DELEUM

Upholding Balance for Sustainability

Annual Report **2019**

OUR MISSION

To Provide Sustainable Growth and Enhance Stakeholders' Value

OUR VISION

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

OUR CORE VALUES

- Integrity
- Sustainability
- Professionalism
- Excellence

Table of Contents

Our People Our Success

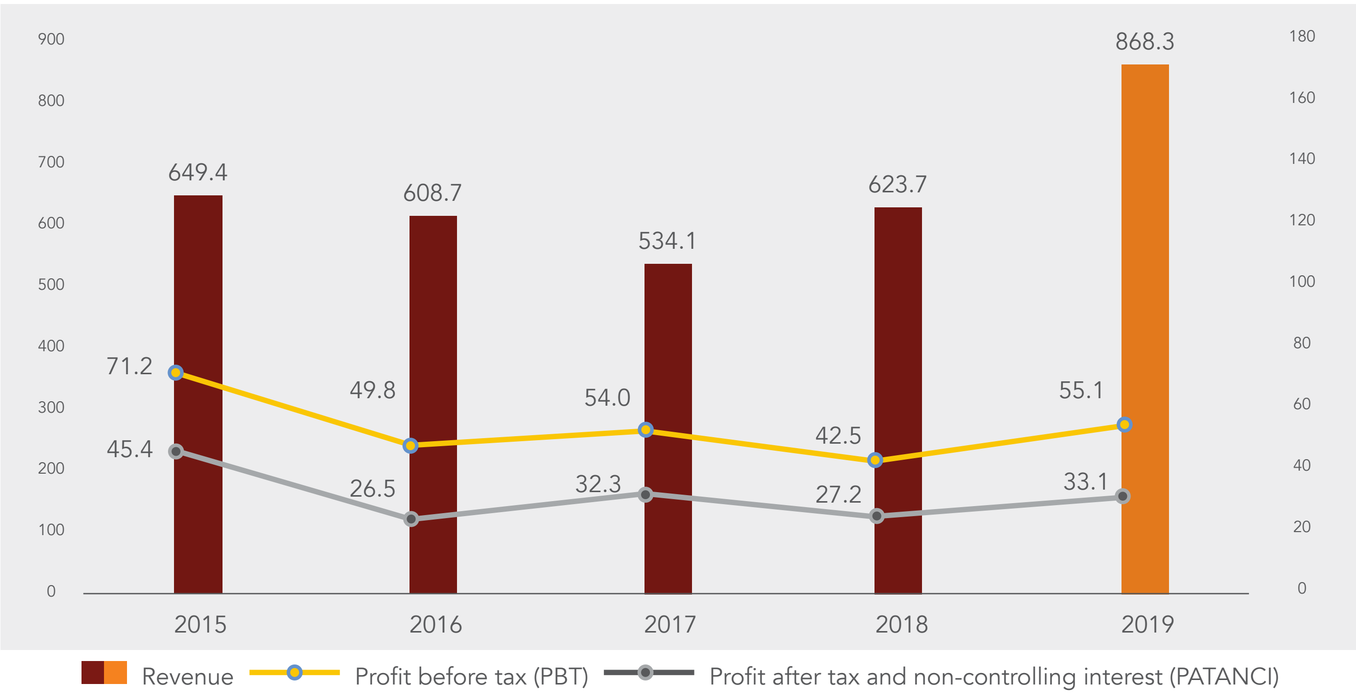

KUALA LUMPUR

Financial Highlights

For The Financial Years Ended 31 December 2015 - 2019

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	649,398	608,652	534,058	623,685	868,299
Gross profit	149,176	128,521	139,868	124,451	143,616
Earnings before interest, tax, depreciation and amortisation (EBITDA)	108,275	87,502	87,119	73,889	89,970
Share of associates' results	5,642	223	(385)	2,275	4,757
Share of joint venture's results	775	684	857	1,139	1,374
Profit before tax	71,152	49,767	54,025	42,548	55,073
Profit after tax	55,539	32,821	39,261	29,829	44,004
Non-controlling interest	(10,131)	(6,308)	(6,983)	(2,660)	(10,856)
Profit after tax and non-controlling interest (PATANCI)	45,408	26,513	32,277	27,169	33,147
Number of shares ('000)	400,000	400,000	401,195	401,126	401,554

REVENUE (RM MILLION) PBT/PATANCI (RM MILLION)



FINANCIAL RATIOS

	2015	2016	2017	2018	2019
Return of equity (%)	15.5	8.8	10.0	8.2	9.5
Return on total assets (%)	6.7	4.0	5.3	4.1	4.4
Gearing ratio (%)	46.9	36.4	23.6	19.1	25.4
Net asset per share (RM)	0.73	0.75	0.80	0.83	0.87
Dividend per share (Sen)	5.5	3.5	4.3	3.5	4.4
Dividend yield (%)	5.0	3.5	4.5	3.6	4.6

EBITDA
RM90.0 MILLION
2018 : RM 73.9 MILLION

RETURN ON EQUITY
9.5%
2018 : 8.2%

SHAREHOLDERS' EQUITY
RM350.0 MILLION
2018 : RM 331.6 MILLION

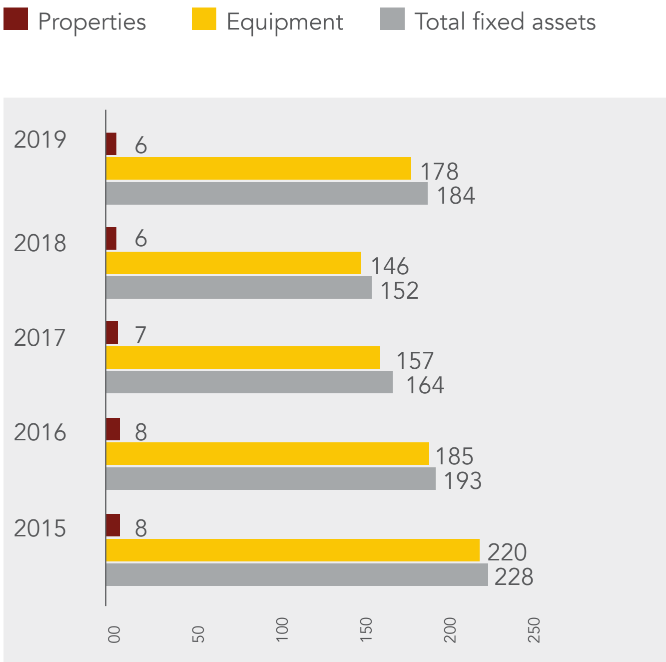
PATANCI
RM33.1 MILLION
2018 : RM 27.2 MILLION

TOTAL FIXED ASSETS
RM183.6 MILLION
2018 : RM 152.1 MILLION

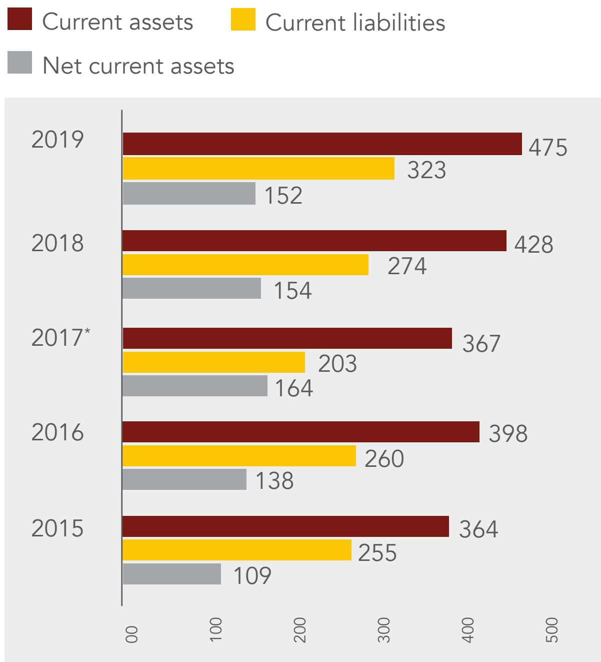
DIVIDEND PER SHARE
4.4 SEN
2018 : 3.5 SEN

Financial Highlights (Continued)
For The Financial Years Ended 31 December 2015 - 2019

PROPERTY, PLANT AND EQUIPMENT
(RM MILLION)

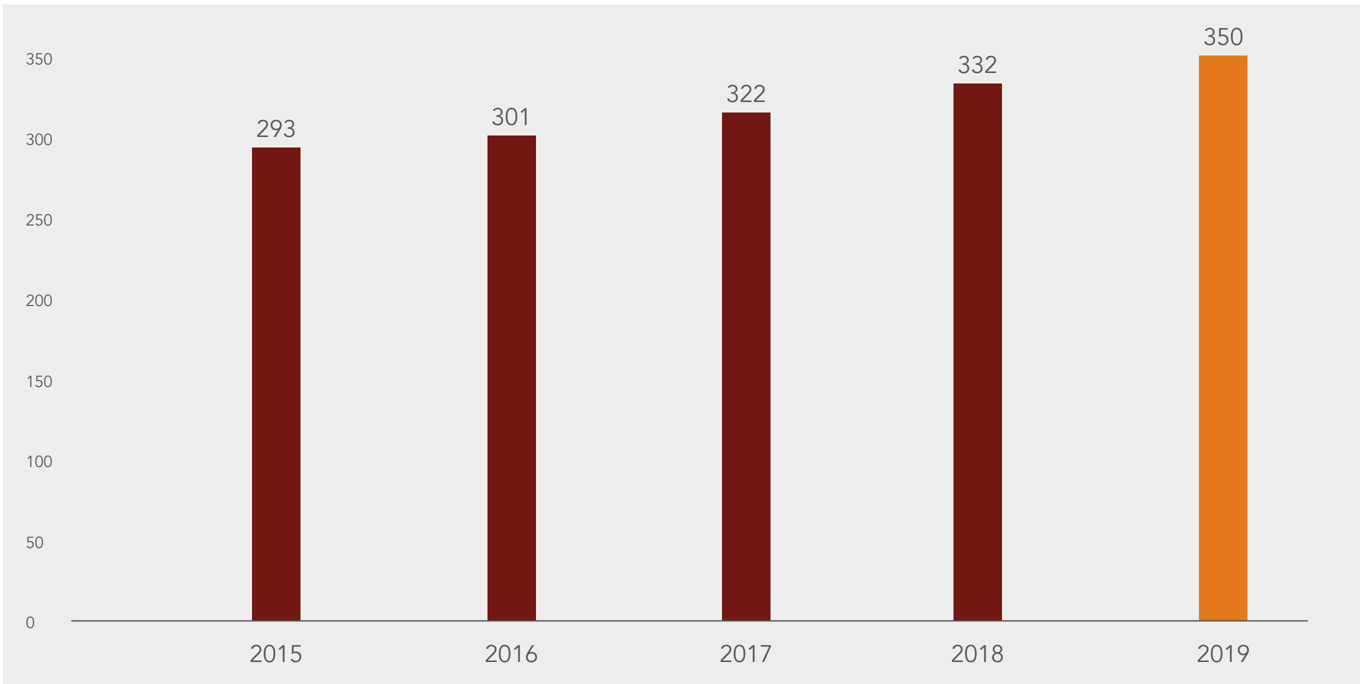


NET CURRENT ASSETS
(RM MILLION)

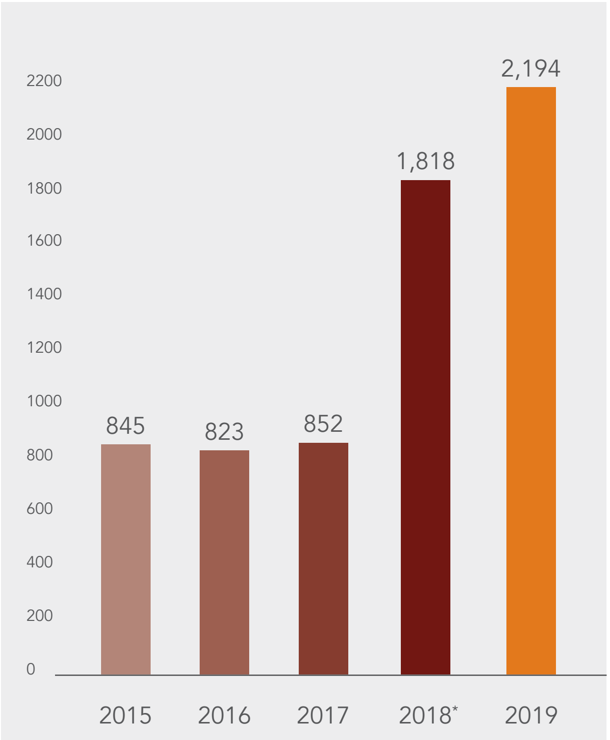


* *2017 current assets and current liabilities have been restated prospectively to reflect the effects of changes in accounting policies and to conform with current year presentation. No restatement is done for financial years prior to 2017.*

SHAREHOLDERS' EQUITY
(RM MILLION)

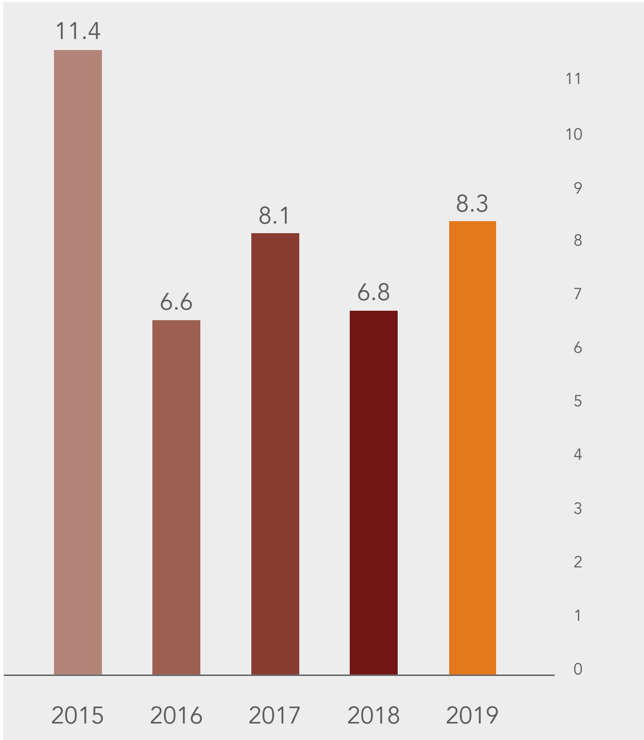


EMPLOYEES



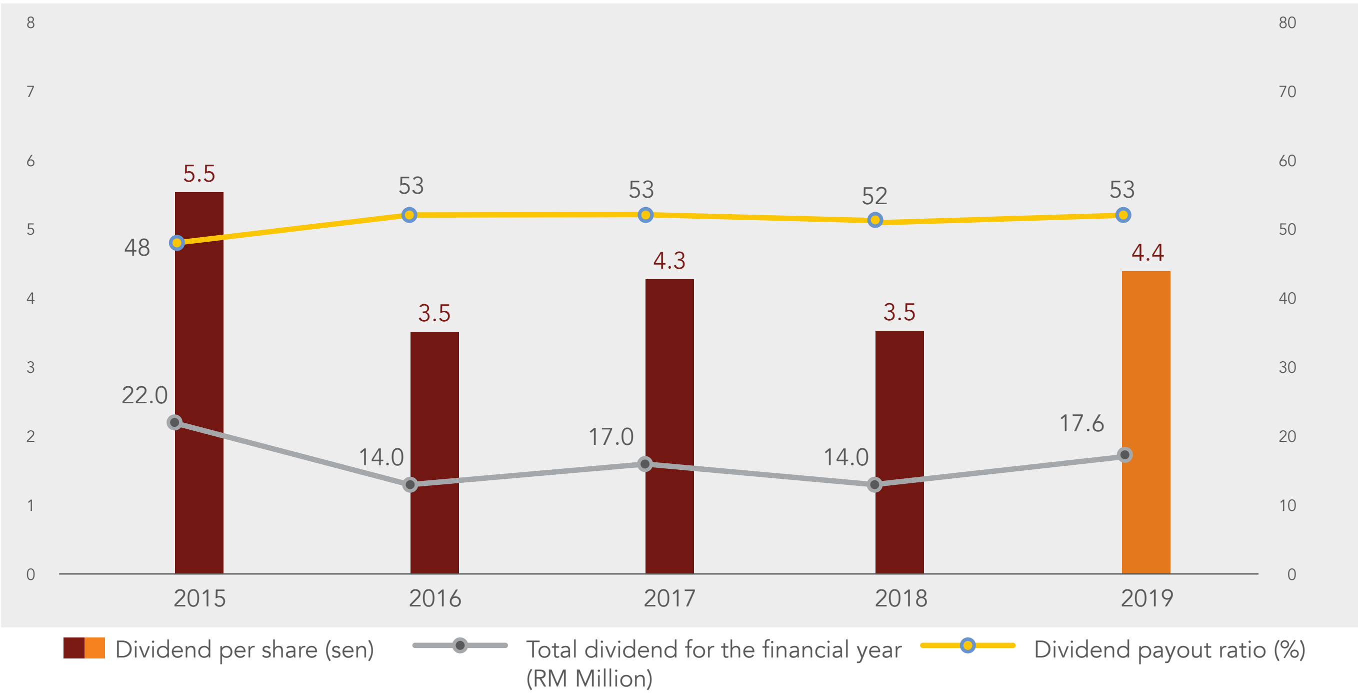
* *The surge in headcount was due to the hiring of casual workers for the Maintenance, Construction and Modification services contract. Further details can be found in the Sustainability Statement of this Annual Report.*

EARNINGS PER SHARE
(SEN)



DIVIDEND PER SHARE
(SEN)

DIVIDEND PAYOUT RATIO
(%)



Corporate Information

Board of Directors

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

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

Nan Yusri bin Nan Rahimy
Group Managing Director

Datuk Ishak bin Imam Abas
Independent Non-Executive Director

Datuk Ir (Dr) Abdul Rahim bin Hashim
Senior Independent Non-Executive Director

Datuk Noor Azian binti Shaari
Independent Non-Executive Director

Lee Yoke Khai
Independent Non-Executive Director

Audit Committee

Datuk Ishak bin Imam Abas
(Chairman)
Datuk Ir (Dr) Abdul Rahim bin Hashim
Lee Yoke Khai

Joint Remuneration and Nomination Committee

Datuk Ir (Dr) Abdul Rahim bin Hashim
(Chairman)
Dato' Izham bin Mahmud
Datuk Vivekananthan a/l M.V. Nathan
Datuk Ishak bin Imam Abas
Datuk Noor Azian binti Shaari
Lee Yoke Khai

Board Risk Committee

Lee Yoke Khai
(Chairman)
Datuk Vivekananthan a/l M.V. Nathan
Datuk Noor Azian binti Shaari

Company Secretaries

Lee Sew Bee
(SSM PC No. 201908002727)
(MAICSA 0791319)
Lim Hooi Mooi
(SSM PC No. 201908000134)
(MAICSA 0799764)

Registered Office / Head Office

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

Share Registrars

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

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market
Stock Code: 5132

Auditors

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

Principal Bankers

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

Group Corporate Structure

As At 31 March 2020

DELEUM BERHAD

- 100% DELEUM SERVICES SDN. BHD.
  - 100% Deleum Oilfield Services Sdn. Bhd.
  - 100% Deleum Chemicals Sdn. Bhd.
  - 100% Deleum Rotary Services Sdn. Bhd.
  - 100% Delcom Holdings Sdn. Bhd.
  - 100% Wisteria Sdn. Bhd.*
  - 90% VSM Technology Sdn. Bhd.
  - 74% Turboservices Sdn. Bhd.
  - 60% Deleum Primera Sdn. Bhd
  - 51% Penaga Dresser Sdn. Bhd.
  - 32% Malaysian Mud And Chemicals Sdn. Bhd.
- 100% DELEUM SERVICES HOLDINGS LIMITED
  - 60% Delcom Utilities (Cambodia) Limited
  - 20% Cambodia Utilities Pte. Ltd.
- 100% DELFLOW SOLUTIONS SDN. BHD.
- 80.55% Turboservices Overhaul Sdn. Bhd.

● Subsidiary

● Associate

● Joint Venture

* In members' voluntary liquidation

Profiles of Directors

Dato' Izham bin Mahmud

Non-Independent Non-Executive Chairman

- Malaysian
- Aged 79
- Male

Board Committee

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

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

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

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

Datuk Vivekananthan a/l M.V. Nathan

Non-Independent Non-Executive Deputy Chairman

- Malaysian
- Aged 79
- Male

Board Committees

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

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

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

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

Audit Committee

Joint Renumeration and Nomination Committee

Board Risk Committee

Nan Yusri bin Nan Rahimy

Group Managing Director

- Malaysian
- Aged 48
- Male

Nan Yusri bin Nan Rahimy was appointed to the Board on 1 March 2011.

He graduated from the Royal Melbourne Institute of Technology (now RMIT University), Australia with a Bachelor of Engineering Degree (Honours) in Mechanical Engineering in 1996. He is a member of the Society of Petroleum Engineers and the American Society of Mechanical Engineers and an alumni of the INSEAD Business School.

Nan Yusri has been involved in the Oil & Gas, and the Energy Industry for more than 20 years. He joined Deleum Services as a Marketing Executive supporting the turbomachinery business in April 1996 and was later re-designated to Application Engineer in November 1996. He subsequently held several senior positions within the Group including Senior Marketing Manager, Assistant Vice President - Business Development, Vice President (VP) - Exploration and Production, Chief Operating Officer – Oilfield Services and Chief Executive Officer (CEO) of Deleum Oilfield Services Sdn. Bhd. (DOSSB). In September 2010, he was promoted to CEO of Deleum Services, the holding company of DOSSB, before being appointed to his current position.

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

Datuk Ishak bin Imam Abas

Independent Non-Executive Director

- Malaysian
- Aged 74
- Male

Board Committees

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

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

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

Datuk Ishak resigned as a Non-Executive Director of KLCC Property Holdings Berhad, Kuala Lumpur City Park Berhad, KLCC REIT Management Sdn. Bhd. and the Non-Executive Chairman of Putrajaya Holdings Sdn. Bhd. on 1 January 2020. He is currently a Non-Executive Director of Integrated Petroleum Services Sdn. Bhd.

Profiles of Directors (Continued)

Datuk Ir (Dr) Abdul Rahim bin Hashim

Senior Independent Non-Executive Director

Malaysian
Aged 66
Male

Board Committees

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

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

He started his career in PETRONAS as an Electrical Engineer soon after graduation in 1976. He held various senior positions including Managing Director and CEO of PETRONAS Penapisan (Melaka) Sdn. Bhd. and Malaysian Refining Company Sdn. Bhd., VP of Human Resource Management Division, VP for Gas Business of PETRONAS and VP of Research and Technology Division of PETRONAS until his retirement in December 2008. He also held directorships in several PETRONAS subsidiaries including PETRONAS Gas Berhad, PETRONAS Dagangan Berhad, PETRONAS Carigali Sdn. Bhd. and Malaysia LNG Sdn. Bhd., all of which he relinquished upon retirement.

Datuk Ir (Dr) Abdul Rahim is the Past President of the International Gas Union and has helmed the presidencies of Asia Pacific Natural Gas Vehicle Association and the Malaysian Gas Association. He was a commissioner at the Energy Commission of Malaysia and a board member of the Board of Engineers Malaysia and the Malaysia Convention & Exhibition Bureau (MyCEB). He was also a member of the National Science and Research Council of Malaysia and the Academy of Sciences Malaysia Council, and a member of the Board of Advisor of the Higher Education Leadership Academy under the Minister of Higher Education.

He is the Vice Chancellor of Universiti Malaya since 1 November 2017 after being the Vice Chancellor/CEO of Universiti Teknologi PETRONAS for five years. He is currently a board member of ICE Petroleum Engineering Sdn. Bhd., a Joint-Chairman (Government) and director on the Board of Directors of Malaysian Industry-Government Group for High Technology (MiGHT), Chairman of Malaysian Research University Network (MRUN) and a member of National Monitoring Board of Engineers Malaysia.

Datuk Noor Azian binti Shaari

Independent Non-Executive Director

Malaysian
Aged 71
Female

Board Committees

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

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

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

Datuk Noor Azian is a Registered Arbitrator with the Asian International Arbitration Centre (AIAC). She currently sits on the Board of Affin Hwang Investment Bank Berhad where she is the Chairman of the Board Risk Management Committee and a member of Nomination and Remuneration Committee. She is also a Director of Mesiniaga Berhad.

Audit Committee

Joint Renumeration and Nomination Committee

Board Risk Committee

Lee Yoke Khai

Independent Non-Executive Director

Malaysian
Aged 62
Male

Board Committees

Lee Yoke Khai was appointed to the Board on 15 March 2019. He is a Fellow of the Institute of Chartered Accountants Australia and a member of the Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants. He holds a Bachelor of Economics (Accounting) from Monash University, Australia.

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

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

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

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

Notes:

1. Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2019 are set out in the Corporate Governance Overview Statement.

2. The above Directors have no family relationship with any Director and/or major shareholder of Deleum Berhad, have no conflict of interest with Deleum Berhad, have not been convicted of any offence within the past five (5) years, and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2019.

Profiles of Key Senior Management

Jayanthi a/p Gunaratnam

Group Chief Financial Officer

Malaysian
Aged 47
Female

Date of Appointment
1 January 2015

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

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

Lee Sew Bee

Senior General Manager - Group Corporate Services/Company Secretary

Malaysian
Aged 58
Female

Date of Appointment
1 May 2013

Academic / Professional Qualifications
- The Institute of Chartered Secretaries and Administrators, UK (ICSA) (now known as The Chartered Governance Institute)
- Associate Member of The Malaysian Chartered Secretaries and Administrators (MAICSA)

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

Heng Phok Wee

Chief Executive Officer
Deleum Services Sdn. Bhd.

Malaysian
Aged 48
Male

Date of Appointment
1 April 2018

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

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

Ahmad Uzhir bin Khalid

Chief Executive Officer
Deleum Oilfield Services Sdn. Bhd.

Malaysian
Aged 54
Male

Date of Appointment
1 April 2018

Academic / Professional Qualifications
- Bachelor of Electrical Engineering University of Idaho, USA

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

Mazrin bin Ramli

Chief Executive Officer
Deleum Primera Sdn. Bhd.

Malaysian
Aged 40
Male

Date of Appointment
1 April 2018

Academic / Professional Qualifications
- Bachelor of Material (Honours) Universiti Kebangsaan Malaysia

Working Experience
Joined Deleum Primera Sdn. Bhd. in 2011 as Chief Operating Officer

Azman bin Jemaat

Chief Executive Officer
Penaga Dresser Sdn. Bhd.

Malaysian
Aged 52
Male

Date of Appointment
1 March 2018

Academic / Professional Qualifications
- Bachelor of Mechanical Engineering, University of Wollongong, Australia.

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

None of the Key Senior Management members above have:

- Any directorship in public companies and listed issuers in Malaysia.
- Any family relationship with any Director and/or major shareholder of Deleum Berhad.
- Any conflict of interest with Deleum Berhad.
- Any conviction for offences within the past five (5) years other than traffic offences.
- Any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2019.

Message From The Chairman

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report and consolidated financial statements of Deleum Berhad (Deleum or the Group) for the financial year ended 31 December 2019 (FY2019).

RESILIENT

The year under review marked another year in which the global oil and gas industry continued to experience difficult business conditions against a backdrop of oil price volatility. In 2019, oil prices fluctuated between a low of USD53 per barrel and a high of USD75 per barrel yielding an average of USD64 per barrel as compared to the average of USD71 per barrel in 2018. However, despite a slow start at the beginning of 2019, the last three quarters of the year brought a sense of consistency even as the price of oil settled between USD55 and USD66 per barrel.

I am pleased to say that against this backdrop, Deleum made the most of the year's market dynamics to turn in another resilient and commendable performance. The year, however, was not without its challenges. Although the activity levels within our operations began to stabilize in FY2019, particularly on the upstream front, we still had to contend with ongoing downward pressure on margins.

Throughout FY2019, we continued to optimise our cost efficiencies, working capital utilisation and preserve our free cash. We also carried on exploring downstream opportunities through our three business segments whilst selectively extending our international footprint. In all this, we looked to our Strategic Plan to guide us as we set our sights on streamlining, strengthening and growing our businesses. These efforts have helped us in our endeavour to reinforce Deleum's position of strength whilst gearing the Group up for future undertakings.

FY2019 PERFORMANCE

In FY2019, Deleum registered profit after tax and non-controlling interest (PATANCI) of RM33.1 million against revenue of RM868.3 million. The Group's PATANCI rose 21.7% from RM27.2 million on the back of 39.2% rise in revenue from RM623.7 million in the preceding year. This was mainly attributed to stronger results from the Power and Machinery segment, a turnaround in the Integrated Corrosion Solution segment results and higher share of results from an associate company.

The Power and Machinery segment maintained its position as the biggest revenue generator for the Group, contributing 56.0% of the year's revenue. This was followed by the Integrated Corrosion Solution and Oilfield Services segments which contributed 27.3% and 16.6% of the Group's revenue respectively.

Over the course of the year, the Power and Machinery segment's control and safety valves business under Penaga Dresser Sdn. Bhd. (PDSB) turned in a stronger performance. PDSB, a joint venture between Deleum Services Sdn. Bhd. and Dresser Italia SRL was established in 1992. Whilst PDSB's East Malaysia business activities remained stable, its Peninsular Malaysia operations experienced an upsurge in activities as it catered to the specific needs of customers at PETRONAS' Refinery and Petrochemical Integrated Development (RAPID) project at Pengerang.

2019 PERFORMANCE

PATANCI

RM33.1 MILLION

2018 : RM 27.2 MILLION

REVENUE

RM868.3 MILLION

2018 : RM 623.7 MILLION

Another key contributor to the Power and Machinery segment is the Long-Term Service Agreement (LTSA) under Turboservices Sdn. Bhd., a joint-venture with Solar Turbines Incorporated (SOLAR) to provide aftermarket turbomachinery maintenance services for SOLAR gas turbines and gas compressor in Malaysia which has been a significant and recurring contributor to the Group's revenue and results.

The Oilfield Services segment contributed to the Group's profitability despite being impacted by mobilisation costs for its slickline contracts in fulfilling its required contractual obligations. Meanwhile, the Integrated Corrosion Solution segment registered a turnaround in its business performance and reported a marginal profit. The segment continues to implement effective measures to strengthen its financial performance.

The end of FY2019 saw the Group maintaining its healthy financial position as our total assets rose by 13.2% to RM747.5 million in comparison to RM660.4 million in the previous year, whilst shareholders' funds grew 5.5% to RM350.0 million from RM331.6 million in FY2018. Our cash and bank balances rose by 18.6% to RM160.0 million from RM134.9 million in the previous year due to net cash inflows generated from operations, borrowings raised, and dividend received from an associate company. The Group's borrowings increased by 40.8% to RM89.0 million from RM63.2 million previously as a result of borrowings raised to finance capital expenditure incurred by the Oilfield Services segment during FY2019.

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

SHAREHOLDERS' RETURNS

On behalf of the Board of Directors, I would like to thank all our valued shareholders for your unwavering support and confidence in Deleum especially amidst the challenges hampering the oil and gas industry. Notwithstanding these challenges, we will strive to protect shareholders' interests and enhance sustainable value for each of Deleum's shareholders in line with our dividend policy.

In respect of FY2019, Deleum paid a first interim single tier dividend of 1.40 sen per ordinary share on 20 September 2019, followed by a second interim single tier dividend of 3.00 sen per ordinary share on 26 March 2020. This brings the total dividend in respect of FY2019 to 4.40 sen per ordinary share totalling RM17.6 million (FY2018: RM14.0 million) representing a dividend payout ratio of 53.4% of attributable earnings for the financial year.

Since our listing, Deleum has cumulatively paid out dividends amounting to RM223.1 million from the financial year ended 31 December 2007. The Group's market capitalisation has stood between RM200 million to RM500 million these past three years.

ACCOLADES

The Group's commitment to delivering consistent value to its stakeholders was recognised when Deleum received the accolades, "Highest return on equity over three years" and "Highest returns to shareholders over three years" in the Energy sector category at the EDGE Malaysia-Centurion Club & Corporate Awards event in November 2019. This annual event honours the best-performing companies in Malaysia with a market capitalisation of between RM100 million and less than RM1 billion, with the objective of encouraging Malaysian companies to be more efficient, competitive and successful, whilst being socially responsible.

Our commitment to upholding operational safety was recognised when Deleum was named the Grand Winner of the 2018 Chairman's Safety Award by ExxonMobil Exploration & Production Malaysia Inc. (EMEPMI) on 13 February 2019.

RESPONSIBLE BUSINESS PRACTICES

Acknowledging that good governance equates to good business, the Board is committed to upholding transparent and ethical business practices that strengthen Deleum's reputation as a responsible, reliable and sustainable corporate citizen. In tandem with this, we are cultivating ethical conduct and implementing appropriate internal controls across our operations

Dato' Izham bin Mahmud
Chairman

Message From The Chairman (Continued)

in accordance with our governance structure and policies. We are continuously taking measures to strengthen our risk framework as well as to implement on-going risk-related assessments and activities.

Recognising the need to create long-term value for our stakeholders and to secure the sustainability of the Group, we remain dedicated to balance our economic performance with responsible environmental and social considerations. The details of the Group's sustainability performance can be found in the Sustainability Statement of this Annual Report.

LOOKING AHEAD

I am pleased to report that as of 28 February 2020, Deleum's healthy order book stands at approximately RM2.2 billion and a tender book of approximately RM115.7 million. We are actively pursuing and participating in tenders and projects in tandem with the activities planned for 2020.

However, as Deleum ventures forth, we anticipate that we will face highly challenging market and operating conditions given that the Coronavirus disease (COVID-19) pandemic continues to significantly disrupt supply chains the world over and herald in a global recession exacerbated by the drastic decline of oil prices since January 2020.

Despite the uncertainty, we will continue to strive towards sustainable value creation and setting our sights on upholding balance for sustainability from our business segments which is the main focus of our operations.

We will carry on strengthening integration efforts across our business segments by leveraging on our human capital, financial strengths and resources. At the same time, we will maintain our focus on managing costs and working capital, conserving free cash to retain our competitiveness whilst continuing to seek out new business opportunities which are synergistic to our current businesses.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to our customers, suppliers, business partners and financiers in addition to our valued shareholders for their unwavering support and trust in Deleum.

I wish to convey my utmost appreciation to my fellow Board members for their wise counsel, invaluable insights and good stewardship, all of which have helped us navigate the challenges of our business. Last but not least, I also wish to extend the Board's sincere gratitude to our Group Managing Director, Senior Management and all Deleum's personnel for their tireless dedication in carrying out their responsibilities.

DATO' IZHAM BIN MAHMUD
Chairman

2019 PERFORMANCE

Total Assets ▲ 13.2%

RM747.5 MILLION

2018 : RM 660.4 MILLION

Shareholders' Funds ▲ 5.5%

RM350.0 MILLION

2018 : RM 331.6 MILLION

Cash and Bank Balances ▲ 18.6%

RM160.0 MILLION

2018 : RM 134.9 MILLION

SHAREHOLDERS' RETURNS

Total Dividend ▲ 25.7%

RM17.6 MILLION

2018 : RM 14.0 MILLION

Management Discussion and Analysis

The year 2019 was an encouraging year as the oil prices began to stabilise after signs of initial weakness at the start of the year. Whilst the onset of 2019 saw the price of Brent crude getting off to a slow start at USD55 per barrel, it eventually edged its way up to a high of USD72 per barrel in April 2019. However, it then dropped back to USD56 per barrel in early July 2019 before settling at USD66 per barrel at the close of the year.

Against this backdrop, Deleum managed to deliver another resilient and profitable performance. Although there was a rise in activity levels within operations, downward pressure on margins continued to pose a challenge for the Group. To strengthen our operations, we focused our efforts on optimising cost efficiencies, managing our working capital and preserving our free cash. We also carried on exploring downstream prospects via our three business segments whilst seeking opportunities in the international market but in a more measured manner. Backed by our strong business fundamentals, established relationships with business partners and customers, core competencies, as well as organisational and operational structures, we delivered a profitable performance for the financial year ended 31 December 2019 (FY2019).

As Deleum continues to look to its business strategies and other measures which allow us to integrate, innovate and add diversity across our businesses, we are hopeful of delivering a satisfactory performance barring any unforeseen circumstances.

Business and Strategies

Business Overview

Deleum focuses its business activities within the upstream oil and gas sector, particularly the exploration and production fronts. With 38 years of operational experience, we have established ourselves as an integrated service provider of a diverse range of specialised products and support services to the oil and gas industry.

Deleum is committed to providing sustainable growth and enhancing its stakeholders' value. We continue to strengthen the capabilities across our three business segments namely Power and Machinery, Oilfield Services, and Integrated Corrosion Solution.

We continue to establish strategic and synergistic alliances, aimed at opening up new avenues of opportunity for us. Our efforts also extend to ramping up activities surrounding new markets and growth areas on both the local and regional fronts. At the same time, we are exploring potential energy-related business opportunities beyond the oil and gas industry.

Our Power and Machinery segment has been providing project management and installation services for gas turbines retrofits and refurbishments in India, Myanmar, and the Philippines, amongst the other countries in the region. Our field service representatives have also been offering maintenance and troubleshooting services to gas turbine installations within the region.

Our self-operated businesses within the Oilfield Services and Integrated Corrosion Solution segments continue to strengthen their position within the domestic market, as well as set their sights on expanding their footprint into neighbouring countries such as Indonesia, Singapore, Brunei and the Middle East by leveraging on strategic partnerships and focused strategies.

Our downstream activities encompass integrated tank maintenance as well as pipeline and heat exchanger activities where we tap into niche technologies such as rust and paint removal technology and specialty cleaning chemicals.

Strategic Overview

In light of the new market realities, we are maintaining an intricate balance in all that we do to ensure the sustainability of our business. We continue to be guided by our Strategic Plan that emphasises the Six Key Focus Areas (KFAs). Designed to streamline, strengthen and enhance our business sustainability, our internal and external KFAs are spelt out as follows:

Management Discussion and Analysis (Continued)

Six Key Focus Areas Of Deleum's Strategic Plan

INTERNAL KFAS

Cost Management and Cash Management

- Undertake close monitoring and review of our operational expenses.
- Maximise our productivity and improve our efficiencies.
- Undertake close monitoring of our working capital and cash flows to meet scheduled commitments.

Human Capital Development

- Focus on human capital development in terms of our leadership competencies and succession planning.
- Focus on people management in the areas of multitasking, creativity and evolving mindsets, culture and behaviour within our organisation.

Internal and External Communication

- Ensure seamless alignment between our business units by cultivating an effective work culture and strengthening inter-business unit engagement.
- Enhance our customer and business partner relationships.
- Ensure the successful delivery, development and support of our day-to-day business activities.
- Integrate our information and resources as a one-stop solution service provider.

EXTERNAL KFAS

Downstream Business

- Leverage on integration between our three business segments and undertake continuous engagement activities targeting customers within the oil and gas industry.
- Ensure penetration into potential downstream businesses which include petrochemical, refining and gas plants.

International Business

- Expand our market base internationally via potential projects.
- Leverage on contracts secured overseas.
- Expand our regional markets.

Technology

- Explore technology-based diversification via our principals, partnerships, technical collaborations, or mergers and acquisitions.
- Identify technologies that will strengthen our value proposition as an integrated solutions provider and which will reinforce our ability to embark on larger scale projects.

Deleum's focus on cash management and cost management to ensure sustainable business growth has accorded us a profitable position over the years. The Group has made considerable savings across all functions following measures and initiatives taken to proactively reduce costs.

The Group continues to undertake a groupwide digitalisation exercise which aligns with the advent of the Fourth Industrial Revolution (IR4.0). We began digitalising our processes back in 2016, when we embraced Cloud Computing and Big Data. Our ongoing digitisation efforts for FY2019 included:

- The digitisation of some 60% of the Group's manual forms which has reduced processing time and enhanced effectiveness and efficiency of the processes;
- Improvements to our Human Resources Management Solution system aims at eliminating many of the time-consuming manual processes, thereby ensuring efficiency and higher productivity.

We continue to explore the different aspects of our digitalisation efforts to strengthen the overall infrastructure, operations and processes within the Group which will ultimately result in better efficiencies and monetised savings for for the Group.

Financial Performance

Overview

In FY2019, Deleum generated revenue of RM868.3 million and profit after tax and non-controlling interest (PATANCI) of RM33.1 million. PATANCI improved by 21.7% from RM27.2 million in the preceding year in line with 39.2% rise in revenue from RM623.7 million previously.

The year saw the Power and Machinery segment registering higher segment results of RM49.8 million (FY2018: RM36.0 million) and revenue of RM486.2 million (FY2018: RM360.2 million). The Oilfield Services segment recorded a lower profit of RM0.9 million (FY2018: RM14.4 million) despite higher revenue of RM144.2 million (FY2018: RM124.8 million). The segment results for the Integrated Corrosion Solution segment improved from a loss of RM6.5 million in FY2018 to a profit of RM1.8 million in FY2019 in line with higher revenue of RM237.3 million (FY2018: RM138.2 million).

The Power and Machinery segment remained the biggest revenue contributor in FY2019. The Group will continue to undertake concerted efforts to strengthen the revenue contributions from the Oilfield Services and Integrated Corrosion Solution segments. At the same time, we are exploring measures to improve profit margins as well as cost reduction across all three segments.

Liquidity and Capital Resources

The Group's cash and bank balances improved to RM160.0 million as at 31 December 2019 from RM134.9 million in the preceding year. The increase of RM25.1 million was mainly attributed to net cash inflows generated from operations, net borrowings raised as well as dividend received from an associate.

Gearing Ratio

The gearing ratio of the Group as at 31 December 2019 rose marginally to 0.25 times as compared to 0.19 times as at 31 December 2018. The slight increase in gearing ratio was attributed to an increase in borrowings mainly to finance the capital expenditure commitments incurred by the Oilfield Services segment during the financial year.

Contingent Liabilities

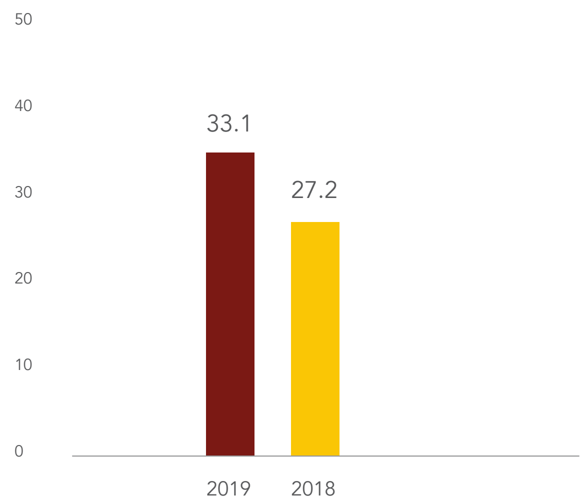
The Group has provided guarantees amounting to RM36.2 million (FY2018: RM38.1 million) to third parties in respect of operating requirements, utilities and maintenance contracts.

REVENUE (RM MILLION)

FY2019: 868.3 ▲ 39.2%

FY2018: 623.7

PATANCI (RM MILLION) ▲ 21.7%



Capital Management

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

Capital Commitments and Funding Sources

The Group's total capital commitments authorised for investment, property, plant and equipment amounted to RM69.0 million as at 31 December 2019 (FY2018: RM72.5 million), of which RM16.4 million (FY2018: 19.1 million) of capital commitment has been contracted for but not incurred.

The remaining capital commitment of RM52.6 million (FY2018: RM53.4 million) relates to capital expenditure that has been authorised but not contracted for of RM51.4 million (FY2018: RM52.6 million) and share of capital commitment of a joint venture of RM1.2 million (FY2018: RM0.8 million). The capital commitment that has been authorised and contracted for relates to that for general contract requirements, enhancement of workshop facilities, and for long-term investment. This is in addition to the purchase of other equipment to prepare the Group for its current operations and future expansions.

Details of the borrowings and maturity profile of such borrowings are disclosed accordingly in Note 27 to the Financial Statements for FY2019.

Management Discussion and Analysis (Continued)

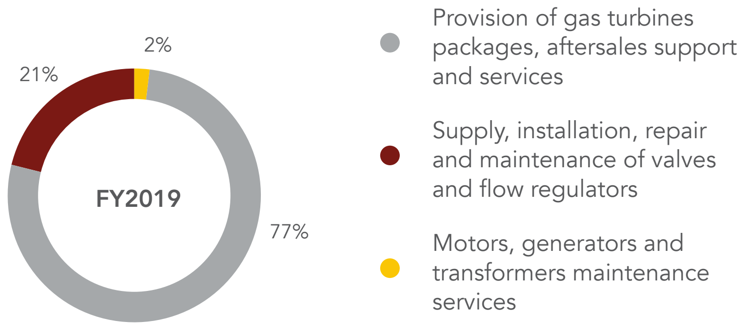
Performance By Business Segments

Power and Machinery

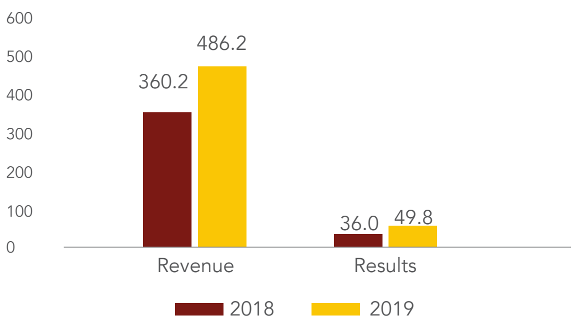
Segment Offering

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

Operational Highlights - Segment Offerings



Performance Highlights (RM Million)



In FY2019, the segment results for the Power and Machinery increased by 38.2% or RM13.8 million to RM49.8 million from RM36.0 million previously as a result of favourable sales composition. However, the higher segment results were impacted by higher operating expenses. The segment's revenue increased due to higher revenue recorded on valves and flow regulator services, turbine parts, exchange engine, third party sales and sales in retrofit projects driven by higher hardware supplies.

In addition to collaborating with its existing principals, the year in review saw the Power and Machinery segment working to extend its product and service offerings through collaboration with new principals. This resulted in the segment securing the rights to market printed circuit heat exchanger and thermal engineering products in Malaysia. The segment continued to work closely with its customers delivering innovative solutions to optimise the efficiency of their equipment.

Despite the low market demand in FY2019 due to the deferment of field development and upstream projects, new orders for gas turbine packages were secured. Meanwhile, the levels of scheduled maintenance activities, retrofit projects and other after-sales activities within the segment remained on par with the previous year.

Deleum Rotary Services Sdn. Bhd. (DRSSB) is an Original Equipment Manufacturer (OEM) Authorised Service Workshop for motors and generators. In FY2019, the company expanded its spread of offerings to include pumps and impeller services as well as other services for the non-oil and gas, power and water sectors. DRSSB also continued to provide inter-functional support especially in the area of maintenance, repair and overhaul (MRO) for motors and generators. It secured a Master Service Agreement (MSA) for the Maintenance and Service of High Voltage/Low Voltage Motors and Alternators for PETRONAS Group of Companies. Moving forward, DRSSB will focus its efforts on expanding its services and penetrating new markets.

The year also saw the segment's control and safety valves business under Penaga Dresser Sdn. Bhd. (PDSB), achieving a milestone in revenue and gross profit margin growth. The company's service facility located in Miri – the Sabah-Sarawak Engineering Centre – continued to turn in a stable income providing after-sales services in East Malaysia. Meanwhile, in Peninsular Malaysia, PDSB experienced a surge in business and is anticipated to grow over time in tandem with the level of business activities at PETRONAS Refinery and Petrochemical Integrated Development (RAPID).

Looking Ahead

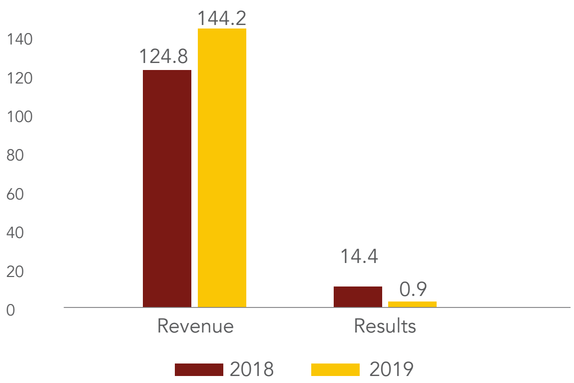
Deleum's Power and Machinery segment is all set to reinforce its position as a service provider for its range of offerings. These include retrofit work and project management services as well as MRO services via strategic technical collaboration and the integration of existing products and offerings to fulfil customers' requirements.

Moving forward, the segment will continue to leverage on its current resources and good track record, collaborate with existing and potential business partners as well as enhance its capabilities and competencies by upskilling its personnel.

Oilfield Services

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

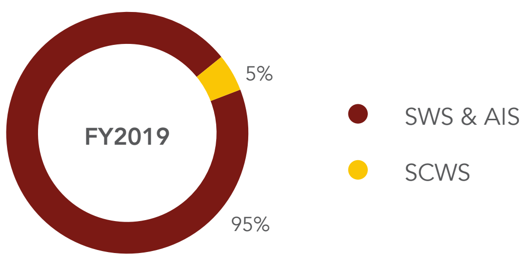
Performance Highlights (RM Million)



The Oilfield Services segment recorded lower results of RM0.9 million in FY2019 from RM14.4 million previously. This was attributable to severe compressions in margins on its local slickline services with higher equipment rental costs.

The segment's revenue increased from RM124.8 million against the corresponding year to RM144.2 million mainly as a result of higher revenue generated from gas lift valve services, well intervention and enhancement services.

***Operational Highlights** - Segment Offerings*



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

The SWS unit, which is the core business of the Oilfield Services segment, offers slickline equipment and services, integrated wellhead maintenance, and gas lift valve supply to Production Sharing Contractors (PSCs) in Peninsular and East Malaysia. It contributed 70% of the Oilfield Services segment's revenue in FY2019. Overall, the unit's slickline activity increased by 3% and 5% for East Malaysia and Peninsular Malaysia respectively in FY2019. This came about as a result of an initiative to increase oil production by the PSCs at the beginning of 2019 following the upswing in the price of crude oil between January and April 2019. However, the profitability of this unit drastically reduced due to downward pressure on margins from local slickline operations. This was further aggravated by the once-off high mobilisation cost incurred in FY2019 during the deployment of the contracts secured at the end of FY2018.

To date, DOSSB is the market leader with 46 slickline packages in operations, representing 45% of the total domestic market share. DOSSB was awarded a contract to provide gas lift valve and insert strings equipment, accessories and services under the SWS unit. The contract commenced in January 2019 and contributed a healthy margin towards the segment's results.

The AIS unit is an integrated services solutions provider that offers cased hole logging, well intervention, drilling and completion services, as well as sub-surface engineering solutions. The unit provides niche solutions in the asset lifecycle by complementing and integrating the products and services via slickline conveyance. Through the innovative and viable integration of resources and capabilities within the Oilfield Services segment, it continues to deliver comprehensive, high quality and customised cost-effective solutions to its customers. The unit is constantly developing its in-house expertise whilst strategically collaborating with other selected service providers to ensure it is able to provide leading edge solutions to its customers, as well as adding value to the segment's slickline services offering.

The SCWS unit, which is responsible for the provision of specialty chemical and well stimulation services, offers integrated chemical solutions for production enhancement, flow assurance, integrated pipeline cleaning, tank cleaning and well pumping services. The development of chemical solutions is carried out through the Group's in-house research and development facility. For the year in review, the SCWS unit secured two new contracts for the supply of specialty chemical and annulus top-up management. The unit continues to fine-tune its international marketing strategy and collaborate with local partners and agents to further boost revenue.

Looking Ahead
Well intervention activities for FY2020 are expected to remain status quo barring any major price shifts taking place in the crude oil market based on the drilling rigs contracted for the drilling programmes in Malaysia. Slickline activities, which are regarded as essential requirement in well intervention and well maintenance works for producing wells, are typically the least affected type of activity during economic downturn compared to other forms of well-intervention conveyance such as e-line and coil tubing activities. Barring any unforeseen circumstances, it is expected that DOSSB will cater to a similar level of slickline package utilisation in FY2020 as it did in FY2019.

Management Discussion and Analysis (Continued)

Moving forward, DOSSB will reinforce its position as the market leader for slickline services in Malaysia. To ensure sustainable business growth, DOSSB will focus on managing the contracts in hand in an efficient manner as well as enhancing the value of its services. These measures are critical for DOSSB to bolster its competitive edge as it prepares to tender for future contract renewals amidst the challenging oil and gas landscape.

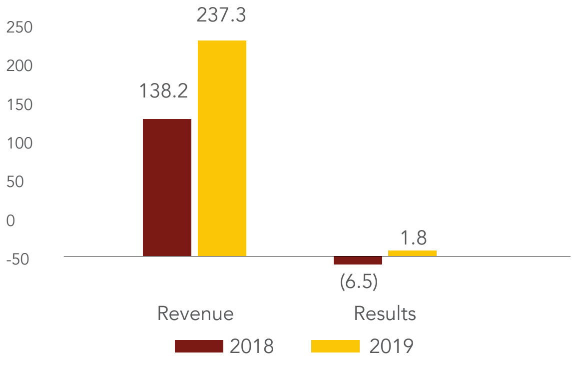
The segment will continue to focus on its international expansion efforts with target markets in Indonesia, Brunei and the Gulf Cooperation Council (GCC) countries namely Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, and Oman.

Integrated Corrosion Solution

Segment Offering

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

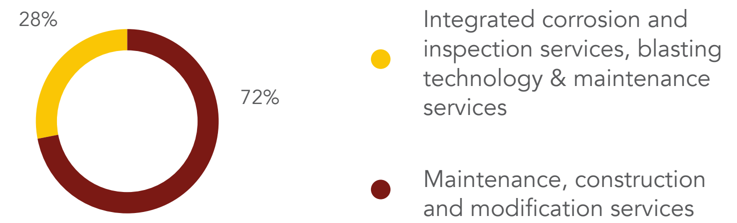
Performance Highlights (RM Million)



The Integrated Corrosion Solution segment turned its results around to report a profit of RM1.8 million for FY2019 as opposed to a loss of RM6.5 million in the preceding year. The improved results were due to margin improvements with better sales mix as well as the absence of high expediting costs incurred for the closure of Pan Malaysia Painting and Blasting (PMPBC) contract in the preceding year.

The segment recorded higher revenue of RM237.3 million in FY2019, a 71.7% or RM99.1 million increase in comparison to the preceding year. This was due to stronger activity levels and work order deliveries from both its Maintenance, Construction and Modification Services (MCM) contract and PMPBC contract.

***Operational Highlights** - Segment Offerings*



Deleum's Integrated Corrosion Solution segment is helmed by Deleum Primera Sdn. Bhd. (DPSB). DPSB continues to expand its international footprint, retain its existing customer base by delivering satisfying customer experiences, and reinforces its competitive edge through the delivery of innovative solutions. The segment continues to fortify its foothold via cross-selling its technology-based products and ensure the delivery of timely and quality services.

The year saw DPSB's operational activities under the MCM contract increasing, which in turn contributed to higher revenue. The segment's offering includes a suite of cost-efficient and environmentally friendly solutions that promote the operational safety of its customers. The company is the sole-distributor for Sponge-Jet technology, an alternative green technology for surface preparation works in Malaysia, Indonesia, Singapore, Brunei, Turkmenistan and Iraq. Another one of DPSB's green offerings is its rust and paint removal (RPR) technology maintenance services. DPSB is the sole distributor for the cost-effective and environmentally friendly green technology in Malaysia, Indonesia, Singapore and Brunei.

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

Looking Ahead

The Integrated Corrosion Solution segment's strategy for 2020 is to maximise the value from existing contracts by way of margin improvements and cost reduction without compromising on Health, Safety and Environment (HSE) measures. Moving forward, DPSB will continue to strengthen its brand identity as an environmentally and economically friendly sustainable solutions provider for the oil and gas industry.

Joint Venture

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

Associate Companies

For FY2019, the share of results of associates were contributed by Malaysian Mud and Chemicals Sdn. Bhd. (2MC), an associate company of the Group. Another associate, Cambodia Utilities Pte Ltd (CUPL) remains dormant and its results will continue to be equity accounted until it ceases to be an associate.

Business Risks

As Deleum moves forward amidst a highly challenging operating environment, we acknowledge that we may be exposed to certain anticipated or known risks that may have a material effect on our operations, performance, financial condition and liquidity. As per Bursa Malaysia Securities Berhad's disclosure requirements, we outline the key anticipated or known risks that we may face as well as the plans or strategies to mitigate these risks.

Key Risk	Description	Mitigation measures
Strategic	Strategic risk relates to the risks posed by poor business decisions or the lack of decision making that determines whether the Group is able to continue operating for the long-term or expand to meet its business objectives. It relies on the strategic decisions made and the direction taken in relation to Board-approved strategic and business plans. The major strategic risks faced by the Group in 2019 included over-reliance on the upstream business, the risk of doing business overseas as well as geopolitical risk.	• In its effort to diversify, the Group is continuously pursuing business development initiatives, introducing new products and venturing into new markets. • Project Risk Assessments are conducted for potential business ventures overseas where potential threats such as emerging geopolitical threats, vulnerabilities and potential impact from issues related to the oil gas industry as well as the Group's areas of interest are assessed. • Whilst the Group has received various requests to provide supplies as well as invitations to bid and explore business partnerships, it continues to prudently evaluate and assess the viability. The Group designs and reviews its strategies to best fit and respond to the threats as well as opportunities unique to the countries it operates in.
Operational	Operational risk is associated with the risk of loss as a consequence of inadequate or ineffective processes, people and systems impacting the Group's ability to meet its business objectives. This risk has further heightened following the continuous fluctuations in oil prices which in turn has affected the margins offered by the respective segments.	• The Group continues to widen its integration across the business units to offer its customers holistic solutions as well as new technological products and services in collaboration with partners. • Strict cost discipline is emphasised alongside measures to improve operational efficiency and productivity. Despite tough conditions, the Group remains profitable and operating cash generation remains positive.

Management Discussion and Analysis (Continued)

Key Risk	Description	Mitigation measures
Financial	Financial risk involves the risk of market volatility affecting exchange rates which may lead to losses in relation to foreign exchange (forex) transactions thereby affecting the profitability of the Group. One of the Group's key financial risks is currency volatility. A major portion of the Group's revenue and costs are conducted in foreign currencies, primarily the US Dollar (USD). There were fluctuations during the year as Malaysian Ringgit (MYR) weakened in the first three quarters but strengthened in the last quarter of 2019. Hence, the forex loss was mainly due to the strengthening of USD in the first three quarters of the year.	• The Group manages currency fluctuations and monitors foreign currency-denominated business transactions in line with the Board-authorised hedging policy and procedures. • There are ongoing efforts to improvise the process and the effectiveness of hedging to mitigate the Group's exposure. In FY2019, this was reflected in the realised quarter-on-quarter forex losses (i.e. lower forex loss of RM0.2 million in Q3 as compared to a loss of RM1.0 million in Q2 despite the USD exchange rate strengthening against the MYR from 4.142 to 4.187 in Q3).
Safety	The safety of people and assets is a top priority in the oil and gas industry as any adverse incident could result in significant financial loss and damage to the Group's reputation. The Group recorded 15.6 million lost time injury (LTI) free man-hours up until 20 November 2019. This was reset to zero on 21 November 2019 after an LTI incident in Laban. As of 31 December 2019, the Group had recorded 370,078 LTI free man-hours.	• The Group has in place comprehensive safety policies and processes that clearly spell out the safety measures which our employees and contractors must strictly comply with. • We undertake periodic audits of our health and safety procedures and practices, conducting drills, as well as implement health and safety awareness initiatives, meetings, reviews and programmes on an ongoing basis. • The Group Quality, Health, Safety and Environment (QHSE) has identified the weaknesses in the safe work system and the necessary measures to improve the system have been implemented. • HSE campaigns for continuous improvement are in place. These include the Adverse Weather Safety Campaign, the Effective Toolbox Talk Campaign and an expansion of the Behavioural Based Safety programme from the BeOb (Behavioural Observation) Programme set by EMEPMI for all workshops.

Key Risk	Description	Mitigation measures
Major Contract	Major Contract risk for the Group stems mainly from the potential adverse effects should a major contract be breached. The major contract for the Group currently is the MCM contract under DPSB. Adverse effects from this contract may arise should DPSB underperform or be in breach of its contractual obligations. Other issues such as resource and supply chain failure, operational inefficiency, poor cost management as well as poor quality and safety may also pose a risk.	• A dedicated Project Management Team has been established to oversee operational matters and project deliverables to mitigate this risk. • Overall performance and contractual compliance are monitored closely by Management of both DPSB and the Group, as well as various supporting units. • The Group remains committed to ensuring that the MCM project achieves its objectives and produces the expected returns throughout the contract period despite any challenges that may arise.

Moving Forward

Moving forward, as the oil prices which have slumped some 65% since January 2020 to around USD 25 a barrel in the early April 2020 continue to remain volatile and the threat of COVID-19 pandemic adversely affecting economies worldwide, the operating environment is expected to remain extremely challenging. Countries have responded with their stimulus packages and measures to counter the impact of the COVID-19 and an impending global recession.

As Malaysia comes to grips with oil price fluctuations and COVID-19 pandemic, economic growth is expected to be weighed down by output loss from the impact of the Movement Control Order (MCO) imposed by the government to curb the spread of COVID-19.

Deleum's business being in the energy sector is classified as essential services under the MCO. We continue to operate to support our customers' needs in this essential sector during the MCO period whilst taking the necessary precautionary measures to protect the safety and health of our employees which always remain as our top priority.

Deleum is grateful to our shareholders for their steadfast trust and support to the Group especially during these challenging times. As Deleum ventures forth into the year, we remain committed to safeguarding shareholders' interests and creating value for them. Barring unforeseen circumstances, we hope to be able to uphold our dividend policy of distributing a gross dividend of 50% of the Group's annual profit attributable to the equity holders. This is of course subject to the availability of adequate distributable reserves, operating cash flows requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations.

Amidst the highly challenging operating environment, we are actively monitoring, planning and implementing strategic measures in line with our key focus areas including effective cash preservation and margin improvement to safeguard the sustainability of our business. We remain steadfast in safe guarding our existing businesses whilst continuously looking out for other viable opportunities. Barring any unforeseen circumstances, Deleum will strive to maintain an intricate balance to ensure the sustainability of our business.

Sustainability Statement

OUR COMMITMENT TO SUSTAINABILITY

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

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

REPORTING SCOPE AND BOUNDARY

This Statement covers the Group's sustainability efforts and initiatives between 1 January 2019 and 31 December 2019 (FY2019). The information provided here encompasses our operations in Malaysia over which Deleum has controlling interests and includes a joint venture entity. This Statement has been reviewed and approved by our Board of Directors.

OUR APPROACH TO SUSTAINABILITY

The agenda of sustainability complements the Group's plans for expansion and growth whilst delivering long-term value to our stakeholders. We have in place a sustainability governance structure which we integrate into our business.

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

Deleum's Sustainability Governance Structure

BOARD OF DIRECTORS

Assumes ultimate responsibility	Ensures business strategies consider sustainability	Approves sustainability strategies

BOARD RISK COMMITTEE

Evaluates overall sustainability risk and opportunities

GROUP MANAGING DIRECTOR

Approves targets and market disclosures (as delegated by the Board)	Oversees overall implementation of sustainability strategies

MANAGEMENT RISK COMMITTEE

Provides leadership over the implementation of sustainability strategies	Oversees departments/functions in ensuring robustness of systems of sustainability management

HEAD OF BUSINESS UNITS & CORPORATE RESOURCES

Supports implementation of strategies	Reports on performance of processes and controls	Reports management targets	Develops the plan and timeline for disclosures

MATERIAL SUSTAINABILITY MATTERS

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

A Business Continuity Management (BCM) component has been added as a new material matter under the Enterprise Risk Management (ERM) which is housed under the Economic Pillar for the year under review. More information on this can be found in the ERM-related section of this report.

Material Sustainability Matters

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

Sustainability Statement (Continued)

STAKEHOLDER ENGAGEMENT

Our stakeholders are people who impact our business or are affected by our operations. As such, they remain an integral component of our business. We are continually undertaking stakeholder engagement activities to gain better insights into the interests and concerns of our diverse stakeholder groups as these issues may affect the Group's ability to create and sustain value.

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

Stakeholder Groups	Engagement Platforms	Frequency	Topics Discussed	Material Sustainability Matters
Customer	Meetings and engagement sessions	Ad hoc	Products and services information, performance, feedback and complaints	Customer engagement
	Industry conferences and networking events			
	Corporate website			
	Exhibitions			
Employees	Group Managing Director briefings	Quarterly	Company performance	Sustainable business performance and business opportunities
	Quality, Health, Safety and Environment (QHSE) updates	Monthly	QHSE matters	Environmental management Human capital management Safety
	Social media platform (Yammer)	Frequently	Internal and external activities or updates	Good governance and best practices
	Meetings and engagement sessions	Ad hoc	Staff performance reviews	Human capital management
	Staff activities		Team building	Workforce wellbeing
	Intranet		Company policies and procedures	Good governance and best practices
Suppliers and Contractors	Meeting and engagement sessions	Frequently	Products and services information and performance	Procurement practices
	Joint workshops and training sessions			
	Supplier performance review	Annually		
	Corporate website	Ad hoc		

Stakeholder Groups	Engagement Platforms	Frequency	Topics Discussed	Material Sustainability Matters
Shareholders and Investors	Group analyst briefings	Quarterly	Company performance, financials and dividend payments	Sustainable business performance and business opportunities
	Annual Report/Annual General Meeting	Annually		
	Media interviews and press releases	Ad hoc		
	Corporate website			
Financial Institutions	Meetings and engagement sessions	Ad hoc	Company performance and financials	Sustainable business performance and business opportunities
	Corporate website			
Local Communities	Community engagement sessions	Ad hoc	Community initiatives	Community outreach
	Corporate social responsibility events			
	Corporate website			
Government and Regulators	Meetings and engagement sessions	Ad hoc	Corporate governance, compliance and regulations	Good governance and best practices
	Corporate website			
Partners and Principals	Meetings and engagement sessions	Ad hoc	Business performance, planning and other commercial matters	Sustainable business performance and business opportunities Customer engagement
	Joint workshops and training sessions			
	Site visits			
	Exhibitions and social activities			
	Corporate website			

Sustainability Statement (Continued)

ECONOMIC

Key Theme: Economic Performance and Impact

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

Sustainable Business Performance and Business Opportunities

The challenges faced by the oil and gas industry these last few years have given rise to a highly competitive playing field. As players learn how to adapt to the new market realities, business sustainability remains a key concern. In line with the Group's objective to strengthen and sustain the growth of our business, we continue to leverage on our Strategic Plan that emphasises the Six Key Focus Areas (KFAs).

In FY2019, the Group recorded profit after tax and non-controlling interest (PATANCI) of RM33.1 million against revenue of RM868.3 million. This 22.0% improvement in our PATANCI from RM27.2 million in the preceding year is in line with 39.2% rise in revenue from RM623.7 million previously.

Deleum remains committed to upholding its dividend policy of distributing a gross dividend of at least 50% of the Group's annual profit attributable to equity holders of the Company. This is subject to the availability of adequate distributable reserves, operational cash flows requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations and to support future business growth. For FY2019, we declared a total dividend of 4.4 sen per ordinary share representing 53.4% of our attributable earnings for the financial year.

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

Leveraging on Digitalisation for Operational Excellence

Climbing Onboard the IR4.0 Bandwagon

We continue to be vigilant and adaptive to market trends to ensure the sustainability of our business. In line with the advent of the Fourth Industrial Revolution (IR4.0), Deleum embarked on a group-wide digitisation exercise in FY2016. By leveraging on electronic forms (e-Forms), we have achieved greater operational efficiency and reduced our environmental footprint. As at 31 December 2019, we had converted some 60% of the Group's manual forms to e-Forms resulting in 77% reduction in processing time and speedier operations. Whilst we are working on digitising the remaining manual forms, we are concurrently exploring a host of other initiatives to improve our current infrastructure, systems and processes. We also undertook training for our employees during the financial year to create awareness of and exposure to the Group's digitisation activities.

Strengthening Cybersecurity Measures

As part of our digitisation process, we understand the importance of implementing effective cybersecurity measures to protect our systems, networks and programmes from cyberattacks. The Group has also subscribed to a device-management and virtual-identity-management suite which accords our employees who utilise multiple devices, maximum security and control in a Cloud-based world.

To educate our employees on how best to take precautions against potential phishing attacks, the ICT function regularly circulates alerts, awareness emails and posters as well as provides quarterly updates to the Group Managing Director for his briefings to the employees.

Good Procurement Practices

Our Group Procurement Policy and Vendor Code of Conduct guide our procurement activities. These policies shape the Group's dealings with local and foreign vendors, contractors and sub-contractors in ensuring the best products and services are obtained in an effective, ethical, and sustainable manner. These policies are reviewed regularly and updated where appropriate. In FY2019, there were no major updates to the policies.

The Group Procurement and Group QHSE functions are tasked with jointly conducting vendor audits. The selection process for vendor audits is based on the Kraljic matrix, whereby typically the topmost five active vendors are reviewed to determine their deliverance capability and their compliance with contractual specifications, ISO9001:2015 and HSE requirements, amongst others. In FY2019, five vendors were selected for the audit in which there were no major exceptions noted.

% of Local Vendors in Our Procurement System

Support of Local Vendors

In supporting socio-economic development at the local level, we continue to work with local vendors. In FY2019, approximately 86.7% of the vendors within the Group's procurement system comprised of local vendors.

We procure directly from Original Equipment Manufacturers (OEMs) via our principals and partners to provide products and services of the highest quality to our customers. These procurement activities facilitate the transfer of technology through provision of training and services, which contribute in developing the local vendor participation which strengthens the local economy.

Product Responsibility and Customer Engagement

We are committed to delivering quality products and services to our customers as well as ensuring high standards of customer satisfaction with consistent customer engagement activities across the board. Customer feedback is gathered and monitored through a Customer Feedback Log.

Quality Assurance (Standards and Accreditation)

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

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

Meanwhile, Deleum Oilfield Services Sdn. Bhd. (DOSSB) is in the midst of complying with the American Petroleum Institute Specifications (API Spec) Q2 certification criteria in order to meet customer requirements. DOSSB is aiming to receive its API Spec Q2 certification by the end of 2021.

The table below outlines the accreditation within our operations:

Certification	Primary Objectives	Companies with Accreditation
ISO 9001:2015 Quality Management System[1]	• Ensures continual improvements are made to the Group's management systems; • Provides guidance on improving the quality of products and services.	Deleum Services Sdn. Bhd. (DSSB) is the holding company for these subsidiaries involved in the provision of the following products and services related to oil and gas exploration and production activities: a) primarily wireline, wellhead and oilfield services (DOSSB); b) assembly and supply of centraliser (DOSSB); c) chemicals supply and services (Deleum Chemicals Sdn. Bhd. or DCSB); d) repair and overhaul of electrical and mechanical equipment including site work (Deleum Rotary Services Sdn. Bhd. or DRSSB) e) integrated corrosion, inspection and mitigation for surface preparation industry (Deleum Primera Sdn. Bhd. or DPSB) Turboservices Sdn. Bhd. (TSSB) – provision of turbomachinery sales and services

Sustainability Statement (Continued)

ISO 14001:2015 Environmental Management System[1]	• Enables identification and control over the environmental impact of the Group's activities, products and services; • Ensures continual improvements are made in relation to the Group's environmental performance.	DCSB for the provision of products and services for the exploration and production of oil and gas: Chemical supply and services
International Electrotechnical Commission System for Certification to Standards Relating to Equipment for Use in Explosive Atmospheres (IECEx System)[2]	• Ensures reduced testing and certification costs to the manufacturer; • To help build confidence about the product assessment process amongst customers.	DRSSB

[1] *ISO Certification by Det Norske Veritas – Germanischer (DNV-GL) for Quality Management System (QMS)*
[2] *IECEX awarded by Safety in Mines Testing and Research Station (SIMTARS) Australia*

Key Theme: Corporate Governance

Good Governance and Best Practices

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

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

In upholding good corporate governance and best practices, we are guided by the Malaysian Code of Corporate Governance 2017 as outlined in our Corporate Governance Overview Statement of this Annual Report. Our risk management and control structure and processes are detailed in the Statement on Risk Management and Internal Control.

Our Core Values of Integrity, Professionalism, Sustainability and Excellence serve to promote ethical behaviour, accountability for actions and outcomes, healthy and balanced lifestyles as well as to ensure the provision of quality products and services throughout the Group. Key guidelines to the Group's corporate governance practices include the Code of Business Conduct and Whistleblowing Policy.

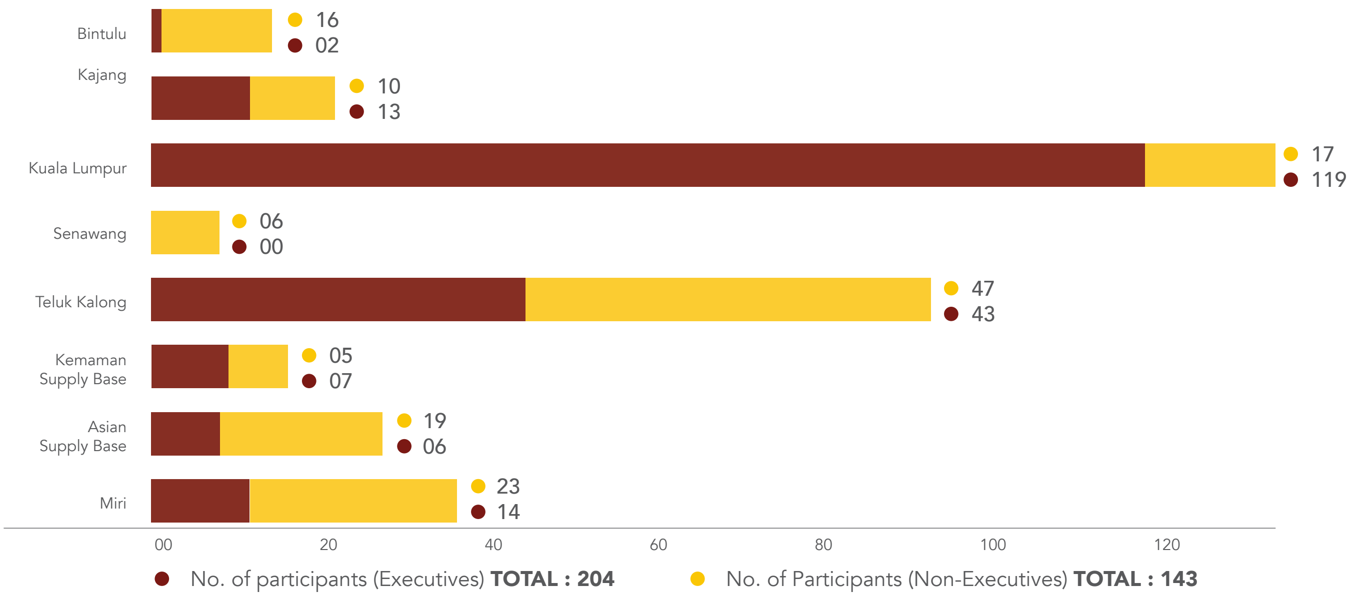
Code of Business Conduct (COBC)

Deleum's COBC spells out the guidelines for responsible behaviour that the Board and all employees are required to adhere to. Available in both English and Bahasa Malaysia, it sets out the standards of integrity and ethical conduct expected of our employees, directors, contractors, vendors, and any party undertaking work for or on behalf of the Group. It covers areas such as anti-bribery and anti-corruption; anti-money laundering and anti-terrorism; compliance with laws and policies; gifts, hospitality and entertainment; conflicts of interest; and equal opportunity.

We take any violation of the COBC very seriously. A breach of any part of the COBC will result in strict disciplinary action under the relevant policies as may be deemed appropriate. We embrace a culture of upholding the highest standard of integrity in our everyday dealings, and as such, our employees' understanding and practice of the principles outlined in the COBC is of paramount importance.

Over the course of 2019, we conducted separate training sessions (totalling ten) on Deleum's COBC policy for executive and non-executive employees, reflecting their different areas of focus.

Number of COBC Participants in FY2019



For offshore based employees who were not able to attend the sessions due to work commitment, their respective base managers have briefed them on the COBC policy.

Following the training sessions, participants were assessed on their understanding of the COBC policy. Effective 2019, all COBC assessments are being conducted online.

Whistleblowing Policy

Deleum's Whistleblowing Policy enables both internal and external parties to report any improper conduct or wrongdoing within the Group in a confidential and secure manner via dedicated and discreet channels.

Under the policy, a whistle blower's identity is to be protected and kept confidential, thereby enabling all parties to report on suspected misconduct without any fear of repercussion. All cases reported are to be addressed and investigated in accordance with the policy. For FY2019, there were no cases reported via the Whistleblowing channel.

The Group has reviewed the overall Whistleblowing Policy and procedures and is satisfied that the existing requirements are still relevant and do not require any changes nor updates. The Whistleblowing Policy was also highlighted to employees during the annual briefing on the Group's COBC policy. The finer details of Deleum's Whistleblowing Policy, including the information pertaining to reporting procedures, can be accessed on the Company's corporate website (www.deleum.com).

Adherence to the PDPA

The Personal Data Protection Act 2010 (PDPA) governance at Deleum is spearheaded by the PDPA Committee with the support of a PDPA Compliance Officer and Designated Compliance Officers from the respective business units and functions. Any breaches of the PDPA are to be managed through the Group's PDPA Policy and procedures whilst PDPA compliance reporting is undertaken on a monthly basis and updates to the PDPA Committee are carried out on a quarterly basis. Deleum's employees can also readily access the Group's PDPA Policy and procedures through the Group intranet.

For the year in review, there was no identified leaks, thefts or loss of personal data nor any complaints received. The PDPA Compliance Officer carried out an awareness programme which included four training sessions and PDPA assessments to raise awareness of PDPA compliance amongst employees. PDPA compliance is extended to our vendors, employees and business partners through the the Group's COBC, PDPA Policy and procedures as well as through contractual obligations.

Key Theme: Enterprise Risk Management

In FY2019, the Group kick-started an initiative to develop a Business Continuity Management system, which involves managing potential crises and disruptions to our business and operations through an integrated approach. In line with this, the Enterprise Risk Management (ERM) was introduced as a new key theme under the Economic Pillar.

Sustainability Statement (Continued)

Business Continuity Management (BCM)
Apart from building our capability and capacity to manage a crisis, our BCM framework aims to guide us in the development, implementation and improvement of a Business Continuity Plan (BCP), IT Disaster Recovery Plan (IT DRP), Crisis Communication Plan (CCP) and Emergency Response Plan (ERP).

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

Over the course of FY2019, the following processes were undertaken to develop the BCP:

- RA approach and template
- BIA approach and template
- RA and BIA exercises and results
- BCS

Planning & Analysis

Development

Implementation

Q1, 2019

PROGRAM
- Development of Business Continuity Concept
- BCM Framework & Guideline
- Selection of Pilot Project

DELIVERABLE
- BCM Framework & Guideline

Q2, 2019

PROGRAM
- Development of BCM Methodologies & Tools

DELIVERABLE
- RA approach & template
- BIA approach & template

Q3, 2019

PROGRAM
- RA exercise
- BIA exercise
- BCS
- Review of ICT DRP

DELIVERABLE
- RA result
- BIA result

Q4, 2019

PROGRAM
- Development of BCP
- Development of CCP
- Integration of BCP with ERP

DELIVERABLE
- BCP
- ICT DRP
- CCP

Whilst FY2019 saw the BCP for DOSSB being rolled out, FY2020 will see the BCM being finetuned and progressively implemented amongst the Group's other business units.

Awards and Accolades

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

Deleum's commitment to delivering consistent value to our stakeholders was recognised when we received the accolades 'Highest return on equity over three years' and 'Highest returns to shareholders over three years' in the Energy sector category at the EDGE Centurion Club & Corporate Awards event. This event honours the best-performing companies in Malaysia with a market capitalisation of between RM100 million and below RM1 billion. Its objective is to encourage Malaysian companies to be more efficient, competitive and successful, whilst being socially responsible.

ENVIRONMENTAL

Key Theme: Environment

Environmental Management

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

Environmental Regulations and Compliance

The Group's Environmental Policy affirms our commitment towards environmental management through timely, adequate, corrective and protective measures. We are endeavouring to achieve a sustainable trade-off between our operational viability and any potential negative impact that our operations may have on the environment.

Deleum continuously emphasises facets of the Group's Environmental Policy amongst our personnel. Additionally, information regarding diverse aspects of environmental care continues to be included in the monthly HSE Bulletin.

For FY2019, we registered zero fines or sanctions in relation to environmental regulation breaches. We also maintained a zero Total Recordable Environmental Incident Frequency (TREIF) count. In July 2019, a third party was hired to run a surveillance audit on DCSB's compliance with the ISO 14001:2015 Environmental Management Systems certification for specialty chemical supply and services obtained in FY2018. The audit found that the company was in full compliance with all requirements of the standard.

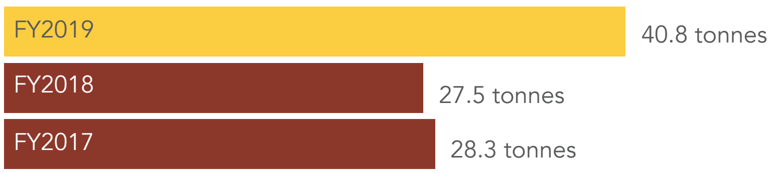
Waste Management

Scheduled wastes are the categories of waste listed in the First Schedule of the Environmental Quality Act 1974. It is a requirement by the Department of Environment (DOE) that the Certified Environmental Professionals in Scheduled Waste Management (CePSWaM) monitors waste inventory and reports on it via the Electronic Schedule Waste Information Systems (e-SWIS) on a monthly basis. To date, the Group's CePSWaM team has five personnel across the three business segments.

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

In FY2019, we received zero reports of scheduled waste incidents or fines from the local authorities.

Total Scheduled Waste Generated FY2017 – FY2019 (tonnes)



The substanstial increase of total scheduled waste generated in FY2019 was attributed by increased activity levels at DCSB's Teluk Kalong Facility.

Utilising Cleaner Technologies

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

Water Management

The rainwater harvesting initiative at DCSB's Teluk Kalong Facility continues to be one of our key water conservation initiatives. In FY2019, a water management awareness briefing was held for employees whilst reminder of 'Save Water' stickers were placed at taps. In our rainwater harvesting efforts, the plant collected a total of 56 m^3 rainwater in FY2019 as compared to 50 m^3 in FY2018.

Energy Efficiency

We began phasing out the use of conventional lighting at all our facilities in the fourth quarter of FY2018 and began replacing them with light emitting diodes (LEDs) to improve energy efficiency with the Group's operations. The installation of some 1,136 LEDs at Deleum's headquarters to date has resulted in tangible savings as indicated in the reduction of electricity usage and the ensuing cost savings.

Sustainability Statement (Continued)

The following table highlights the meter readings taken from a single floor at HQ (i.e. DB-1F-DOSSB). It portrays a significant reduction in the amount of energy consumed after LED implementation:

Before LED Light Implementation				After LED Light Implementation			
No.	Month	No. of Days	Power Consumption (kWh)	No.	Month	No. of Days	Power Consumption (kWh)
1	January'19	31	2,736	1	October'19	31	2,015
2	April'19	30	3,674	2	November'19	30	1,677
3	June'19	30	3,774	3	December'19	31	1,283
Average			**3,394.7**	**Average**			**1,658.3**

Based on the data above, power consumption for this floor dropped by an average of 1,736.3 kWh over a period of three months. This resulted in energy savings of 51.1% after LED implementation.

We continue to take measures to promote energy conservation such as posting awareness notices about conserving electricity at all switch points.

SOCIAL

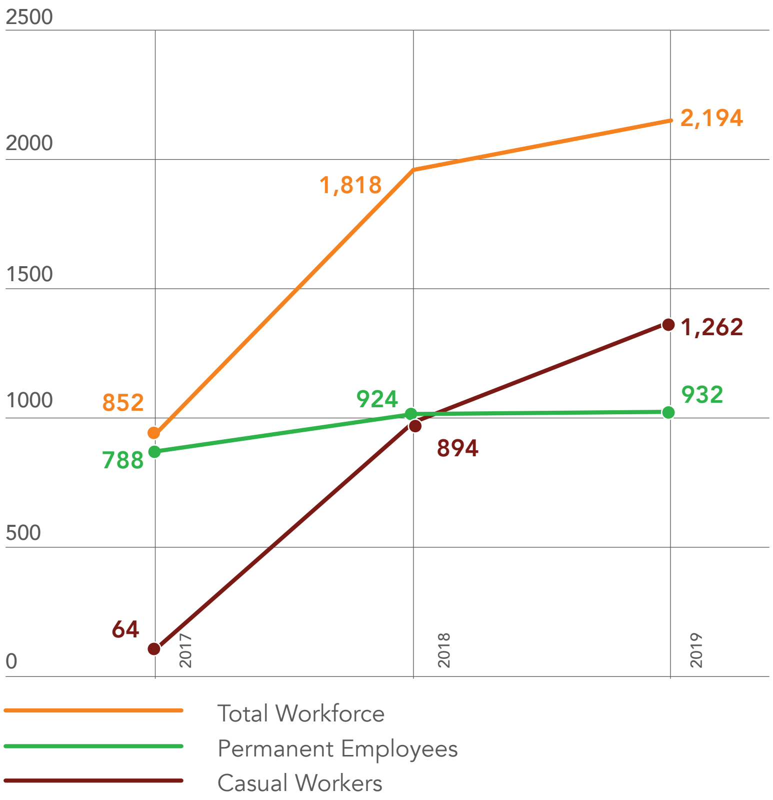
Key Theme: Managing Our People

We cultivate a working environment that encourages our employees to exemplify our Core Values in every aspect of our working culture, tapping into their capabilities and providing opportunities for their career progression.

Human Capital Management
Underpinning the Group's business growth is a robust work culture that is being driven by our efforts on the human capital development front. Our initiatives for employees encompass the championing of diversity at the workplace, upskilling of competencies via various development programmes, and enhancing employee engagement initiatives towards managing an efficient and sustainable talent pool.

As at end FY2019, the total number of Deleum's workforce stood at 2,194 employees comprising 932 permanent employees and 1,262 casual workers. The surge in headcount in the recent years, as detailed in the line graph on the right, was due to the hiring of casual workers for the Maintenance, Construction and Modification Services contract. Casual workers are being hired on an ad hoc basis to service this contract to provide flexibility and more effective cost management.

Total Number of Employees (FY2017-FY2019)

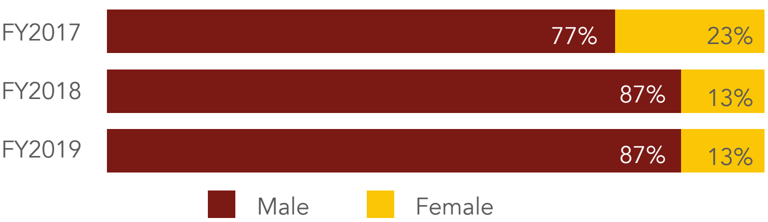


Diversity within Our Workforce

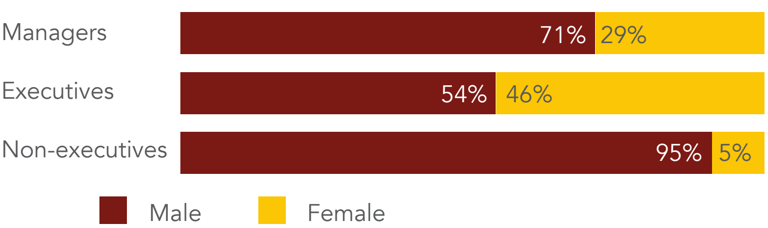
The Group's Equal Opportunity Policy ensures that all our employees are provided with equal opportunities, with no age, gender, ethnicity or disability-based discrimination. This is reflected in our support and practice of the Universal Declaration of Human Rights by the United Nations as posted on the Company's corporate website. It is also incorporated within our onboarding orientation programme as part of our efforts to champion human rights within the Group. We also organised a workshop to help inculcate a better understanding of human rights amongst our employees.

Deleum's gender demographics remain skewed towards male employees, underscoring the industrial nature of our offshore-centric operations. We practise local hiring to provide job opportunities within the oil and gas sector for Malaysians. In FY2019, approximately 99% of our employees were Malaysians.

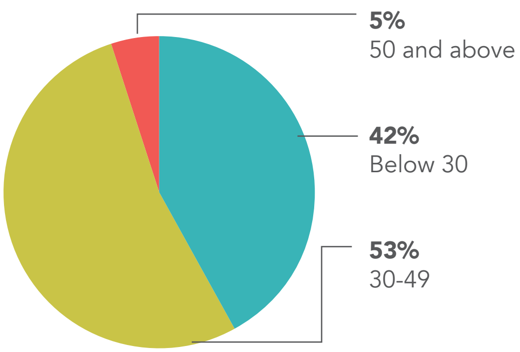
Employee Breakdown by Gender (FY2017-FY2019)
*(*Malaysian employees only)*



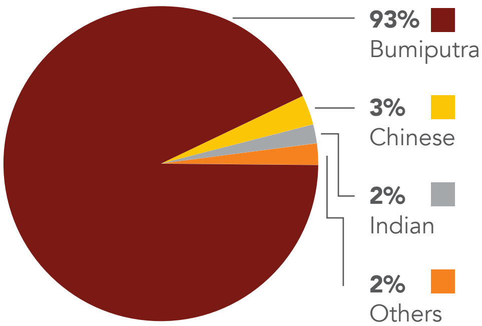
Employee Breakdown by Level (FY2019)



Employee Age Group (FY2019)



Employee Breakdown by Ethnicity (FY2019)



Employee Training and Development

The Group continues to strengthen the Deleum Talent Management Framework. The framework encompasses a succession planning structure that emphasises leadership competencies. To date, components such as a Senior Management Development Programme, internal workshops and soft skill training sessions have been brought into play. As we leverage on these and other elements, we are ensuring Deleum has a strong talent pool to draw from as and when new leaders are required.

During FY2019, workshop and training sessions covered, amongst others, the following topics:

- Ongoing compulsory training relating to Loss Prevention System (LPS), Permit to Work (PTW), Hydrogen Sulphide (H2S), Basic Offshore Safety Induction and Emergency Training (BOSIET), Tropical Further Offshore Emergency Training (T-FOET) and International Well Control Forum (IWCF) training;
- Introduction to Oil & Gas: Upstream Overview;
- Behavioural Event Interviewing (BEI) skills training;
- First Aid training and Dedicated First Aider training;
- Basic Communication for Writing and Speaking;
- Finance for Non-Finance Personnel;
- Store and Inventory Management;
- Creating a Harassment Free Workplace;
- The Art of Effective Presentation; and
- Managing People in the Perspective of Employment Law.

In FY2019, we completed the succession planning exercise for the Group Managing Director's role where independent gap assessments were performed by an external party on C-suite executives and the findings were presented to the Board.

Sustainability Statement (Continued)

Employee Engagement
We encourage our employees and leaders to have frequent engagement sessions throughout the year. These include the annual performance reviews which are conducted with our employees to provide feedback on their performance and advice on their career development. These ongoing reviews provide opportunities to gain better insights into our employees' interests and workplace concerns as well as to finetune our human capital management initiatives based on the feedback we receive.

Other than the above, Group Managing Director conducts quarterly townhall briefing sessions with the employees covering Deleum's quarterly results and current developments within the Group, amongst other topics. This platform serves to facilitate an effective two-way communication between employees and Management.

Employee Benefits
For FY2019, our employee benefits and incentives include the extension of maternity leave from 60 days to 90 days and paternity leave from two to five days. Management periodically reviews the Group's remuneration packages to ensure these remain competitive.

Employee Well-being
Employee well-being activities were carried out throughout the year to strengthen camaraderie amongst the Deleum workforce as well as to promote a healthy work-life balance and the fundamentals of self-care and wellness. Amongst the activities held in FY2019 were the Group annual dinner at all locations, festive gatherings, Children's Day at Work and corporate wellness activities.

The corporate wellness activities included sports and recreation activities and a Corporate Wellness Programme which was held over a 17-week duration. This programme continued to gain good momentum in FY2019 through a wide range of mental and physical wellness activities which included 15 exercise classes and eight workshops and talks.

A key corporate wellness activity conducted in FY2019 was our flagship Women's Week, to celebrate and commemorate women's strenghts, potential and achievements held from 21 to 25 October 2019. The programme featured various activities, including Deleum's Most Amazing Woman award, which were well received and drew good participation from our employees.

Key Theme: Safety

Safety Practices, Procedures and Processes
Our Health, Safety and Environment (HSE) Slogan, "Collective Responsibility Towards HSE Excellence" aims to inculcate a sense of ownership and a collective responsibility in every employee to continuously improve Deleum's HSE performance. The Group's HSE Management System (HSEMS) helps to ensure its smooth running. Periodic audits of the HSEMS are undertaken at our operational facilities, whilst the system itself is reviewed annually by our HSE committee.

Effective 2 May 2019, Deleum implemented a change in its HSE policies to address the evolving needs of contractual and regulatory requirements as well as to align with current industry best practices. The existing Drug and Alcohol Policy was revised and renamed to Substance Misuse Policy and it is made available in both English and Bahasa Malaysia on the Company's corporate website.

In FY2019 we reinforced our "10 Life Saving Rules" by installing pledge boards at all operations bases and also conducted refresher trainings in conjunction with our HSE policies briefing. A Safe Start sharing session with suppliers and vendors was held during the Supplier HSE audit to promote safety amongst customers and other stakeholders.

As part of our efforts towards upholding responsibility and care as well as ensuring compliance, we conducted the Chemical Hazards Risk Assessment (CHRA) at all operations sites that are potentially exposed to chemicals. The CHRA forms part of the safety requirements of the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulations 2000, which the Group is in full compliance with.

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

HSE Assurance and Management Review Process
The Group is continually monitoring HSE action plans and activities as part of our HSE Assurance and Management Review process. External audits are conducted to assess our compliance with regulatory and contractual requirements in the areas of HSE Management Systems, HSE performance, risk assessment, permits, training and competency, drug and alcohol usage, as well as personal protective equipment (PPE) usage. The findings arising from these external reviews are disclosed as part of the audit and inspection process with the necessary corrective measures implemented accordingly. For FY2019, aside from the HSE inspections and Deleum's HSE Committee site visits, we also conducted four HSE audits on selected suppliers/vendors as part of the review process.

Occupational Safety and Health (OSH) Safety Training Sessions
Our training sessions primarily involve personnel working at sites and the following key training sessions were conducted in FY2019:

- Control of Work (CoW);
- Basic Occupational First Aid, CPR and AED;
- Adverse Weather Safety Awareness Campaign;
- 10 Life Saving Rules Refresher Training;
- Safe Choice Training; and
- Radiation Awareness Training.

OSH-Related Initiatives
Throughout FY2019, we implemented a variety of OSH-related initiatives at both our head office and facilities towards meeting our stakeholders' safety requirements and their expectations. We also continued to distribute safety awareness information such as the latest HSE-related updates to our employees via monthly bulletins.

The following were some of the key OSH-related initiatives undertaken in FY2019:

Activity	Description
STOP Card	The STOP or Safety Training Observation Programme initiative in HSE is a behavioural-based safety programme designed to prevent injuries and occupational illnesses at the workplace. The programme involves training, observation, corrections and STOP work authority. For FY2019, the reward system that acknowledged the Best STOP Card issuer on a quarterly basis continued to be implemented.
Digitalisation of STOP Card and Scheduled Waste Submission (Paperless programme)	The year saw DOSSB Labuan updating its systems to enable STOP Card submission and scheduled waste submission through QR codes.
Hazard and Effect Management Process (HEMP)	HEMP is a risk management process which ensures that hazards/ risks to the workforce, assets and environment are properly controlled. It also helps mitigate the risk of incidents. In FY2019, DPSB and DOSSB completed their HEMP programmes.
HSE Inspections	In addition to the regular QHSE inspections done by QHSE coordinators on a monthly or quarterly basis, a total of four HSE inspections were conducted in FY2019.
Basic Occupational First Aid, CPR & AED	External trainers were engaged to conduct first aid training sessions and assessments for employees including those at operation sites.
Emergency Preparedness Drills	Emergency drills were conducted for chemicals spillage at Deleum's Teluk Kalong and Labuan facilities. Radiation emergency drills were also conducted at DOSSB's Kemaman facilities.

Safety Performance
Between 25 August 2012 and 20 November 2019, we recorded a total of 15.6 million free Lost Time Injury (LTI) man-hours. Unfortunately, due to an LTI Incident in Labuan on 21 November 2019, where a contractor's employee was hit by a fallen door and cracked his right femur, our LTI record was reset to zero. In the wake of this incident, we conducted joint investigation with the Department of Occupational Safety & Health (DOSH) as required. The Group has since gone on to implement additional measures to prevent a recurrence and to strengthen our safety culture.

Sustainability Statement (Continued)

At the Group level, as of 31 January 2020, our total LTI free man-hours stood at 591,000 for 71 days, whilst our total Recordable Case Frequency stood at zero. As of 31 January 2020, the number of accidents / incidents / cases and fatalities within the Group stood at zero.

In FY2019, our operating entities received the following awards and accolades in recognition of their excellent HSE performance:

No.	Date	Client/ Regulatory Body	Award
DOSSB			
1	13-Feb-19	EMEPMI	DOSSB was awarded the Grand Winner for 2018 Chairman's Safety Award during EMEPMI SSHE Forum
2	26-Sep-19	EPIC	Best Premise for HSE Week 2019 at Kemaman Supply Base by Eastern Pacific Industrial Corporation Berhad (EPIC)
3	30-Dec-19	EMEPMI	Gold Winner Best Stop Card to DELEUM Specialist by Wells global EMEPMI (Texas)
DSSB			
1	19-Nov-19	EnQuest	Certificate of Appreciation in recognition of achieving excellent HSE and operational performance for EnQuest Malaysia since 2015
DPSB			
1	30-Oct-19	DOSH	Achieved Overall Level 5 (Excellence) for Program Intervensi Systematic Occupational Health Enhancement Level Program (SoHELP) by DOSH Terengganu
TSSB			
1	19-Nov-19	EnQuest	Certificate of Appreciation in recognition of achieving excellent HSE and operational performance for EnQuest Malaysia since 2015
DCSB			
1	30-Oct-19	DOSH	Achieved Overall Level 5 (Excellence) for Program Intervensi Systematic Occupational Health Enhancement Level Program (SoHELP) by DOSH Terengganu

On 13 February 2019, DOSSB was named the Grand Winner of the 2018 Chairman's Safety Award during the Annual EMEPMI Safety, Security, Health and Environment (SSHE) Forum and Chairman's Safety Awards event. The award recognised DOSSB's efforts for constantly demonstrating excellent conduct in the following areas:

- Leadership and Communication;
- Crew Competency Programme;
- Worker Empowerment/ Engagement; and
- SSHE Programme Effectiveness.

Key Theme: Corporate Social Responsibility

Community Outreach Practices

Deleum continues to support Corporate Social Responsibility (CSR) initiatives as a conscientious corporate citizen. The Group strongly believes in giving back to the community and managing our environmental footprint in the areas we operate in based on three focal areas, namely Education, Community and the Environment.

Our efforts to date centre on the following key initiatives:

- Education: School Adoption Programme
- Community: Festive CSR activities and the "We Care We Share" programme
- Environment: Mangrove Planting at EcoCare Kerteh

School Adoption Programme
Through the Group's participation in the "Promoting Intelligence, Nurturing Talent and Advocating Responsibility" (PINTAR) school adoption programme, we continue to make a positive impact on Sekolah Kebangsaan Kampung Bakam (SKKB) in Miri, Sarawak. In FY2019, we demonstrated our continuous support towards promoting academic and non-academic growth of SKKB and its students through several tangible initiatives.

The year saw us refurbishing SKKB's school library by installing air conditioning, providing new computers and furniture, setting up reading corner and notebook stations for a conducive learning environment.

Education: School Adoption Programme

8 March 2019

Official Launch of the refurbished Gedung Ilmu Deleum at SKKB, Miri

Our efforts also extended to providing financial aid to 80 underprivileged students of SKKB for the purchase of books, stationery, sports attire and other necessities at the start of the school year.

Community-Focused CSR Activity
We continue to engage the underprivileged and the wider community through various CSR initiatives by extending care to the local community.

In FY2019, we carried out several activities revolving around festive celebrations:

15 February 2019

A donation drive for the Rumah Charis Home for the Aged in conjunction with the Chinese New Year celebrations.

28 June 2019

Hari Raya Aidilfitri celebrations with children from Rumah Telaga Kasih.

4 November 2019

Deepavali celebrations at SJK (T) Bangsar.

20 December 2019

Deleum's Secret Santa Christmas celebration with the children at the Trinity Children's Home.

28 November 2019

As part of Deleum's "We Care We Share" initiative, we donated food as well as undertook cleaning and painting activities in support of the residents of Pusat Transit Gelandangan together with several underprivileged individuals within the community.

Sustainability Statement (Continued)

In FY2019, our annual blood donation drive carried out at our Bangsar, Kemaman and Miri locations was extended to Labuan. In total, we attracted a total of 318 blood donors (FY2018: 257 donors).

	Date (2019)	Total Number of Participants	Total Pints of Blood Collected
Labuan	1 October	70	54
Bangsar	17 October	116	81
Kemaman	17 October	80	53
Miri	30 October	52	33
Total		**318**	**221**

October 2019

Environment Focused CSR Activity

18 June 2019

Deleum sponsored 100 mangrove plants when its employees participated in a mangrove planting session with EcoCare Kerteh.

DELIVERING TRUE, SUSTAINABLE VALUE

As Deleum moves forward amidst a challenging operating environment, we remain committed to balancing out our economic ambitions with environmental and social considerations. We recognise that sustainability is everyone's responsibility as the Economic, Environmental and Social choices we make, affect us now and in the future.

Corporate Governance Overview Statement

The Board of Directors (the Board) of Deleum Berhad (Deleum or the Company) remains steadfast in its commitment in ensuring that high standards or corporate governance are consistently observed and practised throughout Deleum and its subsidiaries (collectively the Group) as a fundamental aspect of its responsibilities in managing the business and affairs of the Group. The Board has adopted and operated in accordance with high standards of corporate governance which is essential for sustainable long-term performance and value creation, where practical and appropriate.

This Statement provides an overview of the Group's application of the principles set out in the Malaysian Code on Corporate Governance 2017 (MCCG) during the financial year 2019 (FY2019). The details of the application of each practice set out in the MCCG is disclosed in the Corporate Governance Report for FY2019 which is available on Deleum's corporate website at www.deleum.com.

PRINCIPLE A
BOARD LEADERSHIP AND EFFECTIVENESS

I. Roles and Responsibilities of the Board

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

It has the ultimate and overall responsibility for the entire affairs of the Group and the proper and effective conduct of its business including establishing the vision and strategic objectives of the Group, directing and providing effective oversight of Management and stewardship of the Group's resources towards realising the vision of the Group.

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

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

The Board plays a pivotal role in reviewing the Group's strategic direction and approving strategic plan of the Group to ensure that the strategic plan supports business sustainability and long-term value creation. The Board held a pre-budget offsite meeting in October 2019 to engage with the Group Managing Director and Key Senior Management to discourse on the business strategies and plans for 2020 and beyond, focusing on investments plans and budget for 2020 within the Group's risk tolerance levels amidst the challenging operating and trading environment.

Corporate Governance Overview Statement (Continued)

(ii) Reviewing, adopting and approving the Group's key operational initiatives, major investments and funding decisions including major capital commitments, participation in tenders or projects exceeding the prescribed value, material acquisitions and disposals and key policies.

(iii) Reviewing and discussing the performance and execution of the Maintenance, Construction and Modification Services Contract for PETRONAS Carigali Sdn. Bhd. under Package C (Offshore)-Peninsular Malaysia Gas (MCM Contract) of Deleum Primera Sdn. Bhd. and setting the Board's expectations.

(iv) Overseeing the conduct of the Group's businesses whereby the Group Managing Director is responsible for the day-to-day management of the business and operations of the Group and implementation of the Group strategies and policies as approved by the Board. He is well supported by the management team.

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

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

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

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

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

(vii) Reviewing the progress of the succession planning for the role of Group Managing Director.

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

- approved the annual and quarterly financial results and annual report;
- reviewed the effectiveness of the external and internal auditors and their independence;
- reviewed and approved the revisions of the Board Charter, Code of Business Conduct and relevant human resource policies;
- reviewed and approved the appointment of a new director and his appointment to Board Committees;
- reviewed and approved the revision of the Directors' Remuneration Framework for Non-Executive Directors on the fixed fees and meeting allowances;
- reviewed and approved the appointment and promotion of senior management positions; and
- reviewed and recommended the proposed change of the Company's Constitution for shareholders' approval at the 14th Annual General Meeting (AGM) held on 14 May 2019;

Board Delegation

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

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

Chairman, Group Managing Director and Independent Directors

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

Chairman

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

Deputy Chairman

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

Group Managing Director

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

Independent Non-Executive Directors

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

Senior Independent Non-Executive Director

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

Company Secretaries

The Board is supported by suitably qualified, experienced and competent Company Secretaries in the discharge of its duties and responsibilities and has unhindered access to their advice and services. Both the Company Secretaries are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 (CA 2016) and are members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

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

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

Information provided to Directors

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

Corporate Governance Overview Statement (Continued)

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

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

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

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

Board Charter

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

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

Directors' Code of Ethics

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

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

Code of Business Conduct

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

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

The COBC is available on the Company's corporate website and intranet.

Whistleblowing Policy

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

The objective and purposes of the policy have been communicated and socialised to the employees and relevant parties.

The policy is reviewed regularly and was last updated in May 2018. No changes were made to the policy based on review conducted in 2019 by Management. It is made available on the Company's corporate website and intranet.

II. Board Composition

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

Name	Designation
Dato' Izham bin Mahmud	Non-Independent Non-Executive Chairman
Datuk Vivekananthan a/l M.V. Nathan	Non-Independent Non-Executive Deputy Chairman
Nan Yusri bin Nan Rahimy	Group Managing Director
Datuk Ishak bin Imam Abas	Independent Non-Executive Director
Datuk Ir (Dr) Abdul Rahim bin Hashim	Senior Independent Non-Executive Director
Datuk Noor Azian binti Shaari	Independent Non-Executive Director
Lee Yoke Khai (appointed on 15 March 2019)	Independent Non-Executive Director

During FY2019, Datuk Chin Kwai Yoong resigned as Independent Non-Executive Director of the Company on 19 February 2019.

The Board has a well-balanced composition with an effective mix, ensuring that there is an effective and fair representation and also a balance of power and authority on the Board. The Board is appropriately structured to provide the required leadership and governance to realise the Company's mission, objectives and business strategies for the benefit of all stakeholders, in particular shareholders' interest. The Independent Directors make up more than half of the Board which exceeds the minimum as mandated by the Main Market Listing Requirements (Listing Requirements) of Bursa Securities which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The Independent Directors bring a wide range of experience and expertise to the Board and carry significant weight in the Board's decision on matters relating to the Group's affairs.

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

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

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

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

Tenure of Independent Directors

The Board believes that a Director's independence should not be determined through the length of service as there are significant advantages to be gained from long-serving Directors who over the years have developed deeper understanding of the Group's business and possess insight and in-depth knowledge of the Group's business and affairs. As set out in the Board Charter, the Board does not encourage a Director whose term of appointment has exceeded a cumulative period of 12 years to be retained as Independent Director, unless upon assessment by an independent third party, the Board is satisfied that the said Director remains objective and continues to be independent in all aspects and will continue to seek shareholders' approval at general meeting for the retention of such Independent Director.

During FY2019, an Independent Director, Datuk Ishak bin Imam Abas has served on the Board for a cumulative term of 12 years as at 20 March 2019. In line with the provisions of the Board Charter, an independent third party was engaged to assess Datuk Ishak's continued independence in thought and mind. Based on the outcome of the independent assessment and recommendation of the Joint Remuneration and Nomination Committee (JRNC), the Board having regard to the Board's personal interaction with Datuk Ishak viewed that the independence of Datuk Ishak had not been impaired and recommended to the shareholders for approval at the 14th AGM of his retention as Independent Director of the Company until the conclusion of the next AGM through a single-tier voting process. The resolution was approved by the shareholders holding majority votes of 97.85%. The strong support of the shareholders indicates that they value the contribution of Datuk Ishak as an Independent Director.

For the 15th AGM, Datuk Ishak has abstained from deliberation at the JRNC meeting on his continuation in office as Independent Director. Datuk Ishak has confirmed that he satisfies all the independence criteria as set out in the Listing Requirements. In line with the Board Charter, an independent third party was engaged to provide an unbiased evaluation of Datuk Ishak and to assess if he continues to satisfy the quantitative assessment and qualitative assessment of independence in thought and mind.

Corporate Governance Overview Statement (Continued)

The independent third party used a rigorous evaluation process which included an assessment of Datuk Ishak's performance and effectiveness as an Independent Director by his peers through a rating assessment model. Interview sessions were conducted by the independent third party with the Chairman of the Board and Datuk Ishak which serve as a moderation exercise to the responses by the Board members. The assessment was administered using instruments that deploy both qualitative and quantitative criteria covering his professional conduct, competence, integrity, understanding of his role and function in bringing independent judgement and objective view in the evaluation of the performance of Management, understanding of his duties on the Board and Board Committees as well as his time commitment. The outcome of the assessment by the independent third party was reported to the JRNC and the Board. The Board views that the independent assessment confirms that Datuk Ishak's long tenure does not affect the manner in which he makes decision as an Independent Director.

The Board, save for Datuk Ishak who had abstained from deliberations on the matter, having considered the findings and results of the evaluation exercise views that the independence of Datuk Ishak has not been impaired and will recommend to and seek shareholders' approval at the 15th AGM to retain Datuk Ishak as Independent Director of the Company through a single-tier voting process.

Appointment and Re-election of Directors

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

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

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, major shareholders, Management and independent advisors and networks from various parties.

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

Directors who are appointed by the Board during a financial year are subjected to re-election by the shareholders at the next AGM to be held following their appointments. Mr Lee Yoke Khai, who was appointed as director of the Company on 15 March 2019, was re-elected to the Board pursuant to Article 76 of the Company's Constitution at the 14th AGM.

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

The JRNC had assessed two (2) Independent Non-Executive Directors namely, Datuk Ir (Dr) Abdul Rahim bin Hashim and Datuk Ishak bin Imam Abas, standing for re-election pursuant to Clause 88 of the Company's Constitution.

The JRNC agreed that both Datuk Ir (Dr) Abdul Rahim and Datuk Ishak met the criteria of character, experience and knowledge, integrity, competence and time commitment to effectively discharge their respective roles as Directors and recommended to the Board for endorsement of the Directors for re-election at the 15th AGM.

Time Commitment

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

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

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

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

Attendance of Directors at the meetings held during FY2019

			Board Committees		
Name of Director	**Board Meetings**	**AGM**	**Audit Committee (AC)**	**JRNC**	**BRC**
Dato' Izham bin Mahmud	8/8	1/1	–	3/3	–
Datuk Vivekananthan a/l M.V. Nathan	8/8	1/1	–	3/3	5/5
Nan Yusri bin Nan Rahimy	8/8	1/1	–	–	–
Datuk Ishak bin Imam Abas	7/8	1/1	4/4	3/3	–
Datuk Ir (Dr) Abdul Rahim bin Hashim	8/8	1/1	4/4	3/3	–
Datuk Noor Azian binti Shaari	8/8	1/1	–	3/3	5/5
Lee Yoke Khai (appointed on 15 March 2019)	6/6	1/1	3/3	1/1	4/4
Datuk Chin Kwai Yoong (resigned on 19 February 2019)	N/A	N/A	N/A	N/A	N/A
Total number of Meetings held during FY2019	**8**	**1**	**4**	**3**	**5**

Directors' Training and Induction

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

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

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

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

During FY2019, two (2) in-house training programmes were organised and attended by all Directors together with the Senior Management and relevant personnel:
- Special Programme for Voluntary Disclosure Corporate & Taxpayers
- Briefing Session on Corporate Liability Provision

Corporate Governance Overview Statement (Continued)

The seminars, workshops and conferences participated by Directors during FY2019 are summarised as follows:

Date	Programmes	Attendance
24 January 2019	• Fide Forum Workshop - Building an Effective Board - Board Selection	DNA
9 April 2019	• Decommissioning & Abandonment Forum	NY
22 – 23 April 2019	• Meaningful Conversation - Training for Top Leaders	NY
12 June 2019	• Bursa Advocacy On Diversity By Robert Ford Demystifying The Diversity Conundrum: The Road To Business Excellence	DIM, DVVN
24 – 25 June 2019	• Asia Oil & Gas Conference (AOGC)	NY
26 June 2019	• Bursa Malaysia Thought Leadership Series: Leadership Greatness In Turbulent Times: Building Corporate Longevity	DIM, DIIA
26 June 2019	• Malaysian Gas Symposium (MyGas 2019)	NY
26 – 27 June 2019	• Mandatory Accreditation Programme	LYK
27 June 2019	• Cyber Security in the Boardroom - Accelerating from Acceptance to Action	DVVN, LYK
27 June 2019	• PETRONAS BeyondHome 2019	NY
10 – 11 July 2019	• 7th Sabah Oil & Gas Conference & Exhibition	NY
1 August 2019	• Fide Forum ISRA Programme - Value Based Intermediation Directors' Role	DNA
23 August 2019	• Bursa Malaysia Thought Leadership Series: The Convergence of Digitalisation and Sustainability	DIM
23 September 2019	• Bursa Malaysia Thought Leadership Series: Sustainability Inspired Innovations : Enablers of the 21st Century	DIM
4 October 2019	• Fide Forum - Series Digital to the Core	DNA
9 October 2019	• Case Study Workshop for Independent Director	DARH, LYK
14 October 2019	• MGA Industry Talk - Outlook on the Malaysia Oil & Gas Industry	NY
14 – 15 October 2019	• International Directors Summit 2019	LYK
22 – 23 October 2019	• MIA Conference 2019	LYK
29 – 30 October 2019	• Asia Petroleum Geoscience Conference & Exhibition	NY
31 October 2019	• Session on Corporate Governance & Anti-Corruption	NY, LYK
31 October 2019	• Forum on Cogeneration	NY
22 November 2019	• Audit Oversight Board - Conversation with Audit Committees	LYK
3 December 2019	• Walking the Talk with MYWIE	NY

Note:

DIM	Dato' Izham bin Mahmud	DIIA	Datuk Ishak bin Imam Abas
DVVN	Datuk Vivekananthan a/l M.V. Nathan	DARH	Datuk Ir (Dr) Abdul Rahim bin Hashim
NY	Nan Yusri bin Nan Rahimy	DNA	Datuk Noor Azian binti Shaari
LYK	Lee Yoke Khai		

The Board through the JRNC had assessed the training needs of each Director and is satisfied that the Directors have received the necessary training during FY2019.

III. Board Committees

The Board has established three (3) Board Committees namely the AC, the JRNC, and the BRC. The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, and operate within their own clearly defined Terms of Reference.

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

Joint Remuneration and Nomination Committee

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

As at 31 December 2019, the members of the JRNC comprised the following:

Name	Designation
Datuk Ir (Dr) Abdul Rahim bin Hashim	Chairman of JRNC/ Senior Independent Non-Executive Director
Dato' Izham bin Mahmud	Member / Non-Independent Non-Executive Chairman
Datuk Vivekananthan a/l M. V. Nathan	Member / Non-Independent Non-Executive Deputy Chairman
Datuk Ishak bin Imam Abas	Member / Independent Non-Executive Director
Datuk Noor Azian binti Shaari	Member / Independent Non-Executive Director
Mr Lee Yoke Khai *(appointed on 15 March 2019)*	Member / Independent Non-Executive Director

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

During FY2019, three (3) meetings of the JRNC were held with the full attendance of members of the JRNC as reflected on page 51.

As appointed by the Board, the JRNC also undertook the role of the Plan Committee for the implementation and administering of the Group's Long-Term Incentive Plan (LTIP) in accordance with the By-Laws of the LTIP which was approved by the shareholders on 27 May 2014.

During FY2019, the following activities were undertaken by the JRNC:

(i) reviewed the Directors' Remuneration Framework for Non-Executive Directors which sets out the quantum and guidelines of payment of Directors' Fees and Meeting Allowances for Non-Executive Directors;
(ii) discussed and reviewed the annual bonus for the employees and the Group Managing Director in respect of FY2018 and made recommendation for the Board's approval;
(iii) discussed and reviewed salary adjustment, and promotion for senior management;
(iv) conducted annual evaluation of the Board's effectiveness and performance covering the assessment of the Board, each individual Director, each Board Committee, and independence of the Independent Directors;
(v) reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
(vi) reviewed and recommended the nomination of a new director and as member of the Board Committees.
(vii) assessed and recommended the appointment of an independent third party to assess the independence of an Independent Director attaining a cumulative of 12 years on board, and assessed and recommended the retention of the said Independent Director to continue to act as Independent Director of the Company;
(viii) reviewed the training courses attended by the Directors;
(ix) reviewed the Directors who are due for re-election at the Company's 14th AGM and recommended their re-election;
(x) reviewed the proposed key performance Indicators (KPIs) for the Group Managing Director and recommended the same for the Board's approval;
(xi) reviewed and recommended the renewal of the Group Managing Director's employment contract including his remuneration package; and
(xii) the vesting of the Third Tranche of Second Grant for 427,800 ordinary shares in Deleum (Deleum Shares) under the Restricted Share Incentive Plan (RS Award) of the LTIP to selected eligible employees. The Company did not grant any shares under the LTIP during FY2019 based on the current market situation.

Corporate Governance Overview Statement (Continued)

Audit Committee

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

A full AC Report enumerating its membership and a summary of its activities during the financial year is set out on pages 67 to 72 of this Annual Report.

Board Risk Committee

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

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

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

The Board through the JRNC and facilitated by the Company Secretaries, annually assesses the effectiveness of the Board, Board Committees, the contribution of each individual Directors including assessment of the independence of each of the Independent Directors to set criteria as prescribed by the Listing Requirements by way of a set of customised questionnaires. The individual's ability to exercise independent judgement and to demonstrate the values and principles associated with independence such as impartiality, objectivity, and consideration of all stakeholders' interests is also assessed. For FY2019, the assessment was conducted online in line with the Group's digitalisation efforts.

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

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

The outcome of the evaluation for FY2019 highlighted certain key focus areas and future priorities for the Board's consideration, including the following:

- Enhancement of board papers and presentations with more concise and clear presentation materials.
- Greater sharing of knowledge on technology and cyber security matters.

IV. Remuneration of Directors and Key Senior Management

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

The details of Directors' and Key Senior Management's remuneration received or to be received for FY2019 (both from the Company and the Group) are as follows:

(a) <u>Remuneration of Executive Director (Group Managing Director)</u>

The Group Managing Director received the remuneration from the Company in accordance with the contract of employment. He did not receive any remuneration from the subsidiaries of the Group. Annual discretionary bonus of the Group Managing Director is based on the Group's performance and as recommended by the JRNC and approved by the Board. During FY2019, the Group Managing Director received the following total remuneration from the Company:

Director/ Group Managing Director	Remuneration (RM)						
	Fees	Salaries and bonuses	^Defined contribution plan	*Estimated monetary value of benefits-in-kind	LTIP	#Other emoluments	Total
Nan Yusri bin Nan Rahimy	-	1,260,000	189,000	59,757	76,117	923	1,585,797

* Comprised prescribed value of company car and driver and club subscription fees.
# Comprised contribution to Social Security Organisation (SOCSO) and Employment Insurance Scheme (EIS).

The Group Managing Director's remuneration package is structured so as to link to corporate and individual performance, aligned with the corporate objectives, and approved by the Board. He is not entitled to any Director's fee from the Group nor is he entitled to receive any meeting allowances for Board or Board Committee meetings. The JRNC reviews the performance of the Group Managing Director annually and submits recommendation to the Board on adjustments in remuneration and/or reward to reflect the Group Managing Director's achievement for the year.

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

In addition to the above, the Group Managing Director is entitled to participate in the Group's LTIP scheme. During FY2019, he was vested 72,700 Deleum Shares under Third Tranche of Second Grant under the RS Award of the LTIP on 22 March 2019.

(b) Remuneration of Non-Executive Directors

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

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

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

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

Board Committees' Fees:

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

The Board as a whole determines the remuneration of Non-Executive Directors which is subject to the approval of the shareholders at the AGM. The fees and meeting allowances paid to the Non-Executive Directors during FY2019 were in line with their duties and responsibilities and time commitment required to discharge their duties.

The total remuneration for the Non-Executive Directors individually from the Company in respect of FY2019 are set out below. They did not receive any remuneration from the subsidiaries of the Group:

Corporate Governance Overview Statement (Continued)

Directors	Fees (RM)	Salaries and bonuses (RM)	Defined contribution plan (RM)	*Estimated monetary value of benefits–in–kind (RM)	Meeting Allowances (RM)	#Other emoluments (RM)	Total (RM)
Dato' Izham bin Mahmud (Chairman of Board)	326,250	–	–	31,150	–	4,705	362,105
Datuk Vivekananthan a/l M.V. Nathan (Deputy Chairman of Board)	326,250	–	–	31,150	–	19,321	376,721
Datuk Ishak bin Imam Abas (Chairman of AC)	97,875	–	–	–	24,925	–	122,800
Datuk Ir (Dr) Abdul Rahim bin Hashim (Chairman of JRNC)	91,350	–	–	–	23,200	–	114,550
Datuk Noor Azian binti Shaari	78,300	–	–	–	22,350	–	100,650
Lee Yoke Khai (Chairman of BRC) (appointed as Director on 15 March 2019)	84,787	–	–	–	23,100	–	107,887
Datuk Chin Kwai Yoong (Chairman of BRC) (resigned as Director on 19 February 2019)	13,429	–	–	–	–	–	13,429
Total (RM):	1,018,241	–	–	62,300	93,575	24,026	1,198,142

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

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

(c) Remuneration of Senior Management

For FY2019, the aggregate total remuneration paid to Deleum Group's top five (5) Key Senior Management personnel, who are not Directors, comprising the Group Chief Financial Officer and four (4) Chief Executive Officers of the subsidiaries of the Group is RM3,869,734, as follows:

Remuneration (RM)						
Salaries and bonuses	Defined contribution plan	** Fixed Allowances	*Estimated monetary value of benefits-in-kind	LTIP	#Other emoluments	Total
2,756,498	390,545	498,000	88,466	131,608	4,617	3,869,734

** Comprised car allowance
* Comprised prescribed value of company car and driver, petrol consumption and mobile expenses
# Comprised contribution to SOCSO and EIS

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

The top five (5) Key Senior Management personnel's remuneration received during the financial year is categorised within the disclosure band as follows:

Remuneration Band (RM)	Number of Key Senior Management personnel
RM650,001 – RM700,000	1
RM750,001 – RM800,000	3
RM850,001 – RM900,000	1

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

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

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee and Financial Reporting

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

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

Statement of Directors' Responsibilities in Relation to Audited Financial Statements

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

In preparing the financial statements of the Group for FY2019, the Directors have:

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

The Directors have inquired of Management and the Auditors in respect of any fraud or irregularities impacting the Group. No such matter was reported to the Board in 2019. The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA 2016.

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

External Auditors

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

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

Corporate Governance Overview Statement (Continued)

The external auditors also submitted their independence statement to the Board as part of their audit process. In order to further maintain independence of the external auditors, the audit partner-in-charge is rotated every seven (7) years with the last rotation in FY2016. Assessment of the external auditors is disclosed in the AC Report.

II. Risk Management and Internal Control Framework

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

Board Risk Committee

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

As at 31 December 2019, the members of the BRC are as follows:

Name	Designation
Lee Yoke Khai (appointed on 15 March 2019)	Chairman / Independent Non-Executive Director
Datuk Vivekananthan a/l M. V. Nathan	Member / Non-Independent Non-Executive Deputy Chairman
Datuk Noor Azian binti Shaari	Member / Independent Non-Executive Director

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

During FY2019, five (5) meetings of the BRC were held with the full attendance of members of the BRC as reflected on page 51 of this Annual Report.

The following activities were undertaken by the BRC:

(i) reviewed the revision of Group's Key Risk Profile comprising Strategic, Operational, Financial and Major Contract and Safety risks;
(ii) reviewed the Group's Risk Impact perimeters;
(iii) reviewed the revision of the Group's COBC;
(iv) reviewed the Control Self-Assessment Checklist for the Group's Key Risk Profile;
(v) notation of revised Procedure for Preparation and Submission in Response to Invitation To Bid;
(vi) reviewed the revised Human Rights Policy;
(vii) notation of the minutes of the Management Risk Committee meetings;
(viii) reviewed the project risk assessment for the MCM Contract;
(ix) reviewed the outcome of interim interview with external auditors on risk management and internal audit function for FY2019;
(x) reviewed the gap analysis between PETRONAS Contractors Code of Conduct on Human Rights and Deleum's Equal Opportunity Policy and Grievance Policy;
(xi) notation of the Whistleblowing Policy review;
(xii) notation of Quarterly HSE Performance of the Group;
(xiii) notation of Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018;
(xiv) reviewed the Anti-Bribery Self-Assessment Checklist; and
(xv) reviewed the Business Continuity Management (BCM) processes which include the establishment of BCM Framework, Business Continuity Plan, Crisis Communication and milestone.

More comprehensive information is set out in the SORMIC.

Internal Audit Function

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

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

PRINCIPLE C
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

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

The Group continued to engage with the analysts and fund managers on investor relations. The Group held two (2) analyst briefings in FY2019 to provide updates to the investment community. Additional group briefings, private meetings, teleconferences, and media related interviews were also held as and when required. Presentation materials of the analyst briefings are posted on the Company's website to ensure universal access to the same. These investor relations initiatives provide an avenue for dialogue between institutional investors, fund managers and analysts with the Senior Management. It also serves as an effective platform for the fund managers and analysts to receive a balanced and complete view of the business operations, financial performance, key operating statistics and corporate development and challenges facing the Group.

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

The website also has an e-mail alerts service where shareholders and anyone who are interested may register to receive the latest announcements on the Group via e-mail. Shareholders' and other stakeholders' queries and concerns affecting the Group can be conveyed to Datuk Ir (Dr) Abdul Rahim bin Hashim, the Senior Independent Non-Executive Director of Deleum who can be reached as follows:

Datuk Ir (Dr) Abdul Rahim bin Hashim
c/o Company Secretary
No. 2, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Tel : +603-2295 7790 | Fax : +603-2295 7777
Email : AbdulRahim.Hashim@deleum.com

Shareholders and investors' queries relating to financial performance or company developments can be directed to Ms Navina Balasanger (Tel: +603 2295 7788 or Email: Investor.Relations@deleum.com) and other company related queries can be directed to Ms Lee Sew Bee, Company Secretary (Tel: +603 2295 7788 or Email: SewBee.Lee@deleum.com).

II. Conduct of General Meetings

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

The notice of the 14th AGM held on 14 May 2019 was sent to shareholders at least 28 days ahead of the meeting together with the Audited Financial Statements for the financial year ended 31 December 2018 and the agenda for the meeting. At the 14th AGM, the Group Managing Director presented the Group's financial highlights and business activities to the shareholders.

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

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

III. Dividends

Deleum continues to commit to its dividend policy of distributing 50% of the Group's annual profit attributable to the equity holders of the Company, subject to the availability of adequate distributable reserves, operating cash flow, financial commitments and expansion plans. For FY2019, the Company declared two dividend payments amounting to 4.40 sen per share which were paid within 30 days from the announcement date.

COMPLIANCE STATEMENT

The Board recognises and subscribes to the importance of the principles and best practices set out in the MCCG. In this respect, where practical and appropriate, the Board has applied the principles and recommendations under the MCCG for FY2019.

The application of each practice set out in the MCCG during FY2019 and the explanation for departure is disclosed in the Corporate Governance Report which is available on the Company's corporate website.

This Corporate Governance Overview Statement and the Corporate Governance Report are made in accordance with a resolution of the Board of Directors passed on 12 March 2020.

Statement On Risk Management and Internal Control

The Statement on Risk Management and Internal Control is made in accordance with paragraph 15.26 (B) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and is in line with the Malaysian Code on Corporate Governance 2017.

BOARD RESPONSIBILITIES

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

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

RISK MANAGEMENT

Board Risk Committee

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

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

Management Risk Committee

The Management Risk Committee (MRC) was established in 2017 to manage risks on a dynamic basis given that all manner of risks is inherent in our businesses. This Committee provides a platform for members of the senior management team to bring their cumulative knowledge and experiences of the trading conditions, operating environment and regulatory requirements to facilitate the identification and monitoring of existing and emerging risks impacting the businesses. The MRC which is governed by its Terms of Reference is chaired by the Group Managing Director (GMD) and meets on a monthly basis. The matters discussed at the MRC is reported to BRC on a quarterly basis. The MRC comprises the GMD, Group Chief Financial Officer (GCFO) and the Chief Executive Officers (CEOs) of the 3 business segments of the Group.

The MRC's duties include ensuring:

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

The Terms of Reference (TOR) for MRC were reviewed in July 2019 and there were no revisions made.

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

KEY RISKS 2019

The Deleum Group reviews and re-assesses its risks to determine and respond to the dynamic business environment. Specific risks impacting its businesses as well as operations are profiled, monitored and reviewed. At the beginning of 2019, a thorough review was conducted which resulted in several changes to the key risks for the year.

In assessing the Group's business strategies, Management concurred that there are two new risks which are applicable under the current environment, namely, Strategic Risk and Major Contract Risk which have been included in the Group Key Risk's Profile accordingly with the relevant action plans to mitigate the risks. Meanwhile, the Legal Risk and Human Capital Risk are no longer deemed key risk areas to the Group as the necessary action plans in place, have mitigated the risks to an acceptable level.

Strategic Risk

Strategic Risk relates to the risks that the Group may experience, that may impact its ability to continue in the long term or expand to meet its business objectives. It derives from the strategic decisions and the direction in the implementation of Board's approved strategic and business plans. The major strategic risks faced by the Group in 2019 included over-reliance on upstream business, risk of doing business overseas as well as geopolitical risk. Therefore, to manage this risk, the Group continuously pursues its business development initiatives in its efforts to diversify its business offerings by introducing new products and services whilst venturing into new markets. Project Risk Assessments were conducted for potential business venture overseas where the threat landscape such as emerging geopolitical threats, vulnerabilities and potential impacts across circumstances related to the oil and gas industry as well as the Group's areas of interest were assessed. To date, the Group has received various requests for supplies, invitations to bid and business partnerships, however, these opportunities are prudently evaluated, and the viabilities of the said proposals are assessed accordingly. The Group designs and reviews its strategies to best fit the organisation and responds to the threats as well as opportunities which are unique to the areas of its operations.

Operational Risk

Operational Risk relates to the risk of loss as a consequence of inadequate or ineffective processes, people and systems impacting the Group's ability to meet its business objectives. This risk is further heightened following the continuous fluctuations in oil prices which in turn affects the margins offered by the respective segments. The Group continues to widen its integration across the business units to offer customers holistic solutions, new technological products and services in collaboration with partners whilst emphasizing on cost disciplines alongside measures to improve operational efficiencies and productivity.

The Group's revenue earned in 2019 has shown an upwards trend, however, the profit was hampered by higher operating costs. The Management's mandate is to manage operational risks in a cost-effective manner to prevent financial loss or damage to the Group's reputation. Despite this condition, the Group remained profitable and operating cash generation remained positive.

Financial Risk

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

A major portion of the Group's revenue and costs are conducted in foreign currencies, primarily the US Dollar (USD). To manage this risk, the Group has in place a Board authorised hedging policy and procedures to manage currency fluctuations.

The Board strictly prohibits any speculative activity on currencies. Total net foreign exchange loss for FY2019 is RM1.2 million, as compared to RM0.5 million net loss in FY2018, primarily due to strengthening of the USD against MYR during 2019. The USD has strengthened in the first three quarters of the year and slightly weakened in the last quarter of 2019. To mitigate the currency fluctuation exposure, the Group Finance function has performed the necessary hedging in accordance with the approved policy and procedures. The mitigation impact was reflected in the third quarter of the year which reported a lower realised loss of RM0.2 million as compared to a realised loss of RM1.0 million in the second quarter, despite the USD exchange rate increasing from 4.142 to 4.187 against MYR. The Group Finance function will continue its effort to improvise the process and the effectiveness of hedging.

Safety Risk

The safety of people and assets is a top priority in the oil and gas industry as well as the Deleum Group. Any adverse incidences can result in significant financial loss and damage to the Group's reputation. The Group had recorded 15.6 million Lost Time Injury (LTI) free man-hours up until 20 November 2019. However, since 21 November 2019 the LTI free man-hours have been reset to zero after an LTI incident in Labuan. As of 31 December 2019, The Group has recorded 370,078 LTI Free man-hours. The Group Quality, Health, Safety and Environment (QHSE) function has conducted a gap analysis and the weaknesses in the safe work system's have been identified and the necessary improvement measures have been implemented.

Statement On Risk Management and Internal Control (Continued)

During the year, the Group QHSE function has developed several HSE campaigns for continuous improvements. Further details on these are disclosed in the Sustainability Statement of this Annual Report.

Major Contracts Risk

Major contract risk for the Group stems mainly from the potential adverse effects of the major contracts it serves. The risk was included as a key risk in 2019. For this risk, one of the Group's major contracts being monitored is the Maintenance, Construction and Modification Services (MCM) contract, serviced by Deleum Primera Sdn. Bhd. (DPSB), a subsidiary of the Group. The risks include under-performance or breach of contractual obligations, resources and supply chain failure, operational inefficiencies, cost management as well as quality and safety of overall operations. To mitigate this risk, a dedicated Project Management Team was established to oversee the operations and project deliverables of the contract. Besides that, the overall performance and contractual compliance is also monitored closely by the management of both DPSB and the Group, as well as various supporting functions. The Group remains committed to ensuring that the MCM Contract is able to achieve its objective and produce the expected returns throughout its contract period.

Risk Management Process

The risk management process in Deleum is consistent with The Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework. The risk management approach taken in Deleum is a top-down review process. Selection of specific risk is conducted via sessions at the MRC where key issues and challenges are deliberated and related risks are identified and proposed to BRC. Upon approval, the details of the identified risks will then be developed and assessed. Inputs from various levels of employees, particularly the key business and process owners are obtained in developing the details of the risk as well as assessing it. Once completed, a risk profile is produced and will be submitted again to MRC and BRC for deliberation and final approval. Relevant mitigation plans will be developed, and the risk profile will be monitored and updated every quarter. Employees have a clear understanding that managing risks is a collective responsibility that is central to the Group's risk management process.

Control Self-Assessment Checklist

A Control Self-Assessment (CSA) checklist is a tool developed to assess the adequacy of processes and controls in place within all business units.

The CSA has enabled Management to track the processes and controls that were put in place to mitigate risks and acts as a check and balance mechanism to ensure that effective action plans, processes and controls are in place. During the year, the CSA was updated according to the revised Group Key Risks Profile. The CSA validation process is being conducted in 2020 and the outcome shall be presented to the BRC. In order to obtain and collate the information required, the Risk Management function is engaging with all the key process owners at business as well as support service units.

Risk Sessions

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

Project risks identified are documented in the project risk registers. The assessment is performed using qualitative and quantitative methods to determine the risk exposure. The project risk registers are maintained and reviewed throughout the project duration to ensure that the risk response strategy and mitigation plans are implemented and monitored regularly. Project risk portfolios are reviewed based on need basis. However, MCM project risk profiles are reviewed once in every two quarters. As for invitation-to-bids (ITBs), initial reviews are conducted prior to tender submission.

BUSINESS CONTINUITY MANAGEMENT

The Business Continuity Management (BCM) was a new initiative undertaken during the year. The formulation of BCM includes introducing a framework that guides Deleum in developing, implementing and improving its capacity, capability and resilience in managing potential crisis and disruption to Deleum's business and operations through an integrated approach. The groupwide BCM development and framework improvement was carried out throughout 2019.

In order to achieve abovementioned objectives, this framework provides a standard and consistent approach across the organisation through six (6) key elements, spanning over three (3) stages:

a) Planning & Analysis

   i. Governance
   ii. Risk Assessment
   iii. Business Impact Analysis

b) Development

   i. Business Continuity Strategy

c) Implementation

   i. Testing and Exercise
   ii. Continuous Improvement

Operationalisation of the framework is supported by four (4) critical components, namely:

i. Emergency Response Plan (ERP)
An ERP is a planned document that contains the necessary procedures to be implemented in case of emergency that contains the preparedness, response methods and measures that can be taken in the event of any minor or major incidences. Currently, the Group QHSE function is in the midst of revamping the ERP of the Group to further improve the efficiency and effectiveness of the plan and closer integration with BCM.

ii. Business Continuity Plan (BCP)
A BCP is a documented procedure that will guide the organisation to recover, resume and restore the operations to an acceptable level following a crisis. A BCP was developed for Deleum Oilfield Services Sdn. Bhd. (DOSSB) as a model entity, during the year following a risk assessment and business impact analysis exercise.

iii. Crisis Communication Plan (CCP)
A CCP is a documented procedure that will guide the organisation to address the need for effective and timely communication between the organisation and the affected stakeholders during the crisis. Its aims are to recover and restore the trust, reputation and brand of the organisation. The CCP for DOSSB was established during the year.

iv. Information Communication Technology Disaster Recovery Plan (ICT DRP)
An ICT DRP is a documented procedure that will guide the organisation to prepare and execute a continuity plan for information processing and for network infrastructures to effectively respond, recover, resume and where possible restore the ICT services and infrastructure, to support the continuity and resumption of operations and business during the crisis. With the introduction of the BCM initiative, the existing ICT DRP Procedure was updated to be in line with the BCM requirement.

CONTROL STRUCTURE

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

- The Board

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

- Strategic Business Planning, Budget and Reporting

  The planning process for the ensuing year starts with the strategy setting meeting between the Board and the GMD. The deliberations and decisions are then taken forward in the preparation of the Group Strategic Plan and Budget. Detailed budgets are prepared by the business units and corporate resources units and submitted to the Group Finance function which then consolidates this information into a Group Budget. Besides that, an offsite Board meeting between the Board, GMD and relevant stakeholders are held to give the Board an avenue to further discuss and deliberate business strategies of the Group for the upcoming year. These expectations are then shared with the Senior Management team in the development of the 2020 Strategies and Budget for the Group.

Statement On Risk Management and Internal Control (Continued)

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

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

The Board reviews the quarterly results against the budget and historical results prior to the quarterly announcement made to Bursa Securities. Concurrently, Management provides an outlook of the business and changes in the business plans are deliberated and sanctioned by the Board accordingly.

- Audit Committee

  The AC evaluates the adequacy and integrity of the Group's internal control systems. The AC reviews internal control matters raised by the internal and external auditors and Management. Where appropriate, the AC is briefed on matters pertaining to corporate governance, financial reporting standards, listing requirements, legal and regulatory requirements as well as key matters affecting the interim and annual financial statements. Details of the AC's activities and responsibilities are set out in the AC Report on pages 67 to 72 of this Annual Report.

- Internal Audit

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

  BDO's primary role is to review the state of the internal controls maintained by the Group based on the annual audit plan which is approved by the AC, and report to the AC on the adequacy and integrity of the internal controls and governance framework of the Group in relation to the audit scope. They provide an independent and objective assessment on the adequacy and effectiveness of the risk management, internal control and governance processes.

  Details of the Internal Audit reviews conducted during the year are set out in the AC Report.

- Group Core Values and Code of Conduct

  The Group's Core Values are communicated through the Group's corporate statement and each employee is required to comprehend and observe the Group's Code of Business Conduct (COBC) during the course of employment. The Group's Core Values and COBC are available on the Company's corporate website and intranet.

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

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

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

  To ensure that all employees are aware of and familiar with the COBC, briefings are conducted throughout the Group's facilities and office locations in Bintulu, Miri, Labuan, Kemaman, Senawang, Kajang and Klang Valley. In addition, an awareness test is set for employees to affirm their knowledge, understanding and compliance with the COBC. The test is conducted on an annual basis. During the year, separate tests were conducted for Executive and Non-Executive employees accordingly, and all employees and the Board of directors are required to participate and pass the test.

  Deleum remains committed to comply to the Universal Declaration of Human Rights and has included it as part of its Human Resource Policies and on boarding induction by the Human Resources functions. Also, various sessions were held to create awareness amongst the employees of the Group.

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

- Whistleblowing Policy

  The Whistleblowing Policy facilitates employees of the Group and external parties to report any wrongdoings and provides assurance of confidentiality and safeguards against victimisation. There was no case reported during the year via the Whistleblowing reporting channel.

  The policy is available on the Company's corporate website and the Board has reviewed and updated the policy in line with the current practices. The policy was last reviewed in August 2019.

- Anti-Corruption Management System

  In line with the new requirement of Section 17 A of the Malaysian Anti-Corruption Commission (Amendment) Act 2019, Management has taken the necessary preparations including a gap analysis assessment, awareness sessions to the Board and Senior Management. A consultant has been appointed to assist Deleum in the exercise to address the requirement of the corporate liability provision.

- Authorisation Limits

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

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

- Policies and Procedures

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

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

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

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

  During the year under review, planned audits for ISO certifications were performed by Certified IRCA (International Registered Certified Auditors) Internal Auditors on DSSB, DOSSB, DCSB, DRSSB, DPSB, TSSB, ICT, Human Resources, Risk Management and Procurement functions. The audits confirmed these companies' and the respective functions continued compliance with the relevant ISO standards as the outcome of the audit revealed only minor rated findings and observations. Appropriate actions have been taken to rectify and close these findings within allocated timeline, with additional controls to be put in place to avoid recurrence.

- Corporate Secretariat and Compliance

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

Statement On Risk Management and Internal Control (Continued)

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

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

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

CONCLUSION

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

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

REVIEW OF THIS STATEMENT

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

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

This Statement On Risk Management and Internal Control Report are made in accordance with a resolution of the Board of Directors passed on 12 March 2020.

Audit Committee Report

The Board of Directors of Deleum Berhad (Deleum or the Company) presents the Audit Committee Report which provides insights into the manner in which the Audit Committee (AC) discharged its functions for Deleum and its subsidiaries (the Group) for the financial year 2019 (FY2019).

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

(I) MEMBERSHIP

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

Name of Committee Members	Appointment Date	Designation
Datuk Ishak bin Imam Abas	21 March 2007	Chairman of AC / Independent Non-Executive Director
Datuk Ir (Dr) Abdul Rahim bin Hashim	15 November 2013	Member / Senior Independent Non-Executive Director
Lee Yoke Khai *(appointed as member on 15 March 2019)*	15 March 2019	Member / Independent Non-Executive Director
Datuk Chin Kwai Yoong *(ceased as member on 19 February 2019)*	21 March 2007	Member / Independent Non-Executive Director

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

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

(II) COMMITTEE MEETINGS

The AC held four (4) meetings in 2019 and each met the requisite quorum stipulated in the Terms of Reference of the AC, which requires at least two (2) members to be present with the majority to be Independent Directors. Details of the AC meeting attendance are set out in the Corporate Governance Overview Statement.

By invitation, the Group Managing Director, the Group Chief Financial Officer and other relevant senior management personnel, and representatives from the external and internal auditors attended the AC meetings to brief and provide clarification to the AC on their areas of responsibility. Invitations were extended to other Directors to AC meetings to share their knowledge and experiences. At the Board meeting, the Chairman of the AC presented the recommendations of the AC and highlighted the relevant findings and issues.

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

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

Audit Committee Report (Continued)

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

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

(III) SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

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

1. Financial Results and Annual Reporting

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

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

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

Revenue Recognition

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

The Management has continued to review and monitor the project analysis to ensure that revenue and cost are recognised appropriately in the financial statements. The external auditors have placed their audit emphasis on the same by undertaking various audit procedures to review the actual costs incurred, budgeted cost and the percentage of completion of the services performed.

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

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

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

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

2. External Audit

(a) Reviewed the external auditors' scope of work, audit plan and audit strategy for FY2019 to ensure appropriate focus on the key risk areas.

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

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

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

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

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

As part of the annual audit exercise, the Company had obtained written assurance from M/S PricewaterhouseCoopers PLT (PwC) confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. PwC has complied with the requirement of the MIA and the firm's Guidelines in rotating audit partners every seven (7) years. A former engagement audit partner will not be eligible for Board appointment until he or she has observed a cooling-off period of at least two (2) years. The Group also restricts the employment of former employees of the external auditors unless a cooling-off period of at least two years is observed to ensure independence of the external auditors and for avoidance of any conflict of interest. During FY2019, no employment was offered to any former partner and/or staff of PwC.

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

The amount of audit fees and non-audit fees paid/payable to PwC or a firm or corporation affiliated to PwC by the Company and the Group respectively in respect of FY2019 were as follows:

	Company (RM)	Group (RM)
Statutory audit fee	299,000	620,600
Non-audit fee	8,600	176,878

The non-audit services conducted during FY2019 comprised mainly tax services and forensic investigation towards an alleged employee misconduct. The provision of non-audit services by PwC during FY2019 did not compromise its independence and objectivity as the non-audit services were conducted by different teams from the statutory audit team of PwC. The AC concluded that it continued to be satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances.

(h) Reviewed the performance and effectiveness of the external auditors and recommended to the Board for their re-appointment and fees for statutory audit.

(i) Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements including changes in tax legislation and recent development. The AC will continue to monitor and review with the external auditors on regulatory updates and the impact to the accounting, auditing and financial reporting practices and processes.

(j) Held two (2) private meetings with the external auditors without the presence of the Executive Director and Management or employees of the Company. The meetings focused on the revenue recognition and performance of the Maintenance, Construction and Modification Services Contract (MCM Contract) by Deleum Primera Sdn. Bhd. In addition, key audit matters were discussed. The AC is

Audit Committee Report (Continued)

satisfied that appropriate actions were taken to address the issues and concerns raised by the external auditors arising from these meetings.

(k) Carried out evaluation of the external auditors and internal auditors, the details of which are in Section (VI) – "Evaluation" of this Report.

(l) Reviewed the Statement on Risk Management and Internal Control to ensure that it is consistent with the state of internal controls of the Group.

3. Internal Audit

(a) Reviewed and approved the Internal Audit Plan prepared by the internal auditors, BDO Governance Advisory Sdn. Bhd. (BDO) to ensure the adequacy of its scope and coverage of the Group's activities.

(b) Reviewed and assessed the resources, performance and competency of the internal auditors.

(c) Reviewed the Internal Audit reports, audit recommendations made and Management's responses to these recommendations, including actions taken to improve the system of internal control and procedures covering, amongst others, the following areas:
- review of the facilities and fixed asset management of Oilfield Services segment and Power and Machinery segment to evaluate the adequacy and effectiveness of the internal controls of the Group;
- quarterly reviews of the compliance with policies and of overall operations pertaining to procurement, payables and payment, analytical review on costs allocation, management structure and personnel, cost management, evaluations and analysis of project team's structure and projects performance, financials and recovery rate of the MCM Contract to support the AC's oversight over the MCM Contract and to identify areas for improvement;
- review of the order to revenue, sales to receipt, procure to pay, operations and financial of Deleum Rotary Services Sdn. Bhd. to evaluate the adequacy and effectiveness of the internal controls of the company;
- review of the organisation planning, evaluation of hiring process, training and development, resignation / retirement / termination and performance management of Human Resources function; and
- review of the order to revenue, sales to receipt, procure to pay, capital projects management, facilities management and operations of Penaga Dresser Sdn. Bhd. to ensure compliance with the Group's policies and procedures.

(d) Ensured that appropriate and prompt remedial actions and improved procedures were implemented by Management arising from the findings raised in the internal audit reviews and in respect of outstanding issues identified from the follow-up audits.

(e) Held one (1) private meeting with the internal auditors without the presence of the Executive Director and Management or employees of the Company to discuss any areas of concern.

4. Related Party Transactions

(a) Apprised the recurrent related party transactions to ensure that the amounts transacted were within the approved shareholders' mandate obtained.

(b) Reviewed the related party transactions of the Group to ensure that they are based on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.

(c) Reviewed the adequacy of procedures and processes in identifying, monitoring, reviewing and reporting of related party transactions.

(d) Reviewed the circular to shareholders in respect of the annual shareholders' mandate for recurrent related party transactions prior to recommendation to the Board for consideration and approval.

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

In February 2019, the AC reviewed and verified that the allocation of shares granted under the LTIP for the financial year 2018 was in compliance with the By-Laws of the LTIP approved by the Board and shareholders of the Company. There was no grant made under the LTIP during FY2019.

6. Whistleblowing

The Group has put in place a Whistleblowing Policy to provide an avenue for employees and any other parties who deal with or provide services to the Group to report any genuine concerns or wrongdoings in accordance with the procedures in the policy. The AC shall be updated as and when there are cases reported or any concerns raised.

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

(IV) INTERNAL AUDIT FUNCTION

The AC is supported by BDO, a well-established firm that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors, as the Internal Audit Function (IAF) of the Group. The IAF is carried out in accordance with The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. In carrying out the internal audit for the Group, the IAF team is headed by an Executive Director of BDO who possesses the relevant qualifications and experience and who is assisted by no fewer than four (4) staff including a senior manager.

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

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

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

During the financial year, the internal auditors attended all the AC meetings. The cost incurred for the outsourced IAF in respect of FY2019 amounted to RM163,950 (2018: RM145,774). The activities carried out by the IAF were as follows:

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

The plan adopts a risk-based methodology by focusing on key risk areas, which is partly guided by the Group's Enterprise Risk Management framework. The plan is designed and executed upon with the express objectives of testing financial, operational and compliance controls of the Company, as well as the design and operation of key business processes operated. Each annual plan is reviewed throughout the course of the fiscal year and presented to Management and the AC to ensure continued relevance of areas covered in each fiscal year.

A minimum of four (4) internal control reviews is performed a year under each audit plan. The work performed includes financial and operational reviews across the three (3) business segments with emphasis on contract compliance, project management, inventory management, revenue management and credit control, procurements and the use of the Enterprise Resource Planning implementation. Their findings, together with related recommendations and Management's responses thereto, are reported to the AC on a quarterly basis.

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

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

(c) Conducted follow up reviews on actions taken by Management in implementing their recommendations arising from prior audits.

The Company continues to outsource its IAF to BDO as opposed to establishing an in-house IAF after considering the size of the Group as well as in-house resources and difficulty in attracting and retaining qualified and competent internal audit staff. Since its engagement in 2007, BDO has built up a

Audit Committee Report (Continued)

good understanding of the Group's business and the peculiarities of the industry in which the Group operates, and is capable of focusing its time on the higher risk auditable areas. The leadership and key members of the IAF team have worked on the Company's internal audit engagements consistently.

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

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

(V) EVALUATION

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

The AC was satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances. The Board on the recommendation of the AC, is satisfied that PwC remains effective, objective and independent in carrying out its role as external auditors of the Company. The Board has at the Board meeting held on 26 February 2020 approved the AC's recommendation for the re-appointment of PwC for the ensuing year to be tabled at the Fifteenth Annual General Meeting for shareholders' approval.

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

The Board through the JRNC had conducted an annual evaluation and assessment on the performance of the AC and its members in respect of FY2019. The evaluation was based on self-assessment carried out by the AC members to monitor their overall effectiveness in meeting their responsibilities.

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

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

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 of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year attributable to		
- Equity holders of the Company	33,147,494	16,513,596
- Non-controlling interest	10,856,399	0
Profit for the financial year	44,003,893	16,513,596

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2018 were as follows:

	RM
In respect of the financial year ended 31 December 2018, as shown in the Directors' report of that year, a second interim single tier dividend of 2.25 sen per share on 401,125,700 ordinary shares, paid on 22 March 2019	9,025,330
In respect of the financial year ended 31 December 2019, first interim single tier dividend of 1.40 sen per share on 401,553,500 ordinary shares, paid on 20 September 2019	5,621,749
	14,647,079

The Directors, had on 26 February 2020 declared a second interim single tier dividend of 3.00 sen per ordinary share in respect of the financial year ended 31 December 2019 totalling RM12,046,605, payable on 26 March 2020.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURES

During the financial year, the total number of issued ordinary shares of the Company was increased from 401,125,700 to 401,553,500 by way of issuance of 427,800 new ordinary shares at RM1.047 per share to eligible employees pursuant to the vesting of the Third Tranche of Second Grant under the Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan.

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

Other than as disclosed above, the Company has not issued any new shares or debentures during the financial year.

LONG-TERM INCENTIVE PLAN ("LTIP")

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 27 May 2014 and is administered by the Plan Committee appointed by the Board of Directors, in accordance with the By-Laws. The LTIP shall be in force for a period of 10 years commencing from 10 October 2014. The salient features, terms and details of the LTIP are disclosed in Note 32 to the financial statements.

On 2 March 2015, the Company made the first grant of 2,396,500 ordinary shares under the LTIP scheme to selected eligible employees of the Group. The first grant comprises the Restricted Share Incentive Plan ("RS Award") of 1,254,300 shares and Performance Share Incentive Plan ("PS Award") of 1,142,200 shares ("1st Grant"). 297,200 ordinary shares under the Third Tranche of RS Award were vested to eligible employees.

On 22 March 2016, the Company made the second grant of LTIP up to maximum of 4,641,900 ordinary shares to selected eligible employees of the Group which comprises the RS Award of 1,598,700 shares and PS Award of 3,043,200 shares based on outstanding performance target ("2nd Grant"). 450,100 ordinary shares under the Second Tranche and 427,800 ordinary shares under the Third Tranche of RS Award were vested to eligible employees.

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

Directors' Report (Continued)

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

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

Date of Grant	Type of Grant	At 1.1.2019	Granted	Vested	Lapsed/ Forfeited	At 31.12.2019
2 March 2015	RS Award	0	0	0	0	0
(1st Grant)	PS Award	0	0	0	0	0
22 March 2016	RS Award	454,366	0	(427,800)	(26,566)[@&]	0
(2nd Grant)	PS Award	1,253,000	0	0	(1,253,000)[#]	0
22 March 2017 (Special Grant)	RS Award	0	0	0	0	0

Notes:

[#] Shares lapsed due to the pre-determined performance target based on 3-years' accumulative results was not met.

[@] Shares forfeited due to resignation of employees.

[&] Represents forfeiture of odd lots balance of shares granted.

All existing grants in issuance under the LTIP scheme have expired and there are no shares outstanding on these grants at the end of the financial year.

DIRECTORS OF THE COMPANY

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

Dato' Izham bin Mahmud
Datuk Vivekananthan a/l M.V. Nathan
Datuk Ishak bin Imam Abas
Nan Yusri bin Nan Rahimy
Datuk Ir (Dr) Abdul Rahim bin Hashim
Datuk Noor Azian binti Shaari
Lee Yoke Khai (appointed on 15 March 2019)
Datuk Chin Kwai Yoong (resigned on 19 February 2019)

In accordance with Clause 88 of the Company's Constitution, Datuk Ishak bin Imam Abas and Datuk Ir (Dr) Abdul Rahim bin Hashim retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS OF SUBSIDIARIES

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

Directors of Subsidiaries	Subsidiary
Mazrin bin Ramli	Deleum Primera Sdn. Bhd.
Khairulazmi bin Mohamad Karudin	Deleum Primera Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Dato' Izham bin Mahmud)	Deleum Primera Sdn. Bhd.
Mhd Dzuha bin Ibrahim (appointed on 22 July 2019)	Deleum Rotary Services Sdn. Bhd.
Heng Phok Wee (appointed as alternate Director to Mhd Dzuha bin Ibrahim on 22 July 2019)	Deleum Rotary Services Sdn. Bhd.
Yusri bin Mohamad (resigned on 22 July 2019)	Deleum Rotary Services Sdn. Bhd.
Jean-Marc Alex Cocheteux (appointed on 12 June 2019)	Turboservices Sdn. Bhd.
Evelyn Josephine Tay Yin Tiang (appointed on 12 June 2019)	Turboservices Sdn. Bhd.
Nuruzzatulain binti Sahamah	Turboservices Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Nuruzzatulain binti Sahamah)	Turboservices Sdn. Bhd.
Seow Keng Seng (resigned on 12 June 2019)	Turboservices Sdn. Bhd.
Richard Garry Mundy (resigned on 12 June 2019)	Turboservices Sdn. Bhd.
Heng Phok Wee	Delflow Solutions Sdn. Bhd.
Heng Phok Wee	Wisteria Sdn. Bhd. (In members' voluntary liquidation)
Eric Kurt Strecker	Penaga Dresser Sdn. Bhd.
Akira Fukasawa	Penaga Dresser Sdn. Bhd.
Mhd Dzuha bin Ibrahim (appointed on 08 August 2019)	Penaga Dresser Sdn. Bhd.
Jayanthi a/p Gunaratnam (alternate Director to Dato' Izham bin Mahmud)	Penaga Dresser Sdn. Bhd.
Alicia Chin Mei Yoke (alternate Director to Eric Kurt Strecker) (alternate Director to Akira Fukasawa)	Penaga Dresser Sdn. Bhd.
Heng Phok Wee (appointed as alternate Director to Mhd Dzuha bin Ibrahim on 08 August 2019)	Penaga Dresser Sdn. Bhd.
Yusri bin Mohamad (resigned on 08 August 2019)	Penaga Dresser Sdn. Bhd.

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

Directors' Report (Continued)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares in the Company			
	At 1.1.2019	**Vested/ Acquired**	**Sold**	**At 31.12.2019**
Direct interest				
Dato' Izham bin Mahmud	11,200,000	0	0	11,200,000
Datuk Vivekananthan a/l M.V. Nathan	42,799,300	0	0	42,799,300
Datuk Ishak bin Imam Abas	1,712,998	0	(127,000)	1,585,998
Nan Yusri bin Nan Rahimy	559,232	72,700	0	631,932
Indirect interest				
Dato' Izham bin Mahmud	138,286,498	0	0	138,286,498
Datuk Vivekananthan a/l M. V. Nathan	81,740,900	0	0	81,740,900
Nan Yusri bin Nan Rahimy	61,332	0	0	61,332

	Number of ordinary shares in a subsidiary, VSM Technology Sdn. Bhd.			
	At 1.1.2019	**Acquired**	**Sold**	**At 31.12.2019**
Direct interest				
Datuk Vivekananthan a/l M.V. Nathan	40,400	0	0	40,400

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

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

			Number of ordinary shares granted under LTIP				
	Date of Grant	Type of Grant	At 1.1.2019	Granted	Vested	Lapsed	At 31.12.2019
Nan Yusri bin Nan Rahimy	2 March 2015 (1st Grant)	RS Award	0	0	0	0	0
		PS Award	0	0	0	0	0
	22 March 2016 (2nd Grant)	RS Award	72,766	0	(72,700)	(66)^	0
		PS Award	680,600*	0	0	(680,600) #	0
	22 March 2017 (Special Grant)	RS Award	0	0	0	0	0

^ Represents forfeiture of odd lots balance of shares granted.

Shares lapsed due to the pre-determined performance target based on 3-years' accumulative results was not met.

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

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

All existing grants in issuance under the LTIP scheme that were granted to Nan Yusri bin Nan Rahimy have expired and there are no shares grants outstanding that are held at the end of the financial year.

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

INDEMNITY AND INSURANCE COSTS

The Group has in force a Directors and Officers Liability insurance policy essentially covering the acts of Directors and Officers. The current policy has a limit of liability of RM30,000,000. Annual premiums paid amounted to RM28,010.

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 at their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 36 to the financial statements.

AUDITORS

The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2019 are disclosed in Note 6 to the financial statements.

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2020.

DATO' IZHAM BIN MAHMUD
DIRECTOR

NAN YUSRI BIN NAN RAHIMY
DIRECTOR

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	5	**868,299,486**	623,685,468	**35,906,700**	33,996,800
Cost of sales		**(724,683,057)**	(499,234,830)	**(17,005,100)**	(15,633,200)
Gross profit		**143,616,429**	124,450,638	**18,901,600**	18,363,600
Other operating income		**3,784,645**	3,553,165	**1,454,324**	1,480,741
Selling and distribution costs		**(37,859,914)**	(35,644,457)	**0**	0
Administrative expenses		**(54,535,029)**	(46,585,807)	**(2,317,871)**	(2,200,260)
Other operating losses		**(2,841,306)**	(3,786,338)	**(14,431)**	(877,756)
Operating profit		**52,164,825**	41,987,201	**18,023,622**	16,766,325
Finance cost	8	**(3,222,750)**	(2,852,275)	**(1,263,892)**	(934,201)
Share of results of a joint venture (net of tax)	17	**1,374,078**	1,138,902	**0**	0
Share of results of associates (net of tax)	18	**4,756,559**	2,274,580	**0**	0
Profit before tax	6	**55,072,712**	42,548,408	**16,759,730**	15,832,124
Tax expense	9	**(11,068,819)**	(12,718,941)	**(246,134)**	(2,786,743)
Profit for the year		**44,003,893**	29,829,467	**16,513,596**	13,045,381
Other comprehensive (loss)/income:					
Item that may be subsequently reclassified to profit or loss					
Currency translation differences of foreign operations		**(65,764)**	83,617	**0**	0
Total comprehensive income for the financial year		**43,938,129**	29,913,084	**16,513,596**	13,045,381

	Note	Group		Company	
		2019	**2018**	**2019**	**2018**
		RM	**RM**	**RM**	**RM**
Profit attributable to:					
Owners of the Company		**33,147,494**	27,169,147	**16,513,596**	13,045,381
Non-controlling interest		**10,856,399**	2,660,320	**0**	0
		44,003,893	29,829,467	**16,513,596**	13,045,381
Total comprehensive income attributable to:					
Owners of the Company		**33,117,680**	27,187,469	**16,513,596**	13,045,381
Non-controlling interest		**10,820,449**	2,725,615	**0**	0
		43,938,129	29,913,084	**16,513,596**	13,045,381
Earnings per share (sen)					
- Basic	10	**8.26**	6.78		
- Diluted	10	**8.26**	6.75		

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

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	**180,961,670**	151,323,557	**4,382,082**	4,796,945
Investment properties	13	**770,848**	794,423	**0**	0
Right-of-use assets	14	**1,837,908**	0	**144,037**	0
Intangible assets	15	**459,262**	953,567	**100,520**	154,642
Subsidiaries	16	**0**	0	**136,817,367**	136,822,166
Joint venture	17	**31,076,069**	29,701,991	**29,375,937**	29,375,937
Associates	18	**34,800,121**	35,564,981	**0**	0
Deferred tax assets	29	**3,328,844**	3,061,817	**553,493**	798,232
Other receivables	21	**19,527,383**	11,081,732	**0**	0
		272,762,105	232,482,068	**171,373,436**	171,947,922
CURRENT ASSETS					
Amounts due from subsidiaries	19	**0**	0	**73,768,858**	80,187,580
Tax recoverable		**1,586,839**	1,698,045	**56,253**	24,543
Inventories	20	**44,641,401**	22,498,519	**0**	0
Trade and other receivables	21	**128,632,855**	103,151,062	**813,198**	255,787
Contract assets	22	**138,181,363**	163,854,698	**0**	0
Amounts due from associates	23	**1,600,066**	1,600,016	**16**	16
Amounts due from a joint venture	24	**127,300**	160,470	**127,300**	160,309
Derivative financial instrument	25	**0**	7,364	**0**	0
Cash and bank balances	26	**159,957,937**	134,906,863	**1,925,160**	6,386,695
		474,727,761	427,877,037	**76,690,785**	87,014,930

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
LESS: CURRENT LIABILITIES					
Amounts due to subsidiaries	19	**0**	0	**5,812,692**	18,596,478
Amounts due to associates	23	**7,161,875**	7,242,375	**0**	0
Borrowings	27	**66,576,873**	55,396,346	**24,854,226**	24,800,000
Taxation		**2,534,437**	1,877,488	**0**	0
Contract liabilities	22	**12,698,178**	6,476,785	**0**	0
Derivative financial instrument	25	**11,084**	0	**0**	0
Trade and other payables	28	**234,377,064**	203,133,916	**2,400,881**	2,536,891
		323,359,511	274,126,910	**33,067,799**	45,933,369
NET CURRENT ASSETS		**151,368,250**	153,750,127	**43,622,986**	41,081,561
NON-CURRENT LIABILITIES					
Deferred tax liabilities	29	**23,165,612**	22,785,561	**0**	0
Borrowings	27	**22,442,500**	7,784,614	**93,449**	0
		45,608,112	30,570,175	**93,449**	0
		378,522,243	355,662,020	**214,902,973**	213,029,483
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	31	**201,801,508**	201,353,602	**201,801,508**	201,353,602
Share based payment	32	**0**	1,081,476	**0**	1,081,476
Retained earnings		**200,970,843**	181,829,885	**13,101,465**	10,594,405
Merger deficit	33	**(50,000,000)**	(50,000,000)	**0**	0
Foreign currency translation		**(2,734,766)**	(2,704,952)	**0**	0
Shareholders' equity		**350,037,585**	331,560,011	**214,902,973**	213,029,483
NON-CONTROLLING INTEREST		**28,484,658**	24,102,009	**0**	0
TOTAL EQUITY		**378,522,243**	355,662,020	**214,902,973**	213,029,483

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

Consolidated Statement of Changes In Equity

For The Financial Year Ended 31 December 2019

		Attributable to equity holders of the Company								
		Issued and fully paid ordinary shares				Non-distributable	Distributable			
Group	Note	Number of shares	Share capital RM	Share based payment RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
At 1 January 2019		401,125,700	201,353,602	1,081,476	(2,704,952)	(50,000,000)	181,829,885	331,560,011	24,102,009	355,662,020
Profit for the financial year		0	0	0	0	0	33,147,494	33,147,494	10,856,399	44,003,893
Other comprehensive income for the financial year		0	0	0	(29,814)	0	0	(29,814)	(35,950)	(65,764)
Total comprehensive income for the financial year		0	0	0	(29,814)	0	33,147,494	33,117,680	10,820,449	43,938,129
LTIP:										
- Share based payment	32	0	0	6,973	0	0	0	6,973	0	6,973
- Ordinary shares issued pursuant to the LTIP	31	427,800	447,906	(447,906)	0	0	0	0	0	0
- Transfer of lapsed share grants		0	0	(640,543)	0	0	640,543	0	0	0
Dividends	11	0	0	0	0	0	(14,647,079)	(14,647,079)	(6,437,800)	(21,084,879)
At 31 December 2019		401,553,500	201,801,508	0	(2,734,766)	(50,000,000)	200,970,843	350,037,585	28,484,658	378,522,243

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares				Non-distributable	Distributable				
Group	Note	Number of shares	Share capital RM	Share based payment RM	Foreign currency translation RM	Merger deficit RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
At 1 January 2018		400,195,300	200,205,651	2,451,689	(2,723,274)	(50,000,000)	172,044,528	321,978,594	28,889,034	350,867,628
Profit for the financial year		0	0	0	0	0	27,169,147	27,169,147	2,660,320	29,829,467
Other comprehensive income for the financial year		0	0	0	18,322	0	0	18,322	65,295	83,617
Total comprehensive income for the financial year		0	0	0	18,322	0	27,169,147	27,187,469	2,725,615	29,913,084
LTIP:										
- Share based payment	32	0	0	424,029	0	0	0	424,029	0	424,029
- Ordinary shares issued pursuant to the LTIP	31	930,400	1,147,951	(1,147,951)	0	0	0	0	0	0
- Transfer of lapsed share grants		0	0	(646,291)	0	0	646,291	0	0	0
Dividends	11	0	0	0	0	0	(18,030,081)	(18,030,081)	(7,512,640)	(25,542,721)
At 31 December 2018		401,125,700	201,353,602	1,081,476	(2,704,952)	(50,000,000)	181,829,885	331,560,011	24,102,009	355,662,020

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

Company Statement of Changes In Equity

For The Financial Year Ended 31 December 2019

Company	Note	Issued and fully paid ordinary shares Number of shares	Issued and fully paid ordinary shares Share capital RM	Non-distributable Share based payment RM	Distributable Retained earnings RM	Total RM
At 1 January 2019		**401,125,700**	**201,353,602**	**1,081,476**	**10,594,405**	**213,029,483**
Total comprehensive income for the financial year		**0**	**0**	**0**	**16,513,596**	**16,513,596**
LTIP:						
- Share based payment	32	**0**	**0**	**6,973**	**0**	**6,973**
- Ordinary shares issued pursuant to the LTIP	31	**427,800**	**447,906**	**(447,906)**	**0**	**0**
- Transfer of lapsed share grants		**0**	**0**	**(640,543)**	**640,543**	**0**
Dividends	11	**0**	**0**	**0**	**(14,647,079)**	**(14,647,079)**
At 31 December 2019		**401,553,500**	**201,801,508**	**0**	**13,101,465**	**214,902,973**
At 1 January 2018		400,195,300	200,205,651	2,451,689	14,932,814	217,590,154
Total comprehensive income for the financial year		0	0	0	13,045,381	13,045,381
LTIP:						
- Share based payment	32	0	0	424,029	0	424,029
- Ordinary shares issued pursuant to the LTIP	31	930,400	1,147,951	(1,147,951)	0	0
- Transfer of lapsed share grants		0	0	(646,291)	646,291	0
Dividends	11	0	0	0	(18,030,081)	(18,030,081)
At 31 December 2018		401,125,700	201,353,602	1,081,476	10,594,405	213,029,483

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	**44,003,893**	29,829,467	**16,513,596**	13,045,381
Adjustments for:				
Trade receivables:				
- impairment	**57,375**	9,926	**0**	0
- write back of impairment	**(8,595)**	(136,212)	**0**	0
Contract assets:				
- impairment	**1,519**	23,038	**0**	0
- write back of impairment	**(14,572)**	(9,160)	**0**	0
Other receivables:				
- impairment	**1,500**	0	**0**	0
Inventories:				
- allowance	**828,002**	209,470	**0**	0
- write back	**(32,519)**	(27,154)	**0**	0
Amortisation of intangible assets	**494,305**	716,725	**54,122**	82,365
Depreciation				
- property, plant and equipment	**32,359,428**	30,646,573	**569,482**	324,801
- investment properties	**23,575**	23,576	**0**	0
- right-of-use assets	**1,631,437**	0	**55,179**	0
Liquidated damages:				
- provision	**340,867**	60,289	**0**	0
- write back	**(17,839)**	(58,223)	**0**	0
Gain on disposal of property, plant and equipment	**(472,436)**	(333,887)	**0**	(231,997)
Gain on lease modification and disposal	**(20)**	0	**0**	0
Write-off:				
- property, plant and equipment	**187,308**	150,880	**0**	1
- inventories	**46,788**	64,194	**0**	0
- other receivables	**4,444**	0	**0**	0
Interest income	**(2,834,238)**	(2,898,177)	**(109,515)**	(191,803)
Dividend income	**0**	0	**(17,200,000)**	(16,800,000)
Inter-company interest income	**0**	0	**(1,344,809)**	(1,025,497)
Finance cost	**3,222,750**	2,852,275	**1,263,892**	934,201
Share based payment expense	**6,973**	424,029	**11,772**	214,286
Share of results of associates	**(4,756,559)**	(2,274,580)	**0**	0
Share of results of a joint venture	**(1,374,078)**	(1,138,902)	**0**	0
Tax expense	**11,068,819**	12,718,941	**246,134**	2,786,743
Unrealised foreign exchange (gain)/loss	**(372,149)**	140,782	**0**	0
Fair value loss from forward foreign exchange contract	**64,874**	649,536	**0**	0
Operating profit/(loss) before working capital changes	**84,460,852**	71,643,406	**59,853**	(861,519)

Statements Of Cash Flows

For The Financial Year Ended 31 December 2019 (Continued)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)				
Changes in working capital				
Amounts due from subsidiaries	**0**	0	**(5,638,124)**	(1,492,820)
Inventories	**(22,985,153)**	(4,404,265)	**0**	0
Trade and other receivables	**(26,520,802)**	19,860,726	**(561,018)**	149,427
Contract assets	**25,116,070**	(82,105,356)	**0**	0
Amount due from a joint venture	**0**	0	**32,766**	(19,562)
Amounts due to subsidiaries	**0**	0	**5,467,430**	3,590,683
Trade and other payables	**31,759,376**	57,465,664	**(146,156)**	(923,601)
Contract liabilities	**6,221,393**	4,503,799	**0**	0
Cash generated from/(used in) operation	**98,051,736**	66,963,974	**(785,249)**	442,608
Tax paid	**(10,187,640)**	(14,573,733)	**(33,105)**	(1,900,823)
Interest paid	**(3,226,232)**	(2,857,416)	**(1,253,745)**	(911,529)
Net cash generated from/(used in) operating activities	**84,637,864**	49,532,825	**(2,072,099)**	(2,369,744)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**2,831,596**	2,921,702	**962,682**	1,302,060
Long-term deposits paid	**(8,445,651)**	(6,160,332)	**0**	0
Purchase of property, plant and equipment	**(62,587,563)**	(18,516,257)	**(154,619)**	(1,882,984)
Proceeds from disposal of property, plant and equipment	**781,538**	334,500	**0**	232,000
Purchase of intangible assets	**0**	(26,130)	**0**	0
Amounts due (to)/from an associate	**(50)**	5,623	**0**	24
Amount due from/(to) a joint venture	**33,170**	(22,206)	**243**	(2,483)
Dividends received from a subsidiary	**0**	0	**8,000,000**	21,800,000
Dividends received from an associate	**5,440,000**	3,840,000	**0**	0
Repayment of advances from subsidiaries /Advances to subsidiaries	**0**	0	**3,500,878**	(8,296,598)
Net cash (used in)/generated from investing activities	**(61,946,960)**	(17,623,100)	**12,309,184**	13,152,019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Term loan:				
- drawn down	**38,632,565**	4,903,000	**0**	0
- repayments	**(25,790,000)**	(24,600,000)	**0**	0
Revolving credit:				
- drawn down	**5,000,000**	15,000,000	**0**	15,000,000
- repayments	**0**	(8,000,000)	**0**	(8,000,000)
Loans against imports:				
- drawn down	**37,956,662**	6,794,972	**0**	0
- repayments	**(31,735,114)**	(7,045,419)	**0**	0
Lease liabilities on right-of-use assets:				
- repayments	**(1,601,413)**	0	**(51,541)**	0
Dividends paid to:				
- shareholders	**(14,647,079)**	(18,030,081)	**(14,647,079)**	(18,030,081)
- non-controlling interest	**(5,390,000)**	(7,512,640)	**0**	0
(Decrease)/increase in restricted cash	**(1,809,628)**	109,281	**0**	0
Net cash generated from/(used in) financing activities	**615,993**	(38,380,887)	**(14,698,620)**	(11,030,081)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	**23,306,897**	(6,471,162)	**(4,461,535)**	(247,806)
FOREIGN CURRENCY TRANSLATION	**(65,451)**	99,589	**0**	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	**124,276,324**	130,647,897	**6,386,695**	6,634,501
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**147,517,770**	124,276,324	**1,925,160**	6,386,695

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019

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

A BASIS OF PREPARATION

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

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

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

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

The new standards, amendments to published standards and IC Interpretation that are effective for the Group's and the Company's financial year beginning on or after 1 January 2019 are as follows:

- MFRS 16 Leases
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015 – 2017 cycle
  (Amendments to MFRS 3 Business Combinations, Amendments to MFRS 11 Joint Arrangements, Amendments to MFRS 112 Income Taxes, Amendments to MFRS 123 Borrowing Costs)

The Group and Company have adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application of 1 January 2019 by applying the simplified modified retrospective approach with practical expedients as permitted under MFRS 16 and comparative amounts for the year prior to first adoption is not restated. This has resulted in a change in accounting policy for lease (Note G) which requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases as compared to those adopted in previous financial statements. The detailed impact of change for this accounting policy is set out in Note 40 to the financial statements.

Other than that, the adoption of other amendments listed above did not have any material impact to the Group and the Company on the current periods or any prior period and is not likely to affect future periods.

A BASIS OF PREPARATION (CONTINUED)

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

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

(i) Financial year beginning on or after 1 January 2020

- Amendment to MFRS 3 Business Combinations – Definition of a Business
- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

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

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

B CONSOLIDATION

(a) Subsidiaries

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

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

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

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

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

B CONSOLIDATION (CONTINUED)

(a) Subsidiaries (Continued)

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

B CONSOLIDATION (CONTINUED)

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

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

(c) Disposal of subsidiaries

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

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

(d) Joint Ventures

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

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

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

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

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

B CONSOLIDATION (CONTINUED)

(e) Associates

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

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

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

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

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

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

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

(f) Transactions with non-controlling interests

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

C INTANGIBLE ASSETS

(a) Goodwill

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

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

(b) Contracts

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

(c) Distributorship agreement

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

(d) Software costs

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

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

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

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

D INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

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

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

E PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

F INVESTMENT PROPERTIES

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

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

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

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

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

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

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

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

G LEASES

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

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

As allowed by the transitional provision of MFRS 16, the Group and the Company have elected to apply the simplified transition approach and not to restate the comparative amounts for the year prior to first adoption. Right-of-use assets and corresponding lease liabilities on right-of-use assets will be measured on transition as if the new rules had always been applied.

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

G LEASES (CONTINUED)

Definition of a lease

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

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

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

Accounting by lessee

Lease term

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

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

G LEASES (CONTINUED)

Accounting by lessee (Continued)

Right-of-use assets ("ROU")

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

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

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

Lease liabilities

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

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

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

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

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

Re-assessment of lease liabilities

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

G LEASES (CONTINUED)

Accounting by lessee (Continued)

Short term leases and leases of low value assets

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

Accounting policies applied until 31 December 2018

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

Accounting by lessee

Finance leases

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

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

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

Operating leases

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

H INVENTORIES

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

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

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

I CASH AND CASH EQUIVALENTS

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

J IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

K FINANCIAL ASSETS

(a) Classification

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

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

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

(b) Recognition and initial measurement

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

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

K FINANCIAL ASSETS (CONTINUED)

(c) Subsequent measurement – debts instruments

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

(i) Amortised cost

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

(ii) FVOCI

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

(iii) FVTPL

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

(d) Subsequent measurement – equity instruments

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

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

K FINANCIAL ASSETS (CONTINUED)

(e) Impairment of financial assets

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

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

The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables, amounts due from subsidiaries, amounts due from associates and amount due from a joint venture

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

(ii) Simplified approach for trade receivables and contract assets

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

Significant increase in credit risk

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

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

Definition of default and credit-impaired financial assets

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

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

K FINANCIAL ASSETS (CONTINUED)

(f) De-recognition

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

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

L FINANCIAL LIABILITIES

(a) Classification

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company classify all its financial liabilities as other financial liabilities. The Group's and the Company's other financial liabilities comprised of "amounts due to subsidiaries", "amounts due to associates", "borrowings" and "trade and other payables (excluding statutory obligations)" in the statements of financial position (Notes 19, 23, 27 and 28).

(b) Recognition and measurement

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

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

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

(c) De-recognition

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

M OFFSETTING FINANCIAL INSTRUMENTS

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

N DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

O SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

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

(c) Dividends to shareholders of the Company

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

P TRADE AND OTHER RECEIVABLES

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

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

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

Q TRADE AND OTHER PAYABLES

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

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

R CONTRACT BALANCES

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditional on something other than the passage of time. Contract asset is the excess of cumulative revenue earned over the billings to-date. Contract asset also includes advance payment to supplier or advance billing from suppliers where the performance obligation is yet to be satisfied.

Impairment on contract asset is assessed based on the policy in Note K(e).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer in advance or is the excess of the billings to-date over the cumulative revenue earned.

S BORROWINGS AND BORROWING COSTS

(a) Borrowings

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

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

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

(b) Borrowing Costs

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

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

T REVENUE RECOGNITION

Revenue from contracts with customers is recognised by reference to each distinct promise of goods and services (a performance obligation) in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. When the standalone selling prices are not directly observable, they are estimated based on expected cost-plus margin. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Performance obligations by segment are as follows:

(a) Power and Machinery ("P&M")

P&M segment revenue focuses on the sale and provision of after sales support services for gas turbines generators and compressors packages, supply, installation, repair and maintenance of safety valves and flow regulators, and maintenance, repair and overhaul services for motor, generators and transformers.

(i) Sale of gas turbine packages and after sales support services

After sales support services

The Group provides various after sales support services in respect of gas turbines generators and compressors that the Group sells. After sales support services includes but not limited to gas turbines exchange services, compressors maintenance and technical services, and sale of gas turbines parts and components with installation services and other ancillary services. Provision of maintenance services is either performed based on a scheduled interval periods or on an ad hoc basis at the request of customers.

Revenue from gas turbines exchange services which involve the delivery of the gas turbine are recognised when the customer accepts the delivery of the gas turbines.

Revenue from maintenance and technical services are recognised over the period in which the services are rendered.

Maintenance and technical services may be bundled with sale of parts and components. Sale of parts and components are assessed as separate performance obligations and revenue allocated to the parts and components is recognised when the parts and components are delivered and accepted by customers.

Sale of parts and components with installation services are assessed as a single performance obligation as the series of activities involved are significantly integrated. Revenue is recognised over the period based on the fulfilment of the performance obligations of the contract milestones.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceed the payment. If the payments exceed the services rendered, a contract liability is recognised.

Sale of gas turbine generators and compressors packages

Revenue from the sale of gas turbine generators and compressors including sale of parts and components ("gas turbine packages") is recognised when the control of the gas turbine packages has been transferred, being when these gas turbine packages are delivered and accepted by the customers.

Revenue from the provision of freight and handling services is assessed as a single performance obligation with the sale of gas turbine parts and components as the controls of goods are transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

T REVENUE RECOGNITION (CONTINUED)

(a) Power and Machinery ("P&M") (Continued)

(ii) Sales of valves and flow regulators and after sales support services

After sales support services

The Group provides after sales support services including repair and maintenance in relation to valves and flow regulators that the Group sells.

Revenue from repair and maintenance services are recognised when the customer accepts the services rendered.

Repair and maintenance services may be bundled with sale of valves and flow regulators. Sale of valves and flow regulators is assessed as separate performance obligations and revenue allocated to the sale of valves and flow regulators is recognised when the valves and flow regulators are delivered and accepted by the customers.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

Sale of valves and flow regulators

Revenue from sale of valves and flow regulators on stand-alone is recognised when the Group sells the valves and flow regulators to customers and control of the valves and flow regulators has been transferred, being when the valves and flow regulators are delivered and accepted by the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of valve and flow regulators as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

(iii) Sale, repair and maintenance of motors, generators and transformers

Sale of motors, generators and transformers

Revenue from sale of motors, generators and transformers including parts and components is recognised when the Group sells the motors, generators and transformers to customers and control of the motors, generators and transformers has transferred, being when the motors, generators and transformers are delivered and accepted by the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of motors, generators and transformers as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

Repair and maintenance services

The Group provides repair and maintenance services in relation to motors, generators and transformers that the Group sells. Revenue from repair and maintenance services are recognised when the customer accepts the services rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

T REVENUE RECOGNITION (CONTINUED)

(b) Oilfield Services ("OS")

Oilfield Services segment specialises mainly in upstream operations, topside and downhole support services which consist of the provision of slickline equipment and services, well intervention and cased hole logging services, asset integrated solution services, gas lift valve and insert strings equipment, accessories and services and drilling and production services, provision of speciality chemicals and well stimulation services.

(i) Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve and insert strings equipment, accessories and services and drilling and production services.

The Group provides slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve and insert strings equipment, accessories and services and drilling and production services. Revenue from slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services and gas lift valve services are recognised over the period in which the services are rendered.

Revenue from sale of insert strings equipment, accessories and/or drilling products are recognised when the Group sells the insert strings equipment, accessories and/or drilling products to customers and control of insert strings equipment, accessories and/or drilling products have transferred, being when the insert strings equipment, accessories and drilling products are delivered and accepted by the customer.

(ii) Provision of speciality chemicals and well stimulation services

Well stimulation services

The Group provides well stimulation services at request from customers. Revenue from well stimulation services are recognised when the services are rendered and accepted by customers.

Well stimulation services may be bundled with sale of speciality chemicals. Sale of speciality chemicals is assessed as separate performance obligations and revenue allocated to the sale of specialty chemicals is recognised when the chemicals are delivered and accepted by customers.

Sale of chemicals

Revenue from chemicals is recognised when the Group sells the chemicals to customers and control of the chemicals has transferred, being when the chemicals are delivered to the customer.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of chemicals as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

T REVENUE RECOGNITION (CONTINUED)

(c) Integrated Corrosion Solution ("ICS")

ICS segment involved in the provision of integrated corrosion and inspection, blasting technology, maintenance, construction and modification ("MCM") maintenance services.

(i) Provision of integrated corrosion and inspection, blasting technology and maintenance services

The Group provides integrated corrosion and inspection, blasting technology and maintenance services in relation to corrosion for tanks, structures and piping. Revenue from integrated corrosion inspection, blasting technology and maintenance services is recognised over the service period as customer receives and consumes the benefit of the Group's performance as the Group performs.

Revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total budgeted costs. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

Revenue recognised from provision of integrated corrosion and inspection, blasting technology and maintenance services involves management's estimation on the total budgeted costs. Estimates of total budgeted costs are revised if circumstances change. Any resulting increases or decreases in the estimates of total budgeted costs would result in a change in the measure of progress and a corresponding change in the amount of revenue recognised. The change in estimates are reflected in profit or loss in the period in which the circumstances that give rise to the revision occurs. Refer Note 3 for critical accounting estimates and judgments.

Provision of integrated corrosion and inspection, blasting technology and maintenance services may be bundled with sale of sponge jet media and consumables. Sale of sponge jet media and consumables are assessed as separate performance obligations and revenue allocated to the sale of sponge jet media and consumables respectively are recognised when the sponge jet media and consumables are delivered and accepted by customers.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

T REVENUE RECOGNITION (CONTINUED)

(c) Integrated Corrosion Solution ("ICS") (Continued)

(ii) Provision of maintenance, construction and modification ("MCM") maintenance services

Provision of maintenance, construction and modification ("MCM") maintenance services covers provision of site surveys, supply of materials and consumables, fabrication and offshore maintenance services, and provision of marine spread.

Provision of site surveys

Revenue from site surveys is recognised when the reports on site survey are completed and accepted by customers.

Supply of materials and consumables

The Group sells materials and consumables to customers upon request. Revenue from supply of materials and consumables are recognised when the customer accepts the delivery of the goods.

Revenue from the provision of freight services is assessed as a single performance obligation with the sale of materials and consumables as the controls of goods is transferred after the delivery services. Revenue is recognised over the period in which the services are rendered.

Fabrication and offshore maintenance works

The Group provides fabrication or offshore maintenance works at the request of the customer. Revenue from fabrication or offshore maintenance works are recognised over the services period as the customer receives and consumes the benefit of the Group's performance as the Group performs and/or the Group is enhancing the assets that the customer controls.

Revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total budgeted costs. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

Revenue recognised from the provision of fabrication or offshore maintenance services involves management's estimation on the total budgeted costs. Estimates of total budgeted costs are revised if circumstances change. Any resulting increases or decreases in the estimates of total budgeted costs would result in a change in the measure of progress and a corresponding change in the amount of revenue recognised. The change in estimates are reflected in profit or loss in the period in which the circumstances that give rise to the revision occurs. Refer Note 3 for critical accounting estimates and judgments.

For contract with payment/billing schedule, contract asset is recognised if the services rendered by the Group exceeded the payment. If the payments exceed the services rendered, a contract liability is recognised.

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

T REVENUE RECOGNITION (CONTINUED)

(c) Integrated Corrosion Solution ("ICS") (Continued)

(ii) Provision of maintenance, construction and modification ("MCM") maintenance services (Continued)

Marine spread

The Group provides vessels and associated services to customers at the request of the customer. Provision of vessels and associated services is a single performance obligation. Revenue from marine spread is recognised over the period based on time elapsed method, determined based on the actual time lapsed relative to the total services period.

There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practises unless otherwise as applicable and disclosed in the financial statements.

Other revenue earned by the Group includes principal and commission based income services. Revenue from third party based transactions is recognised upon when the Group's right to receive the payment is established.

Other Operating Income

Government grant is recognised initially as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. The grant is treated as part of deferred income under non-current liabilities and that they are credited to profit or loss on a straight-line basis over the expected lives of the related assets or over the period of the operating expenditures to which the grant is intended to compensate.

Other than income from government grants, other operating income earned by the Group is recognised on the following basis:

(i) Interest income – using the effective interest method.

(ii) Rental income – on a straight-line basis over the lease term.

(iii) Dividend income – when the Group's right to receive payment is established.

(iv) Management fee – when the Company is recognised upon performance of services.

U EMPLOYEE BENEFITS

(a) Short term employee benefits

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

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

U EMPLOYEE BENEFITS (CONTINUED)

(b) Defined contribution plans

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

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

(c) Share based payment transactions

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

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

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

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

V CURRENT AND DEFERRED INCOME TAXES

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

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

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

Summary of Significant Accounting Policies

For The Financial Year Ended 31 December 2019 (Continued)

V CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

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

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

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

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

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

W FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses arising from the settlement on foreign currency transactions and retranslation of balances on monetary assets and liabilities that are denominated in foreign currencies are presented in profit or loss on a net basis within "other operating gains/(losses)".

W FOREIGN CURRENCIES (CONTINUED)

(c) Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially sold or disposed of that will result in a loss of control, exchange differences that were recorded in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. If the partial disposal did not result in a loss of control over the foreign operation, the proportionate shares of exchange differences that were recorded in other comprehensive income and accumulated in the separate component of equity shall be reclassified to non-controlling interest.

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

X SEGMENT REPORTING

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

Y CONTINGENT LIABILITIES

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019

1 GENERAL INFORMATION

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

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

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

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

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

2 FINANCIAL RISK MANAGEMENT POLICIES

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

Pursuant to the new Foreign Exchange Administration Rules ("FEA") which came into effect on 1 April 2017, the degree and level of the Group's exposure to foreign currency exchange risks had changed as the Group could no longer apply to the extent possible, by collecting and paying in the same currency as all settlement of goods and services between local resident entities shall be made only in Ringgit Malaysia. To mitigate this risk, the Group had reviewed its financial risk management policies and framework of which a new foreign exchange management policy was established during the year that permits derivatives to be undertaken principally on forward foreign exchange contracts by the Group to manage its foreign currency exchange risks. Fair value changes on derivatives undertaken shall be charged to profit or loss as and when it arises.

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

Market risk

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

(i) Foreign currency exchange risk

The Group is exposed to currency risk as a result of foreign currency transactions entered into currencies other than their functional currency. The Group uses financial instruments such as forward foreign exchange contracts to minimise the exposure of transaction risk in addition to the natural hedges by matching foreign currency receivables against foreign currency payables.

2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Market risk (Continued)

(i) Foreign currency exchange risk (Continued)

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

				Group
		2019		2018
	Assets	Liabilities	Assets	Liabilities
	RM	RM	RM	RM
US Dollar	**85,337,477**	**120,591,899**	116,679,760	110,926,256
Others	**1,711,388**	**486,681**	2,062,802	961,913
	87,048,865	**121,078,580**	118,742,562	111,888,169

Foreign currency sensitivity

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

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

		Group
	2019	2018
	RM	RM
Weaken by 10% impact to profit or loss		
US Dollar	**2,679,336**	(437,266)
Strengthen by 10% impact to profit or loss		
US Dollar	**(2,679,336)**	437,266

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Market risk (Continued)

(ii) Interest rate risk

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

Interest rate sensitivity

This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. At the reporting date, if interest rates had been 100 basis points lower, with all other variables held constant, the Group's profit or loss would increase by RM662,455 (2018: RM479,567). Similarly, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit or loss would decrease by a similar amount.

(iii) Price risk

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

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

Credit risk

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

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

(i) Receivables and contract assets (excluding deferred costs)

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

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

The Group applies the MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets are assessed individually.

The expected loss rates are determined based on historical information about counterparty default rates. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (Continued)

(i) Receivables and contract assets (excluding deferred costs) (Continued)

Trade receivables

		Group
	2019	2018
	RM	RM
Neither past due nor impaired:		
Counterparties without external credit rating		
- New customers during the year	**994,685**	463,571
- Existing customers with no defaults in the past	**73,407,902**	52,704,497
Total unimpaired trade receivables	**74,402,587**	53,168,068
Past due but not impaired:		
Counterparties without external credit rating		
- New customers during the year	**2,221,416**	795,842
- Existing customers with no defaults in the past	**42,694,215**	39,019,664
Total past due but not impaired trade receivables	**44,915,631**	39,815,506
Not past due but impaired:		
Counterparties without external credit rating		
- Existing customers	**0**	1,400
Past due and impaired:		
Counterparties without external credit rating		
- New customers	**4,280**	0
- Existing customers	**993,544**	1,732,264
Total impaired trade receivables	**997,824**	1,733,664

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (Continued)

(i) Receivables and contract assets (excluding deferred costs) (Continued)

Contract assets (excluding deferred costs)

	Group	
	2019	**2018**
	RM	**RM**
Neither past due nor impaired:		
Counterparties without external credit rating		
- New customers during the year	**3,012,907**	962,492
- Existing customers	**123,759,853**	159,834,177
Total unimpaired contract assets	**126,772,760**	160,796,669
Not past due but impaired:		
Counterparties without external credit rating		
- Existing customers	**542,562**	585,346
Total not past due but impaired contract assets	**542,562**	585,346

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

The Company provides unsecured loans and advances to subsidiaries and a joint venture. The amounts due from associates is in relation to dividend receivable. The Company monitors the results of the subsidiaries, associates and joint venture regularly. As at 31 December 2019, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries, associates and a joint venture are stated at the realisable values. As at 31 December 2019, there was no indication that the loans and advances extended to the subsidiaries and amounts due from associates and a joint venture are not recoverable.

(iii) Cash and bank balances

For cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions.

No expected credit loss was recognised arising from cash at banks, deposits with licensed banks and other financial institutions because the probability of default from these financial institutions is negligible.

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

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

2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (Continued)

(iii) Cash and bank balances (Continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
AAA	**159,852,683**	134,818,285	**1,891,925**	6,353,321
AA	**68,679**	43,948	**31,235**	31,267

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

Liquidity risk

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

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

				2019
	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	**7,161,875**	**0**	**0**	**7,161,875**
Trade and other payables (excluding statutory obligations)	**224,352,105**	**0**	**0**	**224,352,105**
Borrowings	**67,457,162**	**14,187,411**	**10,121,404**	**91,765,977**
Total undiscounted financial liabilities	**298,971,142**	**14,187,411**	**10,121,404**	**323,279,957**
Company				
Financial liabilities				
Amounts due to subsidiaries	**5,812,692**	**0**	**0**	**5,812,692**
Borrowings	**24,959,600**	**56,052**	**45,264**	**25,060,916**
Other payables and accruals (excluding statutory obligations)	**2,169,592**	**0**	**0**	**2,169,592**
Total undiscounted financial liabilities	**32,941,884**	**56,052**	**45,264**	**33,043,200**

2 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

				2018
	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
Group				
Financial liabilities				
Trade and other payables (excluding statutory obligations)	201,334,513	0	0	201,334,513
Borrowings	56,419,447	7,795,670	43,928	64,259,045
Total undiscounted financial liabilities	257,753,960	7,795,670	43,928	265,593,558
Company				
Financial liabilities				
Amounts due to subsidiaries	18,596,478	0	0	18,596,478
Borrowings	24,913,726	0	0	24,913,726
Other payables and accruals (excluding statutory obligations)	2,372,399	0	0	2,372,399
Total undiscounted financial liabilities	45,882,603	0	0	45,882,603

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Critical accounting estimates and judgments

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

(i) Deferred tax assets

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Critical accounting estimates and judgments (Continued)

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

(ii) Revenue recognition

Revenue is recognised as and when the control of the asset is transferred to our customers and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the measurement of the Group's progress towards complete satisfaction of that performance obligation.

Significant judgment is required in determining the progress towards complete satisfaction of that performance obligation based on the actual costs incurred to-date over the total budgeted costs. The total budgeted costs are based on management's best estimates, relying on historical experiences and collaboration with their specialists and expertise.

(iii) Leases

The Group and the Company assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and commercial concerns including any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgements and assumptions in determining the incremental borrowing rate of respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(iv) Impairment of financial assets

The impairment loss for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, expected change in economy and regulatory environment that results in change in credit risks, expected change in internal or external credit rating, if any, changes in operating results as well as forward looking estimates at the end of each reporting period.

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

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

4 SEGMENTAL REPORTING

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

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

- Oilfield Services ("OS") – Mainly consists of:
  - Provision of slickline equipment and services;
  - Provision of integrated wellhead maintenance services;
  - Provision of well intervention and cased hole logging services;
  - Provision of gas lift valve and insert strings equipment, accessories and services;
  - Provision of specialty chemicals and well stimulation services;
  - Provision of drilling and completions services; and
  - Provision of subsurface engineering services.

- Integrated Corrosion Solution ("ICS") – Mainly consists of:
  - Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification ("MCM") maintenance activities, services for tanks, vessels, structures and piping.

- Other non-reportable segment comprises management fees charged to a joint venture which does not meet the quantitative threshold for a reporting segment in 2019.

The P&M and OS segments comprise of a series of cohesive and linked business activities within each of this segment within the Group. These business activities are aggregated to form an operating segment due to the similar nature and economic characteristics of the products and services.

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

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

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

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

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2019				
SEGMENT REVENUE				
External revenue	486,164,283	144,238,654	237,348,849	867,751,786
Other non-reportable segment				547,700
				868,299,486
SEGMENT RESULTS				
Segment operating profit	49,820,677	943,799	1,849,946	52,614,422
Other non-reportable segment				63,700
				52,678,122
Profit from operations				52,678,122
Unallocated income				115,267
Unallocated corporate expenses				(3,851,314)
Share of results of a joint venture				1,374,078
Share of results of associates				4,756,559
Profit before tax				55,072,712
Tax expense				(11,068,819)
Profit for the year				44,003,893

4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (Continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2019 (Continued)				
Other information:				
Depreciation and amortisation	**2,545,747**	**27,064,388**	**4,002,919**	**33,613,054**
Other material items Impairment for				
- trade receivables				
- impairment	**39,656**	**0**	**17,719**	**57,375**
- write back of impairment	**(3,595)**	**0**	**(5,000)**	**(8,595)**
- other receivables				
- impairment	**0**	**0**	**1,500**	**1,500**
- contract assets				
- impairment	**1,519**	**0**	**0**	**1,519**
- write back of impairment	**(203)**	**(14,369)**	**0**	**(14,572)**
Inventories				
- allowance	**828,002**	**0**	**0**	**828,002**
- write back	**(32,519)**	**0**	**0**	**(32,519)**
Write-off of				
- property, plant and equipment	**177,739**	**7**	**9,561**	**187,307**
- other receivables	**0**	**4,444**	**0**	**4,444**
- inventories	**7,315**	**39,473**	**0**	**46,788**
Liquidated damages				
- provision	**340,867**	**0**	**0**	**340,867**
- write back	**(17,839)**	**0**	**0**	**(17,839)**
Unrealised (gain)/loss on foreign exchange	**(324,917)**	**(99,878)**	**72,480**	**(352,315)**
Fair value loss on forward foreign exchange contract	**63,961**	**913**	**0**	**64,874**
Finance cost	**58,405**	**1,723,049**	**1,430,917**	**3,212,371**
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	**(100,706,090)**	**(78,484,294)**	**(230,717,478)**	**(409,907,862)**
Additions of plant and equipment	**2,634,859**	**52,554,962**	**6,900,364**	**62,090,185**

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (Continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2019 (Continued)				
Segment assets	271,545,616	255,068,423	128,158,667	654,772,706
Unallocated corporate assets				92,717,160
Total assets				747,489,866
Segment liabilities	157,666,460	69,843,100	106,020,736	333,530,296
Unallocated corporate liabilities				35,437,327
Total liabilities				368,967,623

4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (Continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018				
SEGMENT REVENUE				
External revenue	360,179,284	124,810,950	138,212,684	623,202,918
Other non-reportable segment				482,550
				623,685,468
SEGMENT RESULTS				
Segment operating profit	36,040,928	14,422,651	(6,500,686)	43,962,893
Other non-reportable segment				54,095
				44,016,988
Profit from operations				44,016,988
Unallocated income				455,945
Unallocated corporate expenses				(5,338,007)
Share of results of a joint venture				1,138,902
Share of results of associates				2,274,580
Profit before tax				42,548,408
Tax expense				(12,718,941)
Profit for the year				29,829,467

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (Continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018 (Continued)				
Other information:				
Depreciation and amortisation	1,531,731	27,112,980	1,929,845	30,574,556
Other material items				
Impairment for				
- trade receivables				
- impairment	9,926	0	0	9,926
- write back of impairment	(2,602)	(63,610)	(70,000)	(136,212)
- contract assets				
- impairment	203	22,835	0	23,038
- write back of impairment	(9,160)	0	0	(9,160)
Inventories				
- allowance	209,470	0	0	209,470
- write back	(27,154)	0	0	(27,154)
Write-off of				
- property, plant and equipment	60,331	21,647	68,901	150,879
- inventories	28,186	36,008	0	64,194
Liquidated damages				
- provision	60,289	0	0	60,289
- write back	(58,223)	0	0	(58,223)
Unrealised loss/(gain) on foreign exchange	87,714	38,474	(55,173)	71,015
Fair value loss on forward foreign exchange contract	625,686	23,850	0	649,536
Finance cost	0	2,487,153	365,122	2,852,275
Revenue contributed by major customers which individually contributed to more than 10% of the Group's total revenue:				
- Customer A	(92,740,865)	(60,147,243)	(130,910,774)	(283,798,882)
- Customer B	(82,135,643)	(12,780)	0	(82,148,423)
Additions of plant and equipment	1,670,128	6,614,818	8,286,257	16,571,203

4 SEGMENTAL REPORTING (CONTINUED)

(a) Business Segments (Continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018 (Continued)				
Segment assets	264,705,477	215,323,205	83,923,536	563,952,218
Unallocated corporate assets				96,406,887
Total assets				660,359,105
Segment liabilities	141,799,731	61,732,962	66,714,045	270,246,738
Unallocated corporate liabilities				34,450,347
Total liabilities				304,697,085

(b) Geographical information

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

5 REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contract with customers	**867,751,786**	623,202,918	**0**	0
Revenue from other sources:				
- Dividend income	**15,000**	11,250	**17,200,000**	16,800,000
- Management fee	**532,700**	471,300	**18,706,700**	17,196,800
	868,299,486	623,685,468	**35,906,700**	33,996,800

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

5 REVENUE (CONTINUED)

Revenue from contracts with customers:

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2019				
Type of goods and services				
Sale of gas turbine packages and after sales support and services	**372,627,208**	**0**	**0**	**372,627,208**
Commission based income services	**2,804,480**	**0**	**0**	**2,804,480**
Principal based income services	**0**	**908,186**	**0**	**908,186**
Sale of valves and flow regulators and after sales support and services	**102,337,423**	**0**	**0**	**102,337,423**
Sale, repair and maintenance of motors, generators and transformers	**8,395,172**	**0**	**0**	**8,395,172**
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, gas lift valve services, and drilling and production services	**0**	**136,190,136**	**0**	**136,190,136**
Provision of speciality chemicals and well stimulation services	**0**	**7,140,332**	**0**	**7,140,332**
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	**0**	**0**	**67,419,465**	**67,419,465**
Provision of maintenance, construction and modification maintenance services	**0**	**0**	**169,929,384**	**169,929,384**
	486,164,283	**144,238,654**	**237,348,849**	**867,751,786**

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2019				
Timing of revenue recognition:				
- At a point in time	**398,111,513**	**14,745,060**	**30,306,886**	**443,163,459**
- Over time	**88,052,770**	**129,493,594**	**207,041,963**	**424,588,327**
	486,164,283	**144,238,654**	**237,348,849**	**867,751,786**

5 REVENUE (CONTINUED)

Revenue from contracts with customers: (Continued)

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018				
Type of goods and services				
Sale of gas turbine packages and after sales support and services	298,583,370	0	0	298,583,370
Commission based income services	4,382,111	0	0	4,382,111
Principal based income services	0	697,528	0	697,528
Sale of valves and flow regulators and after sales support and services	50,845,225	0	0	50,845,225
Sale, repair and maintenance of motors, generators and transformers	6,368,578	0	0	6,368,578
Provision of slickline equipment and services, well intervention, asset integrated solution services, cased hole logging services, and drilling and production services	0	120,373,070	0	120,373,070
Provision of speciality chemicals and well stimulation services	0	3,740,352	0	3,740,352
Provision of integrated corrosion and inspection services, blasting technology and maintenance services	0	0	20,177,257	20,177,257
Provision of maintenance, construction and modification maintenance services	0	0	118,035,427	118,035,427
	360,179,284	124,810,950	138,212,684	623,202,918

	Power and machinery RM	Oilfield services RM	Integrated corrosion solution RM	Group RM
Financial year ended 31 December 2018				
Timing of revenue recognition:				
- At a point in time	270,691,987	2,330,854	6,068,584	279,091,425
- Over time	89,487,297	122,480,096	132,144,100	344,111,493
	360,179,284	124,810,950	138,212,684	623,202,918

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

6 PROFIT BEFORE TAX

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
The following items have been charged/(credited) in arriving at profit before tax:				
Inventories consumed and recognised as cost of sales	**130,135,933**	77,760,481	**0**	0
Cost of services purchased	**360,173,518**	253,716,705	**0**	0
Purchase of products, parts and consumable	**26,543,594**	21,204,114	**0**	0
Inter-company interest income	**0**	0	**(1,344,809)**	(1,025,497)
Impairment for:				
- Trade receivables				
- impairment	**57,375**	9,926	**0**	0
- write back of impairment	**(8,595)**	(136,212)	**0**	0
- Other receivables				
- impairment	**1,500**	0	**0**	0
- Contract assets				
- impairment	**1,519**	23,038	**0**	0
- write back of impairment	**(14,572)**	(9,160)	**0**	0
Amortisation of intangible assets	**494,305**	716,725	**54,122**	82,365
Depreciation:				
- property, plant and equipment	**32,359,428**	30,646,573	**569,482**	324,801
- investment properties	**23,575**	23,576	**0**	0
- right-of-use assets	**1,631,437**	0	**55,179**	0
Fees to PricewaterhouseCoopers PLT Malaysia:				
- statutory audit services				
- current year	**446,600**	428,000	**125,000**	125,000
- audit related services	**174,000**	159,000	**174,000**	159,000
- non-audit related services	**176,878**	161,300	**8,600**	116,050
Statutory audit fees to other auditors:				
- current year	**21,146**	22,142	**0**	0
Gain on disposal of property, plant and equipment	**(472,436)**	(333,887)	**0**	(231,997)
Gain on lease modification and disposal	**(20)**	0	**0**	0
Loss/(gain) on foreign exchange:				
- realised	**1,530,865**	335,695	**678**	38
- unrealised	**(372,149)**	140,782	**0**	0

6 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
The following items have been charged/(credited) in arriving at profit before tax (Continued):				
Fair value loss on forward foreign exchange contract	**64,874**	649,536	**0**	0
Inventories				
- allowance	**828,002**	209,470	**0**	0
- write back	**(32,519)**	(27,154)	**0**	0
Write off:				
- property, plant and equipment	**187,308**	150,880	**0**	1
- other receivables	**4,444**	0	**0**	0
- inventories	**46,788**	64,194	**0**	0
Liquidated damages				
- provision	**340,867**	60,289	**0**	0
- write back	**(17,839)**	(58,223)	**0**	0
Interest income	**(2,834,238)**	(2,898,177)	**(109,515)**	(191,803)
Rental income	**(139,584)**	(194,016)	**0**	0
Rental expense:				
- business premises	**3,107,906**	3,577,507	**0**	0
- equipment	**68,053,117**	52,856,666	**0**	0
Staff cost (including Executive Directors' remuneration as disclosed in Note 7)				
- Wages, salaries and others	**120,803,391**	103,498,495	**12,485,666**	11,239,303
- Share based payment expense	**6,973**	424,029	**11,772**	214,286
- Defined contribution plan	**12,062,606**	10,610,398	**1,386,411**	1,234,000

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

7 DIRECTORS' REMUNERATION

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Executive Directors:				
- salaries and bonuses	**1,260,000**	1,293,000	**1,260,000**	1,293,000
- defined contribution plan	**189,000**	193,950	**189,000**	193,950
- other emoluments	**77,040**	186,005	**77,040**	186,005
- estimated monetary value of benefits-in-kind	**59,757**	28,786	**59,757**	28,786
Non-Executive Directors:				
- fees	**1,018,241**	942,000	**1,018,241**	942,000
- other emoluments	**88,400**	101,000	**88,400**	101,000
- estimated monetary value of benefits-in-kind	**86,326**	68,236	**86,326**	68,236
	2,778,764	2,812,977	**2,778,764**	2,812,977

8 FINANCE COST

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Interest on revolving credit facility	**1,394,383**	934,201	**1,253,513**	934,201
Interest on loans against imports	**291,372**	73,314	**0**	0
Interest on term loan	**1,396,078**	1,844,760	**0**	0
Interest on lease liabilities on right-of-use assets	**140,917**	0	**10,379**	0
	3,222,750	2,852,275	**1,263,892**	934,201

During the current financial year, finance cost incurred of RM1,253,513 (2018: RM934,201) at the Company level had been re-charged to its subsidiaries for the utilisation of the revolving credit facility.

9 TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Current tax:				
- Malaysian tax	**10,936,896**	12,007,486	**0**	36,894
Under provision in prior years:				
- Malaysian tax *	**18,899**	1,702,084	**1,395**	1,867,243
Deferred tax (Note 29):				
- Origination and reversal of temporary differences	**1,762,603**	(1,444,753)	**162,202**	202,866
- Recognition of previously unrecognised temporary differences	**(1,347,384)**	(292,799)	**0**	0
- (Over)/under recognition of prior years temporary differences	**(302,195)**	746,923	**82,537**	679,740
	11,068,819	12,718,941	**246,134**	2,786,743

* In the previous financial year, under provision of tax expenses related to the additional taxes for the years of assessment 2010 to 2015 arising from the differences on the interpretation on the deductibility of certain expenses incurred by the Company with the tax authority. As a result, a tax penalty amounting to RM838,000 was raised by the tax authority under Section 113(2) of the Income Tax Act 1967. This amount was included in the other operating expenses in the Consolidated Statement of Comprehensive Income.

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

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	**24**	24	**24**	24
Tax effects of:				
- expenses not deductible for tax purposes	**2**	4	**1**	3
- income not subject to tax	**(1)**	(1)	**(25)**	(25)
- share of results of associates and joint venture	**(3)**	(2)	**0**	0
- recognition of previously unrecognised temporary differences	**(2)**	(1)	**0**	0
- under provision in prior years	**0**	6	**1**	16
Effective tax rate	**20**	30	**1**	18

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

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	
	2019	**2018**
	RM	**RM**
Profit for the financial year attributable to equity holders of the Company	**33,147,494**	27,169,147
Number of ordinary shares at the beginning of the year	**401,125,700**	400,195,300
Adjusted weighted average number of ordinary shares	**401,332,916**	400,874,404
Basic earnings per share (sen)	**8.26**	6.78

Diluted earnings per share

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

	Group	
	2019	**2018**
	RM	**RM**
Profit for the financial year attributable to equity holders of the Company	**33,147,494**	27,169,147
Adjusted weighted average number of ordinary shares as per basic earnings per share	**401,332,916**	400,874,404
Effect of potential vesting of LTIP	**0**	1,488,583
Adjusted weighted average number of ordinary shares	**401,332,916**	402,362,987
Diluted earnings per share (sen)	**8.26**	6.75

11 DIVIDENDS

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

	2019		2018	
	Gross dividend per share	**Amount of dividend**	**Gross dividend per share**	**Amount of dividend**
	sen	**RM**	**sen**	**RM**
In respect of the financial year ended 31 December 2017				
Second interim single tier dividend, on 400,492,500 ordinary shares, paid on 28 March 2018	**0**	**0**	3.25	13,016,008
In respect of the financial year ended 31 December 2018				
First interim single tier dividend, on 401,125,700 ordinary shares, paid on 25 September 2018	**0**	**0**	1.25	5,014,073
Second interim single tier dividend, on 401,125,700 ordinary shares, paid on 22 March 2019	**2.25**	**9,025,330**	0	0
In respect of the financial year ended 31 December 2019				
First interim single tier dividend, on 401,553,500 ordinary shares, paid on 20 September 2019	**1.40**	**5,621,749**	0	0
		14,647,079		18,030,081

The Directors had on 26 February 2020 declared a second interim single tier dividend of 3.00 sen per share in respect of the financial year ended 31 December 2019, totalling RM12,046,605, payable on 26 March 2020.

Total dividend for the financial year ended 31 December 2019 is 4.40 sen (2018: 3.50 sen) based on ordinary shares of 401,553,500 (2018: 401,125,700).

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2019.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Plant, machinery and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
Year ended 31 December 2019							
Net book value							
At 1 January 2019, as previously stated	**3,115,882**	**3,158,783**	**7,016,867**	**135,748,059**	**1,815,545**	**468,421**	**151,323,557**
Arising from adoption of MFRS 16 (Note14)	**0**	**0**	**0**	**0**	**(93,612)**	**0**	**(93,612)**
At 1 January 2019, as restated	**3,115,882**	**3,158,783**	**7,016,867**	**135,748,059**	**1,721,933**	**468,421**	**151,229,945**
Additions	**0**	**0**	**3,493,478**	**58,409,490**	**521,599**	**162,996**	**62,587,563**
Written off	**0**	**0**	**(178,041)**	**(9,267)**	**0**	**0**	**(187,308)**
Reclassification	**0**	**0**	**627,602**	**0**	**0**	**(627,602)**	**0**
Disposals	**0**	**0**	**0**	**(309,102)**	**0**	**0**	**(309,102)**
Depreciation charge	**(87,758)**	**(175,441)**	**(3,096,185)**	**(28,547,405)**	**(452,639)**	**0**	**(32,359,428)**
At 31 December 2019	**3,028,124**	**2,983,342**	**7,863,721**	**165,291,775**	**1,790,893**	**3,815**	**180,961,670**
At 31 December 2019							
Cost	**4,387,284**	**5,885,747**	**36,304,410**	**360,525,633**	**3,823,240**	**3,815**	**410,930,129**
Accumulated depreciation	**(1,359,160)**	**(2,902,405)**	**(28,440,689)**	**(190,885,283)**	**(2,032,347)**	**0**	**(225,619,884)**
Accumulated impairment	**0**	**0**	**0**	**(4,348,575)**	**0**	**0**	**(4,348,575)**
Net book value	**3,028,124**	**2,983,342**	**7,863,721**	**165,291,775**	**1,790,893**	**3,815**	**180,961,670**
At 31 December 2018							
Cost	4,387,284	5,885,747	33,385,438	304,024,784	3,418,656	468,421	351,570,330
Accumulated depreciation	(1,271,402)	(2,726,964)	(26,368,571)	(163,928,150)	(1,603,111)	0	(195,898,198)
Accumulated impairment	0	0	0	(4,348,575)	0	0	(4,348,575)
Net book value	3,115,882	3,158,783	7,016,867	135,748,059	1,815,545	468,421	151,323,557

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Plant, machinery and other equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
Year ended 31 December 2018							
Net book value							
At 1 January 2018	3,203,640	3,334,224	6,278,394	150,472,126	236,982	0	163,525,366
Additions	0	0	3,731,235	12,484,983	1,911,618	468,421	18,596,257
Written off	0	0	(101,810)	(49,070)	0	0	(150,880)
Disposals	0	0	0	(609)	(4)	0	(613)
Depreciation charge	(87,758)	(175,441)	(2,890,952)	(27,159,371)	(333,051)	0	(30,646,573)
At 31 December 2018	3,115,882	3,158,783	7,016,867	135,748,059	1,815,545	468,421	151,323,557
At 31 December 2018							
Cost	4,387,284	5,885,747	33,385,438	304,024,784	3,418,656	468,421	351,570,330
Accumulated depreciation	(1,271,402)	(2,726,964)	(26,368,571)	(163,928,150)	(1,603,111)	0	(195,898,198)
Accumulated impairment	0	0	0	(4,348,575)	0	0	(4,348,575)
Net book value	3,115,882	3,158,783	7,016,867	135,748,059	1,815,545	468,421	151,323,557
At 31 December 2017							
Cost	4,387,284	5,885,747	30,818,841	292,048,877	4,141,191	0	337,281,940
Accumulated depreciation	(1,183,644)	(2,551,523)	(24,540,447)	(137,219,664)	(3,904,209)	0	(169,399,487)
Accumulated impairment	0	0	0	(4,357,087)	0	0	(4,357,087)
Net book value	3,203,640	3,334,224	6,278,394	150,472,126	236,982	0	163,525,366

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment furniture and fittings and renovations RM	Motor vehicles RM	Assets under construction RM	Total RM
Year ended 31 December 2019						
Net book value						
At 1 January 2019	**1,959,770**	**1,021,410**	**491,947**	**1,323,818**	**0**	**4,796,945**
Additions	**0**	**0**	**150,804**	**0**	**3,815**	**154,619**
Depreciation charge	**(48,892)**	**(26,190)**	**(203,686)**	**(290,714)**	**0**	**(569,482)**
At 31 December 2019	**1,910,878**	**995,220**	**439,065**	**1,033,104**	**3,815**	**4,382,082**
At 31 December 2019						
Cost	**2,444,000**	**1,309,500**	**5,055,240**	**1,453,567**	**3,815**	**10,266,122**
Accumulated depreciation	**(533,122)**	**(314,280)**	**(4,616,175)**	**(420,463)**	**0**	**(5,884,040)**
Net book value	**1,910,878**	**995,220**	**439,065**	**1,033,104**	**3,815**	**4,382,082**
At 31 December 2018						
Cost	2,444,000	1,309,500	4,904,436	1,453,567	0	10,111,503
Accumulated depreciation	(484,230)	(288,090)	(4,412,489)	(129,749)	0	(5,314,558)
Net book value	1,959,770	1,021,410	491,947	1,323,818	0	4,796,945

Company	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Motor vehicles RM	Total RM
Year ended 31 December 2018					
Net book value					
At 1 January 2018	2,008,662	1,047,600	182,501	3	3,238,766
Additions	0	0	429,417	1,453,567	1,882,984
Written off	0	0	(1)	0	(1)
Disposal	0	0	0	(3)	(3)
Depreciation charge	(48,892)	(26,190)	(119,970)	(129,749)	(324,801)
At 31 December 2018	1,959,770	1,021,410	491,947	1,323,818	4,796,945
At 31 December 2018					
Cost	2,444,000	1,309,500	4,904,436	1,453,567	10,111,503
Accumulated depreciation	(484,230)	(288,090)	(4,412,489)	(129,749)	(5,314,558)
Net book value	1,959,770	1,021,410	491,947	1,323,818	4,796,945
At 31 December 2017					
Cost	2,444,000	1,309,500	4,501,239	2,227,587	10,482,326
Accumulated depreciation	(435,338)	(261,900)	(4,318,738)	(2,227,584)	(7,243,560)
Net book value	2,008,662	1,047,600	182,501	3	3,238,766

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2019	**2018**
	RM	**RM**
Net book value of property, plant and equipment of the Group pledged as security:		
- long term leasehold land	**1,117,247**	1,156,113
- long term leasehold buildings	**940,633**	1,058,901
- office equipment, furniture and fittings and renovations	**2,797,200**	2,851,200
- plant, machinery and other equipment	**158,577,374**	130,029,473
- motor vehicles	**722,082**	326,882
	164,154,536	135,422,569

The property, plant and equipment above have been pledged as security for borrowings as disclosed in Note 27 and the unutilised banking facilities as at financial year end.

In previous financial year, RM80,000 of motor vehicle was acquired by means of hire purchase arrangement. Property, plant and equipment that was acquired by way of hire purchase arrangement is reclassified as right-of-use assets during the year following the adoption of the new MFRS 16 on leasing (Note 14 and Note 27).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

13 INVESTMENT PROPERTIES

	Group 2019 RM	2018 RM
Net book value		
At 1 January	**794,423**	817,999
Depreciation charge	**(23,575)**	(23,576)
At 31 December	**770,848**	794,423
Cost	**1,178,764**	1,178,764
Accumulated depreciation	**(376,453)**	(352,878)
Accumulated impairment loss	**(31,463)**	(31,463)
	770,848	794,423
Fair value of investment properties	**1,234,000**	1,234,000

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

	Group 2019 RM	2018 RM
Rental income	**85,152**	85,152

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

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

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

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

Description	Valuation technique	Unobservable input	Unobservable input	Relationships of unobservable inputs to fair value
Office lot – Mutiara Bangsar	Sales comparison approach	Price per square foot	RM400	The higher the price per square foot, the higher fair value

14 RIGHT-OF-USE ASSETS

Group	Leasehold buildings and improvements RM	Office equipment RM	Motor vehicle under lease RM	Total RM
2019				
At 1 January	0	0	0	0
Arising from adoption of MFRS 16:				
- reclassification from property, plant and equipment (Note 12)	0	0	93,612	93,612
- capitalisation of operating lease commitments	2,592,596	569,581	82,685	3,244,862
	2,592,596	569,581	176,297	3,338,474
Addition	0	194,176	0	194,176
Lease modification	(26,797)	(36,508)	0	(63,305)
Depreciation charge	(1,367,419)	(205,179)	(58,839)	(1,631,437)
At 31 December	1,198,380	522,070	117,458	1,837,908
Cost	2,565,799	702,808	199,700	3,468,307
Accumulated depreciation	(1,367,419)	(180,738)	(82,242)	(1,630,399)
At 31 December	1,198,380	522,070	117,458	1,837,908

Company	Office equipment RM	Total RM
2019		
At 1 January	0	0
Arising from adoption of MFRS 16:		
- capitalisation of operating lease commitments	199,216	199,216
	199,216	199,216
Depreciation charge	(55,179)	(55,179)
At 31 December	144,037	144,037
Cost	199,216	199,216
Accumulated depreciation	(55,179)	(55,179)
	144,037	144,037

The Group's net book value of motor vehicles acquired under hire purchase arrangement amounted to RM70,209 (2018: RM93,612) as at financial year end.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

15 INTANGIBLE ASSETS

Group	Goodwill RM	Contracts RM	Software costs RM	Software costs for assets in progress RM	Total RM
2019					
At 1 January	**108,997**	**0**	**844,570**	**0**	**953,567**
Amortisation	**0**	**0**	**(494,305)**	**0**	**(494,305)**
At 31 December	**108,997**	**0**	**350,265**	**0**	**459,262**
Cost	**108,997**	**3,953,810**	**3,671,099**	**0**	**7,733,906**
Accumulated amortisation	**0**	**(3,953,810)**	**(3,320,834)**	**0**	**(7,274,644)**
At 31 December	**108,997**	**0**	**350,265**	**0**	**459,262**
2018					
At 1 January	108,997	0	1,391,206	143,959	1,644,162
Addition	0	0	26,130	0	26,130
Transfer	0	0	143,959	(143,959)	0
Amortisation	0	0	(716,725)	0	(716,725)
At 31 December	108,997	0	844,570	0	953,567
Cost	108,997	3,953,810	3,671,099	0	7,733,906
Accumulated amortisation	0	(3,953,810)	(2,826,529)	0	(6,780,339)
At 31 December	108,997	0	844,570	0	953,567

15 INTANGIBLE ASSETS (CONTINUED)

Company	Software costs RM	Software costs for assets in progress RM	Total RM
2019			
At 1 January	**154,642**	**0**	**154,642**
Amortisation	**(54,122)**	**0**	**(54,122)**
At 31 December	**100,520**	**0**	**100,520**
Cost	**414,067**	**0**	**414,067**
Accumulated amortisation	**(313,547)**	**0**	**(313,547)**
	100,520	**0**	**100,520**
2018			
At 1 January	93,048	143,959	237,007
Transfer	143,959	(143,959)	0
Amortisation	(82,365)	0	(82,365)
At 31 December	154,642	0	154,642
Cost	414,067	0	414,067
Accumulated amortisation	(259,425)	0	(259,425)
	154,642	0	154,642

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

16 SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares at cost	**146,217,367**	146,222,166
Less: Impairment loss	**(9,400,000)**	(9,400,000)
	136,817,367	136,822,166

During the financial year, the Company's investment in its subsidiaries fell by RM4,799 (2018: increased by RM209,743) through the reversal of existing shares grants granted to selected eligible employees of subsidiaries in the Group previously following that all existing share grants in issuance under the LTIP scheme have expired and there are no shares outstanding on these grants at the end of the financial year.

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in Note 36 to the financial statements.

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Penaga Dresser Sdn. Bhd.	Delcom Utilities (Cambodia) Limited	Turboservices Sdn. Bhd.	Deleum Primera Sdn. Bhd.	Other individually immaterial subsidiary	Total
In RM						
Year ended 31 December 2019						
NCI percentage of ownership interest and voting interest	**49%**	**40%**	**26%**	**40%**		
Carrying amount of NCI	**17,466,529**	**5,380,535**	**3,220,750**	**2,376,507**	**40,337**	**28,484,658**
Year ended 31 December 2018						
NCI percentage of ownership interest and voting interest	49%	40%	26%	40%		
Carrying amount of NCI	12,751,203	5,406,842	3,807,484	2,095,882	40,598	24,102,009

16 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material NCI

Summarised statements of comprehensive income

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Revenue	**102,337,422**	50,845,225	**0**	0	**372,627,210**	297,873,386	**237,348,849**	138,212,683
Profit/(Loss) before tax	**27,187,323**	11,848,841	**24,107**	(142,749)	**2,170,899**	2,612,504	**1,251,283**	(6,920,551)
Tax expense	**(6,564,209)**	(2,843,273)	**0**	0	**(397,568)**	(618,402)	**(549,721)**	1,191,344
Profit/(Loss) for the year	**20,623,114**	9,005,568	**24,107**	(142,749)	**1,773,331**	1,994,102	**701,562**	(5,729,207)
Other comprehensive income/(loss)								
Currency translation differences	**0**	0	**(89,875)**	161,481	**0**	0	**0**	0
Total comprehensive income/(loss) for the financial year	**20,623,114**	9,005,568	**(65,768)**	18,732	**1,773,331**	1,994,102	**701,562**	(5,729,207)
Total profit/(loss) allocated to NCI	**10,105,326**	4,412,728	**9,643**	(57,100)	**461,066**	518,467	**280,625**	(2,291,685)
Total comprehensive income/(loss) allocated to NCI	**10,105,326**	4,412,728	**(26,307)**	7,493	**461,066**	518,467	**280,625**	(2,291,685)
Dividends to NCI	**5,390,000**	5,390,000	**0**	0	**1,047,800**	2,122,640	**0**	0

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

16 SUBSIDIARIES (CONTINUED)

Summarised statements of financial position

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM	RM	RM	RM	RM	RM	RM	RM
Current								
Assets	**49,983,367**	31,659,005	**3,943,429**	3,963,645	**174,844,449**	172,930,065	**109,723,094**	72,711,129
Liabilities	**(18,230,572)**	(7,537,519)	**(7,216,381)**	(7,276,529)	**(164,303,270)**	(160,494,909)	**(122,299,109)**	(78,565,507)
Total current net assets/(liabilities)	**31,752,795**	24,121,486	**(3,272,952)**	(3,312,884)	**10,541,179**	12,435,156	**(12,576,015)**	(5,854,378)
Non-current								
Assets	**4,536,338**	2,382,586	**16,724,288**	16,829,989	**1,865,015**	2,209,013	**19,222,605**	13,036,341
Liabilities	**(217,913)**	(61,442)	**0**	0	**(18,694)**	0	**(332,044)**	(1,573,000)
Total non-current net assets	**4,318,425**	2,321,144	**16,724,288**	16,829,989	**1,846,321**	2,209,013	**18,890,561**	11,463,341
Net assets	**36,071,220**	26,442,630	**13,451,336**	13,517,105	**12,387,500**	14,644,169	**6,314,546**	5,608,963

Summarised statements of cash flows

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM	RM	RM	RM	RM	RM	RM	RM
Cash flows from operating activities								
Cash generated from/(used in) operations	**12,682,572**	14,737,023	**0**	9,548	**18,765,649**	(2,896,265)	**29,266,802**	(13,126,784)
Tax (paid)/refund	**(5,195,526)**	(3,795,040)	**0**	0	**333,635**	(1,040,075)	**487,180**	(893,467)
Interest (paid)/received	**(25,126)**	0	**0**	0	**1,208,766**	808,643	**(1,439,630)**	(231,345)
Net cash generated from/(used in) operating activities	**7,461,920**	10,941,983	**0**	9,548	**20,308,050**	(3,127,697)	**28,314,352**	(14,251,596)
Net cash used in investing activities	**(1,437,897)**	(387,657)	**0**	(3,854,048)	**(426,526)**	(242,327)	**(9,436,861)**	(8,308,556)
Net cash (used in)/generated from financing activities	**(11,573,110)**	(11,001,217)	**0**	0	**(2,612,729)**	3,620,887	**13,741,668**	22,878,889

16 SUBSIDIARIES (CONTINUED)

Summarised statements of cash flows (Continued)

	Penaga Dresser Sdn. Bhd.		Delcom Utilities (Cambodia) Limited		Turboservices Sdn. Bhd.		Deleum Primera Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Net (decrease)/ increase in cash and cash equivalents	**(5,549,087)**	(446,891)	**0**	(3,844,500)	**17,268,795**	250,863	**32,619,159**	318,737
Foreign currency translation	**5,701**	(5,593)	**0**	(34,540)	**(12,428)**	28,056	**0**	0
Cash and cash equivalents at beginning of the financial year	**8,267,828**	8,720,312	**0**	3,879,040	**29,843,879**	29,564,960	**4,602,708**	4,283,971
Cash and cash equivalents at end of the financial year	**2,724,442**	8,267,828	**0**	0	**47,100,246**	29,843,879	**37,221,867**	4,602,708

17 JOINT VENTURE

	Company	
	2019	**2018**
	RM	**RM**
Unquoted shares at cost	**29,375,937**	29,375,937

	Group	
	2019	**2018**
	RM	**RM**
Group's share of net assets of joint venture	**31,076,069**	29,701,991

Turboservices Overhaul Sdn. Bhd. ("TOSB") was a wholly owned subsidiary of the Group. It was incorporated in Malaysia and its main activities included the provision of gas turbine overhaul and maintenance services. In March 2015, the Group entered into a Subscription Agreement with STICO, which resulted in the Group having an equity interest of 80.55%. However, both parties approval on relevant activities is required as stated in the Subscription Agreement. Based on MFRS and in the opinion of the Directors, TOSB is regarded as a material joint venture and its results and net assets are accounted for under the equity method of accounting.

The capital of TOSB consists of ordinary shares and redeemable convertible preference shares. It is a private company and there is no readily available quoted market price available for its shares.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

17 JOINT VENTURE (CONTINUED)

Summarised statement of comprehensive income

	TOSB	
	For the financial year ended	
	2019	2018
	RM	RM
Revenue	**6,763,568**	6,763,568
Depreciation	**(2,562,209)**	(2,857,243)
Interest income	**628,785**	385,432
Profit before tax	**2,180,654**	1,853,459
Tax expense	**(474,784)**	(439,552)
Profit for the year/Total comprehensive income for the financial year	**1,705,870**	1,413,907
Interest in joint venture (80.55%)		
Share of results	**1,374,078**	1,138,902

Summarised statement of financial position

	TOSB	
	As at 31 December	
	2019	2018
	RM	RM
Current		
Cash and bank balances	**23,150,846**	15,732,909
Other current assets (excluding cash and bank balances)	**1,430,690**	4,723,127
Total current assets	**24,581,536**	20,456,036
Financial liabilities (excluding trade payables)	**(214,810)**	(265,223)
Other current liabilities (including trade payables)	**(323,403)**	(210,793)
Total current liabilities	**(538,213)**	(476,016)
Non-current		
Assets	**15,574,309**	18,112,571
Liabilities	**(1,037,782)**	(1,218,611)
Net assets	**38,579,850**	36,873,980

17 JOINT VENTURE (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint venture.

	TOSB	
	As at 31 December	
	2019	2018
	RM	RM
Opening net assets		
1 January	**29,701,991**	28,563,089
Share of profit for the year	**1,374,078**	1,138,902
Closing net assets	**31,076,069**	29,701,991
Interest in joint venture (80.55%)	**31,076,069**	29,701,991
Carrying value	**31,076,069**	29,701,991

18 ASSOCIATES

	Group	
	2019	2018
	RM	RM
Group's share of net assets of associates	**34,800,121**	35,564,981

In the opinion of the Directors, Malaysian Mud and Chemicals Sdn. Bhd. ("MMC") and Cambodia Utilities Pte Ltd ("CUPL") are material associates to the Group. The Group's effective equity interest in the associates, the nature of the relationship, place of business and country of incorporation are set out in Note 36 to the financial statements. The associates have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

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

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

The power generating facility operated by CUPL under a build, operate and transfer agreement with Electricite Du Cambodge expired in May 2015. The company has continued to equity account for the results of CUPL until it ceases to be an associate. The Company's interest in CUPL at that date will be represented by current assets which are expected to be liquidated in which the surplus after net of any amount due to CUPL will be returned to the Company in the form of cash. The share of profit from this associate and its contribution attributable to the shareholders of the Company in the financial year ended 31 December 2019 amounted to RM943 (2018: loss of RM212) and RM566 (2018: loss of RM127) respectively.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

18 ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income

	MMC		CUPL		Total	
	For the financial year ended		For the financial year ended		For the financial year ended	
	2019	2018	2019	2018	2019	2018
	RM	RM	RM	RM	RM	RM
Revenue	**45,706,996**	30,655,967	**0**	0	**45,706,996**	30,655,967
Depreciation	**(7,676,684)**	(7,724,888)	**0**	0	**(7,676,684)**	(7,724,888)
Interest income	**0**	0	**2,669**	2,756	**2,669**	2,756
Profit/(Loss) before tax	**19,326,100**	8,342,293	**4,712**	(1,060)	**19,330,812**	8,341,233
Tax expense	**(4,464,801)**	(1,233,569)	**0**	0	**(4,464,801)**	(1,233,569)
Profit/(Loss) for the year	**14,861,299**	7,108,724	**4,712**	(1,060)	**14,866,011**	7,107,664
Other comprehensive income/(loss)						
Currency translation differences	**0**	0	**(407,092)**	676,911	**(407,092)**	679,911
Total comprehensive income/(loss) for the financial year	**14,861,299**	7,108,724	**(402,380)**	675,851	**14,458,919**	7,787,575
Interest in associates (32%; 20%) Share of results	**4,755,616**	2,274,792	**943**	(212)	**4,756,559**	2,274,580
Dividends received from associate	**5,440,000**	3,840,000	**0**	0	**5,440,000**	3,840,000

18 ASSOCIATES (CONTINUED)

Summarised statements of financial position

	MMC		CUPL		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2019	2018	2019	2018	2019	2018
	RM	RM	RM	RM	RM	RM
Current						
Cash and bank balances	**5,991,914**	4,339,724	**751,602**	756,146	**6,743,516**	5,095,870
Other current assets (excluding cash and bank balances)	**33,933,133**	31,102,114	**35,810,983**	36,213,502	**69,744,116**	67,315,616
Total current assets	**39,925,047**	35,441,838	**36,562,585**	36,969,648	**76,487,632**	72,411,486
Financial liabilities (excluding trade payables)	**(6,052,285)**	(3,229,786)	**0**	0	**(6,052,285)**	(3,229,786)
Other current liabilities (including trade payables)	**(413,254)**	(67,415)	**(345,027)**	(349,710)	**(758,281)**	(417,125)
Total current liabilities	**(6,465,539)**	(3,297,201)	**(345,027)**	(349,710)	**(6,810,566)**	(3,646,911)
Non-current						
Assets	**62,974,777**	67,558,667	**0**	0	**62,974,777**	67,558,667
Liabilities	**(10,319,882)**	(11,450,200)	**0**	0	**10,319,882**	(11,450,200)
Net assets	**86,114,403**	88,253,104	**36,217,558**	36,619,938	**122,331,961**	124,873,042

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

	MMC		CUPL		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2019	2018	2019	2018	2019	2018
	RM	RM	RM	RM	RM	RM
Opening net assets						
1 January	**88,253,104**	98,144,380	**36,619,938**	35,944,087	**124,873,042**	134,088,467
Profit/(Loss) for the year	**14,861,299**	7,108,724	**4,712**	(1,060)	**14,866,011**	7,107,664
Other comprehensive income/(loss)	**0**	0	**(407,092)**	676,911	**(407,092)**	676,911
Dividends	**(17,000,000)**	(17,000,000)	**0**	0	**(17,000,000)**	(17,000,000)
Closing net assets	**86,114,403**	88,253,104	**36,217,558**	36,619,938	**122,331,961**	124,873,042
Interest in associates (32%; 20%)	**27,556,609**	28,240,993	**7,243,512**	7,323,988	**34,800,121**	35,564,981
Carrying value	**27,556,609**	28,240,993	**7,243,512**	7,323,988	**34,800,121**	35,564,981

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

19 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2019	2018
	RM	RM
Amounts due from subsidiaries	**73,768,858**	80,187,580
Amounts due to subsidiaries	**(5,812,692)**	(18,596,478)

Included in amounts due from subsidiaries are amounts due from a subsidiary amounting to RM2,200,000 (2018: RM2,200,000) in relation to the finance of the purchase of equipment. These amounts are unsecured, interest is charged at 4.15% per annum (2018: 4.15% per annum) and repayable on demand.

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

The carrying amounts of the amount due from/(to) subsidiaries of the Company at the reporting date approximately to their respective fair values.

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

20 INVENTORIES

	Group	
	2019	2018
	RM	RM
At cost:		
Finished goods	**22,967,592**	20,283,264
Goods in transit	**23,243,201**	2,989,164
Less: Allowance for slow moving inventories	**(1,569,392)**	(773,909)
	44,641,401	22,498,519

Included in costs of sales are inventories consumed and recognised as cost of sales during the year of RM130,135,933 (2018: RM77,760,481).

Movement in allowance for slow moving inventories is as follows:

	Group	
	2019	2018
	RM	RM
At 1 January	**773,909**	688,634
Allowance made during the year	**828,002**	209,470
Written off during the year	**0**	(97,041)
Reversal of allowance made	**(32,519)**	(27,154)
At 31 December	**1,569,392**	773,909

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Non-current:				
Other long-term receivables	**4,921,400**	4,921,400	**0**	0
Deposits	**14,605,983**	6,160,332	**0**	0
	19,527,383	11,081,732	**0**	0
Current:				
Trade receivables	**120,316,042**	94,717,238	**0**	0
Less: Impairment of receivables	**(997,824)**	(1,733,664)	**0**	0
Trade receivables, net	**119,318,218**	92,983,574	**0**	0
Other receivables	**1,985,725**	2,422,260	**157,438**	57,171
Less: Impairment of receivables	**(49,530)**	(48,030)	**0**	0
	1,936,195	2,374,230	**157,438**	57,171
Deposits	**1,801,750**	2,701,855	**23,150**	23,150
Prepayments	**5,576,692**	5,091,403	**632,610**	175,466
	9,314,637	10,167,488	**813,198**	255,787
	128,632,855	103,151,062	**813,198**	255,787

Other long-term receivables

The other long-term receivables are non-current upfront deposits paid by the Group totalling RM4,921,400 (2018: RM4,921,400) for an investment which involves a joint collaborative effort with an independent third party and is held long-term for strategical purposes.

Deposits

Included in non-current deposits are advance payments made amounting to RM14,605,983 (2018: RM6,160,332) for the purchases of plant and equipment that are pending fulfilment on the asset recognition pre-requisites.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

The currency profile of trade receivables is as follows:

	Group	
	2019	**2018**
	RM	**RM**
- Ringgit Malaysia	**70,981,208**	48,049,404
- US Dollar	**47,314,068**	42,996,678
- Indonesian Rupiah	**1,022,942**	1,937,492
	119,318,218	92,983,574

Credit terms of trade receivables range from 30 to 90 days (2018: 30 to 90 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

64% of the Group's trade receivables as at 31 December 2019 (2018: 68%) relates to 6 (2018: 6) main customers while the remaining balance is spread over a large number of customers. The major customers are primarily players in the oil and gas industry.

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

	Group	
	2019	**2018**
	RM	**RM**
Neither past due nor impaired	**74,402,587**	53,168,068
1 to 30 days past due not impaired	**26,685,270**	20,929,368
31 to 60 days past due not impaired	**11,186,480**	4,303,118
61 to 90 days past due not impaired	**4,003,340**	7,452,157
91 to 120 days past due not impaired	**1,240,736**	6,533,959
More than 121 days past due not impaired	**1,799,805**	596,904
Neither past due but impaired	**0**	1,400
Past due and impaired:		
More than 121 days past due and impaired	**997,824**	1,732,264
	120,316,042	94,717,238
Less: Impairment of receivables	**(997,824)**	(1,733,664)
	119,318,218	92,983,574

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (Continued)

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM44,915,631 (2018: RM39,815,506) that are past due at the reporting date but not impaired. The receivable balances are unsecured in nature. These balances relate mainly to customers who have good payment history.

Receivables that are not past due but impaired

Trade receivables that are not past due but impaired are specific debtors that are identified in which collection are in doubt.

Movement in impairment of trade receivables is as follows:

		Group
	2019	**2018**
	RM	**RM**
At 1 January	**1,733,664**	2,049,988
Impairment made during the year	**57,375**	9,926
Written off during the year	**(784,620)**	(190,038)
Reversal of impairment losses	**(8,595)**	(136,212)
At 31 December	**997,824**	1,733,664

All impaired trade receivables are individually or collectively determined on the basis of shared credit risk characteristics. These impaired receivables are from customers whose credit risks have significantly increased since initial recognition. These receivables are not secured by collateral or credit enhancements.

The lifetime expected credit loss allowance for trade receivables is as follows:

				Group
	Carrying amounts			**Impairment**
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Not past due	**0**	6,990	**0**	1,400
Past due:				
More than 121 days past due	**12,600**	13,623	**1,985**	2,195
	12,600	20,613	**1,985**	3,595

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables

Other receivables are non-trade in nature, unsecured, interest free, payable on demand.

The currency profile of other receivables is as follows:

		Group
	2019	2018
	RM	RM
- Ringgit Malaysia	**9,033,550**	9,706,602
- US Dollar	**281,087**	460,752
- Others	**0**	134
	9,314,637	10,167,488

Other receivables of the Company are denominated in Ringgit Malaysia.

Movement in impairment of other receivables is as follows:

		Group
	2019	2018
	RM	RM
At 1 January	**48,030**	48,030
Impairment made during the year	**1,500**	0
At 31 December	**49,530**	48,030

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

22 CONTRACT BALANCES

CONTRACT ASSETS

	Group	
	2019	**2018**
	RM	**RM**
Accrued revenue	**126,668,737**	160,852,032
Less: Impairment of accrued revenue	**(542,562)**	(585,346)
Accrued revenue, net (note (a))	**126,126,175**	160,266,686
Retention sum (note (a))	**646,585**	529,983
	126,772,760	160,796,669
Deferred costs (note (b))	**11,408,603**	3,058,029
	138,181,363	163,854,698
CONTRACT LIABILITIES		
Deferred revenue (note (b))	**(12,698,178)**	(6,476,785)
Net contract assets	**125,483,185**	157,377,913

Contract assets of which performance obligations has been satisfied

a. Accrued Revenue and Retention Sum

Accrued revenue represents timing difference in revenue earned from customers against the corresponding billings made to the respective customers. This includes accrued revenue arising from project based contracts where this represents the excess of cumulative revenue earned over the total billings made to-date on the contract. These billings will be issued upon when the billing milestone is met. Retention sum receivables are monies withheld by contract customers and will be released upon the completion of the contract jobs and/or expiry of the defect liability period of the contract.

Contract assets have decreased by RM34.0 million due to transferred to trade receivables when the billing milestone is met mitigated by the unbilled amount on the changes of work progress for projects, goods and services.

Contract liabilities have increased by RM6.2 million due to advance billings on certain projects which performance obligations have not been satisfied, goods not delivered and services not performed mitigated by revenue recognition on the prior year contract liabilities.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

22 CONTRACT BALANCES (CONTINUED)

Contract assets of which performance obligations has been satisfied (Continued)

a. Accrued Revenue and Retention Sum (Continued)

The currency profile of contract assets consisting of accrued revenue and retention sum are as follows:

		Group
	2019	**2018**
	RM	**RM**
- Ringgit Malaysia	**94,425,641**	95,279,817
- US Dollar	**31,770,184**	65,504,860
- Indonesian Rupiah	**459,435**	11,992
- Saudi Arabia Riyal	**117,500**	0
	126,772,760	160,796,669

Movement in impairment of accrued revenue and retention sum are as follows:

		Group
	2019	**2018**
	RM	**RM**
At 1 January	**585,346**	623,134
Impairment made during the year	**1,519**	23,038
Written off during the year	**(29,731)**	(51,666)
Reversal of impairment losses	**(14,572)**	(9,160)
At 31 December	**542,562**	585,346

b. Deferred Costs and Deferred Revenue

Deferred costs represent advance payment to supplier or advance billing from suppliers for which performance milestone have yet to be achieved or performance obligation are yet to be completed and accepted by customers. These deferred costs shall be recognised as cost of sales only when the performance obligation is satisfied.

Deferred revenue represent advance payments received from customers and other deferred income where the Group has billed or has collected the payment for which the performance obligations is yet to be satisfied and is initially recorded as deferred revenue. This deferred revenue shall be recognised as revenue earned only when the performance obligations is satisfied.

The Group applies the practical expedient in MFRS 15 on not disclosing the expected revenues and costs to be recognised in the future for the above mentioned deferred costs and revenue respectively as these performance obligations are part of contracts that have an original expected duration of one year or less.

23 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Amounts due from associates	**1,600,066**	1,600,016	**16**	16
Amounts due to associates	**(7,161,875)**	(7,242,375)	**0**	0

Included in the amounts due from associates is dividend receivable of RM1,600,000 (2018: RM1,600,000).

Except as mentioned above, the amounts due from/(to) associates are non-trade in nature, unsecured, interest free, repayable/payable on demand and in relation to payments made on behalf for operating expenses.

The amounts due from/(to) associates are denominated in Ringgit Malaysia.

24 AMOUNT DUE FROM A JOINT VENTURE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Amount due from a joint venture	**127,300**	160,470	**127,300**	160,309

The amount due from a joint venture are unsecured, interest free, repayable on demand and are denominated in Ringgit Malaysia.

25 DERIVATIVE FINANCIAL INSTRUMENT

Movement in derivative assets/(liabilities) are as follows:

	Group	
	2019	2018
	RM	RM
As at 1 January	**7,364**	(23,775)
Changes in fair value	**(64,874)**	(649,536)
Settlement during the year	**46,426**	680,675
As at 31 December	**(11,084)**	7,364

Forward foreign exchange contract is used to manage the foreign currency exposures arising from the Group's obligation to settle its liabilities that are denominated in currencies other than the functional currency of the Group. The settlement dates on forward foreign exchange contracts range between 1 to 180 days. As at the reporting date, the notional principal amount of the outstanding forward foreign exchange contract was RM556,576 (2018: RM2,602,300).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

25 DERIVATIVE FINANCIAL INSTRUMENT (CONTINUED)

The Group determines the fair value of the derivative financial instrument relating to the forward foreign exchange contract using a valuation technique which utilises input from recognised and reliable financial information sources. Assumptions are based on market conditions existed at each reporting date. The fair value of forward foreign exchange contract is determined by using the forward exchange rates as at each reporting date.

As at year end, the fair value changes arising from the forward foreign exchange contracts entered by the Group and remained outstanding as at 31 December 2019 is fair value loss of RM11,084 (2018: fair value gain of RM7,364).

26 CASH AND BANK BALANCES

		Group		Company
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Cash and cash equivalents	**147,517,770**	124,276,324	**1,925,160**	6,386,695
Add:				
Cash held in a designated account	**6,940,167**	5,130,539	**0**	0
Deposits pledged as security	**5,500,000**	5,500,000	**0**	0
Total cash and bank balances	**159,957,937**	134,906,863	**1,925,160**	6,386,695
Represented by:				
Deposits with licensed banks	**86,583,475**	93,068,352	**1,800,000**	6,260,000
Cash and bank balances	**73,374,462**	41,838,511	**125,160**	126,695
Total cash and bank balances	**159,957,937**	134,906,863	**1,925,160**	6,386,695

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

		Group		Company
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
- Ringgit Malaysia	**153,874,288**	127,076,209	**1,925,160**	6,386,695
- US Dollar	**5,972,138**	7,717,470	**0**	0
- Euro Dollar	**2,904**	4,342	**0**	0
- Singapore Dollar	**90,596**	90,401	**0**	0
- Hong Kong Dollar	**18,011**	18,441	**0**	0
	159,957,937	134,906,863	**1,925,160**	6,386,695

26 CASH AND BANK BALANCES (CONTINUED)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
Interest rate (%)	**0.30 – 3.15**	0.13 – 3.18	**2.75 – 3.18**	2.75 – 3.14
Maturities (days)	**1 – 30**	1 – 30	**1 – 30**	1 – 16

Cash held in a designated account is required by the terms of the term loan undertaken by a subsidiary company (Note 27).

27 BORROWINGS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Revolving credits	**29,800,000**	24,800,000	**24,800,000**	24,800,000
Finance lease liabilities (Note 12)	**0**	80,000	**0**	0
Lease liabilities on right-of-use assets (Note 12)	**1,854,300**	0	**147,675**	0
Term loans	**48,495,565**	35,653,000	**0**	0
Loans against imports	**8,869,508**	2,647,960	**0**	0
	89,019,373	63,180,960	**24,947,675**	24,800,000
Less: amount repayable within 12 months				
Revolving credits	**(29,800,000)**	(24,800,000)	**(24,800,000)**	(24,800,000)
Finance lease liabilities	**0**	(18,558)	**0**	0
Lease liabilities on right-of-use assets	**(1,115,510)**	0	**(54,226)**	0
Term loans	**(26,791,855)**	(27,929,828)	**0**	0
Loans against imports	**(8,869,508)**	(2,647,960)	**0**	0
	(66,576,873)	(55,396,346)	**(24,854,226)**	(24,800,000)
Amount repayable after 12 months	**22,442,500**	7,784,614	**93,449**	0

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

27 BORROWINGS (CONTINUED)

(a) Term loans (secured)

The above term loans were structured as follows:

	Group	
	2019	**2018**
	RM	**RM**
Term loans	**48,495,565**	35,653,000

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

The term loan carries an interest of 4.22% per annum (0.90% above the KLIBOR) (2018: 4.22%). The loan is repayable by way of 60 monthly principal instalments of RM2,049,986. The first instalment commences on the 18th month from the date of the first drawdown or the 6th month from the date of the full drawdown, whichever is earlier. The first instalment payment was made in April 2015. The tenure of the loan is 5 years.

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2019 is RM4,175,095 (2018: RM5,130,539) (Note 26).

On 9 November 2018, a subsidiary of the Group drew down a new term loan to part finance the purchase of plant and equipment. The total draw down as at 31 December 2019 was RM4,903,000. The term loan is secured over the plant and equipment which financed under the term loan.

The term loan carries an interest of 0.9% above the bank's KLIBOR. The loan is repayable by way of 60 monthly principal instalment of RM370,000. The first instalment is to be commenced on 6th month from the date of the first drawdown. The first instalment payment will be due by April 2019. The tenure of the loan is 5 years.

On 27 August 2019, a subsidiary of the Group drew down an additional term loan to part finance the purchase of new slickline equipment and tools following the new slickline contract secured on 15 January 2019. The total draw down was RM32,555,565. The term loan is secured by an "all monies" first legal charge over machinery of slickline equipment and tools of the subsidiary as disclosed in Note 12 and corporate guarantees comprising of RM20,000,000 and RM136,000,000 furnished by Deleum Berhad and another subsidiary of the Group respectively covering for the existing and new term loan raised to part finance the purchase of slickline equipment and tools.

The term loan carries an interest of 1.1% per annum above the KLIBOR. The loan is repayable by way of 30 monthly equal principal instalments of RM1,260,000. The first instalment commences on the 6th month from the date of the first drawdown or the 6th month from the date of the full drawdown, whichever is earlier. The first instalment payment is expected to be made in 27 March 2020. The tenure of the loan is 3 years.

27 BORROWINGS (CONTINUED)

(a) Term loans (secured) (Continued)

Under the loan covenant, the subsidiary is required to open an escrow account under its own name. A minimum of two instalments (principal and interest) must be maintained at all time in that account. The balance in the escrow account as at 31 December 2019 is RM2,765,072 (Note 26).

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

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

		Group
	2019	**2018**
	RM	**RM**
Not later than 1 year	**26,791,855**	27,929,828
Later than 1 year but not later than 2 years	**13,022,226**	7,723,172
Later than 2 years but not later than 5 years	**8,681,484**	0
	48,495,565	35,653,000

(b) Revolving credit (unsecured)

The revolving credit facility was drawn down to part finance the purchase of additional slickline equipment and tools and for working capital requirements. The amount was rolled-over on a monthly basis at an average rate of 4.96% (1.00% per annum above the bank's cost of fund) (2018: 5.21%). The interest is fixed at the date of each draw down and subsequently revised at the commencement of each roll-over period. No securities have been pledged under this facility.

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

(c) Loans against imports (unsecured)

The loans against imports facility was drawn down to finance the import of inventories, parts and machineries. The facility carries an interest rate of 4.49% (1.15% per annum above the bank's cost of fund) (2018: 4.64%). No securities have been pledged under this facility.

The fair value of the loans against imports approximates its carrying amount due to it being a floating rate instruments.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

27 BORROWINGS (CONTINUED)

(d) Lease liabilities

Finance lease liabilities and lease liabilities on right-of-use assets

		Group
	2019	**2018**
	RM	**RM**
Future minimum lease payments on right-of-use assets and hire purchase:		
Not later than 1 year	**1,195,560**	21,972
Later than 1 year but not later than 2 years	**565,969**	21,972
Later than 2 years but not later than 5 years	**216,160**	43,928
	1,977,689	87,872
Less: Future finance charges	**(123,389)**	(7,872)
Present value of lease liabilities and hire purchase	**1,854,300**	80,000
Analysis of present value of lease liabilities on right-of-use asset and hire purchase:		
Not later than 1 year	**1,115,510**	18,558
Later than 1 year but not later than 2 years	**533,930**	19,522
Later than 2 years but not later than 5 years	**204,860**	41,920
	1,854,300	80,000
Analysed as:		
Due within 12 months	**1,115,510**	18,558
Due after 12 months	**738,790**	61,442
	1,854,300	80,000

The lease liabilities on right-of-use assets carry interest rates ranging from 2.46% to 5.21% in 2019.

Motor vehicle under hire purchase that was presented as finance lease liabilities previously have been reclassified and included as part of the lease liabilities on right-of-use assets during the current financial year following the adoption of the new MFRS 16 standard on leasing.

During the year, the Group and the Company have changed its accounting policies for leases. The new policy and the impact of the change are as described in Note G and Note 40 to the financial statements respectively.

27 BORROWINGS (CONTINUED)

(d) Lease liabilities (Continued)

Finance lease liabilities and lease liabilities on right-of-use assets (Continued)

	Company 2019 RM
Future minimum lease payments on right-of-use assets:	
Not later than 1 year	61,920
Later than 1 year and not later than 2 years	56,052
Later than 2 years but not later than 5 years	45,264
	163,236
Less: Future finance charges	(15,561)
Present value of lease liabilities	147,675
Analysis of present value of lease liabilities on right-of-use assets:	
Not later than 1 year	54,226
Later than 1 year and not later than 2 years	51,183
Later than 2 years but not later than 5 years	42,266
	147,675
Analysed as:	
Due within 12 months	54,226
Due after 12 months	93,449
	147,675

The lease liabilities on right-of-use assets carry interest rates at 5.21% in 2019.

During the year, the Group and the Company have changed its accounting policies for leases. The new policy and the impact of the change are as described in Note G and Note 40 to the financial statements respectively.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

27 BORROWINGS (CONTINUED)

(e) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	Other borrowings* RM	Finance lease liabilities RM	Lease liabilities on right-of-use assets RM	Total RM
As at 1 January 2019	**63,100,960**	**80,000**	**0**	**63,180,960**
Arising from adoption of MFRS 16	**0**	**(80,000)**	**3,324,862**	**3,244,862**
As at 1 January 2019, as restated	**63,100,960**	**0**	**3,324,862**	**66,425,822**
Cash flows:				
- Drawdowns	**81,589,227**	**0**	**0**	**81,589,227**
- Repayments	**(57,525,114)**	**0**	**(1,601,413)**	**(59,126,527)**
- Interest paid	**(3,085,315)**	**0**	**(140,917)**	**(3,226,232)**
Non-cash changes:				
- Finance costs	**3,081,833**	**0**	**140,917**	**3,222,750**
- Movement in finance cost payable	**3,482**	**0**	**0**	**3,482**
- Acquisition of new leases	**0**	**0**	**194,176**	**194,176**
- Lease modification and disposal	**0**	**0**	**(63,325)**	**(63,325)**
As at 31 December 2019	**87,165,073**	**0**	**1,854,300**	**89,019,373**
As at 1 January 2018	76,048,407	0	0	76,048,407
Cash flows:				
- Drawdowns	26,697,972	0	0	26,697,972
- Repayments	(39,645,419)	0	0	(39,645,419)
- Interest paid	(2,857,416)	0	0	(2,857,416)
Non-cash changes:				
- Finance costs	2,852,275	0	0	2,852,275
- Movement in finance cost payable	5,141	0	0	5,141
- Acquisition of a new lease	0	80,000	0	80,000
As at 31 December 2018	63,100,960	80,000	0	63,180,960

* Other borrowings include revolving credits, term loans and loans against imports.

27 BORROWINGS (CONTINUED)

(e) Reconciliation of movements of liabilities to cash flows arising from financing activities

Company	Other borrowings* RM	Finance lease liabilities RM	Lease liabilities on right-of-use assets RM	Total RM
As at 1 January 2019	**24,800,000**	**0**	**0**	**24,800,000**
Arising from adoption of MFRS 16	**0**	**0**	**199,216**	**199,216**
As at 1 January 2019, as restated	**24,800,000**	**0**	**199,216**	**24,999,216**
Cash flows:				
- Repayments	**0**	**0**	**(51,541)**	**(51,541)**
- Interest paid	**(1,243,366)**	**0**	**(10,379)**	**(1,253,745)**
Non-cash changes:				
- Finance costs	**1,253,513**	**0**	**10,379**	**1,263,892**
- Movement in finance cost payable	**(10,147)**	**0**	**0**	**(10,147)**
As at 31 December 2019	**24,800,000**	**0**	**147,675**	**24,947,675**
As at 1 January 2018	17,800,000	0	0	17,800,000
Cash flows:				
- Drawdowns	15,000,000	0	0	15,000,000
- Repayments	(8,000,000)	0	0	(8,000,000)
- Interest paid	(911,529)	0	0	(911,529)
Non-cash changes:				
- Finance costs	934,201	0	0	934,201
- Movement in finance cost payable	(22,672)	0	0	(22,672)
As at 31 December 2018	24,800,000	0	0	24,800,000

* Other borrowings include revolving credits.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Trade payables	**205,117,134**	183,646,429	**0**	0
Other payables	**13,784,907**	7,758,816	**66,890**	474,410
Staff related accruals	**7,678,281**	5,557,484	**1,186,689**	1,214,780
Other accruals	**7,796,742**	6,171,187	**1,147,302**	847,701
	15,475,023	11,728,671	**2,333,991**	2,062,481
	29,259,930	19,487,487	**2,400,881**	2,536,891
	234,377,064	203,133,916	**2,400,881**	2,536,891

The other payables include the now repealed GST amount payable to the Royal Malaysian Customs Department.

The currency profile of trade payables is as follows:

	Group	
	2019	2018
	RM	RM
- Ringgit Malaysia	**84,287,029**	75,066,736
- US Dollar	**120,369,380**	107,644,221
- Singapore Dollar	**75,907**	772,524
- Euro Dollar	**192,190**	140,152
- Indonesian Rupiah	**192,628**	22,796
	205,117,134	183,646,429

The currency profile of other payables is as follows:

	Group	
	2019	2018
	RM	RM
- Ringgit Malaysia	**29,011,455**	16,179,011
- US Dollar	**222,519**	3,282,035
- Singapore Dollar	**25,956**	24,252
- Other	**0**	2,189
	29,259,930	19,487,487

Credit terms of payment granted by the suppliers of the Group are 30 to 60 days (2018: 30 to 60 days).

29 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority.

Deferred tax assets are recognised for tax losses carried forward to the extent the realisation of the benefit through future taxable profit are probable.

The following amounts, determined after appropriate offsetting, are shown on the statements of financial position:

		Group		Company
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Deferred tax assets	**3,328,844**	3,061,817	**553,493**	798,232
Deferred tax liabilities	**(23,165,612)**	(22,785,561)	**0**	0
At 1 January	**(19,723,744)**	(20,714,373)	**798,232**	1,680,838
(Charged)/credited to profit or loss (Note 9)				
- property, plant and equipment	**(824,947)**	(165,983)	**56,419**	(43,656)
- unutilised tax losses	**337,662**	153,153	**(272,145)**	(720,200)
- deferred cost	**(1,910,782)**	(462,710)	**0**	0
- deferred revenue	**1,409,617**	1,438,206	**0**	0
- provisions	**1,008,562**	(324,768)	**(29,013)**	(118,750)
- others	**(133,136)**	352,731	**0**	0
	(113,024)	990,629	**(244,739)**	(882,606)
	(19,836,768)	(19,723,744)	**553,493**	798,232

Recognised deferred tax assets

Deferred tax assets (before offsetting)

Property, plant and equipment	**2,770,977**	772,395	62,452	0
Unutilised tax losses	**1,720,956**	1,383,294	178,595	450,740
Deferred revenue	**2,999,493**	1,589,876	0	0
Provisions	**2,103,155**	1,094,593	322,208	351,221
Others	**348,020**	157,668	0	0
	9,942,601	4,997,826	563,255	801,961
Less: Offsetting	**(6,613,757)**	(1,936,009)	(9,762)	(3,729)
Deferred tax assets (after offsetting)	**3,328,844**	3,061,817	553,493	798,232

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

29 DEFERRED TAX (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Recognised deferred tax liabilities				
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(26,702,609)**	(23,879,080)	**(9,762)**	(3,729)
Deferred cost	**(2,654,002)**	(743,220)	**0**	0
Others	**(422,758)**	(99,270)	**0**	0
	(29,779,369)	(24,721,570)	**(9,762)**	(3,729)
Less: Offsetting	**6,613,757**	1,936,009	**9,762**	3,729
Deferred tax liabilities (after offsetting)	**(23,165,612)**	(22,785,561)	**0**	0

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019	2018
	RM	RM
Property, plant and equipment	**1,117,540**	2,488,278
Unutilised tax losses	**7,545,490**	13,019,346
Deferred revenue	**71,340**	0
Deferred cost	**(59,132)**	(208,896)
Accruals	**205,112**	227,277
Others	**282,236**	164,839
Total unrecognised deferred tax assets	**9,162,586**	15,690,844

Effective from 2019 onwards, unutilised tax losses shall only be allowed to be carried forward for a maximum period of seven (7) consecutive years commencing from the year such unutilised tax losses were incurred or from 2019 onwards for any unutilised tax losses that were incurred prior to 2019. Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profits will be available against which the Group can utilise the benefits therefrom or upon when such tax benefits had expired under the prevailing tax laws on that reporting date.

30 DEFERRED INCOME

During the year, oilfield subsidiaries of the Group have received conditional government grants for the purpose of developing speciality chemical solutions for production enhancement and undertaking asset integrated solutions services respectively in the oil and gas industry.

At the end of the financial year, no receipts nor any income has been recognised in the financial statements.

31 SHARE CAPITAL

	Group and Company	
	2019	**2018**
	RM	**RM**
Issued and fully paid ordinary shares:		
At 1 January - 401,125,700 ordinary shares with no par value (2018: 400,195,300 ordinary shares with no par value)	**201,353,602**	200,205,651
Issued pursuant to the Long-Term Incentive Plan (Note 32)		
- 427,800 ordinary shares with no par value (2018: 930,400 ordinary shares with no par value)	**447,906**	1,147,951
At 31 December - 401,553,500 ordinary shares with no par value (2018: 401,125,700 ordinary shares with no par value)	**201,801,508**	201,353,602

During the financial year, the total number of issued ordinary shares of the Company was increased from 401,125,700 to 401,553,500 by way of issuance of 427,800 new ordinary shares at RM1.047 per share to eligible employees under the Third Tranche of Second Grant under the Restricted Share Incentive Plan of the Company's Long-Term Incentive Plan.

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

32 SHARE BASED PAYMENT

The Long-Term Incentive Plan ("LTIP") allows the Company to grant shares under the scheme to Directors of the Company acting in an executive capacity and key employees of the Group and the Company of up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares, if any). The LTIP is governed by the By-Laws which was approved by shareholders on 27 May 2014 and is administered by the Plan Committee which is appointed by the Board of Directors, in accordance with the By-Laws. The LTIP shall be in force for a period of 10 years commencing from 10 October 2014.

The LTIP comprises the Restricted Share Incentive Plan ("RS Award") and Performance Share Incentive Plan ("PS Award"). The salient features of the LTIP, inter alia, are as follows:

(a) Any Executive Director of the Company or key employees of the Group shall be eligible to be considered for the awards if that person meets the eligibility criteria, amongst others, holding a senior management or key position within the Group whose service or employment has been confirmed in writing.

(b) The maximum number of LTIP shares which may be made available under the LTIP shall not be more than in aggregate 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any) at any point in time when the award is made during the duration of the LTIP.

(c) The total number of LTIP shares that may be awarded to any one of the selected eligible employees and/or to be vested in any one of the selected eligible employees under the LTIP at any time shall be at the discretion of the Plan Committee after taking into account such criteria as may be determined by the Plan Committee in its discretion in accordance with the By-Laws of the LTIP.

(d) The LTIP shares to be allotted and issued pursuant to the LTIP shall upon allotment and issuance, rank pari passu in all respects with the then existing ordinary shares in the Company in issue and shall be entitled to any rights, dividends, allotments and/or distributions attached thereto and/or which may be declared, made or paid to the Company's shareholders, provided that the relevant allotment date of such LTIP shares is before the entitlement date of such rights, dividends, allotments and/or distributions.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

32 SHARE BASED PAYMENT (CONTINUED)

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

Date of Grants	Type of Grant	At 1.1.2019	Granted	Vested	Lapsed/ Forfeited	At 31.12.2019
2 March 2015	RS Award	0	0	0	0	0
(1st Grant)	PS Award	0	0	0	0	0
22 March 2016	RS Award	454,366	0	(427,800)	(26,566)@&	0
(2nd Grant)	PS Award	1,253,000	0	0	(1,253,000)#	0
22 March 2017	RS Award	0	0	0	0	0
(Special Grant)						

The vesting periods for the Grants are as follows:

1st Grant

RS Award - One-third annually from the date of 1st Grant over 3 years, with the first vesting commencing on 2 March 2016 or such other date to be determined by the Plan Committee.

PS Award - Over 3 years from the date of 1st Grant, with vesting on 2 March 2018 or such other date to be determined by the Plan Committee.

2nd Grant

RS Award - One-third annually from the date of 2nd Grant over 3 years, with the first vesting commencing on 22 March 2017 or such other date to be determined by the Plan Committee.

PS Award - Over 3 years from the date of 2nd Grant, with vesting on 22 March 2019 or such other date to be determined by the Plan Committee.

Special Grant

RS Award - Half annually from the date of Special Grant over 2 years, with the first vesting on 15 June 2017 and the second vesting on 15 June 2018 or such other date to be determined by the Plan Committee.

Notes:

Shares lapsed due to the pre-determined performance target based on 3-years' accumulative results was not met.

@ Shares forfeited due to resignation of employees.

& Represents forfeiture of odd lots balance of shares granted.

All existing grants in issuance under the LTIP scheme have expired and there are no shares outstanding on these grants at the end of the financial year.

32 SHARE BASED PAYMENT (CONTINUED)

The fair value of the shares under the LTIP scheme to which MFRS 2 applies was determined using the Monte Carlo simulation model. The significant inputs into the model were as follows:

	1st Grant	2nd Grant	Special Grant
Date of grant	2 March 2015	22 March 2016	22 March 2017
Aggregated fair values/Fair value at grant date – RS Award	RM1.567	RM1.100	RM1.053 and RM1.022
Aggregated fair values/Fair value at grant date – PS Award	RM1.462	RM1.076	*
Vesting period	3 years	3 years	2 years
Weighted average share price at grant date	RM1.72	RM1.21	RM1.06
Expected dividend yield	4.70%	5.00%	2.83%
Risk free interest rates	3.51%	3.27%	3.37%-3.40%
Expected volatility	41.83%	44.95%	25.73%-35.24%

* Not applicable

The expected life of the shares is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the shares granted were incorporated into the measurement of fair value.

33 MERGER DEFICIT

	Group	
	2019	2018
	RM	RM
Arising from the Company's business combination with Deleum Services Sdn. Bhd.	50,000,000	50,000,000

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

34 FINANCIAL INSTRUMENTS

Financial instruments by category

Year ended 31 December 2019

Group	Financial assets at amortised cost RM	Other financial liabilities at amortised cost RM	Fair value through profit or loss RM	Total RM
Assets				
Trade and other receivables (excluding prepayments and GST receivables)	108,032,717	0	0	108,032,717
Amounts due from associates	1,600,066	0	0	1,600,066
Amount due from a joint venture	127,300	0	0	127,300
Cash and bank balances	159,957,937	0	0	159,957,937
	269,718,020	0	0	269,718,020
Liabilities				
Trade and other payables (excluding statutory obligations)	0	224,352,105	0	224,352,105
Amounts due to associates	0	7,161,875	0	7,161,875
Borrowings	0	89,019,373	0	89,019,373
Derivative financial instrument	0	0	11,084	11,084
	0	320,533,353	11,084	320,544,437

34 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (Continued)

Year ended 31 December 2019

Company	Financial assets at amortised cost RM	Other financial liabilities at amortised cost RM	Total RM
Assets			
Trade and other receivables (excluding prepayments and GST receivables)	38,561	0	38,561
Amounts due from subsidiaries	73,768,858	0	73,768,858
Amount due from a joint venture	127,300	0	127,300
Amount due from an associate	16	0	16
Cash and bank balances	1,925,160	0	1,925,160
	75,859,895	0	75,859,895
Liabilities			
Other payables and accruals (excluding statutory obligations)	0	2,169,592	2,169,592
Amounts due to subsidiaries	0	5,812,692	5,812,692
Borrowings	0	24,947,675	24,947,675
	0	32,929,959	32,929,959

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

34 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (Continued)

Year ended 31 December 2018

Group	Financial assets at amortised cost RM	Other financial liabilities at amortised cost RM	Fair value through profit or loss RM	Total RM
Assets				
Trade and other receivables (excluding prepayments and GST receivables)	97,412,473	0	0	97,412,473
Amounts due from associates	1,600,016	0	0	1,600,016
Amount due from a joint venture	160,470	0	0	160,470
Derivative financial instrument	0	0	7,364	7,364
Cash and bank balances	134,906,863	0	0	134,906,863
	234,079,822	0	7,364	234,087,186
Liabilities				
Trade and other payables (excluding statutory obligations)	0	201,334,513	0	201,334,513
Amounts due to associates	0	7,242,375	0	7,242,375
Borrowings	0	63,180,960	0	63,180,960
	0	271,757,848	0	271,757,848

34 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (Continued)

Year ended 31 December 2018

Company	Financial assets at amortised cost RM	Other financial liabilities at amortised cost RM	Total RM
Assets			
Trade and other receivables			
(excluding prepayments and GST receivables)	41,559	0	41,559
Amounts due from subsidiaries	80,187,580	0	80,187,580
Amount due from a joint venture	160,309	0	160,309
Amount due from an associate	16	0	16
Cash and bank balances	6,386,695	0	6,386,695
	86,776,159	0	86,776,159
Liabilities			
Other payables and accruals (excluding statutory obligations)	0	2,372,399	2,372,399
Amounts due to subsidiaries	0	18,596,478	18,596,478
Borrowings	0	24,800,000	24,800,000
	0	45,768,877	45,768,877

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

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

		Company
	2019	**2018**
	RM	**RM**
- Management fees	**18,174,000**	16,725,500
- Dividend income	**17,200,000**	16,800,000
- Inter-company interest income	**1,344,809**	1,025,497
- Re-charge of expenses	**2,056,019**	3,002,872

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

		Group and Company
	2019	**2018**
	RM	**RM**
- Management fees	**532,700**	471,300
- Re-charge of expenses	**61,174**	89,735

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

		Group
	2019	**2018**
	RM	**RM**
Purchases from Solar Turbines International Company ("STICO")	**258,083,947**	193,308,462
Purchases from affiliated companies of STICO	**41,461,157**	37,438,896
Technical fees to STICO	**1,213,898**	1,073,546
Re-charge of expenses from affiliated company of STICO	**641,372**	895,557
	301,400,374	232,716,461

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group	
	2019	**2018**
	RM	**RM**
Manpower services to STICO	**5,356,010**	6,651,359
Rental income from an affiliated company of STICO	**54,432**	54,432
	5,410,442	6,705,791

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

	Group	
	2019	**2018**
	RM	**RM**
Amounts due from STICO and its affiliated company	**5,218,460**	2,186,065
Amounts due to STICO and its affiliated company	**111,461,819**	116,123,121

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

	Group	
	2019	**2018**
	RM	**RM**
Sales to related parties of Dresser Italia S.R.L	**410,671**	1,252,923
Purchases from Dresser Italia S.R.L	**0**	91,301
Purchases from related parties of Dresser Italia S.R.L	**41,989,040**	19,642,856
	41,989,040	19,734,157

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

	Group	
	2019	**2018**
	RM	**RM**
Amounts due from related parties of Dresser Italia S.R.L	**167,832**	230,362
Amounts due to related parties of Dresser Italia S.R.L	**9,834,059**	2,902,186

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group	
	2019	2018
	RM	RM
Sales to STICO	**5,936,000**	5,936,000
Rental income from affiliated company of STICO	**827,568**	827,568
	6,763,568	6,763,568

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

	Group	
	2019	2018
	RM	RM
Amount due from STICO	**485,066**	1,471,212

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors' fees	**1,018,241**	942,000	**1,018,241**	942,000
Salaries and bonuses	**9,364,258**	9,170,565	**3,334,840**	3,673,738
Defined contribution plans	**1,206,844**	1,219,692	**470,022**	500,153
Other remuneration	**1,227,438**	1,177,378	**361,426**	355,077
Share based payment	**25,397**	452,368	**9,756**	206,884
Estimated monetary value of benefits-in-kind	**320,248**	293,199	**167,537**	154,958
	13,162,426	13,255,202	**5,361,822**	5,832,810

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

36 CORPORATIONS IN THE GROUP

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

Name of company	Place of business/ Country of incorporation	Group's effective equity interest 2019 %	Group's effective equity interest 2018 %	Principal activities
SUBSIDIARIES:				
Deleum Services Sdn. Bhd.	Malaysia	100	100	Provision of gas turbines packages, maintenance and technical services, combined heat and power plants, and production related equipment and services predominantly for the oil and gas industry.
Deleum Services Holdings Limited *	Hong Kong	100	100	Investment holding.
Delflow Solutions Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiaries of <u>Deleum Services Sdn. Bhd.</u>				
Deleum Oilfield Services Sdn. Bhd.	Malaysia	100	100	Provision of slickline equipment and services, integrated wellhead maintenance services, oilfield chemicals, drilling equipment and services, and other oilfield related products and services for the oil and gas industry.
Turboservices Sdn. Bhd.	Malaysia	74	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas industry.
VSM Technology Sdn. Bhd.	Malaysia	90	90	Dormant.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

36 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2019	2018	
		%	%	
SUBSIDIARIES (CONTINUED):				
Subsidiaries of Deleum Services Sdn. Bhd. (Continued)				
Deleum Chemicals Sdn. Bhd.	Malaysia	100	100	Development and provision of solid deposit removal solutions for enhancement of crude oil production and the supply of oilfield chemicals and services to the oil and gas industry.
Wisteria Sdn. Bhd.	Malaysia	100	100	Commenced members' voluntary liquidation on 14 January 2019.
Delcom Holdings Sdn. Bhd.	Malaysia	100	100	Dormant.
Deleum Rotary Services Sdn. Bhd.	Malaysia	100	100	Servicing, repair and maintenance of motors, generators, transformers, pumps and valves.
Sledgehammer Malaysia Sdn. Bhd.	Malaysia	–	100	Struck off from the register of the Companies Commission of Malaysia on 10 April 2019.
Deleum Primera Sdn. Bhd.	Malaysia	60	60	Provision of integrated corrosion and inspection services, blasting technology, maintenance, construction and modification maintenance activities, services for tanks, vessels, structures and piping.
Penaga Dresser Sdn. Bhd.	Malaysia	51	51	Supply, repair, maintenance and installation of valves and flow regulators for the oil and gas industry.

36 CORPORATIONS IN THE GROUP (CONTINUED)

Name of company	Place of business/ Country of incorporation	Group's effective equity interest 2019 %	Group's effective equity interest 2018 %	Principal activities
SUBSIDIARIES (CONTINUED):				
Subsidiaries of Deleum Services Holdings Limited				
Delcom Utilities (Cambodia) Limited *	British Virgin Islands	60	60	Investment holding.
Delcom Power (Cambodia) Limited	British Virgin Islands	–	60	Struck off from the Register on 1 May 2019.
JOINT VENTURE:				
Joint venture of Deleum Berhad				
Turboservices Overhaul Sdn. Bhd.	Malaysia	80.55	80.55	Overhaul of gas turbine and maintenance services to oil and gas companies.
ASSOCIATES:				
Associate of Deleum Services Sdn. Bhd.				
Malaysian Mud and Chemicals Sdn. Bhd.	Malaysia	32	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil and gas companies.
Associate of Delcom Utilities (Cambodia) Limited				
Cambodia Utilities Pte Ltd^	Cambodia	12@	12@	Maintain and operate a power plant in Cambodia in line with the power generation business.

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

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

^ No legal requirement to appoint auditors.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

37 CAPITAL COMMITMENTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Authorised and contracted for at the end of the reporting period but not yet incurred				
- Plant and machinery	**10,285,317**	12,213,066	**0**	0
- Others	**6,114,029**	6,839,175	**92,600**	0
Authorised but not contracted for at the end of the reporting period				
- Plant and machinery	**38,031,416**	41,201,391	**0**	0
- Others	**13,350,878**	11,386,954	**650,300**	544,429
	67,781,640	71,640,586	**742,900**	544,429
Share of capital commitment of a joint venture	**1,214,991**	898,732	**0**	0
	68,996,631	72,539,318	**742,900**	544,429

38 CONTINGENT LIABILITIES

In the ordinary course of business, the Group has given guarantees amounting to RM36,191,061 (2018: RM38,116,203) to third parties in respect of operational requirements, utilities and maintenance contracts.

The Company provides financial guarantees amounting to RM21,150,225 (2018: RM21,029,225) to bank in favour of its subsidiaries to third parties for their operational requirements, utilities and maintenance contracts.

Included in the previous financial year, the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a joint venture. The banking facilities has been fully settled by the joint venture in the previous financial year and the joint venture is currently in the midst of discharging the guarantee.

39 CAPITAL MANAGEMENT

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Cash and cash equivalents	**147,517,770**	124,276,324	**1,925,160**	6,386,695
Less: Total borrowings	**(89,019,373)**	(63,180,960)	**(24,947,675)**	(24,800,000)
	58,498,397	61,095,364	**(23,022,515)**	(18,413,305)
Total equity	**378,522,243**	355,662,020	**214,902,973**	213,029,483

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

40 CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of MFRS 16 Leases on the Group's and Company's financial statements.

(a) Adoption of MFRS 16 Leases

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

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

As allowed by the transitional provision of MFRS 16, the Group and the Company have elected to apply the simplified transition approach and not to restate the comparative amounts for the year prior to first adoption. Right-of-use assets and corresponding lease liabilities on right-of-use assets will be measured on transition as if the new rules had always been applied.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Continued)

40 CHANGES IN ACCOUNTING POLICY (CONTINUED)

This note explains the impact of the adoption of MFRS 16 Leases on the Group's and Company's financial statements (Continued)

(a) Adoption of MFRS 16 Leases (Continued)

Reconciliation for the differences between operating lease commitments disclosed as at 31 December 2018 and lease liabilities on right-of-use assets recognised at the date of initial application of 1 January 2019 is as follows:

	Group 2019 RM
Operating lease commitment as at 31 December 2018:	
Within one year	**1,907,894**
Between two to five years	**1,316,588**
	3,224,482
Effects from discounting at the incremental borrowing rate between 2.46% to 5.21%	**(241,663)**
Add: Lease liabilities additionally recognised based on initial application of MFRS 16	**717,043**
Transfer from finance lease liabilities upon initial application of MFRS 16	**80,000**
Less: Short-term leases and leases of low value assets recognised on a straight-line basis as expense	**(455,000)**
Lease liabilities on right-of-use assets as at 1 January 2019	**3,324,862**
Lease liabilities on right-of-use assets as at 1 January 2019:	
Within one year	**1,678,466**
Between two to five years	**1,646,396**
	3,324,862

40 CHANGES IN ACCOUNTING POLICY (CONTINUED)

This note explains the impact of the adoption of MFRS 16 Leases on the Group's and Company's financial statements (Continued)

(b) Impact on the financial statements

The following tables show the adjustments recognised in financial statements of the Group and the Company for each individual financial statement line item as a result of the adoption of MFRS 16.

Line items that were not affected by the changes have been excluded. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Group	**As previously reported RM**	**Effects of changes in accounting policy RM**	**As restated RM**
1 January 2019			
Statements of financial position			
Non-current assets			
Property, plant and equipment	**151,323,557**	**(93,612)**	**151,229,945**
Right-of-use assets	**0**	**3,338,474**	**3,338,474**
Current liabilities			
Borrowings	**55,396,346**	**1,659,908**	**57,056,254**
Non-current liabilities			
Borrowings	**7,784,614**	**1,584,954**	**9,369,568**
Company			
1 January 2019			
Statements of financial position			
Non-current assets			
Right-of-use assets	**0**	**199,216**	**199,216**
Current liabilities			
Borrowings	**24,800,000**	**199,216**	**24,999,216**

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 February 2020.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Izham bin Mahmud and Nan Yusri bin Nan Rahimy, being two of the Directors of Deleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 82 to 193 are drawn up in accordance with the provisions of Companies Act 2016 and the Malaysian Financial Reporting Standards, and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2020.

DATO' IZHAM BIN MAHMUD
DIRECTOR

NAN YUSRI BIN NAN RAHIMY
DIRECTOR

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Jayanthi a/p Gunaratnam, the officer primarily responsible for the financial management of Deleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 82 to 193 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

JAYANTHI A/P GUNARATNAM

Subscribed and solemnly declared by the abovenamed Jayanthi a/p Gunaratnam.

At : Kuala Lumpur

On : 26 February 2020

Before me:

COMMISSIONER FOR OATHS

Independent Auditors' Report to The Members of Deleum Berhad

(Incorporated in Malaysia)

(Registration No. 200501033500 (715640-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Deleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 193.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Independent Auditors' Report to The Members of Deleum Berhad

(Incorporated in Malaysia)

(Registration No. 200501033500 (715640-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition from contracts with customers *Refer to Note T - Significant accounting policies: Revenue Recognition,* *Note 5 - Revenue* During the year, the Group reported revenue of RM868 million primarily derived from the sale of gas turbine packages, control valves and flow regulators and after sales support services of RM475 million, provision of slickline equipment and services, well intervention, asset integrated services, cased hole logging services and drilling and production services of RM136 million and provision of integrated corrosion and inspection, blasting technology, maintenance, construction and modification ("MCM") maintenance services of RM237 million.	We performed the following audit procedures: • We tested on sampling basis the material revenue transactions during the year to supporting evidence such as customer's contract, invoices and relevant supporting documents to test accuracy and occurrence of the revenue transactions;
The timing and quantity of revenue recognised for each type of revenue is dependent on the nature and the different contractual terms as set out in the agreements with the respective customers. We focused on this area as significant effort was spent auditing the accuracy of the revenue recognised by the Group. In addition, we focused on revenue recognised on integrated corrosion and inspection, blasting technology, MCM maintenance services as significant judgment is made by the Group to measure the progress of revenue recognised over time in accordance with MFRS 15 Revenue from Contracts with Customers ("MFRS 15"). The Group measures progress and recognises revenue on integrated corrosion and inspection, blasting technology, MCM maintenance services based on actual costs incurred to-date over the total budgeted costs of the project. Determining the total budgeted costs involve significant estimation. Any significant changes to the total budgeted costs will impact the amount of revenue recognised during the year.	• For revenue where services were rendered over a period of time, we assessed the accuracy of revenue recognised by performing the following on a sampling basis: ➢ Tested the contract value to the work orders or contracts with customers; ➢ Tested the actual costs incurred to-date to the supporting documentation such as supplier invoices and payroll records; ➢ Tested the total budgeted costs of the project to the approved budgets by the Chief Executive Officer of the relevant subsidiary; and ➢ Recomputed the progress of the project based on actual costs incurred to-date over total budgeted costs of the project. Based on the procedures performed, no material exceptions were noted.

There are no key audit matters to report for the Company.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and Financial Highlights, Group Corporate Structure, Message from Chairman, Management Discussion and Analysis, Sustainability Statement, Audit Committee Report, Corporate Governance Report, List of Properties, Analysis of Shareholdings and other sections of the 2019 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

Independent Auditors' Report to The Members of Deleum Berhad

(Incorporated in Malaysia)

(Registration No. 200501033500 (715640-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (Continued)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT	**SOO KWAI FONG**
LLP0014401-LCA & AF 1146	03144/07/2021 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
26 February 2020

Additional Compliance Information

1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2019 (FY2019).

2. LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan (LTIP) implemented on 10 October 2014 is the only share scheme of the Company in existence during FY2019.

(a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during the financial year ended 31 December 2015 (FY2015), 31 December 2016 (FY2016), 31 December 2017 (FY2017), 31 December 2018 (FY2018) and FY2019 are set out below:

	Number of Shares Granted	
Description	**Total**	**Executive Director**
FY2015		
Granted		
- First Grant of Restricted Share Incentive Plan ("RS")	1,254,300	145,800
- First Grant of Performance Share Incentive Plan ("PS")	1,142,200	226,200
Vested		
- First Grant of RS	–	–
- First Grant of PS	–	–
Forfeited		
- First Grant of RS	150,300#	–
- First Grant of PS	101,200#	–
Total Outstanding of First Grant as at 31 December 2015		
- **RS**	**1,104,000**	**145,800**
- **PS**	**1,041,000**	**226,200**
FY2016		
Granted		
- Second Grant of RS	1,598,700	218,200
- Second Grant of PS	1,521,600	680,600*
Vested		
- First Grant of RS	–	–
- First Grant of PS	–	–
- Second Grant of RS	–	–
- Second Grant of PS	–	–
Lapsed/Forfeited		
- First Grant of RS	397,800^	48,600+
- First Grant of PS	27,300#	–
- Second Grant of RS	79,200#	–
- Second Grant of PS	41,300#	–
Outstanding as at 31 December 2016		
- First Grant of RS	706,200	97,200
- First Grant of PS	1,013,700	226,200
- Second Grant of RS	1,519,500	218,200
- Second Grant of PS	1,480,300	680,600
Total Outstanding of First Grant and Second Grant as at 31 December 2016		
- **RS**	**2,225,700**	**315,400**
- **PS**	**2,494,000**	**906,800**

Additional Compliance Information (Continued)

2. LONG-TERM INCENTIVE PLAN (Continued)

(a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during FY2015, FY2016, FY2017, FY2018 and FY2019 are set out below: (Continued)

	Number of Shares Granted	
Description	**Total**	**Executive Director**
FY2017		
Granted		
- Special Grant of RS	398,400	99,500
Vested		
- First Grant of RS	–	–
- First Grant of PS	–	–
- Second Grant of RS	–	–
- Second Grant of PS	–	–
- Special Grant of RS	195,300	49,700
Lapsed/Forfeited		
- First Grant of RS	379,002^	48,600+
- First Grant of PS	66,400#	-
- Second Grant of RS	548,434^	72,734+
- Second Grant of PS	81,000#	-
- Special Grant of RS	8,300@	-
Outstanding as at 31 December 2017		
- First Grant of RS	327,198	48,600
- First Grant of PS	947,300	226,200
- Second Grant of RS	971,066	145,466
- Second Grant of PS	1,399,300	680,600
- Special Grant of RS	194,800	49,800
Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2017		
- **RS**	**1,493,064**	**243,866**
- **PS**	**2,346,600**	**906,800**

2. LONG-TERM INCENTIVE PLAN (Continued)

(a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during FY2015, FY2016, FY2017, FY2018 and FY2019 are set out below: (Continued)

	Number of Shares Granted	
Description	**Total**	**Executive Director**
FY2018		
Granted	–	–
Vested		
- First Grant of RS	297,200	48,600
- First Grant of PS	–	–
- Second Grant of RS	450,100	72,700
- Second Grant of PS	–	–
- Special Grant of RS	183,100	49,800
Lapsed/Forfeited		
- First Grant of RS	29,998^	–
- First Grant of PS	947,300^	226,200+
- Second Grant of RS	66,600@	–
- Second Grant of PS	146,300#	–
- Special Grant of RS	11,700@	–
Outstanding as at 31 December 2018		
- First Grant of RS	–	–
- First Grant of PS	–	–
- Second Grant of RS	454,366	72,766
- Second Grant of PS	1,253,000	680,600
- Special Grant of RS	–	–
Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2018		
- **RS**	**454,366**	**72,766**
- **PS**	**1,253,300**	**680,600**

Additional Compliance Information (Continued)

2. LONG-TERM INCENTIVE PLAN (Continued)

(a) Brief details on the total number of shares granted, vested, lapsed/forfeited and outstanding under the LTIP since its commencement on 10 October 2014 and during FY2015, FY2016, FY2017, FY2018 and FY2019 are set out below: (Continued)

Description	Number of Shares Granted Total	Executive Director
FY2019		
Granted	–	–
Vested		
- First Grant of RS	–	–
- First Grant of PS	–	–
- Second Grant of RS	427,800	72,700
- Second Grant of PS	–	–
- Special Grant of RS	–	–
Lapsed/Forfeited		
- First Grant of RS	–	–
- First Grant of PS	–	–
- Second Grant of RS	26,566# ¥	66¥
- Second Grant of PS	1,253,300&	680,600&
- Special Grant of RS	–	–
Outstanding as at 31 December 2019		
- First Grant of RS	–	–
- First Grant of PS	–	–
- Second Grant of RS	–	–
- Second Grant of PS	–	–
- Special Grant of RS	–	–
Total Outstanding of First Grant, Second Grant and Special Grant as at 31 December 2019		
- **RS**	**–**	**–**
- **PS**	**–**	**–**

Notes:

Shares forfeited due to the resignation of employees.

^ Shares lapsed due to non-vesting as the performance targets in respect of FY2015, FY2016 and FY2017 were not met or forfeited due to the resignation of employees.

& Shares lapsed due to the pre-determined performance target based on 3-years' accumulative results was not met.

* The number of shares granted to the Group Managing Director under the Second Grant of PS was up to maximum based on outstanding performance targets.

+ Shares lapsed due to non-vesting as the performance targets in respect of FY2015, FY2016, and FY2017 were not met.

@ Shares forfeited due to resignation of employees and non-meeting of individual performance expectations.

¥ Represents forfeiture of odd lots balance of shares granted.

2. LONG-TERM INCENTIVE PLAN (Continued)

(b) Percentages of shares granted to Executive Director and selected eligible senior management and key employees under the LTIP during the financial year and since its commencement up to FY2019 are set out below:

Executive Director and Senior Management and key employees	Percentage (%) During the financial year	Percentage (%) Since commencement up to FY2019
(i) Aggregate maximum allocation	100	100
(ii) Actual shares granted	0.99	14.78

(c) The Non-Executive Directors are not eligible to participate in the LTIP.

3. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and/or its subsidiaries involving the interests of Directors and/or chief executive and/or major shareholders, either still subsisting at the end of FY2019 or entered into since the end of the previous financial year.

List of Properties

No	Company	Address	Brief Description	Existing Use	Land Area/ Built up Area	Tenure/ Date of Expiry of Lease	Age of Building	Net Book Value @31/12/19	Revaluation, if any	Date of Acquisition
1	Deleum Berhad (Corporate Head Office)	No. 2, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	6 storey corner shop office	Office	350.00 sq metres/ 2,049.56 sq metres	Leasehold/ 03/12/2085	21 years	2,906,098	–	02/05/2006
2	Deleum Services Sdn.Bhd.	No. 42, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey corner shop office	Office	237.00 sq metres/ 1,080.90 sq metres	Leasehold/ 03/12/2085	31 years	403,419	–	19/09/1988
3	Deleum Services Sdn. Bhd.	No. 40, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Malaysia	5 storey shop office	Office	168.00 sq metres/ 822.65 sq metres	Leasehold/ 03/12/2085	31 years	438,460	–	28/09/1988
4	Deleum Services Sdn. Bhd.	Unit No. 8-11-3, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar , 59100 Kuala Lumpur, Malaysia	Office Lot	Office	141.00 sq metres/ 141.00 sq metres	Freehold	17 years	375,684	–	03/02/1997
5	Deleum Services Sdn. Bhd.	Unit No. 8-11-4, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Bangsar, 59100 Kuala Lumpur, Malaysia	Office Lot	Office	147.00 sq metres/ 147.00 sq metres	Freehold	17 years	395,164	–	03/02/1997
6	Deleum Services Sdn. Bhd.	Lot 1315, Block 9, Miri Concession Land District, Miri Waterfront Commercial Centre, Jalan Bendahara, 98008 Miri, Sarawak, Malaysia	4 storey corner shop office	Office	186.70 sq metres/ 891.84 sq metres	Leasehold/ 30/09/2066	15 years	816,000	–	20/08/2004
7	Deleum Services Sdn. Bhd. (Operations)	Asian Supply Base, Ranca Ranca Industrial Estate, P.O. Box 81730, 87027 Labuan, Federal Territory, Malaysia	Warehouse	Warehouse	5,700.00 sq metres/ 1,776.43 sq metres	On Lease/ 30/09/2024	19 years	400,000	–	–
8	Deleum Services Sdn. Bhd. (Operations)	Kemaman Supply Base, Warehouse 28, 24007 Kemaman, Terengganu Darul Iman, Malaysia	Warehouse	Warehouse	4,134.00 sq metres/ 1,456.00 sq metres	On Lease/ 31/03/2021	11 years	31	–	–
9	Penaga Dresser Sdn. Bhd. (Operations)	No. A1-A2, Kawasan MIEL, Jakar Phase III, 24000 Kemaman, Terengganu Darul Iman, Malaysia	2 units of semi-detached factory	Assembly Plant	A1-1723 sq metres A2-1229 sq metres	Leasehold/ 19/04/2053	27 years	1,047,489	04/09/2019	12/04/2004

Analysis of Shareholdings

as at 31 March 2020

Total number of issued shares : 401,553,500 ordinary shares

Voting rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	Total Shareholdings	% of Shareholdings
less than 100 shares	296	6.73	7,937	0.00
100 to 1,000 shares	555	12.61	340,324	0.09
1,001 to 10,000 shares	2,255	51.24	12,064,485	3.00
10,001 to 100,000 shares	1,076	24.45	35,112,393	8.74
100,001 to less than 5% of issued shares	215	4.88	157,232,043	39.16
5% and above of issued shares	4	0.09	196,796,318	49.01
Total	**4,401**	**100.00**	**401,553,500**	**100.00**

30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS

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

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	Lantas Mutiara Sdn. Bhd.	81,740,900	20.36
2.	Amsec Nominees (Tempatan) Sdn. Bhd. Amara Investment Management Sdn. Bhd. for Hartapac Sdn. Bhd.	48,165,418	11.99
3.	Datuk Vivekananthan a/l M.V. Nathan	42,530,000	10.59
4.	IM Holdings Sdn. Bhd.	24,360,000	6.07
5.	Datin Che Bashah @ Zaiton binti Mustaffa	19,024,000	4.74
6.	Dato' Izham bin Mahmud	11,200,000	2.79
7.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (Margin)	8,566,998	2.13
8.	Datin Che Bashah @ Zaiton binti Mustaffa	7,741,600	1.93
9.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	5,308,700	1.32
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AM INV)	4,336,900	1.08
11.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Cheu Leong	4,250,000	1.06
12.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing)	3,807,000	0.95

Analysis of Shareholdings

as at 31 March 2020 (Continued)

30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS (Continued)
(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	Percentage (%)
13.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (MM0804)	3,333,000	0.83
14.	Dilip Manharlal Gathani	3,250,800	0.81
15.	DYMM Tuanku Syed Sirajuddin Putra Jamalullail	2,901,066	0.72
16.	Neoh Choo Ee & Company, Sdn. Berhad.	2,749,332	0.68
17.	Hj. Abd Razak bin Abu Hurairah	2,681,946	0.67
18.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Chandran Aloysius Rajadurai (PB)	2,550,000	0.64
19.	Lee Sew Bee	2,501,400	0.62
20.	Saudah binti Hashim	2,500,000	0.62
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0239)	2,050,000	0.51
22.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Datin Che Bashah @ Zaiton binti Mustaffa (CEB)	1,880,100	0.47
23.	Datuk Ishak bin Imam Abas	1,669,332	0.42
24.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Swee Leong (PBCL-0G0165)	1,660,000	0.41
25.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Datin Che Bashah @ Zaiton binti Mustaffa (PBCL-0G0054)	1,650,000	0.41
26.	Celine D' Cruz a/p Francis D' Cruz	1,630,000	0.41
27.	Goh Thong Beng	1,557,000	0.39
28.	Chin Keh Joo	1,328,700	0.33
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Medical Fund (IFM Maybank)	1,163,700	0.29
30.	Cheong Hon Sang	1,104,000	0.27

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Lantas Mutiara Sdn. Bhd.	81,740,900	20.36	0	0
Hartapac Sdn. Bhd.	48,165,418	11.99	0	0
Datuk Vivekananthan a/l M.V. Nathan	43,302,600	10.78	81,740,900 (1)	20.36
Datin Che Bashah @ Zaiton binti Mustaffa	32,365,698	8.06	0	0
IM Holdings Sdn. Bhd.	24,360,000	6.07	0	0
Dato' Izham bin Mahmud	11,200,000	2.79	138,466,598 (2)	34.48
Datin Sian Rahimah Abdullah	0	0	48,165,418 (3)	11.99
Faye Miriam Abdullah	0	0	48,165,418 (3)	11.99
Hugh Idris Abdullah	0	0	48,165,418 (3)	11.99
Farid Riza Izham	0	0	24,360,000 (4)	6.07
Faidz Raziff Izham	0	0	24,360,000 (4)	6.07
Hana Sakina Izham	0	0	24,360,000 (4)	6.07

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

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Dato' Izham bin Mahmud	11,200,000	2.79	138,466,598 (1)	34.48
Datuk Vivekananthan a/l M.V. Nathan	43,302,600	10.78	81,740,900 (2)	20.36
Datuk Ishak bin Imam Abas	1,685,998	0.42	0	0
Nan Yusri bin Nan Rahimy	731,932	0.18	61,332 (3)	0.02

Notes:
(1) Deemed interested by virtue of his shareholdings in IM Holdings Sdn. Bhd. and Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act and shares held by his spouse.
(2) Deemed interested by virtue of his shareholdings in Lantas Mutiara Sdn. Bhd. pursuant to Section 8 of the Act.
(3) Deemed interested by virtue of shares held by his spouse.

Corporate Directory

HEAD OFFICE

Deleum Berhad and its subsidiaries:

Deleum Services Sdn. Bhd.
Deleum Oilfield Services Sdn. Bhd.
Deleum Chemicals Sdn. Bhd.
Turboservices Sdn. Bhd.

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

BRANCH OFFICES

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

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

SUBSIDIARIES

Deleum Rotary Services Sdn. Bhd.
No. 3, Jalan P4/8, Seksyen 4
Bandar Teknologi Kajang
43500 Kajang
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Fax : +606-8723 3070
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Turboservices Sdn. Bhd.
Unit No. B-23-1, Level 23, Tower B
Menara UOA Bangsar
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Deleum Primera Sdn. Bhd.
E-09-01 Menara Suezcap 2
KL Gateway, No.2, Jalan Kerinchi
Gerbang Kerinchi Lestari
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Business Suite, 19A-9-1
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Fax : +603-2161 8312
Email : sales@penagadresser.com

OPERATIONS AND SUPPLY BASES

Kemaman
Kemaman Supply Base
Warehouse 28
24007 Kemaman
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Email : info@deleum.com

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Rancha Rancha Industrial Estate
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SERVICES FACILITIES

Deleum Oilfield Services Sdn. Bhd.
(Miri Services Facility)
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Teknologi Park
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Deleum Rotary Services Sdn. Bhd.
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Deleum Primera Sdn. Bhd.
(Telok Kalong Facility)
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Penaga Dresser Sdn. Bhd.
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JOINT VENTURE

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