Committee 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 Joint Remuneration and Nomination Committee. This enables the Committee 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.

2. BOARD COMMITTEES (continued)

2.2 Joint Remuneration and Nomination Committee (continued)

During the financial year ended 31 December 2010, two (2) meetings of the Joint Remuneration and Nomination Committee were held with details of attendance as follows:

No.	Name	Designation	No. of Joint Remuneration and Nomination Committee Meetings attended
1	Dato' Kamaruddin bin Ahmad	Chairman	2/2
2	Dato' Izham bin Mahmud	Member	2/2
3	Datuk Vivekananthan a/l M. V. Nathan	Member	1/2
4	Datuk Ishak bin Imam Abas	Member	2/2
5	Chin Kwai Yoong	Member	2/2

2.3 Risk Management Committee

The Risk Management Committee comprises of one (1) Executive Director, one (1) Non-Independent Non-Executive Director with the heads of business units and support functions of the Group co-opted into the Committee.

During the financial year ended 31 December 2010, four (4) meetings were held with details of attendance as follows:

No.	Name	Designation	No. of Risk Management Committee Meetings attended
1	Dato' Seri Abdul Ghani bin Abdul Aziz	Chairman	3/4
2	Chandran Aloysius Rajadurai*	Member	4/4

* Nan Yusri bin Nan Rahimy was appointed as a member in his place with effect from 6 April 2011.

The Risk Management Committee 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.

During the financial year ended 31 December 2010, the Board attended an in-house training programme on "Corporate Fraud" conducted by PricewaterhouseCoopers. The Directors were briefed on their responsibilities and presented with case studies pertaining to financial accounting irregularities and procurement fraud.

Also, the Executive Directors attended the 15th Asia Oil & Gas Conference organised by PETRONAS themed "Beyond the New Reality" reflecting future dynamics and changing paradigms in the global oil and gas industry and the key concerns.

The Directors are also briefed and updated at the scheduled quarterly meetings on the relevant amendments to the Listing Requirements of Bursa Malaysia and Financial Reporting Standards.

The Group will continue to evaluate and determine the training needs of its Directors to enable them to discharge their duties effectively.

4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of Directors is undertaken by the Board as a whole upon recommendation by the Joint Remuneration and Nomination Committee.

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 Fifth AGM held on 27 April 2010, a Director was 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 profile 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 2010 disclosed by categories are as follows:

Aggregate Remuneration

Remuneration	Executive (RM)	Non-Executive (RM)
Fees	–	561,250.00
Salaries and bonuses and other emoluments	1,380,000.00	65,500.00
Defined contribution plan	250,200.00	–
Estimated monetary value of benefits-in-kind	135,437.00	–
Retirement gratuities	1,997,500.00	–
Total	**3,763,137.00**	**626,750.00**

Analysis of Remuneration

Remuneration Band (RM)	Executive	Non-Executive
RM50,001 – RM100,000	–	4
RM600,001 – RM650,000	–	1
RM1,300,001 – RM1,350,000	1	–
RM2,050,001 – 2,100,000	–	1

Note:

Remuneration for two Non-Executive Directors included their remuneration and retirement gratuities while being executive directors till 31 May 2010.

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 Code.

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

The Joint Remuneration and Nomination Committee recommends to the Board for approval of the remuneration of the Executive Directors 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 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 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 the Bursa Malaysia and media releases and the Annual Report. The timely release of financial results on a quarterly basis provides shareholders with an overview of Deleum Group's performance and operations.

Shareholders and investors can obtain pertinent information on Deleum Group's various activities by accessing its website at 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 is 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 the management and for receiving constructive feedback from shareholders. The notice of the AGM and Annual Report is sent to all shareholders at least 21 days prior to the AGM in accordance with the Listing Requirements of the 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 behaves.

Shareholders are encouraged to participate in the question and answer sessions at AGM. The Company will convene its Sixth AGM on 18 May 2011 during which shareholders will have the opportunity 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 Deleum 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 Audit Committee to oversee the Group's financial reporting process and 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. ACCOUNTABILITY AND AUDIT (continued)

7.2 Internal Control

The Board has 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 42 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 Audit Committee 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 2010, the Audit Committee met three times 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 2010, 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 2010.

Statement of Internal Control

The Statement of Internal Control is made in accordance with Paragraph 15.26 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 RESPONSIBILITY

The Board of Directors ("the Board") of Deleum Berhad ("Deleum") is committed to maintaining a sound internal controls 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 comprising of Directors and Senior Management of the Group has developed a risk management framework which identifies 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.

Internal audits are performed on key areas of the risk profile and gap areas are addressed and action plans are put in place, the findings of which are presented to the Board.

This process is regularly reviewed by the Board and is in accordance with the guidelines for Directors on internal control, the Statement of Internal Control: Guidance for Directors of Public Listed Companies.

The duties and responsibilities of the Committee are detailed 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:

- **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 Authority 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, formalised 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 regularly against budget with significant variances being highlighted and follow-up and 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.

- **Internal audit function**
  An independent internal audit function 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 risk-based internal audit plan. The findings of the Internal Audit reviews together with Management's responses are presented to the Audit Committee.

  During the financial year under review, the Board recognised several areas of improvement in the internal controls as highlighted by BDO Governance Advisory Sdn. Bhd. ("BDO"), the internal auditors. These areas of improvement have been communicated to the Management and action plans formulated.

- **Quality management system audit**
  Annual audits on quality accreditations of the Group are performed by internal auditors and 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 minimise risk exposure and increase the efficiency and effectiveness of business operations.

INTERNAL CONTROL SYSTEM (continued)

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

- **Board and Management visits**
  Directors and Senior Management conduct regular visits to the operating bases to review and gain a better understanding of the operations.

- **Training and development program**
  To ensure 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 ("HSE")**
  The HSE functions are administered at the Group level and operating bases to carry out ongoing health, safety and environment activities, HSE awareness programmes and continuous improvement.

The duties and responsibilities of the Audit Committee are detailed in the terms of reference of the Audit Committee.

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.

Audit Committee Report

The Board is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2010 in accordance with Paragraph 15.15 of the Listing Requirements.

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 risk management process and system of internal controls. 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 45 and 46 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 2010. Details of members of the Audit Committee and their attendance of meetings are set out below:

No.	Name	Designation	Total Meetings Attended
1	Datuk Ishak bin Imam Abas	Chairman of the Audit Committee and Independent Non-Executive Director	5/5
2	Dato' Kamaruddin bin Ahmad	Independent Non-Executive Director	5/5
3	Chin Kwai Yoong	Independent Non-Executive Director	5/5
4	Dato' Seri Abdul Ghani bin Abdul Aziz *(Resigned as member w.e.f 16 August 2010)*	Non-Independent Non-Executive Director	3/4
5	Datuk Vivekananthan a/l M. V. Nathan *(Appointed as member w.e.f 16 August 2010)*	Non-Independent Non-Executive Director	1/1
6	Dato' Izham bin Mahmud *(Appointed as member w.e.f 16 August 2010)*	Non-Independent Non-Executive Director	1/1

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

III. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2010, the Audit Committee carried out its duties in accordance with its terms of reference which 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 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. who perform the Internal Audit Function ("IAF") to ensure the adequacy of the scope and coverage of the Group's activities taking into consideration the assessment of key risks areas.

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. Held one meeting with the Internal Auditors without the presence of executive directors and employees of the Company.

5. Related Party Transactions

Discussed and 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 2010 amounted to RM65,968.64.

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

The IAF reports directly to the Audit Committee who reviews and approves the Internal Auditors's annual audit plan. The IAF maintained at all times their impartiality.

The activities carried out were as follows:

a. Conducted internal audit engagements in consistent with the Company's goals.

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 in the area 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.

V. TERMS OF REFERENCE (continued)

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

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. Reports to the Board of Directors if there is any breach of the Listing Requirements and recommends corrective measures;

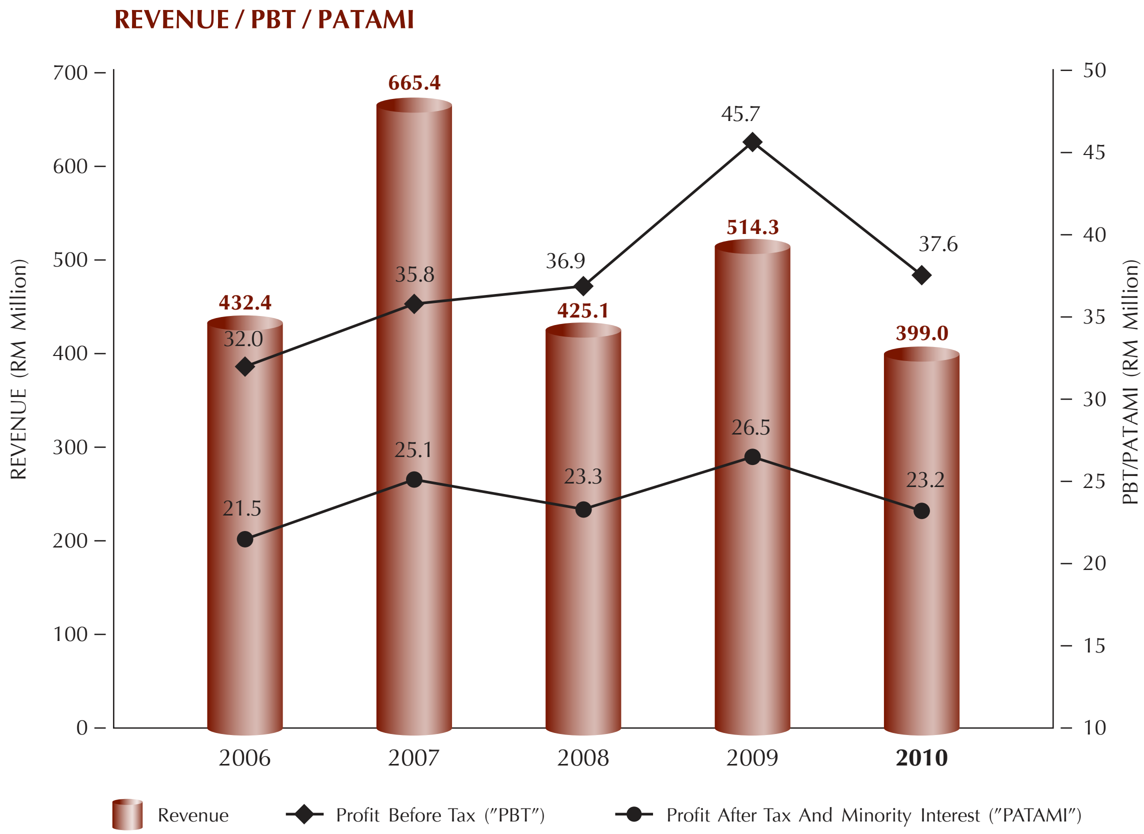
h. To promptly report to Bursa Malaysia where a matter reported by the Audit Committee to the Board has not been satisfactorily resolved resulting in a breach of Listing Requirements; and

i. To consider other issues as defined by the Board.

Financial Highlights

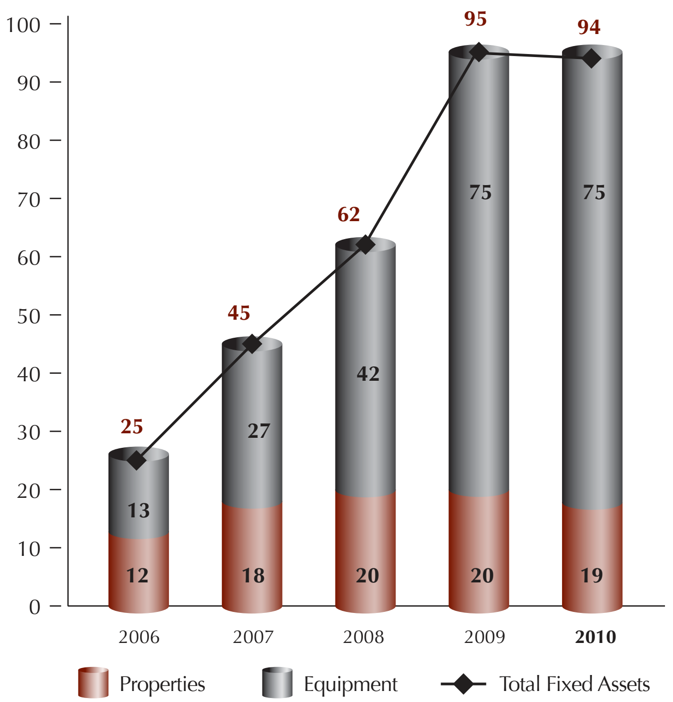
For The Financial Years Ended 31 December 2006-2010

The financial results for the years ended 31 December 2006 to 31 December 2010 as set out below have been prepared, solely for illustrative purposes, to show the proforma results of the Deleum Group had the Deleum Group been in existence from the beginning of the earliest period presented.

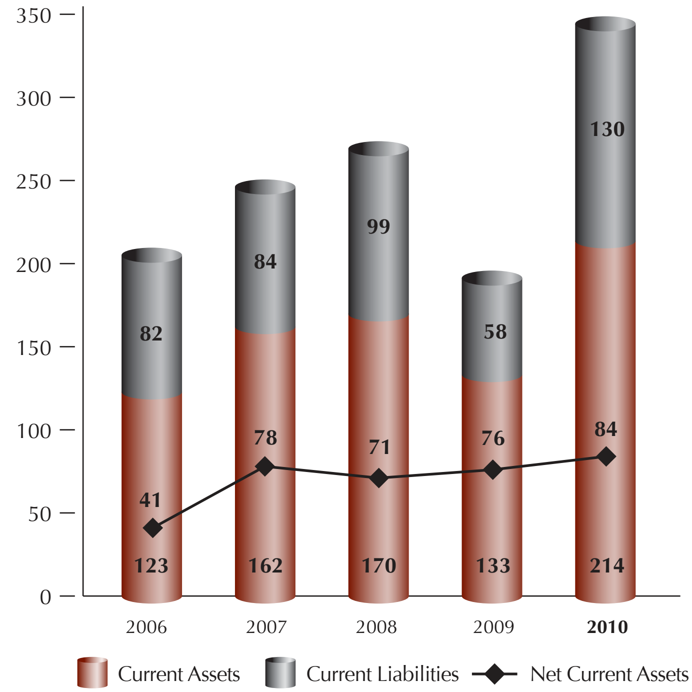


Financial Year (RM'000)	**2006**	**2007**	**2008**	**2009**	**2010**
Revenue	432,417	665,449	425,055	514,293	**399,045**
Gross Profit	41,455	50,390	49,359	79,275	**75,950**
Share of Associates Results	10,011	8,283	15,570	9,651	**9,744**
Profit Before Tax	31,992	35,799	36,912	45,687	**37,594**
Profit After Tax	24,831	27,532	30,440	35,734	**30,213**
Minority Interest	(3,357)	(2,411)	(7,189)	(9,284)	**(6,977)**
PATAMI	21,474	25,121	23,251	26,450	**23,237**

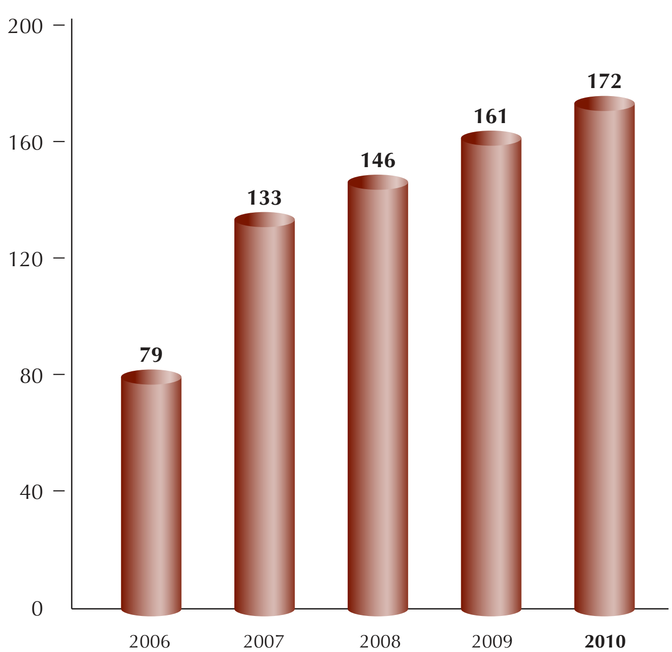
PROPERTY, PLANT & EQUIPMENT (RM Million)



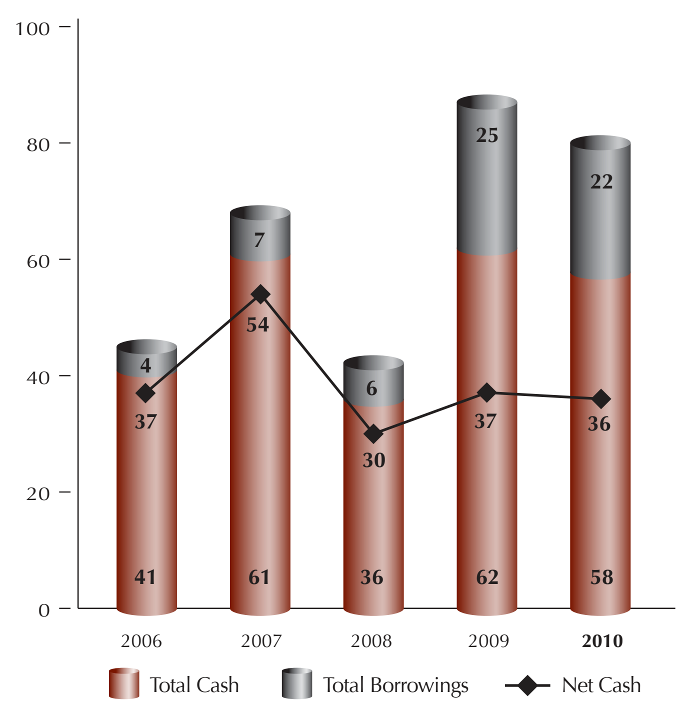
NET CURRENT ASSETS (RM Million)



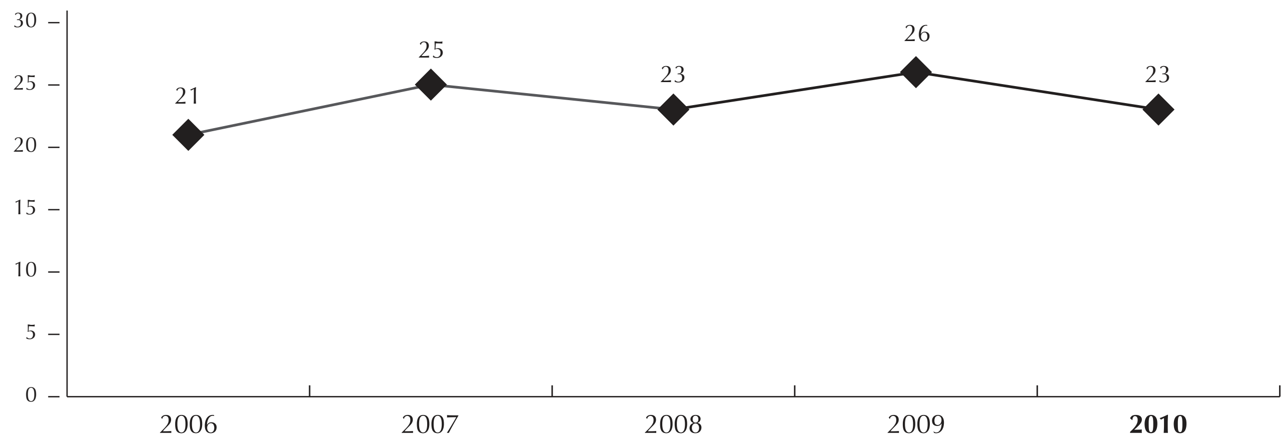
NET TANGIBLE ASSETS (RM Million)



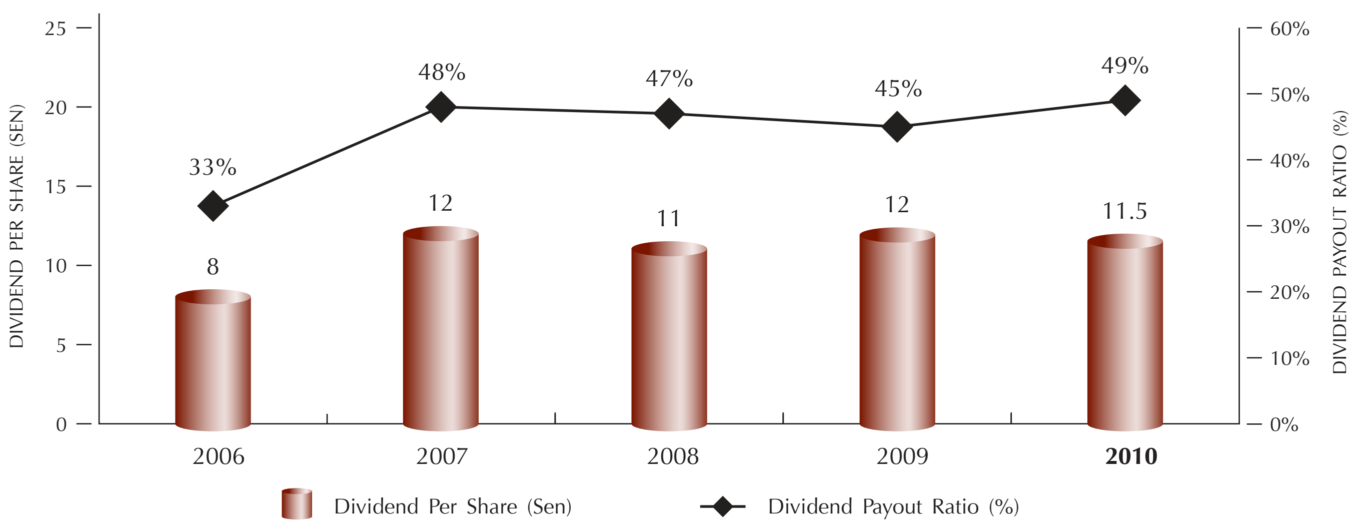
NET CASH (RM Million)



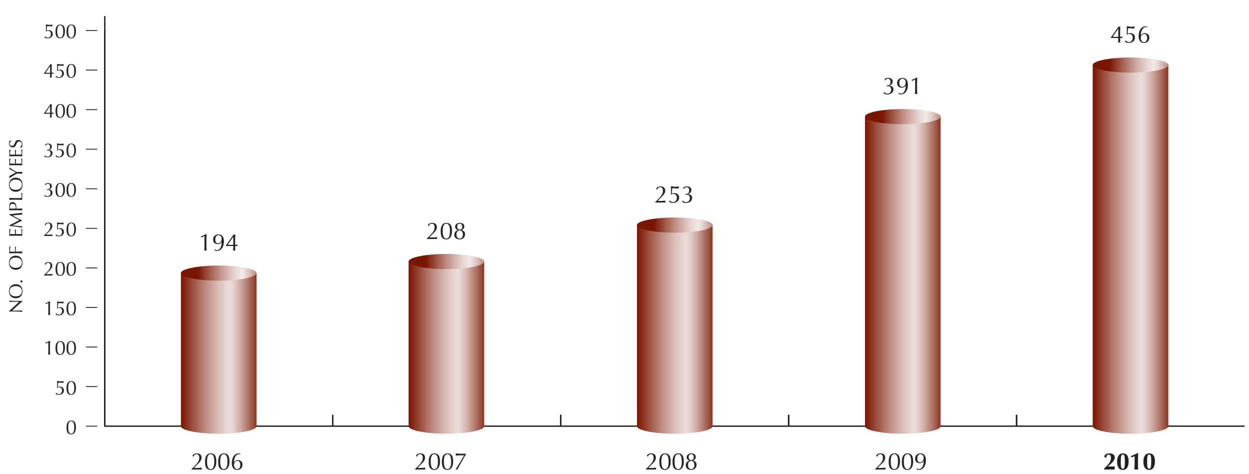
EARNINGS PER SHARE (Sen)



DIVIDENDS



EMPLOYEES



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 2010.

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 oilfield equipment and services to 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	23,236,557	195,589
– Minority interests	6,976,904	0
Profit for the financial year	30,213,461	195,589

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2009 were as follows:

	RM
In respect of the financial year ended 31 December 2009, as shown in the Directors' report of that year, a final single tier dividend of 7 sen per share on 100,000,000 ordinary shares, paid on 27 May 2010	7,000,000
In respect of the financial year ended 31 December 2010, first interim single tier dividend of 3.5 sen per share on 100,000,000 ordinary shares, paid on 21 September 2010	3,500,000
	10,500,000

The Directors on 24 February 2011 declared a second interim single tier dividend of 8 sen per share of RM1.00 each in respect of the financial year ended 31 December 2010, totalling RM8,000,000 payable on 8 April 2011.

Directors' Report (continued)

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors in office since the date of the last report are as follows:

Dato' Izham bin Mahmud	
Datuk Vivekananthan a/l M.V. Nathan	
Chandran Aloysius Rajadurai	(Resigned on 21 March 2011)
Datuk Ishak bin Imam Abas	
Dato' Kamaruddin bin Ahmad	
Chin Kwai Yoong	
Dato' Seri Abdul Ghani bin Abdul Aziz	
Nan Yusri bin Nan Rahimy	(Appointed on 1 March 2011)

In accordance with Article 78 of the Company's Articles of Association, Datuk Ishak bin Imam Abas retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for 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.

In accordance with Article 76 of the Company's Articles of Association, Encik Nan Yusri bin Nan Rahimy retires at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

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' Report (continued)

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 1.1.2010	Acquired	Sold	At 31.12.2010
Direct interest				
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
Chandran Aloysius Rajadurai	5,290,425	0	0	5,290,425
Datuk Ishak bin Imam Abas	330,000	20,000	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
Indirect interest				
Dato' Izham bin Mahmud	34,524,739	0	0	34,524,739
Datuk Vivekananthan a/l M.V. Nathan	20,420,677	0	0	20,420,677

	Number of ordinary shares of RM1 each in a subsidiary, VSM Technology Sdn. Bhd.			
	At 1.1.2010	Acquired	Sold	At 31.12.2010
Direct interest				
Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400

	Number of ordinary shares of RM1 each in a subsidiary, Delcom Holdings Sdn. Bhd.			
	At 1.1.2010	Acquired	Sold	At 31.12.2010
Direct interest				
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 (continued)

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 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.

Directors' Report (continued)

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 6 July 2010, the Company completed the share sale transaction in connection with the acquisition of 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") for a total consideration of RM5,937,248. RTSSB is now a wholly-owned subsidiary of the Company via its wholly-owned subsidiary, Delcom Services Sdn. Bhd.

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 6 April 2011.

DATO' IZHAM BIN MAHMUD
Director

DATUK VIVEKANANTHAN A/L M.V. NATHAN
Director

Statements of Comprehensive Income

For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 (Restated) RM	Company 2010 RM	Company 2009 (Restated) RM
Revenue	5	399,045,384	514,292,918	10,000,000	14,049,995
Cost of sales		(323,095,352)	(435,017,950)	0	0
Gross profit		75,950,032	79,274,968	10,000,000	14,049,995
Other operating income		2,768,899	3,461,171	399,491	136,150
Selling and distribution costs		(3,661,461)	(3,990,357)	(865,240)	(863,897)
Administrative expenses		(39,890,392)	(34,770,752)	(7,285,524)	(5,600,596)
Other operating expenses		(5,700,007)	(6,660,195)	(1,736,246)	(1,491,794)
Finance cost	8	(1,616,783)	(1,278,890)	0	0
Share of results of Associates (net of tax)	16	9,743,815	9,650,912	0	0
Profit before tax	6	37,594,103	45,686,857	512,481	6,229,858
Tax expense	9	(7,380,642)	(9,952,749)	(316,892)	(972,403)
Profit for the financial year		30,213,461	35,734,108	195,589	5,257,455
Other comprehensive income					
Foreign currency translation		(2,935,299)	(559,855)	0	0
Total comprehensive income for the financial year		27,278,162	35,174,253	195,589	5,257,455
Profit attributable to:					
Equity holders of the Company		23,236,557	26,450,184	195,589	5,257,455
Minority interests		6,976,904	9,283,924	0	0
		30,213,461	35,734,108	195,589	5,257,455
Total comprehensive income attributable to:					
Equity holders of the Company		21,679,167	26,321,250	195,589	5,257,455
Minority interests		5,598,995	8,853,003	0	0
		27,278,162	35,174,253	195,589	5,257,455
Earnings per share (sen)	10				
– Basic		23.24	26.45		

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.

Auditors' report – Pages 127 to 128.

Statements of Financial Position

As at 31 December 2010

	Note	Group 2010 RM	2009 (Restated) RM	2008 (Restated) RM
NON-CURRENT ASSETS				
Property, plant and equipment	12	93,463,580	93,983,259	60,700,225
Investment properties	13	982,311	1,005,855	1,029,425
Intangible assets	14	739,553	528,737	0
Prepayments	35	318,365	0	1,795,903
Associates	16	41,435,937	42,509,423	41,566,802
Other investments	17	0	0	2,475
Deferred tax assets	26	69,856	75,414	706,494
		137,009,602	138,102,688	105,801,324
CURRENT ASSETS				
Inventories	18	9,045,679	8,293,437	7,137,333
Amounts due from associates	20	14,908	149,240	1,340,692
Trade and other receivables	21	142,605,372	60,145,924	122,460,395
Tax recoverable		4,880,083	3,180,048	2,808,328
Cash and bank balances	22	57,609,656	61,522,624	36,045,275
		214,155,698	133,291,273	169,792,023
CURRENT LIABILITIES				
Amounts due to associates	20	124	0	1,974
Trade and other payables	23	123,310,505	50,283,662	96,028,260
Taxation		166,175	1,940,011	1,695,909
Borrowings	25	6,214,153	3,967,815	735,242
Dividends payable		437,882	1,578,098	180,616
		130,128,839	57,769,586	98,642,001
NET CURRENT ASSETS		84,026,859	75,521,687	71,150,022

Statements of Financial Position (continued)

As at 31 December 2010

	Note	2010 RM	2009 (Restated) RM	2008 (Restated) RM
				Group
NON-CURRENT LIABILITIES				
Deferred tax liabilities	26	5,087,129	3,330,224	1,131,153
Borrowings	25	15,407,196	21,288,677	5,344,645
		20,494,325	24,618,901	6,475,798
		200,542,136	189,005,474	170,475,548
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	27	100,000,000	100,000,000	100,000,000
Retained earnings		125,476,650	112,824,760	97,374,576
Merger deficit	28	(50,000,000)	(50,000,000)	(50,000,000)
Foreign currency translation		(2,913,796)	(1,356,406)	(1,227,472)
Shareholders' equity		172,562,854	161,468,354	146,147,104
MINORITY INTERESTS		27,979,282	27,537,120	24,328,444
TOTAL EQUITY		200,542,136	189,005,474	170,475,548

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.

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Statements of Financial Position (continued)

As at 31 December 2010

	Note	Company 2010 RM	2009 (Restated) RM	2008 (Restated) RM
NON-CURRENT ASSETS				
Property, plant and equipment	12	6,048,723	7,372,774	8,556,981
Subsidiaries	15	74,990,456	74,082,617	73,932,617
Deferred tax assets	26	4,700	0	0
		81,043,879	81,455,391	82,489,598
CURRENT ASSETS				
Amounts due from subsidiaries	19	15,388,427	27,814,947	28,824,016
Amounts due from associates	20	0	73,095	23,749
Other receivables, deposits and prepayments	21	103,038	124,896	126,068
Tax recoverable		3,734,266	2,746,615	2,396,856
Cash and bank balances	22	11,854,544	9,197,040	12,167,353
		31,080,275	39,956,593	43,538,042
CURRENT LIABILITIES				
Amounts due to subsidiaries	19	1,145,418	1,367,770	453,394
Amounts due to associates	20	124	0	0
Other payables and accruals	23	2,041,899	1,426,956	1,226,443
Financial guarantee liabilities	24	393,450	0	0
		3,580,891	2,794,726	1,679,837
NET CURRENT ASSETS		27,499,384	37,161,867	41,858,205
NON-CURRENT LIABILITIES				
Deferred tax liabilities	26	0	66,500	54,500
		0	66,500	54,500
		108,543,263	118,550,758	124,293,303
CAPITAL AND RESERVES				
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	27	100,000,000	100,000,000	100,000,000
Retained earnings		8,543,263	18,550,758	24,293,303
TOTAL EQUITY		108,543,263	118,550,758	124,293,303

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.

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Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2010

Group	Note	Attributable to equity holders of the Company — Issued and fully paid ordinary shares of RM1 each: Number of shares	Nominal value RM	Foreign currency translation RM	Merger deficit RM	Distributable: Retained earnings RM	Total RM	Minority interests RM	Total equity RM
At 1 January 2010 (as previously stated)		100,000,000	100,000,000	(1,356,406)	(50,000,000)	112,824,760	161,468,354	27,537,120	189,005,474
– Effects of adopting FRS 139	34	0	0	0	0	(84,667)	(84,667)	0	(84,667)
At 1 January 2010 (as 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
At 1 January 2009		100,000,000	100,000,000	(1,227,472)	(50,000,000)	97,374,576	146,147,104	24,328,444	170,475,548
Total comprehensive income for the financial year		0	0	(128,934)	0	26,450,184	26,321,250	8,853,003	35,174,253
Dividends	11	0	0	0	0	(11,000,000)	(11,000,000)	(5,644,327)	(16,644,327)
At 31 December 2009		100,000,000	100,000,000	(1,356,406)	(50,000,000)	112,824,760	161,468,354	27,537,120	189,005,474

The above Consolidated Statements of Changes in Equity are to be read in conjunction with the significant accounting policies and notes 1 to 36 to the Financial Statements.

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Company Statement of Changes in Equity

For the financial year ended 31 December 2010

	Note	Issued and fully paid ordinary shares of RM1 each		Distributable	
		Number of shares	Nominal value RM	Retained earnings RM	Total RM
Company					
At 1 January 2010 (as previously stated)		100,000,000	100,000,000	18,550,758	118,550,758
– Effects of adopting FRS 139	34	0	0	296,916	296,916
At 1 January 2010 (as restated)		100,000,000	100,000,000	18,847,674	118,847,674
Profit for the financial year		0	0	195,589	195,589
Dividends	11	0	0	(10,500,000)	(10,500,000)
At 31 December 2010		100,000,000	100,000,000	8,543,263	108,543,263
At 1 January 2009		100,000,000	100,000,000	24,293,303	124,293,303
Profit for the financial year		0	0	5,257,455	5,257,455
Dividends	11	0	0	(11,000,000)	(11,000,000)
At 31 December 2009		100,000,000	100,000,000	18,550,758	118,550,758

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

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Consolidated Statements of Cash Flows

For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		30,213,461	35,734,108	195,589	5,257,455
Adjustments for:					
Impairment for doubtful debts:					
– impairment made		0	568,975	0	0
– write back of impairment		(1,069,025)	0	0	0
Amortisation:					
– intangible assets		947,177	309,910	0	0
– financial guarantee liabilities		0	0	(217,473)	0
Depreciation:					
– property, plant and equipment		11,706,747	9,955,390	1,277,564	1,295,037
– investment properties		23,544	23,570	0	0
Negative goodwill		(202,802)	0	0	0
Impairment for liquidated damages:					
– impairment made		770,528	134,910	0	0
– write back of impairment		(56,112)	(2,319,773)	0	0
Loss/(gain) on disposal of property, plant and equipment		6,531	(75,062)	0	(3,757)
Impairment losses:					
– other investment		0	543	0	0
Write-off:					
– property, plant and equipment		6,821	676,814	0	0
– intangible assets		65,337	758,731	0	0
– inventories		147,325	196,088	0	0
Interest income		(980,793)	(500,703)	(154,406)	(132,393)
Dividend income		0	0	(10,000,000)	(14,049,995)
Finance cost		1,616,783	1,278,890	0	0
Share of results of associates		(9,743,815)	(9,650,912)	0	0
Tax expense		7,380,642	9,952,749	316,892	972,403
Unrealised foreign exchange (gain)/loss		(263,693)	404,651	(186,111)	0
		40,568,656	47,448,879	(8,767,945)	(6,661,250)
Changes in working capital:					
Inventories		(555,681)	(1,352,192)	0	0
Receivables, deposits and prepayments		(75,991,146)	61,340,845	12,560,437	860,241
Payables		69,047,364	(43,451,637)	578,702	1,114,889
		33,069,193	63,985,895	4,371,194	(4,686,120)
Interest received		980,793	500,703	154,406	132,393
Tax (paid)/refunded		(9,561,964)	(7,250,216)	1,124,257	1,189,838
Interest paid		(1,434,740)	(1,278,890)	0	0
Net cash generated from/ (used in) operating activities		23,053,282	55,957,492	5,649,857	(3,363,889)

Consolidated Statements of Cash Flows (continued)

For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Amount due from associates		134,456	1,189,478	73,219	(49,346)
Acquisition of subsidiary, net cash	35	(6,386,068)	0	0	0
Purchase of property, plant and equipment		(8,434,320)	(44,479,370)	(65,572)	(251,274)
Proceeds from disposal of property, plant and equipment		112,951	837,719	0	144,201
Proceeds from disposal of other investment		0	1,932	0	0
Dividends received from subsidiaries		0	0	7,500,000	11,549,995
Dividends received from associates		8,250,652	8,356,710	0	0
Net cash (used in)/generated from investing activities		(6,322,329)	(34,093,531)	7,507,647	11,393,576
CASH FLOWS FROM FINANCING ACTIVITIES					
Bank borrowings:					
– proceeds		0	20,000,000	0	0
– repayments		(4,618,438)	(823,395)	0	0
Dividends paid to:					
– shareholders		(10,500,000)	(11,000,000)	(10,500,000)	(11,000,000)
– minority interests		(5,156,833)	(4,354,943)	0	0
Decrease/(Increase) in cash held in trust for dividends		33,418	(44,449)	0	0
Cash held in a designated account		0	(500,592)	0	0
Net cash (used in)/generated from financing activities		(20,241,853)	3,276,621	(10,500,000)	(11,000,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(3,510,900)	25,140,582	2,657,504	(2,970,313)
FOREIGN CURRENCY TRANSLATION		(368,650)	(208,274)	0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		60,977,583	36,045,275	9,197,040	12,167,353
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	22	57,098,033	60,977,583	11,854,544	9,197,040

The above Consolidated Statements of Cash Flows are to be read in conjunction with the significant accounting policies and notes 1 to 36 to the Financial Statements.

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Summary of Significant Accounting Policies

For the financial year ended 31 December 2010

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.

(1) New and revised standards, amendments to published standards and IC interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2010

The new and revised standards amendments to published standards and IC Interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2010, are as follows:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132	Instruments: Presentation" and FRS101(revised) Presentation of Financial Statements-Puttable Financial Instruments and Obligation Arising on Liquidation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

A BASIS OF PREPARATION (continued)

(1) New and revised standards, amendments to published standards and IC interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2010 (continued)

The new and revised standards amendments to published standards and IC Interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2010, are as follows: (continued)

The following amendments are part of MASB's improvement projects:

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

All changes in accounting policies have been made in accordance with the transitional provisions of the respective standards. All new and revised FRSs adopted by the Group and the Company require retrospective application except for FRS139 where its transitional provisions only require the recognition and re-measurement of all financial instruments as at 1 January 2010 as appropriate. The adjustments related to the previous carrying amounts are made to the opening retained earnings and available-for–sale reserve as appropriate. Comparatives are not restated.

A summary of the changes and the impact of the new standards, amendments to the published standards and IC Interpretations to existing standards on the financial statements of the Group and the Company is set out in note 34 to the financial statements.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

A BASIS OF PREPARATION (continued)

(2) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not early adopted.

The new and revised standards, amendments to published standards and IC Interpretations that are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows:

		Effective date
Amendments to FRS 132	Financial Instruments: Presentation on Classification of Right Issues	1 March 2010
FRS 3(revised)	Business combinations	1 July 2010
FRS 127(revised)	Consolidated and separate financial statements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Financial Instruments: Disclosures and FRS 1 First time Adoption of Financial Reporting Standards	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
FRS 124 (revised)	Related Party Disclosure	1 January 2012

The following amendments are part of the MASB's improvements projects:

FRS 2	Share-based Payment	1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138	Intangible Assets	1 July 2010
IC Interpretation 9	Reassessment of Embedded derivatives	1 July 2010
FRS 3	Business combinations	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS132	Financial Instruments: Presentation	1 January 2011
FRS 134	Financial Reporting: Recognition and Measurement	1 January 2011
FRS139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

A BASIS OF PREPARATION (continued)

(2) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not early adopted. (continued)

The new and revised standards, amendments to published standards and IC Interpretations that are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

- Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities.

- The revised FRS 3 "Business combinations" continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- The revised FRS 127 "Consolidated and separate financial statements" requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, 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. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- IC Interpretation 16 "Hedges of a net investment in a foreign operation" clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency, not presentation currency, and hedging instruments may be held by any entity in the group. The requirements of FRS 121 "The effects of changes in foreign exchange rates" do apply to the hedged item.

- IC Interpretation 17 "Distribution of non-cash assets to owners" provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- Amendment to FRS 2 "Share-based payment; Group cash-settled share-based payment transactions" clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 – group and treasury share transactions", which shall be withdrawn upon application of this amendment.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

A BASIS OF PREPARATION (continued)

(2) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not early adopted (continued)

The new and revised standards, amendments to published standards and IC Interpretations that are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

  The Group has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Group and Company.

- IC Interpretation 4 "Determining whether an arrangement contains a lease" requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement.

- IC Interpretation 18 "Transfers of assets from customers" (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue".

- The revised FRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  – The name of the government and the nature of their relationship;
  – The nature and amount of each individually significant transactions; and
  – The extent of any collectively significant transactions, qualitatively or quantitatively.

- Improvement to FRS 2 "Share-based Payment" clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- Improvement to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

A BASIS OF PREPARATION (continued)

(2) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not early adopted (continued)

The new and revised standards, amendments to published standards and IC Interpretations that are applicable to the Group and the Company, which the Group and the Company has not early adopted, are as follows: (continued)

- Improvement to FRS 138 "Intangible Assets" (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.

- Improvement to IC Interpretation 9 clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

- Improvement to FRS 3 "Business Combination" clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS. It also clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

- Improvement to FRS 101 "Presentation of financial statements" clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- Improvement to FRS 134 "Interim Financial Reporting" requires disclosure of additional significant events and transaction in the entity's interim financial report.

- Improvement to IC Interpretation 13 "Customer Loyalty Programmes" clarifies the meaning of the term 'fair value' in the context of measuring award credits.

The adoption of the above standards, amendments to published standards and IC interpretations are not expected to have material impact on the Group and the Company.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

B ECONOMIC ENTITIES IN THE GROUP

(1) 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 and FRS 3 to apply these Standards prospectively.

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 cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See the accounting policy note C(1) on goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in profit or loss.

Minority interest represents that portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

When a business combination involves more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

B ECONOMIC ENTITIES IN THE GROUP (continued)

(1) Subsidiaries (continued)

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.

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.

(2) 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(1)), 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.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

B ECONOMIC ENTITIES IN THE GROUP (continued)

(2) Associate (continued)

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.

(3) Changes in ownership interests

When the Group ceases 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 ceases become its cost on initial measurement 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.

(4) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. For purchases from minority interests, the excess of the cost of acquisition over the relevant share of the carrying value of net assets of the subsidiary acquired is reflected as goodwill. Negative goodwill is recognised immediately in profit or loss. For disposal to minority interests, differences between any proceeds received and the relevant share of minority interests and goodwill are included in profit or loss.

C INTANGIBLE ASSETS

(1) 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 entity 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 (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.

(2) Contracts

Acquired contracts with finite useful life 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 (continued)

For the financial year ended 31 December 2010

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

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. Other property, plant and equipment are depreciated on the straight line basis to write off 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.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

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 (continued)

For the financial year ended 31 December 2010

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.

I CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, 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.

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.

Summary of Significant Accounting Policies (continued)
For the financial year ended 31 December 2010

K FINANCIAL ASSETS

(1) Classification

The Group has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010.

Previously, investments in non-current investments are shown at cost; marketable securities (within current assets) are carried at the lower of cost and market value; and trade receivables are carried at invoice amount. The Group has applied the new policy according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. Refer to note A for the impact of this change in accounting policy.

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 21 and 22).

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.

(2) 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.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

K FINANCIAL ASSETS (continued)

(3) 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(4)) 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.

(4) 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.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

K FINANCIAL ASSETS (continued)

(4) Subsequent measurement – Impairment of financial assets (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.

(5) 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 (continued)

For the financial year ended 31 December 2010

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.

<u>Change in accounting policy</u>

The Group has changed its accounting policy for financial guarantee contracts upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010. Previously, financial guarantee contracts were not recognised in the financial statements. The Group has applied the new policy according to the transitional provision by recognising and measuring financial guarantee contracts as at 1 January 2010 and adjusting opening retained earnings or, if appropriate, another category of equity, and cost of investment in subsidiaries. Comparative for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Refer to note 34 for the impact of this change in accounting policy.

N SHARE CAPITAL

(1) 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.

(2) 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.

(3) 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.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

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.

Change in accounting policy

The Group has changed its accounting policy for borrowing costs upon adoption of FRS 123 "Borrowing costs" on 1 January 2010. The Group has applied the new policy according to the transitional provision.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Q REVENUE RECOGNITION

Sale of oilfield 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.

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.

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.

Dividend income earned by the Company is classified as revenue.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

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 INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

Summary of Significant Accounting Policies (continued)

For the financial year ended 31 December 2010

T FOREIGN CURRENCIES

The financial statements are presented in Ringgit Malaysia.

(1) 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.

(2) 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.

(3) 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.

Change of accounting policy

The Group has adopted FRS 8 "Operating segments" from 1 January 2010. FRS 8 replaces FRS 114 "Segment reporting" and is applied retrospectively. The adoption of FRS 8 has resulted in a reduction in the number of reportable segments to one segment. Thus no segmental reporting is presented. Comparatives have been removed.

Notes to the Financial Statements
31 December 2010

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 oilfield equipment and services to 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:

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 annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Financial risk is managed by a risk management committee who in turn ensures adherence to the policies approved by the Board of Directors.

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.

<u>Market risk</u>

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.

Notes to the Financial Statements (continued)

31 December 2010

2 FINANCIAL RISK MANAGEMENT POLICIES (continued)

(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, mainly United States dollar. The Group's policy is to minimise the exposure of transaction risk by matching foreign currency receivables against foreign currency payables.

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

	Group	
	2010	
	Assets RM	**Liabilities RM**
US Dollar	116,537,048	92,431,096
Others	1,400,678	1,562,327
	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 2010.

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 of 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
	2010
Weaken by 10% impact to Profit or loss	
US Dollar	(2,410,595)
Strengthen by 10% impact to Profit or loss	
US Dollar	2,410,595

Notes to the Financial Statements (continued)

31 December 2010

2 FINANCIAL RISK MANAGEMENT POLICIES (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 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

For key contracts, the Group establishes price levels that the Group considers acceptable and also enters into supply agreements where necessary, to achieve these levels.

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

Credit risk

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

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

(a) 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 significant entities in the oil and gas industry. The Group considers the risk of material loss in the event of non-performance by a customer to be unlikely.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Group
	2010 **RM**
Trade receivables	
Counterparties without external credit rating	
– New customer during the year	186,904
– Existing customers with no defaults in the past	128,457,972
Total unimpaired trade receivables	128,644,876

Notes to the Financial Statements (continued)

31 December 2010

2 FINANCIAL RISK MANAGEMENT POLICIES (continued)

(iii) Credit risk (continued)

(b) Inter company balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at 31 December 2010, 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 2010, there was no indication that the loans and advances extended to the subsidiaries are not recoverable.

(c) 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.

In view of the sound credit rating of counterparties, management does not expect any counterparties to fail to meet their obligations. The credit quality of the financial institutions in respect of bank balances are as follows:

	Group	**Company**
	2010	**2010**
AAA	57,405,366	11,838,496
AA	16,500	15,500
A	131,467	0

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

(d) 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 RM21,621,349 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.

Notes to the Financial Statements (continued)

31 December 2010

2 FINANCIAL RISK MANAGEMENT POLICIES (continued)

(iii) Liquidity

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.

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.

				2010
	On demand or within one year RM	**One to two years RM**	**Two to five years RM**	**Total RM**
Group				
Financial liabilities				
Amounts due to associates	124	0	0	124
Trade and other payables	123,310,505	0	0	123,310,505
Loans and borrowings	6,214,153	5,698,664	9,708,532	21,621,349
Dividends payable	437,882	0	0	437,882
Total undiscounted financial liabilities	129,962,664	5,698,664	9,708,532	145,369,860
Company				
Financial liabilities				
Amounts due to subsidiaries	1,145,418	0	0	1,145,418
Amounts due to associates	124	0	0	124
Trade and other payables	2,041,899	0	0	2,041,899
Financial guarantee liabilities	393,450	0	0	393,450
Total undiscounted financial liabilities	3,580,891	0	0	3,580,891

Notes to the Financial Statements (continued)

31 December 2010

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 operates. 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, within economic constraints, to set transaction terms with customers including selling price and payment terms;
- part of the services provided to customers are rendered by the Group; and
- the Group assumes risks associated with ownership, such as price risks, credit risks and contractual risks.

If any of the above criteria is not met, only the marketing fee earned on the sale is recognised as revenue.

Notes to the Financial Statements (continued)
31 December 2010

4 SEGMENTAL REPORTING

The Group was previously organised into three main business segments:

- Specialised Equipment and Services – Mainly consists of provision of subsea production development, gas turbine packages and umbilicals.
- Oilfield Equipment and Services – Mainly consists of provision of wireline and wellhead equipment and related services, offshore drilling rig operations, gas turbine overhaul, supply of gas turbine parts and other oilfield equipment and technical services.
- Oilfield Chemicals and Services – Development and provision of solid deposit removal solutions and speciality chemicals.

Other operations of the Group comprise mainly investment holding.

The adoption of FRS 8 "Operating Segments" (effective from 1 July 2009) which replaces FRS 114_{2004} Segment Reporting requires a "management approach" under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief decision maker. Following a review of the Group's reportable segment, it was concluded that the Group is primarily engaged in one operating segment namely, oilfield equipment and services to the oil and gas industry. On this basis, segment financial information is not presented.

5 REVENUE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Sale of oilfield equipment	188,344,734	295,924,800	0	0
Rendering of oilfield services	200,177,180	206,541,540	0	0
Marketing fee	10,523,470	11,826,578	0	0
Dividend income	0	0	10,000,000	14,049,995
	399,045,384	514,292,918	10,000,000	14,049,995

Notes to the Financial Statements (continued)

31 December 2010

6 PROFIT BEFORE TAX

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
The following items have been charged/ (credited) in arriving at profit before tax:				
Purchase of products, parts and consumables	147,172,787	226,566,530	0	0
Cost of services purchased	25,057,433	17,100,625	0	0
Impairment for doubtful debts:				
– impairment made	0	568,975	0	0
– write back of impairment	(1,069,025)	0	0	0
Amortisation:				
– intangible assets	947,177	309,910	0	0
– financial guarantee liabilities	0	0	(217,473)	0
Negative goodwill	(202,802)	0	0	0
Depreciation:				
– property, plant and equipment	11,706,747	9,955,390	1,277,564	1,295,037
– investment properties	23,544	23,570	0	0
Fees to PricewaterhouseCoopers Malaysia:				
– statutory audit services	280,000	250,000	91,000	85,000
– audit related services	50,000	44,000	40,500	44,000
Statutory audit fees to other auditors				
– current year	55,866	58,313	0	0
– under provision in previous year	1,000	1,000	0	0
Loss/(Gain) on disposal of property, plant and equipment	6,531	(75,062)	0	(3,757)
Loss/(gain) on foreign exchange:				
– realised	882,779	279,103	0	0
– unrealised	(263,693)	404,651	(186,111)	0
Impairment losses:				
– other investment	0	543	0	0
Write off:				
– property, plant and equipment	6,821	676,814	0	0
– inventories	147,325	196,088	0	0
– intangible assets	65,337	758,731	0	0
Interest income	(980,793)	(500,703)	(154,406)	(132,393)
Rental income	(206,988)	(131,480)	0	0
Rental expense:				
– business premises	1,164,698	866,109	0	0
– lease of equipment and motor vehicles	751,569	507,029	0	0
Staff cost (excluding defined contribution plan)	34,628,687	31,226,614	4,529,781	3,993,228
Defined contribution plan	3,601,570	3,448,361	445,236	561,240
Impairment for liquidated damages	770,528	134,910	0	0
Write back of impairment for liquidated damages	(56,112)	(2,319,773)	0	0

Notes to the Financial Statements (continued)

31 December 2010

7 DIRECTORS' REMUNERATION

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

Executive Directors

Dato' Izham bin Mahmud	(Up to 31 May 2010)
Datuk Vivekananthan a/l M.V. Nathan	(Up to 31 May 2010)
Chandran Aloysius Rajadurai	(Resigned on 21 March 2011)
Nan Yusri bin Nan Rahimy	(Appointed on 1 March 2011)

Non-executive Directors

Dato' Izham bin Mahmud	(With effect from 1 June 2010)
Datuk Vivekananthan a/l M.V. Nathan	(With effect from 1 June 2010)
Datuk Ishak bin Imam Abas	
Dato' Kamaruddin bin Ahmad	
Chin Kwai Yoong	
Dato' Seri Abdul Ghani bin Abdul Aziz	

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive Directors:				
– salaries and bonuses	1,380,000	2,577,731	1,380,000	2,226,000
– defined contribution plan	250,200	396,747	250,200	374,940
– estimated monetary value of benefits-in-kind	135,437	160,862	135,437	129,209
– retirement gratuities	1,997,500	0	1,997,500	0
Non-executive Directors:				
– fees	561,250	199,355	561,250	199,355
– other emoluments	65,500	64,000	65,500	64,000
	4,389,887	3,398,695	4,389,887	2,993,504

Emoluments received by Executive Directors in the form of salaries and bonuses, defined contribution plan and retirement gratuities have been included in staff cost and defined contribution plan as disclosed in note 6 to the financial statements.

Notes to the Financial Statements (continued)

31 December 2010

8 FINANCE COST

	Group 2010 RM	Group 2009 RM
Term loan interest	1,188,521	760,532
Profit sharing margin on Islamic term loan	314,027	338,938
Bank overdraft interest and other commitment fees	111,049	174,979
Hire purchase interest	3,186	4,441
	1,616,783	1,278,890

9 TAX EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax:				
– Malaysian tax	6,794,193	7,097,590	388,092	960,403
(Over)/under provision in prior years:				
– Malaysian tax	(703,655)	25,008	0	0
Deferred tax (Note 26):				
– Origination and reversal of temporary differences	1,290,104	2,830,151	(71,200)	12,000
	7,380,642	9,952,749	316,892	972,403

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

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	25	25	25	25
Tax effects of:				
– expenses not deductible for tax purposes	2	3	48	7
– over provision in prior years	(2)	0	0	0
– share of result of associates	(6)	(6)	0	0
– income not subject to tax	0	0	(11)	(16)
– deferred tax asset not recognised	1	0	0	0
Effective tax rate	20	22	62	16

Notes to the Financial Statements (continued)

31 December 2010

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	
	2010 RM	2009 RM
Profit for the financial year attributable to equity holders of the Company	23,236,557	26,450,184
Weighted average number of ordinary shares in issue	100,000,000	100,000,000
Basic earnings per share (sen)	23.24	26.45

11 DIVIDENDS

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

	2010		2009	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
In respect of the financial year ended 31 December 2008				
Final single tier dividend, on 100,000,000 ordinary shares, paid on 29 May 2009	0	0	6.00	6,000,000
In respect of the financial year ended 31 December 2009				
First interim single tier dividend, on 100,000,000 ordinary shares, paid on 18 September 2009	0	0	5.00	5,000,000
		0		11,000,000

Notes to the Financial Statements (continued)

31 December 2010

11 DIVIDENDS (continued)

	2010		2009	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
<u>In respect of the financial year ended 31 December 2009</u>				
Final single tier dividend, on 100,000,000 ordinary shares, paid on 27 May 2010	7.00	7,000,000	0	0
<u>In respect of the financial year ended 31 December 2010</u>				
First interim single tier dividend, on 100,000,000 ordinary shares, paid on 21 September 2010	3.50	3,500,000	0	0
		10,500,000		11,000,000

The Directors, on 24 February 2011 declared a second interim single tier dividend of 8 sen per share of RM1.00 each in respect of the financial year ended 31 December 2010, totalling RM8,000,000 payable on 8 April 2011.

Notes to the Financial Statements (continued)

31 December 2010

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
Year ended 31 December 2010							
Net book value							
At 1 January 2010 (As restated)	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 35)	0	0	0	0	231,791	2,759,310	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
At 31 December 2010							
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
At 1 January 2010 (As restated)							
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	66,125,575	93,983,259

Notes to the Financial Statements (continued)

31 December 2010

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Freehold building RM	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Plant, machinery, other equipment and motor vehicles RM	Assets under construction RM	Total RM
Year ended 31 December 2009								
Net book value								
At 1 January 2009 (As restated)	1,040,000	9,067,904	3,941,936	4,894,818	6,326,003	32,855,268	2,574,296	60,700,225
Transfer to renovations	0	0	0	0	2,574,296	0	(2,574,296)	0
Additions	0	0	0	0	2,943,328	41,536,042	0	44,479,370
Fair value adjustment (Note 14)	0	0	0	198,525	0	0	0	198,525
Written off	0	0	0	0	(2,088)	(674,726)	0	(676,814)
Disposals	0	0	0	0	(54,691)	(707,966)	0	(762,657)
Depreciation charge	0	(182,399)	(54,435)	(176,771)	(2,659,742)	(6,882,043)	0	(9,955,390)
At 31 December 2009 (As restated)	1,040,000	8,885,505	3,887,501	4,916,572	9,127,106	66,126,575	0	93,983,259
At 31 December 2009 (As restated)								
Cost	1,040,000	9,119,970	4,387,285	6,152,947	22,614,465	100,875,456	0	144,190,123
Accumulated depreciation	0	(234,465)	(499,784)	(1,236,375)	(13,487,359)	(34,748,881)	0	(50,206,864)
Net book value	1,040,000	8,885,505	3,887,501	4,916,572	9,127,106	66,126,575	0	93,983,259
At 1 January 2009 (As restated)								
Cost	1,040,000	9,119,970	4,387,285	5,954,422	17,322,779	59,918,028	2,574,296	100,316,789
Accumulated depreciation	0	(52,066)	(445,349)	(1,059,604)	(10,996,776)	(27,062,760)	0	(39,616,555)
Net book value	1,040,000	9,067,904	3,941,936	4,894,818	6,326,003	32,855,268	2,574,296	60,700,225

Notes to the Financial Statements (continued)

31 December 2010

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Freehold building RM	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings and renovations RM	Plant, machinery, other equipment and motor vehicles RM	Assets under construction RM	Total RM
Year ended 31 December 2008								
Net book value								
At 1 January 2008	1,040,000	7,903,382	0	3,863,259	3,508,538	23,124,032	0	39,439,211
Effects of adopting the amendments to FRS 117 (Note 34)	0	0	4,011,933	0	0	0	0	4,011,933
At 1 January 2008 (Restated)	1,040,000	7,903,382	4,011,933	3,863,259	3,508,538	23,124,032	0	43,451,144
Acquisition of subsidiary	0	0	0	1,192,671	567,029	475,380	0	2,235,080
Additions	0	1,216,588	0	0	3,589,893	13,559,817	2,574,296	20,940,594
Written off	0	0	0	0	0	(3,160)	0	(3,160)
Depreciation charge	0	(52,066)	(69,997)	(161,112)	(1,339,457)	(4,300,801)	0	(5,923,433)
At 31 December 2008 (Restated)	1,040,000	9,067,904	3,941,936	4,894,818	6,326,003	32,855,268	2,574,296	60,700,225
At 31 December 2008 (Restated)								
Cost	1,040,000	9,119,970	4,387,285	5,954,422	17,322,779	59,918,028	2,574,295	100,316,780
Accumulated depreciation	0	(52,066)	(445,349)	(1,059,604)	(10,996,776)	(27,062,760)	0	(39,616,555)
Net book value	1,040,000	9,067,904	3,941,936	4,894,818	6,326,003	32,855,268	2,574,296	60,700,225
At 1 January 2008 (Restated)								
Cost	1,040,000	7,903,382	4,387,285	4,639,018	11,232,943	49,696,257	0	78,898,885
Accumulated depreciation	0	0	(375,352)	(775,759)	(7,724,405)	(26,572,225)	0	(35,447,741)
Net book value	1,040,000	7,903,382	4,011,933	3,863,259	3,508,538	23,124,032	0	43,451,144

Notes to the Financial Statements (continued)

31 December 2010

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
Year ended 31 December 2010					
Net book value					
At 1 January 2010 (As restated)	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
At 31 December 2010					
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
At 1 January 2010 (As restated)					
Cost	2,444,000	1,309,500	4,632,366	1,792,337	10,178,303
Accumulated depreciation	(62,402)	(52,380)	(1,752,805)	(937,842)	(2,805,529)
Net book value	2,381,598	1,257,120	2,879,561	854,495	7,372,774

Notes to the Financial Statements (continued)

31 December 2010

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
Year ended 31 December 2009					
Net book value					
At 1 January 2009 (As restated)	2,397,164	1,283,310	3,609,516	1,266,991	8,556,981
Additions	0	0	251,274	0	251,274
Disposals	0	0	0	(140,444)	(140,444)
Depreciation charge	(15,566)	(26,190)	(981,229)	(272,052)	(1,295,037)
At 31 December 2009 (As restated)	2,381,598	1,257,120	2,879,561	854,495	7,372,774
At 31 December 2009 (As restated)					
Cost	2,444,000	1,309,500	4,632,466	1,792,337	10,178,303
Accumulated depreciation	(62,402)	(52,380)	(1,752,905)	(937,842)	(2,805,529)
Net book value	2,381,598	1,257,120	2,879,561	854,495	7,372,774
At 1 January 2009 (As restated)					
Cost	2,444,000	1,309,500	4,381,191	2,003,050	10,137,741
Accumulated depreciation	(46,836)	(26,190)	(771,675)	(736,059)	(1,580,760)
Net book value	2,397,164	1,283,310	3,609,516	1,266,991	8,556,981

Notes to the Financial Statements (continued)

31 December 2010

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
Year ended 31 December 2008					
Net book value					
At 1 January 2008	2,428,296	0	2,410,247	1,544,801	6,383,344
Effects of adopting the amendments to FRS 117 (Note 34)	0	1,309,500	0	0	1,309,500
At 1 January 2008 (Restated)	2,428,296	1,309,500	2,410,247	1,544,801	7,692,844
Additions	0	0	1,948,232	0	1,948,232
Depreciation charge	(31,132)	(26,190)	(748,963)	(277,810)	(1,084,095)
At 31 December 2008 (Restated)	2,397,164	1,283,310	3,609,516	1,266,991	8,556,981
At 31 December 2008 (Restated)					
Cost	2,444,000	1,309,500	4,381,191	2,003,050	10,137,741
Accumulated depreciation	(46,836)	(26,190)	(771,675)	(736,059)	(1,580,760)
Net book value	2,397,164	1,283,310	3,609,516	1,266,991	8,556,981
At 1 January 2008 (Restated)					
Cost	2,444,000	1,309,500	2,432,959	2,003,050	8,189,509
Accumulated depreciation	(15,704)	0	(22,712)	(458,249)	(496,665)
Net book value	2,428,296	1,309,500	2,410,247	1,544,801	7,692,844

Notes to the Financial Statements (continued)

31 December 2010

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Term loans		Banking facilities	
	2010 RM	2009 RM	2010 RM	2009 RM
Net book value of property, plant and equipment of the Group pledged as security:				
– freehold land	1,040,000	1,040,000	0	0
– freehold building	8,703,106	8,885,505	0	0
– long term leasehold land	0	0	1,467,039	1,505,904
– long term leasehold buildings	0	0	2,182,551	2,306,287
– office equipment, furniture & fittings and renovations	384,422	413,509	3,692,863	4,743,090
– plant, machinery, other equipment and motor vehicles	52,283,555	54,689,134	237,247	372,407
	62,411,083	65,028,148	7,579,700	8,927,688

13 INVESTMENT PROPERTIES

	Group	
	2010 RM	2009 RM
Net book value		
At 1 January	1,005,855	1,029,425
Depreciation charge	(23,544)	(23,570)
At 31 December	982,311	1,005,855
Cost	1,178,764	1,178,764
Accumulated depreciation	(164,990)	(141,446)
Accumulated impairment loss	(31,463)	(31,463)
	982,311	1,005,855
Fair value of investment properties	1,172,300	1,172,300

The investment properties have been pledged as security for banking facilities as disclosed in note 25.

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

Notes to the Financial Statements (continued)

31 December 2010

14 INTANGIBLE ASSETS

Group	Goodwill RM	Contracts RM	Total RM
2010			
At 1 January	174,334	354,403	528,737
Fair value of contracts on acquisition of Rotary Technical Services Sdn. Bhd. (Note 35)	0	1,223,330	1,223,330
Amortisation	0	(947,177)	(947,177)
Write off	(65,337)	0	(65,337)
	108,997	630,556	739,553
Cost	108,997	1,887,643	1,996,640
Accumulated amortisation	0	(1,257,087)	(1,257,087)
	108,997	630,556	739,553
2009			
At 1 January	1,795,903	0	1,795,903
Fair value adjustment on leasehold land (Note 12)	(198,525)	0	(198,525)
Fair value adjustment relating to contracts	(664,313)	664,313	0
Amortisation	0	(309,910)	(309,910)
Write off	(758,731)	0	(758,731)
	174,334	354,403	528,737
Cost	174,334	664,313	838,647
Accumulated amortisation	0	(309,910)	(309,910)
	174,334	354,403	528,737

15 SUBSIDIARIES

	Company	
	2010 RM	**2009 RM**
Unquoted shares at cost	74,990,456	74,082,617

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in note 30 to the financial statements.

Notes to the Financial Statements (continued)
31 December 2010

16 ASSOCIATES

	Group 2010 RM	Group 2009 RM
Group's share of net assets of associates	41,435,937	42,509,423

The Group's effective equity interest in the associates, their respective principal activities and country of incorporation are set out in note 30 to the financial statements.

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

	Group 2010 RM	Group 2009 RM
Current assets	28,942,714	28,869,174
Non-current assets	22,900,583	26,755,014
Current liabilities	(8,161,944)	(10,915,764)
Non-current liabilities	(2,245,416)	(2,199,001)
	41,435,937	42,509,423
Revenue	35,345,832	37,385,816
Expenses	(23,916,100)	(26,079,296)
	11,429,732	11,306,520
Taxation	(1,685,917)	(1,655,608)
Share of post tax results from associates	9,743,815	9,650,912

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.

Notes to the Financial Statements (continued)

31 December 2010

17 OTHER INVESTMENTS

	Group	
	2010 RM	**2009 RM**
Non-current		
At cost:		
Quoted shares in Malaysia	0	24,750
Less: Impairment loss	0	(22,818)
Disposal	0	(1,932)
	0	0
Market value:		
Quoted shares in Malaysia	0	0

18 INVENTORIES

	Group	
	2010 RM	**2009 RM**
At lower of cost and net realisable value:		
Finished goods	9,045,679	8,293,437

19 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2010 RM	**2009 RM**
Amount due from subsidiaries	15,388,427	27,814,947
Amount due to subsidiaries	(1,145,418)	(1,367,770)

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

Notes to the Financial Statements (continued)
31 December 2010

20 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Amounts due from associates	14,908	149,240	0	73,095
Amounts due to associates	(124)	0	(124)	0

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

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	138,223,735	55,774,790	0	0
Less: Impairment for doubtful debts	(99,200)	(1,453,838)	0	0
	138,124,535	54,320,952	0	0
Other receivables	4,329,284	6,294,736	3,724	2,905
Less: Impairment for doubtful debts	(1,499,871)	(1,499,871)	0	0
	2,829,413	4,794,865	3,724	2,905
Deposits	513,632	545,202	16,820	16,820
Prepayments	1,137,792	484,905	82,494	105,171
	4,480,837	5,824,972	103,038	124,896
	142,605,372	60,145,924	103,038	124,896

Notes to the Financial Statements (continued)

31 December 2010

21 TRADE AND OTHER RECEIVABLES (continued)

The currency exposure profile of trade receivables is as follows:

	Group	
	2010 **RM**	**2009** **RM**
– Ringgit Malaysia	27,246,898	15,674,395
– US Dollar	110,178,289	36,698,837
– Australian Dollar	687,824	0
– Euro	11,524	1,947,256
– Singapore Dollar	0	464
	138,124,535	54,320,952

Credit terms of trade receivables range from 30 to 60 days (2009: 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.

The Group's historical experience in collection of trade receivables falls within the recorded impairment. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Ageing Analysis of trade receivables

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

	Group
	2010 **RM**
Neither past due nor impaired	128,644,876
1 to 30 days past due not impaired	4,638,692
31 to 60 days past due not impaired	2,514,870
61 to 90 days past due not impaired	761,478
91 to 120 days past due not impaired	245,655
More than 121 days past due not impaired	1,318,964
Past due and impaired:	
More than 121 days	99,200
	9,578,859
Less: Impairment for doubtful debts	(99,200)
	138,124,535

Notes to the Financial Statements (continued)
31 December 2010

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 significant number of these debtors are significant entities within 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 RM9,479,659 that are past due at the reporting date but not impaired. These debtors are also largely significant entities within the oil and gas industry. The receivable balances are unsecured in nature.

Movement in impairment for doubtful debts is as follows:

	Group
	2010 RM
Trade receivables	
At 1 January	1,453,838
Reversal of impairment losses	(1,069,025)
Written off	(285,613)
At 31 December	99,200

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 RM15,199,228 (2009: RM10,425,138) have been pledged as security for borrowings as disclosed in note 25.

22 CASH AND BANK BALANCES

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Deposits with licensed banks	44,053,039	47,576,342	11,598,584	8,998,584
Cash and bank balances	13,556,617	13,946,282	255,960	198,456
Total cash and bank balances	57,609,656	61,522,624	11,854,544	9,197,040
Less:				
Cash held in trust for dividends	(11,031)	(44,449)	0	0
Cash held in a designated account	(500,592)	(500,592)	0	0
Cash and cash equivalents	57,098,033	60,977,583	11,854,544	9,197,040

Notes to the Financial Statements (continued)
31 December 2010

22 CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
– Ringgit Malaysia	50,549,567	60,795,447	11,854,544	9,197,040
– US Dollar	6,358,759	727,177	0	0
– Euro	701,330	0	0	0
	57,609,656	61,522,624	11,854,544	9,197,040

The average interest rates of deposits ranged between 1.10% to 2.75% (2009: 1.0% to 2.50%) for the Group and the Company.

Deposits of the Group and the Company have an average maturity period of 15 days (2009: 8 days) and 15 days (2009: 5 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 25).

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	111,391,170	39,143,669	0	0
Other payables	1,861,986	5,462,338	575,132	1,077,347
Accruals	10,057,349	5,677,655	1,466,766	349,609
	11,919,335	11,139,993	2,041,898	1,426,956
	123,310,505	50,283,662	2,041,898	1,426,956

Notes to the Financial Statements (continued)

31 December 2010

23 TRADE AND OTHER PAYABLES (continued)

The currency exposure profile of trade payables is as follows:

	Group	
	2010 RM	2009 RM
– Ringgit Malaysia	17,397,747	1,477,068
– US Dollar	92,431,096	36,308,335
– Australian Dollar	654,126	0
– Euro	831,498	1,121,690
– Japanese Yen	76,703	232,160
– Others	0	4,416
	111,391,170	39,143,669

Credit terms of payment granted by the suppliers of the Group are 30 to 45 days (2009: 30 to 45 days).

24 FINANCIAL GUARANTEE LIABILITIES

	Company	
	2010 RM	2009 RM
Financial guarantee contracts	393,450	0

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 25).

25 BORROWINGS

	Group	
	2010 RM	2009 RM
Term loan	17,185,367	20,000,000
Islamic term financing long term non-interest bearing facilities	4,435,982	5,209,812
Hire purchase	0	46,680
	21,621,349	25,256,492
Less: amount repayable within 12 months		
Term loan	(5,554,245)	(3,328,000)
Islamic term financing long term non-interest bearing facilities	(659,908)	(616,249)
Hire purchase	0	(23,566)
	(6,214,153)	(3,967,815)
Amount repayable after 12 months	15,407,196	21,288,677

Notes to the Financial Statements (continued)

31 December 2010

25 BORROWINGS (continued)

(a) Term loans (secured)

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

	Group	
	2010 RM	**2009 RM**
Not later than 1 year	5,554,245	3,328,000
Later than 1 year but not later than 2 years	4,992,000	9,984,000
Later than 2 years but not later than 5 years	6,639,122	6,688,000
	17,185,367	20,000,000

On 3 April 2009, a subsidiary of the Group drew down on a term loan facility 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 2010 is RM500,592 (2009: RM500,592).

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

	RM
(i) Term loan 1	8,128,000
(ii) Term loan 2	8,495,123
	16,623,123

Term loan 1 carries an interest of 5.65% per annum (2% per annum above the bank's cost of funds of 3.65%) (2009: 4.64% per annum). Term loan 2 carries a fixed interest rate of 5.4% per annum (2009: 5.4% per annum). Term Loan 1 and 2 are repayable by way of 47 monthly instalments of RM416,000 per month and a final 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 loans is RM16,223,988 (2009: RM20,300,000).

The remaining term loan amount of RM562,244 relates to a subsidiary acquired during the year. The amount is repayable within one year and carries a fixed interest rate of 4% per annum. The term loan is secured by way of a first fixed charge on the machinery/ equipment financed.

Notes to the Financial Statements (continued)

31 December 2010

25 BORROWINGS (continued)

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

	Group	
	2010 RM	2009 RM
Not later than 1 year	659,908	616,249
Later than 1 year but not later than 2 years	706,664	673,288
Later than 2 years but not later than 5 years	3,069,410	3,920,275
	4,435,982	5,209,812

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 (2009: 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 subsidiaries as disclosed in notes 12, 13 and 21, 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 RM4,734,060 (2009: RM5,253,506).

(c) Hire Purchase

	Group	
	2010 RM	2009 RM
Future minimum lease payments		
Not later than 1 year	0	25,700
Later than 1 year but not later than 2 years	0	21,552
Later than 2 years but not later than 5 years	0	3,562
	0	50,814
Less: Future finance charges	0	(4,134)
Present value of hire purchase liabilities	0	46,680
Analysis of present value of hire purchase liabilities		
Not later than 1 year	0	23,566
Later than 1 year but not later than 2 years	0	19,838
Later than 2 years but not later than 5 years	0	3,276
	0	46,680

The hire purchase liabilities bore interests of 5.06% to 5.30% per annum.

Notes to the Financial Statements (continued)
31 December 2010

26 DEFERRED TAX

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Deferred tax assets	69,856	75,414	4,700	0
Deferred tax liabilities	(5,087,129)	(3,330,224)	0	(66,500)
At 1 January	(3,254,810)	(424,659)	(66,500)	(54,500)
Deferred tax on intangible assets	(472,359)	0	0	0
(Charged)/credited to profit or loss (Note 9)				
– property, plant and equipment	(3,528,046)	(2,950,071)	117,728	(12,000)
– unrealised foreign exchange	(74,035)	(112,110)	(46,528)	0
– other payables	138,514	(483,500)	0	0
– unabsorbed capital allowances	2,025,270	715,530	0	0
– intangible assets for fair value	148,193	0	0	0
	(1,290,104)	(2,830,151)	71,200	(12,000)
	(5,017,273)	(3,254,810)	4,700	(66,500)
<u>Deferred tax assets (before offsetting)</u>				
Property, plant and equipment	51,200	0	51,228	0
Other payables	368,374	229,860	0	0
Unrealised foreign exchange loss	81,872	86,781	0	0
Unabsorbed capital allowances	2,740,800	715,530	0	0
	3,242,246	1,032,171	51,228	0
Offsetting	(3,172,390)	(956,757)	(46,528)	0
Deferred tax assets (after offsetting)	69,856	75,414	4,700	0
<u>Deferred tax liabilities (before offsetting)</u>				
Property, plant and equipment	(7,954,082)	(4,208,310)	0	(66,500)
Unrealised foreign exchange gain	(147,797)	(78,671)	(46,528)	0
Intangible assets for fair value	(157,640)	0	0	0
	(8,259,519)	(4,286,981)	(46,528)	(66,500)
Less: Offsetting	3,172,390	956,757	46,528	0
Deferred tax liabilities (after offsetting)	(5,087,129)	(3,330,224)	0	(66,500)

Notes to the Financial Statements (continued)

31 December 2010

26 DEFERRED TAX (continued)

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

	Group	
	2010 RM	2009 RM
Unabsorbed capital allowances	1,694,810	1,205,356
Unutilised tax losses	82,467	0
	1,777,277	1,205,356

27 SHARE CAPITAL

	Group/Company	
	2010 RM	2009 RM
Authorised ordinary shares of RM1 each:		
At 1 January/31 December	500,000,000	500,000,000
Issued and fully paid ordinary shares of RM1 each:		
At 1 January/31 December	100,000,000	100,000,000

28 MERGER DEFICIT

	Group	
	2010 RM	2009 RM
Arising from the Company's business combination with Delcom Services Sdn. Bhd.	50,000,000	50,000,000

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

Notes to the Financial Statements (continued)

31 December 2010

29 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	
	2010 RM	**2009 RM**
Purchases:		
– Solar Turbines International Company	107,235,361	124,048,000

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

	Group	
	2010 RM	**2009 RM**
Amount due to Solar Turbines International Company	13,814,926	5,658,567

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

	Group	
	2010 RM	**2009 RM**
Sales to related parties of Dresser Italia S.R.L	(30,214)	(59,304)
Purchases from Dresser Italia S.R.L	323,581	751,692
Purchases from related parties of Dresser Italia S.R.L	16,577,380	28,061,575
	16,870,747	28,753,963

Notes to the Financial Statements (continued)

31 December 2010

29 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(b) The following transactions are with the corporate shareholder and parties related to 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 are as follows:

	Group	
	2010 RM	**2009 RM**
Amount due to related parties of Dresser Italia S.R.L	2,114,807	3,655,187

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Salaries and bonuses	3,161,650	4,743,445	590,300	705,400
Defined contribution plans	400,358	730,736	79,764	95,196
Other remuneration	461,785	431,919	75,640	95,060
Estimated monetary value of benefits-in-kind	298,799	425,409	27,077	2,717
	4,322,592	6,331,509	772,781	898,373

Directors' remuneration and emoluments are disclosed in note 7.

(d) Year end balances arising from

	Company	
	2010 RM	**2009 RM**
Receivable from subsidiaries	15,388,427	27,814,947
Payable to subsidiaries	1,145,418	1,367,770

Balances due by subsidiaries are in respect of proceeds from initial public offerings allocated to subsidiaries to finance purchase of equipment and facilities.

Balances due to subsidiaries are in respect of advances given by subsidiaries.

Notes to the Financial Statements (continued)
31 December 2010

30 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 2010 %	2009 %	Principal activities
SUBSIDIARIES:				
Delcom Services Sdn. Bhd.	Malaysia	100	100	Provision of specialised equipment and services to the oil and gas industry.
Delcom Services Holdings Limited *	Hong Kong	100	100	Investment holding.
Turboservices Overhaul Sdn. Bhd.	Malaysia	100	100	Provision of gas turbine overhaul and maintenance services.
Delflow Solutions Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiaries of Delcom Services Sdn. Bhd.				
Delcom Oilfield Services Sdn. Bhd.	Malaysia	100	100	Provision of wireline equipment and services, integrated wellhead maintenance services and other oilfield products and technical services to the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	74	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry.
VSM Technology Sdn. Bhd.	Malaysia	90	90	Dormant.
Delcom Chemicals Sdn. Bhd.	Malaysia	100	100	Dormant.
Wisteria Sdn. Bhd.	Malaysia	100	100	Dormant.
Delcom Holdings Sdn. Bhd.	Malaysia	80	80	Investment Holding.
Rotary Technical Services Sdn. Bhd.+	Malaysia	100	0	Servicing, repair and maintenance of motors, generators, transformers, pumps and valves.
Sledgehammer Malaysia Sdn. Bhd.#	Malaysia	100	0	Dormant

Notes to the Financial Statements (continued)
31 December 2010

30 CORPORATIONS IN THE GROUP (continued)

Name of Company	Country of incorporation	Group's effective equity interest 2010 %	2009 %	Principal activities
SUBSIDIARIES (continued):				
Subsidiaries of Delcom Holdings Sdn. Bhd.				
Penaga Dresser Sdn. Bhd. *	Malaysia	41	41	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.
Subsidiaries of Delcom Services Holdings Limited				
Delcom Utilities (Cambodia) Limited *	British Virgin Islands	60	60	Investment holding.
Delcom Power (Cambodia) Limited *	British Virgin Islands	60	60	Dormant.
ASSOCIATES:				
Associates of Delcom Services Sdn. Bhd.				
Malaysian Mud and Chemicals Sdn. Bhd.*	Malaysia	32	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil exploration companies.
Associate of Delcom Utilities (Cambodia) Limited				
Cambodia Utilities Pte Ltd ^	Cambodia	12	12	Maintain and operate a power plant in Cambodia.

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

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

On 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 35 for details of the acquisition.

Notes to the Financial Statements (continued)

31 December 2010

31 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	
	2010 **RM**	**2009** **RM**
Within one year	382,866	389,266
Between one to five years	1,274,964	1,487,948
More than five years	710,664	259,200

32 CAPITAL COMMITMENTS

	Group	
	2010 **RM**	**2009** **RM**
Capital expenditure for property, plant and equipment		
Authorised and contracted for at the end of the reporting period but not yet incurred	1,619,222	4,325,927

33 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM7,758,224 (2009: RM4,465,168) to third parties in respect of operating requirements, utilities and maintenance contracts.

34 CHANGES IN ACCOUNTING POLICIES

The following describes the impact of the new standards, amendments to the published standards and IC interpretations adopted by the Group and the Company for financial year beginning on 1 January 2010.

FRS 7 "Financial Instruments: Disclosures"

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 "Financial Instruments: Disclosure and Presentation". FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the financial year ended 31 December 2010.

Notes to the Financial Statements (continued)
31 December 2010

34 CHANGES IN ACCOUNTING POLICIES (continued)

The following describes the impact of the new standards, amendments to the published standards and IC interpretations adopted by the Group and the Company for financial year beginning on 1 January 2010 (continued).

FRS 8 "Operating Segments"

FRS 8, which replaces FRS 114 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance.

The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers, whenever applicable. Following the adoption of FRS 8, the reportable segments have been reduced to one segment 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 performances of the operating segments has been identified as the Group Managing Director. Refer to note 4 for further details.

FRS 101 "Presentation of Financial Statements (Revised)"

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

MASB Improvements (2009)

FRS 117 "Leases"

Following the adoption of the amendments to FRS 117 "Leases", leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

FRS 139 "Financial Instruments: Recognition and Measurement"

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of the fair value reserve as at 1 January 2010. Comparatives for financial instruments have been adjusted and therefore the corresponding balances are not comparable.

Notes to the Financial Statements (continued)

31 December 2010

34 CHANGES IN ACCOUNTING POLICIES (continued)

MASB Improvements (2009) (continued)

The effects of the changes in accounting policy on the Group's and Company's financial statements are as follows:

(i) Impact on the Statements of Financial Position

	Balances as at 1 January 2008		
Group	As previously reported RM	FRS 117 RM	As Restated RM
Property, plant and equipment	39,439,211	4,011,933	43,451,144
Prepaid lease payments	4,011,933	(4,011,933)	0

	Balances as at 31 December 2008		
Group	As previously reported RM	FRS 117 RM	As Restated RM
Property, plant and equipment	56,758,289	3,941,936	60,700,225
Prepaid lease payments	3,941,936	(3,941,936)	0

	Balances as at 31 December 2009		
Group	As previously reported RM	FRS 117 RM	As Restated RM
Property, plant and equipment	90,095,758	3,887,501	93,983,259
Prepaid lease payments	3,887,501	(3,887,501)	0

	Balances as at 1 January 2010		
Group	As previously reported RM	FRS 139 RM	As Restated RM
Derivative financial liabilities	0	(57,566)	(57,566)
Borrowings	(25,256,492)	(27,101)	(25,283,593)
Retained Earnings	(112,824,760)	84,667	(112,740,093)

Notes to the Financial Statements (continued)
31 December 2010

34 CHANGES IN ACCOUNTING POLICIES (continued)

(i) Impact on the Statements of Financial Position (continued)

Company	Balances as at 1 January 2008		
	As previously reported RM	FRS 117 RM	As Restated RM
Property, plant and equipment	6,383,344	1,309,500	7,629,844
Prepaid lease payments	1,309,500	(1,309,500)	0

Company	Balances as at 31 December 2008		
	As previously reported RM	FRS 117 RM	As Restated RM
Property, plant and equipment	6,159,817	2,397,164	8,556,981
Prepaid lease payments	2,397,164	(2,397,164)	0

Company	Balances as at 31 December 2009		
	As previously reported RM	FRS 117 RM	As Restated RM
Property, plant and equipment	4,991,176	2,381,598	7,372,774
Prepaid lease payments	2,381,598	(2,381,598)	0

Company	Balances as at 1 January 2010		
	As previously reported RM	FRS 139 RM	As Restated RM
Investment in subsidiaries	74,082,617	907,839	74,990,456
Financial guarantee liabilities	0	(610,923)	(610,923)
Retained earnings	(18,550,758)	(296,916)	(18,847,674)

Notes to the Financial Statements (continued)

31 December 2010

34 CHANGES IN ACCOUNTING POLICIES (continued)

(ii) Impact on the Statements of Comprehensive Income

Group	As previously reported RM	FRS 117 RM	As Restated RM
	For the financial year ended 31 December 2009		
Depreciation of property, plant and equipment	9,900,955	54,435	9,955,390
Amortisation of prepaid lease payments	54,435	(54,435)	0

Company	As previously reported RM	FRS 117 RM	As Restated RM
	For the financial year ended 31 December 2009		
Depreciation of property, plant and equipment	1,279,471	15,566	1,295,037
Amortisation of prepaid lease payments	15,566	(15,566)	0

(iii) (Decrease)/increase in the Statements of Comprehensive Income for the financial year ended 31 December 2010

	FRS 139 RM
Group	
Finance costs	(182,043)
Company	
Other operating income	217,473

Notes to the Financial Statements (continued)

31 December 2010

35 ACQUISITION

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 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.

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

Purchase consideration

	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 (Note 14)	1,223,330
Deferred tax liability	(305,833)
	917,497

The above computation is provisionally calculated as at 31 December 2010. Any adjustment to these provisional values upon finalisation of a fair value exercise will be adjusted within 12 months from the acquisition date.

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

Notes to the Financial Statements (continued)

31 December 2010

35 ACQUISITION (continued)

	RM
Borrowings	774,151
Trade and other payables	2,067,281
Deferred taxation	166,526
	3,007,958
Net assets acquired	5,222,553

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

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 31 December 2010 can be analysed as follows:

	RM
Prepayment	1,273,461
Amortised to statement of comprehensive income	(318,365)
	955,096
Prepayment	
Represented by:	
– Non-current	318,365
– Current	636,731
	955,096

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 6 April 2011.

Notes to the Financial Statements (continued)

31 December 2010

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**
	2010 RM	**2010 RM**
Total retained profits of the Group and its subsidiaries:		
Realised	119,408,211	8,352,452
Unrealised	(5,490,108)	190,811
	113,918,103	8,543,263
Total share of retained profits from associated companies:		
Realised	38,596,292	0
Unrealised	(1,895,135)	0
	36,701,157	0
Less: Consolidation adjustments	(25,142,610)	0
Total Group's and Company's retained profits	125,476,650	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 Datuk Vivekananthan a/l M.V. Nathan, two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements on pages 64 to 124 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The supplementary information set out in note 37 on page 125 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 6 April 2011.

DATO' IZHAM BIN MAHMUD
Director

DATUK VIVEKANANTHAN A/L M.V. NATHAN
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 64 to 124 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 : 6 April 2011

Before me:

COMMISSIONER FOR OATHS

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Deleum Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and consolidated 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 2010 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report (continued)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 30 to the financial statements.

(c) We are satisfied that the accounts 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 accounts 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 125 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

ERIC OOI LIP AUN
(No. 1517/06/12 (J))
Chartered Accountant

Kuala Lumpur
6 April 2011

Additional Compliance Information

1. SHARE BUYBACKS

During the financial year ended 31 December 2010, 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 2010.

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 2010.

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 2010.

5. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group for the financial year ended 31 December 2010 was as follows:

	RM
Professional fees in connection with the review of quarterly announcements on the Main Market of Bursa Malaysia	33,845
Total Amount	**33,845**

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 2010.

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 2010.

9. REVALUATION POLICY

The Company does not adopt a policy of regular revaluation.

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 @ 31/12/10 (prelim)	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	12 years	3,581,800		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	22 years	586,717		19/9/88
3	Delcom Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur	5 storey shopoffice	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 3/12/2085	22 years	554,523		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	8 years	478,800		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	8 years	503,474		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	6 years	1,032,000		20/8/04
7	Operations Delcom Services Sdn. Bhd.	Asian Supply Base, Ranca Ranca Industrial Estate, P. O. Box 81730, 87027 Labuan	Warehouse	Warehouse	5,700.00 sq metres/ 1,776.43 sq metres	Leasehold/ 30/9/2014	10 years	1,300,001		–
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	2 years	3,379,127		–
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	13 years	9,743,106		30/12/05
10	Operations Penaga Dresser Sdn. Bhd.	Lot A1-A2, Kawasan Miel, Jakar Phase III, 24000 Kemaman, Terengganu Darul Iman	2 units of semi-detached factory	Assembly Plant	A1-1723 sqm A2-1229 sqm	Leasehold 19/4/2053	18 years	1,127,795	4/11/09	12/4/04
11	Delcom Services Sdn. Bhd.	Unit E-P 17, Bayu Beach Resort, 71050 Port Dickson, Negeri Sembilan Darul Khusus	Apartment	Apartment	-/ 143.53 sq metres	Leasehold/ 12/6/2092	16 years	176,352		24/2/92

Analysis of Shareholdings

As at 31 March 2011

Authorised Share Capital	: RM500,000,000.00
Issued and Paid-up Share Capital	: RM100,000,000.00
No. of Shareholders	: 2,392
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One Vote per ordinary share

DISTRIBUTION SCHEDULE OF SHARES AS AT 31 MARCH 2011

No. of Holders	Holdings	Total Holdings	% of Holdings
114	Less than 100	3,967	*
228	100 to 1,000	152,197	0.16
1,670	1,001 to 10,000	5,679,963	5.68
325	10,001 to 100,000	9,451,725	9.45
49	100,001 to less than 5% of issued shares	25,297,949	25.30
6	5% and above of issued shares	59,414,199	59.41
2,392		**100,000,000**	**100.00**

Note:
* Less than 0.01%

TOP 30 SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2011

(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	5,240,425	5.24
6.	Datin Che Bashah @ Zaiton binti Mustaffa	5,002,350	5.00
7.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	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.	Hj. Abd Razak bin Abu Hurairah	1,264,237	1.26

Analysis of Shareholdings (continued)

As at 31 March 2011

TOP 30 SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2011 (continued)

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

No.	Name of Shareholders	No. of Shares	Percentage (%)
11.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	1,250,000	1.25
12.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa	1,000,000	1.00
13.	Manharlal Bhaichand Gathani Jain	829,700	0.83
14.	Neoh Choo Ee & Company Sdn. Bhd.	804,000	0.80
15.	Dato' Yahya bin Ya'acob	718,750	0.72
16.	DYMM Tuanku Syed Sirajuddin Ibni Al-Marhum Tuanku Syed 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.	Tan Swee Leong	500,000	0.50
21.	Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	444,000	0.44
22.	Celine D'Cruz a/p Francis D'Cruz	412,500	0.41
23.	Jayasingam a/l T. Poopalasingam	385,000	0.39
24.	Datin Ishah binti Ismail	372,500	0.37
25.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datuk Ishak bin Imam Abas	350,000	0.35
26.	Cartaban Nominees (Tempatan) Sdn. Bhd. AXA Affin General Insurance Berhad	309,000	0.31
27.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Dato' Mohamad Idris bin Mansor	281,250	0.28
28.	Mercsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Renitrans Sdn. Bhd.	254,500	0.25
29.	Mohammad Zuki bin Abd Rahman	250,000	0.25
30.	Dato' N Sadasivan a/l N.N. Pillay	250,000	0.25

Analysis of Shareholdings (continued)

As at 31 March 2011

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2011

Name of Shareholders	Direct Interest		Deemed interest	
	No. of Shares	%	No. of Shares	%
Lantas Mutiara Sdn. Bhd.	20,420,677	20.42	–	–
Hartapac Sdn. Bhd.	12,041,355	12.04	–	–
Datuk Vivekananthan a/l M.V. Nathan	10,625,837	10.63	20,420,677 [1]	20.42
Datin Che Bashah @ Zaiton binti Mustaffa	8,017,707	8.02	–	–
IM Holdings Sdn. Bhd.	6,086,355	6.09	–	–
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	5,893,780	5.89	–	–
Chandran Aloysius Rajadurai	5,240,425	5.24	–	–
Dato' Izham bin Mahmud	2,797,000	2.79	34,524,739 [2]	34.52
Datin Sian Rahimah Abdullah	–	–	12,041,355 [3]	12.04
Faye Miriam Abdullah	–	–	12,041,355 [3]	12.04
Hugh Idris Abdullah	–	–	12,041,355 [3]	12.04
Farid Riza Izham	–	–	6,086,355 [4]	6.09
Faidz Raziff Izham	–	–	6,086,355 [4]	6.09
Hana Sakina Izham	–	–	6,086,355 [4]	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 shareholding 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 AS AT 31 MARCH 2011

Name of Directors	Direct Interest		Deemed interest	
	No. of Shares	%	No. of Shares	%
Dato' Izham bin Mahmud	2,797,000	2.79	34,524,739 [1]	34.52
Datuk Vivekananthan a/l M.V. Nathan	10,625,837	10.63	20,420,677 [2]	20.42
Datuk Ishak bin Imam Abas	350,000	0.35	–	–
Chin Kwai Yoong	187,500	0.19	–	–
Dato' Seri Abdul Ghani bin Abdul Aziz	142,900	0.14	–	–
Nan Yusri bin Nan Rahimy	83,500	0.08	3,000 [3]	–

Notes:

(1) Deemed interested by virtue of his shareholding 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

Location of Businesses

HEAD OFFICE
Deleum Berhad and 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 : +606-6798 270/207
Fax : +606-6798 267
Email : info@deleum.com

OPERATIONS AND SUPPLY BASES
Kemaman
Kemaman Supply Base
Warehouse 28, 24007 Kemaman
Terengganu Darul Iman
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
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
E-mail : administrationcupl@cupl.com.kh

Proxy Form

DELEUM BERHAD
(Company No. 715640-T)
(Incorporated in Malaysia under the Companies Act, 1965)

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 Sixth Annual General Meeting of the Company to be held at the **Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, off Jalan Bukit Kiara, 60000 Kuala Lumpur, Malaysia on Wednesday, 18 May 2011 at 10:00 a.m.** and at any adjournment thereof.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To re-elect Datuk Ishak bin Imam Abas as Director.		
2.	To re-elect Encik Nan Yusri bin Nan Rahimy as Director.		
3.	To approve the payment of Directors' fees of RM558,250.00 in respect of the financial year ended 31 December 2010.		
4.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
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.	To give authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		

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 ________________ 2011.

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

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

____
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 provision 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 Security Industries (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.

iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or his 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.

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Affix Stamp

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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