



**UMW**

**UMW HOLDINGS BERHAD**  
(90278-P)

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# ACHIEVING LONG-TERM SUSTAINABILITY

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ANNUAL REPORT 2016

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- AUTOMOTIVE / EQUIPMENT / MANUFACTURING & ENGINEERING / OIL & GAS -

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—  
RELATIONSHIPS ARE AT THE HEART OF OUR BUSINESS.

FOR 100 YEARS, OUR COMMITMENT TO PERSONALISED SERVICE HAS EARNED US A LOYAL FOLLOWING AND MADE OUR BRAND ONE OF THE MOST RESPECTED IN THE WORLD. WHETHER WE ARE SERVING OUR CUSTOMERS, OUR PARTNERS, OR THE MERCHANTS WHO ACCEPT OUR PRODUCTS, WE ARE FOCUSED ON RECOGNISING THEIR INDIVIDUAL NEEDS AND BUILDING RELATIONSHIPS THAT LAST.

WE KNOW THE IMPORTANCE OF STRONG, LONG-TERM, MUTUALLY BENEFICIAL TIES. THAT IS WHAT SETS US APART. THAT IS WHAT MAKES US THE UMW GROUP.

# CONTENTS

## FEATURES



### CHAIRMAN'S MESSAGE

PAGE 12

Although the challenging operating environment meant that we were kept on our toes throughout this momentous year, it also gave us reasons to pause and reflect on our journey thus far – on who we are, where we want to be and how we are to get there.



### MANAGEMENT DISCUSSION & ANALYSIS

PAGE 16

Despite the tough operating environment, we are immensely proud that UMW is turning the page on its first 100 years in 2017.



### STATEMENT ON CORPORATE GOVERNANCE

PAGE 63

The Board of Directors of UMW Holdings Berhad, management and employees of the Group affirm and remain resolute in the Group's commitment to enhance shareholder value and its overall competitive positioning by way of upholding the highest standards of Corporate Governance practices.

## INSIDE THIS REPORT

2	Our Promise
3	About this Report
4	Notice of Annual General Meeting
9	Corporate Information
10	UMW Group Structure
12	Chairman's Message
16	Management Discussion & Analysis
42	Financial Calendar
42	Summary of Group Results
43	Summary of Group Five-Year Results
44	Board of Directors
46	Directors' Profile
56	Management Committee
58	Management Committee Members' Profile
63	Statement on Corporate Governance
88	Audit Committee Report
97	Statement on Risk Management & Internal Control
106	Calendar of Events
110	Awards & Accolades
113	Financial Statements
256	Statistics on Shareholdings
259	Additional Compliance Information
263	Top Ten Properties Held by the UMW Group
•	Personal Data Protection Notice
•	Form of Proxy

## ANNUAL GENERAL MEETING

# 35<sup>th</sup>

### ANNUAL GENERAL MEETING

THURSDAY / 25 MAY 2017 / 10.00 A.M.

UMW Auditorium

UMW Holdings Berhad

No. 3, Jalan Utas (15/7),  
Batu Tiga Industrial Estate,  
40200 Shah Alam,  
Selangor Darul Ehsan,  
Malaysia.



# MILESTONES

## 1900 - 1949



**1917**  
-  
Founder Chia Yee Soh set up his own automotive repair shop in Orchard Road, Singapore – United Motor Works.

**1927**  
-  
United Motor Works Ltd. forerunner of the UMW Group was established in Singapore.

**1936**  
-  
The agency for Pennzoil lubricant products was acquired from Pennzoil Products Company of the USA.

**1949**  
-  
United Motor Works (Penang) Sdn. Bhd. was established.

## 1950 - 1979



**1950s**  
-  
Chia Yee Soh's son, Eric Chia was sent to work at United Motor Works (Malaya), Kuala Lumpur.

**1954**  
-  
The operations in Kuala Lumpur and Penang were reorganised as Main Offices.

**1961**  
-  
Industrial equipment was added to the company's business.

**1962**  
-  
An agreement was signed for the award of the first franchise from Mitsubishi Heavy Industries Ltd. of Japan.

**1965**  
-  
The Komatsu distributorship was awarded by Komatsu Ltd. of Japan.

**1967**  
-  
The agency for the Toyota Forklift was acquired for Peninsular Malaysia.

**1970**  
-  
United Motor Works (Malaysia) Holdings Berhad ("UMW (M)") was incorporated and became the Group's holding company, listed on the Kuala Lumpur Stock Exchange (KLSE).



**1971**  
-  
The Group moved into new premises at the Batu Tiga Complex, Shah Alam, Malaysia.



## 1980 - 1999

**1980**  
-  
As part of the new corporate identity, the Group's logo was changed to signify the planned integration of diverse activities in a multi-faceted organisation to mark a new phase in the Group's history of dynamic growth.



**1982**  
-  
Toyota Motor Corporation ("TMC") of Japan announced the appointment of Sejati Motor Sdn. Bhd., a joint venture company between UMW (M) and TMC to take over the import, assembly and distribution of Toyota motor vehicles in Malaysia.



**1982**  
-  
Turnover of the UMW Group passed the one billion Ringgit mark for the first time.

**1985**  
-  
United Motor Works (Malaysia) Holdings Berhad changed its name to UMW Corporation Berhad.

**1987**  
-  
As part of a capital reconstruction exercise, UMW Holdings Berhad was created and its shares were listed on the KLSE and the Stock Exchange of Singapore, in place of the shares of UMW Corporation Berhad.

Sejati Motor Sdn. Bhd. changed its name to UMW Toyota Motor Sdn. Bhd.

**1988**  
-  
The capital reconstruction exercise was completed, with Permodalan Nasional Berhad becoming the largest shareholder in UMW.

**1990**  
-  
Toyota cars became the top seller in the non-national car segment of the Malaysian automobile industry.

**1993**  
-  
UMW Corporation Sdn. Bhd. became the largest shareholder for the second national car company, Perusahaan Otomobil Kedua Sdn. Bhd. (PERODUA).

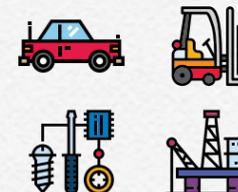
**1994**  
-  
The PERODUA Kancil was launched to such overwhelming response that within just four months, it became the second best-selling car in Malaysia.



**1999**  
-  
UMW celebrated thirty years of operations as a public-listed company.

## 2000 & BEYOND

**2001**  
-  
The Group's diversified operations were rationalised into four main Strategic Business Units (SBUs): Automotive, Equipment, Manufacturing & Engineering and Oil & Gas.



**2002**  
-  
The new Oil & Gas Division's head office at Plaza Sentral, Kuala Lumpur was officially opened.



**2007**  
-  
UMW began its corporate rebranding exercise, to push further the Group's global expansion plans and transform itself into a truly, world-class organisation.

**2008**  
-  
"The New UMW" was unveiled to the world at a highly colourful and entertaining event held at the Kuala Lumpur Convention Centre.



**2012**  
-  
For the first time since it became public listed, the UMW Group attained RM2 Billion in PBT. The phenomenal achievement marked the 12<sup>th</sup> record performance for UMW.

**2013**  
-  
UMW Oil & Gas Corporation Berhad is listed on Bursa Malaysia, the biggest IPO in Malaysia for the year.

**2015**  
-  
UMW was selected as Rolls-Royce's only Malaysian partner for a 25+5 year contract to manufacture fan case.



Photo is copyright to Rolls-Royce Plc

# CONTENTS

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42	Summary of Group Results
43	Summary of Group Five-Year Results
44	Board of Directors
46	Directors' Profile
56	Management Committee
58	Management Committee Members' Profile
63	Statement on Corporate Governance
88	Audit Committee Report
97	Statement on Risk Management & Internal Control
106	Calendar of Events
110	Awards & Accolades
113	Financial Statements
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THURSDAY / 25 MAY 2017 / 10.00 A.M.

**UMW Auditorium**

**UMW Holdings Berhad**

No. 3, Jalan Utas (15/7),  
Batu Tiga Industrial Estate,  
40200 Shah Alam,  
Selangor Darul Ehsan,  
Malaysia.



# OUR PROMISE

## BEYOND BOUNDARIES®

Together, we play a leading role in shaping the future of our industries globally. We do this by inspiring vibrant ideas, nurturing potential, pioneering partnerships and delivering excellence in everything we do, the rewards of which contribute to the progress and well-being of all our stakeholders.

In tandem with UMW's growing presence in the global arena, its workforce has embraced the rallying call – Beyond Boundaries®.

Beyond Boundaries® is not just about transcending geographical barriers, it is also about removing the boundaries of our minds and overcoming all obstacles that stand in our way – whilst upholding our core values of being Honourable, Vibrant, Unshakeable and Pioneering.



### HONOURABLE

Our enduring commitment to integrity and trust.



### VIBRANT

Our contagious energy and appreciation of fresh thinking.



### UNSHAKEABLE

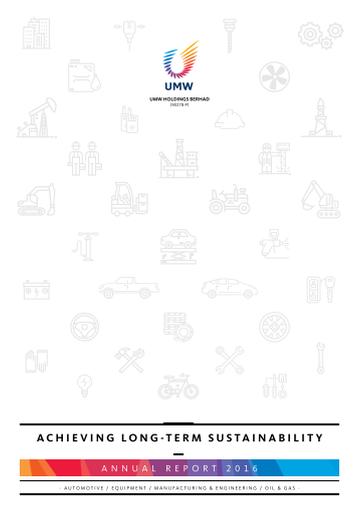
Our unwavering resolve and commitment in everything we do.



### PIONEERING

Our visionary approach to developing and shaping our industries.

## COVER STORY



**ANNUAL REPORT  
2016**



**SUSTAINABILITY REPORT  
2016**

We have adopted a minimalistic approach for the cover of our Annual Report and Sustainability Report to represent the new chapter in our Company's journey following the completion of our first 100 years of operations in 2017. We are at present a "clean slate" where the vibrant possibilities of the future remain to be written. In the background are icons denoting the legacy that we carry with us – proud achievements that have made us who we are today. At the bottom of the cover, supporting our enterprise, are our commitments that guide our enterprise in stepping forward into a new beginning.

# ABOUT THIS REPORT

## OUR REPORTS

UMW Holdings Berhad produces the following corporate reports which contain specific and in-depth information to cater to the varied requirements of our broad stakeholder base as well as the general public. These reports are prepared to provide accurate updates pertaining to our business operations, corporate governance and sustainability management.

### ANNUAL REPORT 2016

#### Objective

Provides comprehensive report of the Group's performance, activities and outlook.

#### Frameworks applied

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Companies Act, 1965/2016
- Malaysian Code on Corporate Governance 2012

#### Cross-referencing

*UMW Holdings Berhad Website*  
[www.umw.com.my](http://www.umw.com.my)

### SUSTAINABILITY REPORT 2016

#### Objective

Provides detailed disclosure of our management of sustainability risks and opportunities in the areas of Economic, Environment and Social.

#### Frameworks applied

- Global Reporting Initiatives GRI G4
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad

#### Cross-referencing

*UMW Holdings Berhad Website*  
[www.umw.com.my](http://www.umw.com.my)

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## - NOTICE OF 35<sup>TH</sup> ANNUAL GENERAL MEETING -

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**NOTICE IS HEREBY GIVEN THAT** the 35<sup>th</sup> Annual General Meeting (“AGM”) of the Company will be held at the UMW Auditorium, **UMW Holdings Berhad**, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, on Thursday, 25 May 2017 at 10.00 a.m. to transact the following businesses -

### ORDINARY BUSINESS

1. To receive the audited financial statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.

*Please refer to Explanatory Note A*

2. To re-elect the following directors who retire pursuant to Article 109 of the Company’s Constitution (previously referred to as the Articles of Association), and who being eligible, offer themselves for re-election -

- (a) Tan Sri Dato’ Sri Hamad Kama Piah bin Che Othman
- (b) Dato’ Eshah binti Meor Suleiman.

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

Pursuant to Articles 123 and 125 of the Company’s Constitution, Dr. Leong Chik Weng, Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani and Dato’ Mohd. Nizam bin Zainordin retire by rotation as director at the conclusion of this AGM.

*Please refer to Explanatory Note B*

3. To approve the payment of directors’ fees amounting to RM1,617,050 in respect of the financial year ended 31 December 2016.

**Resolution 3**

*Please refer to Explanatory Note C*

4. To approve the payment of the following directors’ fees from 1 January 2017 to the next AGM of the Company -

**Resolution 4**

- (a) RM25,000 per month to the Non-Executive Chairman and RM12,500 per month to each Non-Executive Director of the Company; and
- (b) RM2,000 per annum to each Non-Executive Director who sits on the Board of Directors of subsidiary companies.

*Please refer to Explanatory Note D*

5. To approve the payment of benefits payable (excluding directors’ fees) up to an amount of RM2,100,000 from 1 January 2017 to the next AGM of the Company.

**Resolution 5**

*Please refer to Explanatory Note E*

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration.

**Resolution 6**

*Please refer to Explanatory Note F*

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## - NOTICE OF 35<sup>TH</sup> ANNUAL GENERAL MEETING -

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### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution -

7. Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transaction of a Revenue or Trading Nature ("**Shareholders' Mandate**")

**Resolution 7**

"THAT the mandate granted by shareholders on 19 May 2016 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries ("**the UMW Group**") to enter into the recurrent transactions of a revenue or trading nature as now set out in Section 2.3(b)(i) of the Circular to Shareholders dated 28 April 2017 ("**the Circular**"), with the related parties mentioned therein, which are necessary for the day-to-day operations of the UMW Group, be renewed, AND THAT approval be given for a new mandate for the UMW Group to enter into an additional recurrent transaction of a revenue or trading nature as set out in Section 2.3(b)(ii) of the Circular with the related parties mentioned therein, PROVIDED THAT such transactions are entered into in the ordinary course of business and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

THAT the Shareholders' Mandate shall continue to be in force and effect until -

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company, at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;
- (b) the expiration of the period within which the Company's next AGM is required to be held, pursuant to Section 340(1) and (2) of the Companies Act, 2016 ("**CA 2016**") (but shall not extend to any extension as may be allowed pursuant to Section 340(4) of the CA 2016; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest;

AND THAT the Board of Directors of the Company be empowered and authorised to complete and do such acts and things as they may think expedient or necessary (including executing such documents as may be required) to give effect to the Shareholders' Mandate."

8. To transact any other business for which due notice has been given.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend the 35<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. pursuant to Article 75(a) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors ("**ROD**") as at 18 May 2017. Only a depositor whose name appears on the ROD and/or Register of Members as at 18 May 2017 shall be entitled to attend the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

### BY ORDER OF THE BOARD

**FADZILAH BINTI SAMION (MACS 01262)**

**Group Secretary**

Shah Alam, Selangor Darul Ehsan.  
28 April 2017

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## - NOTICE OF 35<sup>TH</sup> ANNUAL GENERAL MEETING -

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### NOTES

#### Proxy and/or Authorised Representatives

1. A member entitled to attend, speak and vote at the meeting may appoint a proxy in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The Form of Proxy must be signed by the appointer or his/her attorney or in the case of a corporation, executed under its common seal or under the hand of the attorney duly authorised in writing.
4. All Forms of Proxy must be deposited at the Registered Office of the Company at 3<sup>rd</sup> Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than twenty-four (24) hours before the time appointed for the taking of the poll or any adjournment thereof.
5. Only members whose names appear in the ROD and/or Register of Members as at 18 May 2017 shall be entitled to attend and vote at the meeting or appoint a proxy(ies) to attend and vote on his/her behalf.
6. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by poll. The Company has appointed Securities Services (Holdings) Sdn. Bhd. as poll administrator to conduct the poll by way of electronic voting and Commercial Quest Sdn. Bhd. as scrutineers to verify the poll results.

### EXPLANATORY NOTES ON ORDINARY BUSINESS

#### Explanatory Note A

The audited financial statements are for discussion only and do not require the approval of shareholders, pursuant to Section 340(1)(a) of the CA 2016. Hence, it is not put for voting.

#### Explanatory Note B

Article 109 of the Company's Constitution (previously referred to as the Articles of Association) provides that new directors appointed by the Board shall hold office until the conclusion of the next AGM following their appointment and shall be eligible for re-election.

Accordingly, Dato' Eshah binti Meor Suleiman, who was appointed director on 17 October 2016 and Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, who was appointed director/Group Chairman on 1 January 2017, retire and being eligible, have offered themselves for re-election.

The Board concurred with the view of the Nomination Committee that Dato' Eshah's tenure as director is too short for the 2016 performance evaluation to be carried out effectively. Hence, a comprehensive evaluation of her performance will be carried out for 2017. Similarly, the performance evaluation for Tan Sri Dato' Sri Hamad Kama Piah will also be carried out for 2017 together with the other directors.

The profiles of Tan Sri Dato' Sri Hamad Kama Piah and Dato' Eshah are set out on pages 46 and 55 of this annual report.

Articles 123 and 125 of the Company's Constitution provide that at every AGM, at least one-third (1/3) of the directors for the time being, shall retire from office and shall be eligible for re-election. Accordingly, Dr. Leong Chik Weng (appointed on 29 November 2007), Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani (appointed on 13 August 2008) and Dato' Mohd. Nizam bin Zainordin (appointed on 13 August 2008) are standing for re-election at this AGM. However, the Company has received written notification that they are not seeking re-election and hence they will retire from office at the conclusion of this 35<sup>th</sup> AGM.

#### Explanatory Note C

Shareholders at the 33<sup>rd</sup> AGM of the Company held on 28 May 2015 had approved the increase in directors' fees to Non-Executive Directors ("NEDs") to RM1,350,000. The additional RM267,050 for 2016 is in respect of fees received from subsidiary companies as well as fees for an additional director appointed in the year under review.

Details of fees paid to NEDs for 2016 are set out in Note 27 of the audited financial statements of the Company for the year ended 31 December 2016.

## - NOTICE OF 35<sup>TH</sup> ANNUAL GENERAL MEETING -

### Explanatory Note D

A formal review of directors' remuneration is undertaken once every two (2) years in accordance with the Board Charter. The last review on NEDs' remuneration was approved by shareholders at the 33<sup>rd</sup> AGM of the Company held on 28 May 2015, whereby the Board was given a mandate to decide on the manner of payment and distribution of directors' fees. Consequently, the Board approved a fixed monthly payment of directors' fees, as follows -

	Annual Fees (RM)	Monthly Payment (RM)
Group Chairman	300,000	25,000
NED	150,000	12,500

Section 230(1) of the CA 2016 which came into effect on 31 January 2017, provides that fees and benefits payable to directors of a listed company and its subsidiaries shall be approved at a general meeting. Accordingly, shareholders' approval is sought at this AGM for the payment of directors' fees to the NEDs of the Company and to NEDs who sit on the Board of subsidiary companies as follows -

For the Company -

	Monthly Payment (RM)	Period
Chairman	25,000	From 1 January 2017 to the next AGM
NED	12,500	

For subsidiaries -

	Annual Payment (RM)	Period
Chairman/NED	2,000	From 1 January 2017 to the next AGM

*Note - The President & Group CEO does not receive any directors' fee.*

The Board is not proposing for any change to the existing directors' fees as the Board is of the view that the fees are fair and equitable, and reflective of the expansion and complexity of the UMW Group's businesses, locally and abroad.

### Explanatory Note E

The directors' benefits payable (excluding directors' fees) to NEDs from 1 January 2017 to the next AGM of the Company, comprises benefits-in-kind and other emoluments as set out below -

Description	Chairman	NEDs
Benefits-in-kind	Leave passage, medical coverage worldwide, car and petrol, club memberships, mobile phone, telephone expenses and security services, etc.	Medical coverage worldwide, car and petrol, telephone expenses, etc.
Other emoluments -		
• Meeting allowance (per meeting)	RM1,500	RM1,000
- Board		
- Board Committees		
- Subsidiaries		
• Per Diem (per day)	RM500	RM500

Payment of NEDs' benefits are made by the Company and its subsidiaries on a monthly basis and/or as and when incurred.

In determining the estimated amount of benefits payable to the NEDs including the Non-Executive Chairman of the Board of the Company, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees, as well as the number of NEDs involved in these meetings.

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## - NOTICE OF 35<sup>TH</sup> ANNUAL GENERAL MEETING -

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The amount of benefits payable to NEDs for the financial year ending 31 December 2017 and for the period from 1 January 2018 to the next AGM of the Company, is approximately RM1,582,000 and RM518,000, respectively.

### **Explanatory Note F**

The Audit Committee (“AC”) had carried out an annual assessment of the external auditors to evaluate their suitability, effectiveness and independence as recommended under Principle 5 of MCCG 2012. The annual evaluation of external auditors provides the AC with a disciplined approach for maintaining effective oversight of the external auditors’ performance, covering amongst others, the adequacy of the audit team, degree of independence, performance level and audit scope. Based on the evaluation conducted, the AC is satisfied with the external auditors’ performance, technical competency and audit independence.

The external auditors, Messrs. Ernst & Young, have provided written assurance to the AC that they have been independent throughout the audit engagement for 2016. The external auditors have also expressed their willingness to be re-appointed at this AGM.

### **EXPLANATORY NOTES ON SPECIAL BUSINESS**

#### **Resolution 7 - Proposed Renewal of Shareholders’ Mandate**

The Board proposes to renew the mandate granted by shareholders at the last AGM held on 19 May 2016 and to approve a new mandate for an additional recurrent related party transaction (“RRPT”). The Proposed Shareholders’ Mandate, if passed, will enable the UMW Group to enter into RRPTs of a revenue or trading nature, which are necessary for the Group’s day-to-day operations, and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public.

Details of the Proposed Shareholders’ Mandate are set out in the Circular to Shareholders dated 28 April 2017. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

### **ABSTENTION OF VOTING**

1. All NEDs, who are shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 3, 4 and 5 in respect of the approval of directors’ fees and benefits payable to NEDs, at this AGM.
2. All directors standing for re-election, who are also shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 1 and 2 in respect of their re-election, at this AGM.

### **STATEMENT ACCOMPANYING THE NOTICE OF THE 35<sup>TH</sup> ANNUAL GENERAL MEETING**

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

The following directors are standing for re-election at the 35<sup>th</sup> AGM of the Company -

1. Tan Sri Dato’ Sri Hamad Kama Piah bin Che Othman pursuant to Article 109 of the Company’s Constitution (**Resolution 1**); and
2. Dato’ Eshah binti Meor Suleiman pursuant to Article 109 of the Company’s Constitution (**Resolution 2**).

The profiles of the above directors and their interests in shares in the Company and its related corporations are set out in the Directors’ Profile on pages 46 and 55, respectively, of this annual report.

## - CORPORATE INFORMATION -

AS AT 31 MARCH 2017

### BOARD OF DIRECTORS

#### **TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN**

Group Chairman

*Non-Independent Non-Executive Director*

#### **BADRUL FEISAL BIN ABDUL RAHIM**

President & Group CEO

*Executive Director*

#### **DR. LEONG CHIK WENG**

*Non-Independent Non-Executive Director*

#### **DATUK SERI DR. NIK NORZRUL THANI BIN N.HASSAN THANI**

*Non-Independent Non-Executive Director*

#### **DATO' SIOW KIM LUN @ SIOW KIM LIN**

*Senior Independent Non-Executive Director*

#### **DATO' MOHD. NIZAM BIN ZAINORDIN**

*Non-Independent Non-Executive Director*

#### **KHALID BIN SUFAT**

*Independent Non-Executive Director*

#### **ROHAYA BINTI MOHAMMAD YUSOF**

*Non-Independent Non-Executive Director*

#### **TAN SRI HASMAH BINTI ABDULLAH**

*Independent Non-Executive Director*

#### **DATO' ESHAH BINTI MEOR SULEIMAN**

*Independent Non-Executive Director*

### BOARD COMMITTEES

#### **AUDIT COMMITTEE**

Dato' Siow Kim Lun (*Chairman*)

Dato' Mohd. Nizam bin Zainordin

Khalid bin Sufat

Tan Sri Hasmah binti Abdullah

#### **NOMINATION COMMITTEE**

Dato' Siow Kim Lun (*Chairman*)

Dr. Leong Chik Weng

Khalid bin Sufat

#### **REMUNERATION COMMITTEE**

Khalid bin Sufat (*Chairman*)

Dr. Leong Chik Weng

Datuk Seri Dr. Nik Norzrul Thani bin

N.Hassan Thani

#### **INVESTMENT AND RISK MANAGEMENT COMMITTEE**

Dr. Leong Chik Weng (*Chairman*)

Dato' Siow Kim Lun

Dato' Mohd. Nizam bin Zainordin

Tan Sri Hasmah binti Abdullah

Badrul Feisal bin Abdul Rahim

#### **WHISTLE-BLOWING COMMITTEE**

Tan Sri Hasmah binti Abdullah

(*Chairperson*)

Dato' Siow Kim Lun

Dato' Mohd. Nizam bin Zainordin

Khalid bin Sufat

#### **GROUP SECRETARY**

Fadzilah binti Samion

(MACS 01262)

#### **REGISTERED OFFICE**

UMW Holdings Berhad (90278-P)

3<sup>rd</sup> Floor, The Corporate,

No. 10, Jalan Utas (15/7),

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#### **SHARE REGISTRAR**

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#### **AUDITORS**

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#### **PRINCIPAL BANKERS**

Malayan Banking Berhad Group

CIMB Bank Berhad

Deutsche Bank Group

Affin Bank Berhad

#### **STOCK EXCHANGE**

Main Market of Bursa Malaysia

Securities Berhad

Stock Name: UMW

Stock Code : 4588

#### **WEBSITE**

[www.umw.com.my](http://www.umw.com.my)

# - UMW GROUP STRUCTURE -

AS AT 31 MARCH 2017



## UMW HOLDINGS BERHAD



### UMW CORPORATION SDN. BHD. (100%)

#### AUTOMOTIVE

##### UMW Toyota Motor Sdn. Bhd.

- Assembly Services Sdn. Bhd.
- Automotive Industries Sendirian Berhad
- Toyota Boshoku UMW Sdn. Bhd.

##### Otomobil Sejahtera Sdn. Bhd.

##### UMW Toyotsu Motors Sdn. Bhd.

##### Perusahaan Otomobil Kedua Sdn. Bhd.

- Perodua Sales Sdn. Bhd.
- Daihatsu Perodua Engine Manufacturing Sdn. Bhd.
- Perodua Auto Corporation Sdn. Bhd.
- Perodua Manufacturing Sdn. Bhd.
- Perodua Engine Manufacturing Sdn. Bhd.
- Perodua Global Manufacturing Sdn. Bhd.

#### EQUIPMENT

##### UMW Equipment Sdn. Bhd. UMW (East Malaysia) Sdn. Bhd.

##### UMW Niugini Limited, Papua New Guinea

##### UMW Engineering Services Limited, Myanmar

##### UMW Machinery Limited, Myanmar

##### UMW Industries (1985) Sdn. Bhd.

##### UMW Industrial Power Sdn. Bhd.

##### UMW Equipment & Engineering Pte. Ltd., Singapore

##### UMW Equipment Systems Pte. Ltd., Singapore

- UMW Equipment Systems (Vietnam) Company Limited, Vietnam

##### UMW Industrial Trading (Shanghai) Co., Ltd., China

##### UMW Industrial Equipment (Shanghai) Co., Ltd., China

##### Vision Fleet Equipment Leasing (Shanghai) Co., Ltd., China

#### MANUFACTURING & ENGINEERING

##### UMW M&E Sdn. Bhd.

- UMW Aerospace Sdn. Bhd.
- Lubetech Sdn. Bhd.
- UMW Pennzoil Distributors Sdn. Bhd.

##### UMW Grantt International Sdn. Bhd.

##### PT UMW International

##### PT Pusaka Bersatu

##### UMW Aero Assets Sdn. Bhd. UMW Advantech Sdn. Bhd. KYB-UMW Malaysia Sdn. Bhd.

##### KYB-UMW Steering Malaysia Sdn. Bhd.

##### UMW Lubricant International Sdn. Bhd.

##### Lubritech International Holdings Limited, Hong Kong

##### Lubritech Limited, China

##### UMW M&E Limited

#### OIL & GAS (UNLISTED GROUP)

##### UMW Fabritech Sdn. Bhd.

##### UMW Oilfield International (M) Sdn. Bhd.

##### UMW Synergistic Generation Sdn. Bhd.

- UMW SG Power Systems Sdn. Bhd.
- UMW SG Engineering & Services Sdn. Bhd.

#### TECHNOLOGY

##### UMW Technology Sdn. Bhd.

- UMW IT Services Sdn. Bhd.
- U-Tech Americas, Inc., USA
- U-Spark, L.L.C., USA

#### PROPERTY

##### UMW Land Sdn. Bhd.

#### OTHERS

##### UMW Training Centre Sdn. Bhd.

##### U-TravelWide Sdn. Bhd.

##### UMW Development Sdn. Bhd.

##### Toyota Capital Malaysia Sdn. Bhd.

- Seabanc Kredit Sdn. Bhd.
- Toyota Capital Acceptance Malaysia Sdn. Bhd.
- Toyota Lease Malaysia Sdn. Bhd.

## - UMW GROUP STRUCTURE -

AS AT 31 MARCH 2017



**Notes:** Companies in italics are associated companies of the Group.

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- CHAIRMAN'S MESSAGE -

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TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN  
Group Chairman



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Although the challenging operating environment meant that we were kept on our toes throughout this momentous year, it also gave us reasons to pause and reflect on our journey thus far – on who we are, where we want to be and how we are to get there.

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## - CHAIRMAN'S MESSAGE -

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### Dear valued shareholders,

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The financial year ended 31 December 2016 was a significant milestone for the UMW Group as we usher to celebrate our 100<sup>th</sup> year anniversary in 2017. Although the challenging operating environment meant that we were kept on our toes throughout this momentous year, it also gave us reasons to pause and reflect on our journey thus far – on who we are, where we want to be and how we are to get there. It is fitting that such reflection should take place on the occasion of our centenary and we can take comfort in the fact that we step forward into the next 100 years on a new footing and a renewed sense of purpose.

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As shareholders, you will be aware by now that the Group's performance for FY2016 fell below our expectations. The losses were mainly due to the continuing losses in our Oil & Gas ("O&G") segment (both listed and unlisted), which continued to be depressed amid the low oil prices operating environment which continued into 2016 from the previous year. At the same time, other external pressures such as slowing economic activity, strengthening of the US dollar and soft consumer demand had also adversely affected the performance of the rest of our business divisions, resulting in shrinking margins and lower sales volume.

It is in light of these results as well as those from preceding years that the management and Board of Directors of UMW have decided to conduct a strategic exit from the O&G business. Although we are of the view that the O&G sector remains rife with potential and is expected to recover gradually, it is also a sector that is more volatile than others which reaches both peaks and troughs in equal extreme measure. Given its capital intensive nature, this last downturn in the sector has tied up more of the Group's resources than anyone could have predicted and therefore restricted our ability to grow our other core businesses as much as we would have liked. With the strategic decision to exit the O&G sector, the

Group can refocus its growth trajectory on three core divisions, namely Automotive, Equipment and Manufacturing & Engineering. This strategy is expected to strengthen the Group's financial position to embark on new investments in these core areas of businesses as its platform for future expansion and value creation.

From a long term sustainability standpoint, we believe that our future is anchored in these core business divisions to be further nurtured to achieve operational excellence and to continue to be market leaders. Indeed, even in these challenging times, we have reason to be optimistic about these business divisions in light of recent developments. The construction of our new state-of-the-art automotive plant by UMW Toyota Motor Sdn. Bhd. in Bukit Raja, Klang, Selangor Darul Ehsan and the completion of the production facilities for the high-value manufacturing contract with Rolls-Royce PLC to produce fan cases for their aero engines in Serendah, Selangor Darul Ehsan, are the testaments of our relentless pursuit to fortify the Group's core businesses.

Both developments are catalytic opportunities that will take the entire Group to the next level in line with the Group's Beyond Boundaries rallying call and will create other high-value, and high-technology opportunities for the



Media briefing on UMW's strategic exit from the Oil & Gas business

The challenges we face are not insurmountable and we shall overcome these obstacles with teamwork and effort.

rest of the Group. But in order for us to seize these opportunities, we will need to further enhance both our technical expertise and human capital capabilities and bring them to new heights. This is the hard work that lies before us over the next few years as we transition out of the O&G business and focus our resources into the remaining core businesses.

Meanwhile, we continue to operate in a challenging environment with markets expecting to remain soft in the near term. While we have taken advantage of pockets of opportunities in the past year, prudence and caution remain our key watchwords going forward. Total industry volume for the automotive industry is projected to increase by 1.7% to 590,000 units in 2017 after a very difficult year in 2016. Competition, however, has grown stronger as our competitors intensify their efforts to improve their own sales.

The Board is confident that we will be able to defend our market share in our key locations given the dominance of our presence and the strength of our brand as well as the brands of our principal partners. Our business units have also made considerable progress in terms of optimising costs and enhancing processes in defending their margins whilst continuing with their planned capital expenditure expansions. We are therefore cautiously optimistic about improved prospects in 2017 although our results will continue to be affected by the performance of the O&G Division.

As part of our strategic exit from the O&G business, we have recently announced the proposal to distribute the Group's entire shareholding in UMW Oil & Gas Corporation Berhad ("**UMW-OG**") to our shareholders by way of reducing the issued and paid-up capital of the Company, as explained in more

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## - CHAIRMAN'S MESSAGE -

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At the farewell and welcome dinner reception for Tan Sri Asmat bin Kamaludin and Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman

detail in the Circular to Shareholders dated 12 April 2017. The proposal is subject to shareholders' approval at the Extraordinary General Meeting to be held on 4 May 2017. Should this proposal be accepted, as shareholders, you will be issued UMW-OG shares thereby allowing you to manage your investment exposure or rebalance your portfolio as you deem fit. In this way, shareholders will be able to manage their interest in the O&G sector in line with their investment strategy as it provides shareholders with the opportunity to independently gauge the appropriate value of their interests in UMW-OG, which otherwise would not be possible if the Company makes an outright disposal of its shareholding in UMW-OG.

### ACKNOWLEDGEMENTS

First and foremost, I would like to thank my fellow directors, especially

my predecessor, Tan Sri Asmat bin Kamaludin, for all their advice and counsel in steering the Company towards its long-term goals. I would also like to welcome Dato' Eshah binti Meor Suleiman to the Board and I look forward to working with her and the rest of the Board in the years to come to preserve the Group's legacy and take it to new heights.

My thanks also goes out to the members of management and the entire workforce of the UMW Group who are the lifeblood of the Company. The challenges we face are not insurmountable and we shall overcome these obstacles with teamwork and effort. Special appreciation goes to the rest of our stakeholders including our shareholders and customers who are key enablers of all that we do. We thank you for your continued support and look forward to repaying your faith in our Company with enhanced value

creation and the delivery of quality products and services.

Finally, on a personal note, I would like to add that it gives me special pleasure to pen this note in my inaugural year as the Group Chairman of UMW Holdings Berhad on the occasion of its 100<sup>th</sup> anniversary. The Group has a distinguished legacy as one of Malaysia's oldest and most successful conglomerate, and my appointment a true honour and privilege.

Thank you.

A handwritten signature in black ink, consisting of a stylized 'h' followed by a horizontal line and a small dash below it.

**TAN SRI DATO' SRI HAMAD KAMA  
PIAH BIN CHE OTHMAN**  
GROUP CHAIRMAN



BADRUL FEISAL BIN ABDUL RAHIM  
President & Group CEO



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Despite the tough operating environment, we are immensely proud that UMW is turning the page on its first 100 years in 2017.

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## To our valued stakeholders,

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2016 was an exceptionally challenging year for UMW with persistent unfavourable external factors from the previous year such as low oil prices and weak consumer sentiment. Oil prices remained depressed throughout the year while the strengthening of the US Dollar and other key currencies as well as the general slowdown in economic activity further dampened consumer and investor sentiment. While the majority of the UMW Group's business divisions remained profitable despite the difficult operating environment, the Group as a whole was pulled into the red in 2016 due to continuing losses from our Oil & Gas ("O&G") Division.

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In terms of broad strategy, the Group made a strategic choice last year to exit the O&G sector in order to set ourselves back on the path of revenue and profitability growth – a decision that we arrived at following long and careful deliberation. Exiting the O&G sector will enable us to realign and refocus the Group's growth trajectory on three core businesses – Automotive, Equipment, and Manufacturing & Engineering ("M&E"). These divisions will anchor the future expansion of UMW and enable the Group to continue creating shareholder value while remaining relevant and sustainable.

The UMW Group has weathered the challenges over the past two years with the hallmark resilience that has allowed the Company to sustain itself over the past century. This is indeed the hallmark of our corporate culture, embedded in our long rich history of living according to our core values and being resilient. Credit is due to our fellow employees who endlessly uphold our corporate values and culture by delivering trademark operational and commercial excellence and achieving customer satisfaction.

Despite the tough operating environment, we are immensely proud that UMW is turning the page on its first 100 years in 2017 – an enviable feat considering the fact that not many companies have been in existence for 100 years in Malaysia. As we draw near to our significant milestone, we can take comfort that the current challenges are, by any measure, a temporary setback, as they allow the Group to begin the next 100 years on a strong footing with a clear idea of what we have to do, allied with the firm determination to do so. This is without doubt a very exciting time for all of us at the UMW Group – a tribute to all of our stakeholders who have supported us over this long period.

I would like to thank all our stakeholders for their support in our journey thus far, especially the Board of Directors, which has provided invaluable advice over the years. I would like to acknowledge the service of Tan Sri Asmat bin Kamaludin whose tenure expired on 31 December 2016. Tan Sri Asmat has been the Group Chairman of UMW Holdings Berhad since 2001 and a key figure, to whom we are grateful for his long and illustrious service. I would also

like to warmly welcome Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman as the new Group Chairman and Dato' Eshah binti Meor Suleiman to the Board as I look forward to working together with them to propel the Group to new frontiers and greater heights. I strongly believe that under the leadership of Tan Sri Dato' Sri Hamad Kama Piah as Group Chairman, the UMW Group will continue to be strong and deliver excellence in the years to come.

To our shareholders and fellow employees, I would like to take this opportunity to express my utmost gratitude for your continuous support. Although we may be facing challenges ahead, I strongly believe that by working together as a team and continuing to rally our energies to deliver, we shall overcome these obstacles and will soon usher in a new and exciting chapter of growth for UMW.



**BADRUL FEISAL BIN ABDUL RAHIM**  
PRESIDENT & GROUP CEO

## - MANAGEMENT DISCUSSION & ANALYSIS -

### OUR CORPORATE OBJECTIVES

UMW aims to be a forward-leaning conglomerate with exceptional and sustainable core businesses anchored by deep organisational and management expertise and long-term strategic partnerships with industry leaders.

UMW also intends to further position itself as an agile, high-performing conglomerate with a proven capacity for innovation and excellence, and remain financially strong and continue to embark on investments to maintain market leadership and grow new businesses and competencies.

In addition, UMW will continue to uphold and adhere to the highest standards of corporate governance and integrity in achieving its desired objectives.

UMW is also committed to the continued improvement of its employees, with the goal of developing a dynamic workforce inculcated with a performance-driven culture as the source of UMW's competitive advantage and unique value proposition.

### OUR STRATEGIES & OBJECTIVES



UMW Toyota announces the construction of its new assembly plant in Bukit Raja at a press conference

Our immediate priority is to refocus on our three core businesses. Towards that end, we will be exiting from our investments in the O&G sector. We will channel our resources primarily into the growth of our Automotive, Equipment and M&E businesses. With this strategic approach, the future prospects of our Group will be enhanced with UMW's financial position and performance expected to improve moving forward.

On 19 January 2017, the Group announced the proposed distribution of our 55.7% stake in UMW Oil & Gas Corporation Berhad (“**UMW-OG**”) to our shareholders. The exercise will give our shareholders direct exposure in two listed companies and the opportunity to manage their investment portfolio according to their individual objectives. There is also a progressive plan in place to dispose of our unlisted O&G assets. Pending completion of this exercise, the operational performance of these assets will continue to be reflected in the Group's books for 2017.

In terms of the expansion of our core businesses, there are a number of milestone developments coming online over the next few years, including the construction of our new state-of-the-art automotive assembly plant in Bukit Raja, Selangor Darul Ehsan. The 670,000 sq. m. plant will be equipped with modern facilities capable of producing high-value energy-efficient vehicles with an initial production capacity of 50,000 vehicles annually when fully operational in 2019.

On the M&E side, we will accelerate our strategic transformation into High Value Manufacturing (“**HVM**”) by building on the momentum from our 25+5-year long-term contract with Rolls-Royce PLC (“**Rolls-Royce**”). The construction of the fan case manufacturing plant in Serendah, Selangor Darul Ehsan was completed in 2016

and UMW Aerospace Sdn. Bhd. (“**UMW Aerospace**”) will spend the early part of 2017 getting the production lines up and running. The first fan cases are expected to roll off the production line in the fourth quarter of the year. The Serendah plant spearheads our strategic move into HVM and the Group is optimistic that we will be able to achieve further traction in this new sector.

It is also crucial to note that the fan case manufacturing plant is a major catalyst for UMW to unlock the value of its land bank in Serendah over the long term. The commissioning of the facility affords the Group an opportunity to fully assess and explore various strategic options for the optimal development of our Serendah land.

The third focal point of our strategy is to increase the product range and market presence of our Equipment Division. The Malaysian Government has increased its focus on infrastructure development, and this will support demand for heavy equipment. At the same time, there are numerous untapped opportunities in Myanmar and the broader ASEAN region which also represent potential growth catalysts for the sale and distribution of our range of industrial and heavy equipment products. To make the most of these opportunities, our Equipment Division will leverage on the renowned expertise and branding of its principal partners and further increase its marketing efforts.

## - MANAGEMENT DISCUSSION & ANALYSIS -

### GROUP FINANCIAL PERFORMANCE

The UMW Group posted a loss before tax (“LBT”) of RM2.13 billion (FY2015: PBT RM269.7 million) on the back of RM10.96 billion in revenue (FY2015: RM14.44 billion). The significant drop in our pre-tax earnings was mainly due to losses from our O&G Division, comprising both our listed and unlisted assets. The following table provides a summary of the financial performance of the Group and our individual business segments -

	Revenue		Profit/(Loss) Before Taxation	
	Twelve Months Ended 31/12/2016 RM' 000	Twelve Months Ended 31/12/2015 RM' 000	Twelve Months Ended 31/12/2016 RM' 000	Twelve Months Ended 31/12/2015 RM' 000
	<b>Consolidated Total</b>	<b>10,958,515</b>	<b>14,441,583</b>	<b>(2,130,225)</b>
<b>Business Segment</b>				
Automotive	8,450,956	10,721,917	496,931	860,938
Equipment	1,382,815	1,882,591	145,620	226,451
Manufacturing & Engineering	601,460	707,491	24,619	16,816
Oil & Gas (Listed)	321,053	839,877	(1,181,264)	(348,426)
Oil & Gas (Unlisted)	221,891	324,647	(734,895)	(197,190)

The Group’s overall performance was adversely impacted by the losses in our O&G Division which reported a LBT of RM1.92 billion. Its performance was affected by the weakness in the price of crude oil which persisted through most of FY2016, continuing the downward trend that started in 2014 (see Figure 1).

The Group also booked RM1.16 billion in impairments of the value of our O&G assets after conducting an impairment review in compliance with MFRS 136 Impairment of Assets. The exercise was conducted on both UMW-OG as well as our unlisted O&G assets on the back of the continued slump in the O&G industry. In addition to the impairment, the Group also recognised a provision for financial guarantee contracts on borrowings made by an unlisted joint-venture (“JV”) in the O&G Division as it was not able to meet its repayment obligations during the year under review. This provision was made in compliance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

The steep losses in our O&G Division offset the resilient performance of our other core divisions, which remained

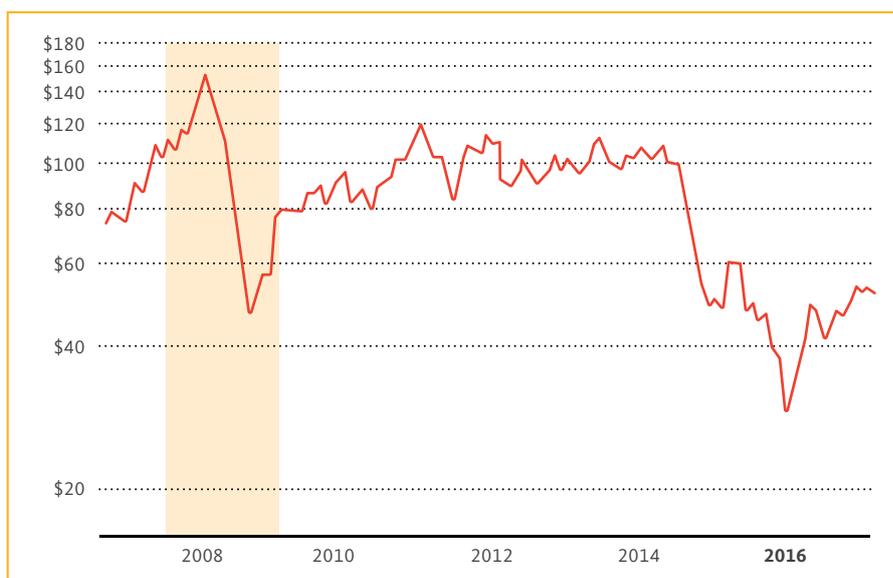


Figure 1: 10-Year Crude Oil Price Chart. Source: [macro trends.net](http://macro trends.net)

profitable in 2016 despite exceptionally challenging operating conditions. Excluding the impairment of assets and provision for financial guarantee contracts, the Group posted a profit before taxation (“PBT”) of RM109 million in 2016. The lower profit recorded for the year was due to the operating losses of our O&G Division.

Non-O&G challenges affecting the Group’s performance in 2016 included -

- softer demand for vehicle purchases in Malaysia;
- increased competition in the heavy equipment market;
- moderated equipment demand from regional customers\*; and
- strengthening of the US Dollar and other major currencies against the Ringgit.

\* Detailed information, including specific challenges, data, risks and statistics is available in the segmental review of each respective business division.

SEGMENTAL REVIEW



AUTOMOTIVE

UMW assembles, markets and distributes some of Malaysia’s most popular marques of passenger cars and commercial vehicles. Our collaboration with Toyota Motor Corporation of Japan dates back over 35 years, and we are the exclusive distributor of Toyota and Lexus models in Malaysia.

We are also the single largest shareholder of Perusahaan Otomobil Kedua Sdn. Bhd. (“Perodua”) with a 38% stake in the Malaysia’s second national car manufacturer. Perodua manufactures some of the best-selling models in the country in the affordable car segment.

The Automotive Division reported a PBT of RM496.9 million in FY2016 representing a year-on-year (“y-o-y”) decline of 42% from RM860.9 million recorded in 2015. Revenue moderated by 21% during the same period totalling RM8.45 billion (FY2015: RM10.72 billion). The performance of the Automotive Division was adversely affected by an industry-wide decline in motor vehicle sales, which dropped to 580,124 units in 2016 from 666,677 units in 2015. This was the first time that total industry volume (“TIV”) in Malaysia had slipped below 600,000 units since 2009, indicating a significant drop in demand.

A general slowdown in the macro-economic environment coupled with the fact of car buyers front-loading their purchases in 2015, contributed to the decline in TIV for 2016. Tighter lending rules from financial institutions also reduced the number of potential car buyers eligible for financing and effectively reduced the number of purchases.

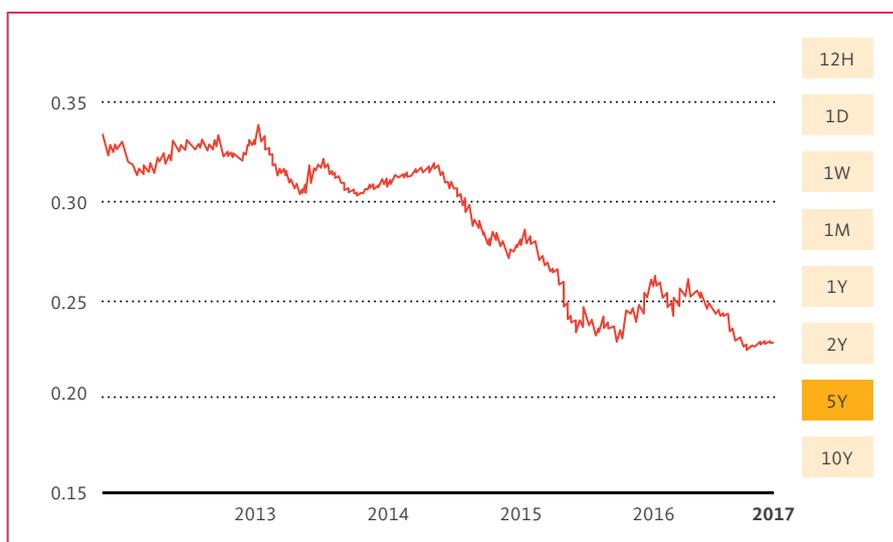


Figure 2: USD to MYR 5-Year Price Chart. Source: xe.com

In terms of UMW’s automotive performance, the Group faced stiff competition from new models launched by other manufacturers. Meanwhile, the strengthening of the US Dollar against the Ringgit further narrowed our margins leading to lower profitability of the segment. In response to this adverse change in the operating environment, our automotive units embarked on cost-cutting initiatives aimed to optimise resource use and increase efficiencies. Ongoing initiatives are being conducted throughout the entire value chain from the assembly and manufacture of our products to the administration and logistics of our companies.

Despite softer market conditions, our automotive units have continued to invest in enhancements including new technologies, human capital development and business process automation in their relentless pursuit of excellence. As one of UMW’s core businesses, we are continuing to keep pace with the vibrant dynamism of the domestic automotive industry by proceeding with our planned capital expenditure (“capex”) expansion led by the construction of our new assembly plant in Bukit Raja, Klang, Selangor Darul Ehsan.

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## - MANAGEMENT DISCUSSION & ANALYSIS -

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### SEGMENTAL RISKS

Our automotive segment faces risks from the following areas -

**Economic environment:**

A softer economic environment affects demand for new vehicles as buyers will be wary of making substantial commitments.

**Competition:**

New model launches and attractive pricing from competitors may affect our market share resulting in lower number of vehicles sold.

**Currency risk:**

The automotive segment's operations depend on the purchase of raw materials denominated in US Dollar. The continued strengthening of the US Dollar will increase our manufacturing and assembly costs.

### MOVING FORWARD

The outlook for the Malaysian and regional automotive industries remains uncertain in 2017, despite some positive sales development in the final quarter of 2016. The sudden surge in volume in the final month of the year was driven by highly attractive deals from manufacturers to reduce inventory. However, there has been a recovery in commodity prices and a slight improvement in economic growth which may stimulate consumer demand. We expect TIV numbers in 2017 to remain at 2016 levels coming in at between 580,000 and 590,000 units, and we expect to sell 70,000 units of Toyota and Lexus vehicles this year.

In terms of operations, our main challenge continues to be affected by the strengthening of the US Dollar. As a significant portion of our raw materials is denominated in US Dollar, this will continue to compress our margins. To reduce the effects of foreign exchange volatility, our manufacturing and assembly arms are already stepping up their respective localisation programmes to increase the percentage of local content. Our units will continue implementing cost-reduction initiatives and process optimisation to eliminate waste.

Finally, the Division will also focus on improving customer satisfaction levels as a measure to strengthen and elevate brand perception as this is a key source of competitive advantage.

Our most significant capex spending going forward will be on UMW Toyota Motor Sdn. Bhd's new assembly plant in Bukit Raja, Klang, Selangor Darul Ehsan. The total cost has been estimated at RM1.8 billion, and will be funded via internal and external sources of funding.



Thumbs up for the all-new Hilux and Fortuner

## BUSINESS UNITS

### UMW TOYOTA MOTOR SDN. BHD.

UMW Toyota Motor Sdn. Bhd's ("UMW Toyota") primary activities are in the assembly, marketing, servicing and distribution of Toyota passenger cars, commercial vehicles and four-wheel drives. UMW Toyota also markets, services and distributes Lexus passenger cars.

UMW Toyota achieved new vehicle sales of 65,110 units in 2016, representing a decline of 32% from the 95,861 units sold in 2015. The fall in our vehicle sales was due mainly to stiff competition from new models launched by our competitors during the year as well as weakening consumer sentiment. As a result, our overall market share of the passenger car segment in Malaysia moderated to 11.2% in 2016 from 14.4% the year before. Our best-selling models for the year were the Toyota Vios (24,305 units), Toyota Camry (3,816 units) and Toyota Hilux (17,669 units).

In response to the adverse operating environment, UMW Toyota took concrete and deliberate steps to enhance its focus on customer satisfaction and implemented horizontal and vertical controls to actively manage costs. We are also looking at new ways to reduce and eliminate waste to further improve efficiencies.

Finally, we launched a number of new models in the second half of 2016 (see Figure 3). There were no launches of new Lexus models in 2016.

Model	Launch Date
Hilux FMC*	6 May 2016
Fortuner FMC*	24 June 2016
Alphard	5 August 2016
Vellfire	5 August 2016
Sienta	18 August 2016
Vios Imp#	5 October 2016
Camry Imp#	2 December 2016
Innova FMC	5 December 2016
Corolla Altis	9 December 2016

Figure 3: New Toyota model launches in 2016

\* FMC - Full Model Change

# IMP - Improved Model

We are pleased to report that UMW Toyota was ranked highest in overall customer service satisfaction, according to J.D. Power's 2016 Malaysia Customer Service Index study. Its score of 763 points was above the average of 751 points, with particularly strong performance in the areas of service initiation, service advisor and service quality factors.

**ASSEMBLY SERVICES SDN. BHD.**

Assembly Services Sdn. Bhd. (“**ASSB**”) is primarily involved in the assembly of Toyota vehicles for both the local and export market, and the fitting of accessories. During the year, ASSB rolled out the all-new Innovative International Multi-Purpose Vehicle (“**IMV**”) models for Toyota such as the Hilux, Fortuner and Innova from its production line. For 2016 as a whole, ASSB produced 56,454 units of Toyota vehicles representing 74% utilisation of our total production capacity. Production volumes declined 29% y-o-y due to the moderation in motor vehicle demand leading to a LBT of RM17.8 million.

Despite challenging market conditions in 2016, ASSB continued to invest in its processes by introducing new innovations to its production line. In 2017, ASSB will continue to implement its planned human resource development programme. Meanwhile, it will continue to work towards its medium-term goal of developing a new operational plan for the new Bukit Raja assembly plant when construction is completed in 2019. The plan includes a re-layout and upgrading of facilities in the existing assembly plant.

**AUTOMOTIVE INDUSTRIES SENDIRIAN BERHAD**

Automotive Industries Sendirian Berhad (“**AISB**”) is Malaysia’s leading automotive parts manufacturer in the areas of exhaust systems, catalytic converters and instrument panel reinforcements. AISB reported a lower PBT of RM36.5 million in 2016 due to lower motor vehicle sales volume, higher costs and narrower margins from lower sales prices. Profitability was also affected by the strengthening of the US Dollar which resulted in the higher cost of raw materials.

Despite the challenging conditions in 2016, AISB retained its position as the market leader in Malaysia for all its core products and is presently the second largest manufacturer of exhaust systems in Southeast Asia. Figure 4 below provides an overview of AISB’s core products and its market position in Malaysia.

Product	Market Share by Year	
	2015	2016
Exhaust Systems	97%	<b>98%</b>
Catalytic Converters	44%	<b>55%</b>
Instrument Panel Reinforcements	47%	<b>39%</b>

Figure 4: Overview of AISB’s core products and its market position in Malaysia

Moving forward, AISB has invested in a number of enhancements including upgrades of its production technology and systems. It has also implemented a number of cost-reduction initiatives including increasing the local content of its products and structured cost reductions throughout the company. To further improve the quality of its product, it has entered into a technical collaboration partnership with Futaba Corporation, Japan.

In 2017, AISB’s immediate priority is to maintain its position as market leader in Malaysia for its core products. The medium term will see the company focus on diversifying its product range, and will expand the business to include non-automotive-related manufacturing in the long term.

**TOYOTA BOSHOKU UMW SDN. BHD.**

Toyota Boshoku UMW Sdn. Bhd. (“**TBU**”), our JV with Toyota Boshoku Corporation, Japan, is focused on the manufacturing and assembling of high-quality and cost-effective car seats, door trims, headlining and other interior parts for all Toyota vehicles assembled by ASSB and for Hino commercial vehicles. In line with the automotive units, TBU’s performance for 2016 was affected by lower demand for motor vehicles in Malaysia leading to lower sales of its products to vehicle assemblers. PBT for TBU dropped to RM2.4 million in FY2016.

In response to the challenging operating environment, TBU implemented a number of cost-reduction measures including in-house improvements, increasing the local content of its products and efficient usage of materials in its manufacturing process. By increasing the capabilities of the plant through new processes and enhancing production efficiency, TBU met its Key Performance Indicator (“**KPI**”) of achieving a 96% operation production ratio.

TBU expects a better performance in 2017 with the completion of the IMV model and demand for its IMV-related products. The plant upgrades implemented in 2016 are expected to yield higher returns and reduce costs, contributing to stronger margins.

## PERUSAHAAN OTOMOBIL KEDUA SDN. BHD.

Perusahaan Otomobil Kedua Sdn. Bhd. (“Perodua”) posted its highest market share in the Malaysian automotive market after increasing its market share in 2016 to 35.7% from 32% in 2015 (based on a total sales volume of 207,110 units in 2016, a drop of 2.9% y-o-y). The achievement helped Perodua maintain its position as the No. 1 carmaker in the country for the 11<sup>th</sup> consecutive year in 2016.

Positive consumer reception of the Perodua Bezza Energy-Efficient Vehicle (“EEV”) launched in July 2016 impacted the non-national TIV, which reduced from 52.7% in 2015 to 51.8% in 2016. Sales of the Bezza, which received 2,600 bookings in the first 10 days following its launch, also significantly supported Perodua’s sales for the year. A total of 34,930 units of Bezzas were sold in 2016 while total bookings registered were 51,198 units.

Meanwhile, the Perodua Axia remained Malaysia’s best-selling car and the No. 1 national car with bookings of 133,610 units as at the end of December 2016 (FY2015: 123,459 bookings). Although Bezza sales somewhat affected the sales of Axia, generally the demand for Perodua cars was dampened by stricter hire-purchase rules imposed by financial institutions, sluggish consumer sentiment and stiffer competition. Perodua management is cautiously optimistic that Perodua will be able to achieve a market share of 34% in 2017 with a sales target of 202,000 units despite challenging conditions. It expects market conditions to normalise, which will in turn revive consumer appetite for spending on big-ticket items such as motor vehicles.

Car export sales came in marginally higher y-o-y at 4,696 units in 2016 compared to 4,425 units in 2015. Particularly encouraging was that the total number of cars exported exceeded the internal target of 4,346 units. Meanwhile, Perodua also launched three new service centres in Kuala Lumpur, Pahang and Selangor



The official launch of Perodua Bezza

during the year. The new centres are part of its continued commitment to maintaining high levels of customer satisfaction by ensuring convenient access to our facilities, and the centres have since been positively received by customers.

In terms of strategy, Perodua will be rolling out its Transformation 2.0 Roadmap in 2017, which is a continuation from Transformation 1.0 launched in 2011, and outlining its short, medium and long term goals emphasising on ecosystem transformation. It is also actively working on enhancing its service and parts business and focusing on improving customer satisfaction levels. Human capital development remains a key part of its agenda as is the implementation of cost-reduction initiatives given the volatility in the market.

As part of its expansion plan, Perodua via its 49% associated company, Daihatsu Perodua Engine Manufacturing Sdn. Bhd. on 29 May 2016, opened its new engine plant at Sendayan TechValley, Negri Sembilan. This new factory mainly manufactures and produces the new NR engines for the Perodua Bezza model.

Perodua was honoured with a number of recognitions in 2016 including the Putra Brand Award – Silver in the Automotive Category and the Human Resource Development Award 2016 in the Large Employer (Manufacturing) Category. The Bezza was similarly feted, receiving six awards during the year -

- Carsifu Editor’s Choice Awards 2016 – Family Ride of the Year (below RM100,000);
- ASEAN NCAP Grand Prix Awards 2016 – Best Child Occupant Protection (COP) Small Family;
- ASEAN NCAP Grand Prix Awards 2016 – Best Adult Occupant Protection (AOP) Small Family;
- Malaysia Car of the Year 2016 – Entry Level Car of the Year;
- Malaysia Car of the Year 2016 – People’s Choice Award; and
- Most Significant Design Achievement.

Meanwhile, the Axia received three awards in 2016 -

- Cleo Cool Wheels 2016 – Best Value for Money;
- Frost & Sullivan Malaysia Excellence Awards – Car of the Year; and
- Frost & Sullivan Malaysia Excellence Awards – Value-For-Money (1.3L and below).

SEGMENTAL REVIEW



EQUIPMENT

Our Equipment Division is responsible for distributing equipment from world-famous manufacturers for various sectors including the logging, construction, industrial, mining and agricultural sectors.

Over the years, we have established ourselves as a leading distributor of equipment for brands including Komatsu, Toyota, BT Raymond, Rossenbauer, Tennant and Bomag in the region, and have established a strong presence in several countries outside Malaysia including China, Myanmar, Papua New Guinea (“PNG”), Singapore and Vietnam.

Revenue for the Equipment Division dropped 26.6% to RM1.38 billion in 2016 from RM1.88 billion the year before. PBT, accordingly, also dropped to RM145.6 million last year from RM226.5 million in 2015. The Division’s weaker financial performance was due mainly to a slowdown of activity in key industrial sectors, stiffer competition and changes in the regulatory framework particularly in Myanmar where there are restrictions on the importation of heavy equipment in the mining sector.

In addition, most of our markets experienced increasing competition in terms of the entry of new manufacturers and price competition. Customers were also switching over to cheaper brands as part of their own cost-reduction measures. We therefore saw a decline in our market share for some of our units, particularly those involved in the heavy equipment business. Demand for heavy equipment was also adversely affected by the global slowdown in mining activity over the past few years.

Despite the challenging conditions, the majority of our units remained profitable albeit many registered slower pace of growth. In defending their margins, our companies embarked on aggressive cost and waste-reduction initiatives and stepped up their customer engagement initiatives. They also enhanced engagement with their principal suppliers to mitigate the impact of foreign exchange volatility, which was another factor that eroded margins in 2016.

SEGMENTAL RISKS

Our Equipment segment faces risks from the following areas -



**Economic environment:**

A softer economic environment suppresses demand for new equipment purchases or leases as customers will be wary of making substantial commitments.



**Competition:**

New launches and attractive pricing from competitors may cut into the segment’s market share resulting in lower equipment sales or leases.



**Currency risk:**

Our equipment is sourced from overseas sources and is denominated in US Dollar. The continued strengthening of the US Dollar will increase the selling or leasing price for end users.



**Political risk:**

Our operations are located in countries with different local laws and regulations on industrial activity that uses our equipment. Changes to the laws and regulations affecting the industrial activity or the sale and distribution of our equipment may adversely impact the segment’s ability to deliver profits.

## MOVING FORWARD

The challenges from 2016 are expected to continue into 2017 with no clear signs of relief in the near term. These include relatively moderate economic growth, strengthening of the US Dollar, weakening of other local currencies against those of our suppliers and increasing competition from lower-tier rivals. Nevertheless, we believe that these setbacks are temporary and our units are already taking the necessary remedial action by cutting costs, hedging their purchases and enhancing their customer networks.

In addition, our Equipment companies will continue to invest in their processes and their relationships with stakeholders to further build capacity and capabilities despite the soft market conditions. This will enable them to be better positioned when conditions normalise to provide customers with a full range of products.

## BUSINESS UNITS

### HEAVY EQUIPMENT GROUP

- **UMW Equipment Sdn. Bhd.**
- **UMW (East Malaysia) Sdn. Bhd.**
- **UMW Niugini Limited, PNG**
- **UMW Engineering Services Limited, Myanmar**

The Heavy Equipment Group imports, distributes, repairs, maintains and services heavy equipment in Malaysia, Singapore, Brunei, PNG and Myanmar.

### UMW EQUIPMENT SDN. BHD./UMW (EAST MALAYSIA) SDN. BHD.

In 2016, UMW Equipment Sdn. Bhd. (“**UMW Equipment**”) faced stiff competition in its operating markets, particularly in the hydraulic excavator segment. This was further aggravated by the entry of new brands.

To protect its margins in the more challenging environment, UMW Equipment implemented a number of cost-reduction initiatives. It also conducted a number of targeted customer programmes designed to introduce customers to new products and to ensure product safety. The key achievement in 2016 was the successful penetration of Government agencies with its newly-launched Komatsu backhoe loaders.

UMW Equipment expects 2017 to be a better year despite continuing market competition. It expects improved prospects in view of the implementation of key infrastructure projects. However, it also expects currency volatility to persist in 2017, which will affect the selling prices of key models. Currency hedging will be key to protecting its margins.



Representatives from UMW and Kemubu Agriculture Development Authority (KADA) in a group photo with Komatsu backhoe loaders in the background

### UMW NIUGINI LIMITED, PNG

UMW Niugini Limited is mainly involved in the trading of heavy equipment as well as related services and spare parts in PNG. It is mainly focused on the sale of Komatsu products. The other brands represented in PNG are FG Wilson, Stihl and Bomag.

Presently, PNG is facing a foreign currency shortage situation. This poses downside risks to our operations in the country as it increases our costs and also delays payment to our suppliers. The immediate focus of the company is to manage the foreign currency issue in the country.



#### UMW ENGINEERING SERVICES LIMITED, MYANMAR

UMW Engineering Services Limited (“**UESL**”) represents our business interests in Myanmar. It is the exclusive distributor for Komatsu construction, mining and utilities equipment, and Bomag road-building equipment in the country.

In 2016, UESL’s financial performance was severely affected, owing to the Myanmar Government’s restrictions imposed on the jade mining industry. The company also faced stiff competition as other brands were offering attractive pricing and payment terms.

To mitigate some of these challenges, UESL implemented a number of initiatives over the year including offering special services and maintenance packages, conducting client-focused programmes targeting foreign direct investors and larger companies, and undertaking cost-reduction measures.

Moving forward, UESL aims to expand its market presence in the construction and quarry sectors, and further improve on its customer service quality to build confidence. It also aims to improve working relationships with Komatsu Reman Myanmar Co. Ltd. to supply major Reman components for the mining sector.

#### UMW INDUSTRIES (1985) SDN. BHD.

UMW Industries (1985) Sdn. Bhd. (“**UMW Industries**”) specialises in material handling and supplying of industrial floor cleaning equipment. It represents some of the world’s most recognised brands of industrial equipment including Toyota, BT and Raymond and Tennant. UMW Industries is presently the Malaysian market leader in its business with approximately 50% market share.

Despite a challenging operating environment, UMW Industries met its targeted revenue and PBT for the year due to the implementation of various productivity improvement programmes and cost-reduction initiatives. One of the key challenges faced by UMW Industries was the strengthening of its key purchasing currencies, including the Japanese Yen and the US Dollar. Through close collaboration with its principal partners and customers, UMW Industries developed solutions that were beneficial to all parties.



The new Toyota 8FBE Electric Powered Forklift



Vision 2020 - (second from left) Gan Kim Teck with other recipients of Vision 2020 Awards in a group photo after receiving the Award from Toshifumi Onishi, THMI President

In addition, UMW Industries implemented a number of programmes to improve customer satisfaction levels including -

- regional roadshows promoting our products to potential and existing customers;
- technical workshops for our customers' technical personnel on basic trouble-shooting and preventive maintenance; and
- organised safety campaigns at customer sites to raise safety awareness and improve operators' competency and productivity.

UMW Industries also launched the new Toyota 8FBE Electric Powered 1.0 – 2.0 tonne forklift in the Malaysian market on 15 January 2016.

2017 is expected to remain challenging for UMW Industries given the current foreign exchange environment. However, the company remains committed to better management of its costs and strategic initiatives.

#### UMW EQUIPMENT & ENGINEERING PTE. LTD., SINGAPORE

UMW Equipment & Engineering Pte. Ltd. (“**UEEPL**”) is the exclusive distributor of Toyota, BT and Raymond material handling equipment, and Komatsu, Bomag and Schwing construction equipment in Singapore.

2016 was marked by growing competition in the heavy equipment business. Demand was affected by a general

slowdown in the economy. Severe price competition resulted from an oversupplied market situation.

UEEPL expects the market outlook for Singapore to remain highly challenging in 2017 with stiff headwinds in the form of escalating operating costs and manpower issues. The stronger US Dollar will also adversely impact the company's margins. However, the recovery in oil prices may stimulate demand for our products in the industry segment.

#### UMW EQUIPMENT SYSTEMS (VIETNAM) COMPANY LIMITED, VIETNAM

UMW Equipment Systems (Vietnam) Company Limited (“**UESV**”) is a distributor of Toyota and BT material handling equipment, and ELGIN air compressors. In 2016, UESV expanded its presence in Vietnam by opening a branch in Quang Ngai Central Vietnam in October 2016. It has also completed setting up its representative offices in Can Tho, Da Nang, Hai Phong and Dong Nai.

While UESV expects its earnings growth trend to continue in 2017, it also anticipates a more challenging year as customers are considering cheaper products sourced from China. There are also concerns that a disruption in the global economic environment may affect Gross Domestic Product (“**GDP**”) growth in Vietnam and accordingly, demand for products distributed by the company.



#### UMW MATERIAL HANDLING SHANGHAI GROUP, CHINA

- UMW Industrial Trading (Shanghai) Co. Ltd.
- UMW Industrial Equipment Co. Ltd.
- Vision Fleet Equipment Leasing (Shanghai) Co. Ltd.

UMW Material Handling Shanghai Group (“**UMW Shanghai**”) is a forklift dealer for Shanghai and Zhejiang provinces. It distributes equipment manufactured by Toyota, BT and Raymond through its three companies.

UMW Shanghai’s revenue dropped in 2016 owing to a moderation in demand. The company embarked on cost-reduction programmes to lower expenses and improve margins. It plans to leverage on this positive momentum from 2016 to increase its rental business in 2017, by improving price and market coverage.

UMW Shanghai is optimistic that sales of its Tennant sweepers, which were introduced in 2016, will be a source of revenue growth going forward, and will work together with Tennant to distribute the product in Zhejiang province, China.

#### UMW INDUSTRIAL POWER SDN. BHD.

UMW Industrial Power Sdn. Bhd’s (“**UMWIP**”) primary business activities are the sale and service of industrial power products including air and gas compressors, diesel engine generator sets (“**genset**”), and marine engines. UMWIP is the sole distributor for DESMI RO-Clean Oil Spill Response Equipment of Denmark. The company has made positive inroads to Government agencies, O&G sector and port authorities as its potential customers.

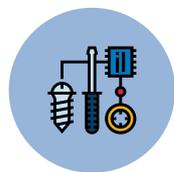


In 2016, UMWIP started distributing Coltraco UK’s fire-monitoring system, which measures the quantity of fire suppression agents in cylinders.

Sales of UMWIP’s products moderated in 2016 due to lower demand from the shipbuilding and O&G sectors, as well as growing competition in the genset market. Customers had also cut back on their capex and operating expenditure, especially O&G players, although products for the industrial segment remained relatively steady throughout the year.

Moving forward, the company plans to expand its product range and open new markets in the coming year, while streamlining its processes and improving cost-controls to protect its profit margins.

SEGMENTAL REVIEW



MANUFACTURING  
& ENGINEERING

UMW's Manufacturing & Engineering Division ("M&E") is primarily responsible for the manufacturing of products in the aerospace and automotive industries, and the manufacturing and distribution of lubricants. We work together with some of the most renowned brands in each respective industry to supply automotive parts and lubricants to manufacturers in Malaysia and the broader Asian region.

Presently, UMW is a leading supplier of Original Equipment Market ("OEM") and Replacement Market ("REM") automotive products in Malaysia and the only Tier-1 aerospace supplier to Rolls-Royce in the country.

The M&E Division managed to maintain its earnings growth in 2016 and increased PBT by RM7.8 million to RM24.6 million from RM16.8 million in 2015. This was achieved despite posting total revenue of RM601.5 million which was RM106.0 million lower than our top line in FY2015. The improved profitability was due mainly to increased contributions from our shock absorber business represented by the KYB-UMW Group and also from the disposal of our loss-making automotive component businesses in India in the fourth quarter of 2015.

The performance of the Division as a whole was buoyed by the resilient performance of the automotive component group, which leveraged on its market leadership as a supplier of OEM parts and improved cost controls in its production process. While the overall lubricant market in Malaysia remains soft, our lubricants business continues to show resilience, evidenced by its strong financial results in 2016. In addition, our

presence in China continues to show strong signs of growth despite a slowdown in the China economy.

We are pleased to report that we have completed the main production facility for the manufacturing of fan cases in Serendah in December 2016 as planned. This is our first venture into HVM and is a key component of our business strategy and we are optimistic that this venture into the aerospace industry will further catalyse our move into HVM.

SEGMENTAL RISKS

Our M&E segment faces risks from the following areas -



**Economic environment:**

A softer economic environment suppresses business activity, which will in turn reduce demand for the segment's products.



**Competition:**

New launches and attractive pricing from competitors may cut into the segment's market share resulting in lower product sales.



**Currency risk:**

Some raw materials for our M&E segment are sourced from overseas sources and denominated in US Dollar, Japanese Yen and Euro. The continued strengthening of these currencies will increase the final price for end users.



**New venture risk:**

The segment's venture into the aerospace field is new and may potentially experience unforeseen challenges. While all efforts have been made to ensure the venture's smooth operations, there may remain unforeseen "teething" issues.

## MOVING FORWARD

The Division will face challenges common to the Group moving forward into 2017 including the impact of the appreciation of the US Dollar, Japanese Yen and Euro. Relatively sluggish demand for motor vehicles in Malaysia will also affect the sales of automotive component parts, while the recovery in the price of crude oil will raise the cost of base materials for our lubricant group.

Nonetheless, we are cautiously optimistic that the Division will overcome these challenges and continue to perform well in the coming year. This is evident as the M&E Division has already commissioned its fan case manufacturing plant this year. UMW Aerospace Sdn. Bhd. is scheduled to deliver its first fan case to Rolls-Royce in the fourth quarter of 2017, and we are looking forward to having the first unit roll off the production line.

## BUSINESS UNITS

### UMW ADVANTECH SDN. BHD.

UMW Advantech Sdn. Bhd. (“**UASB**”) is principally engaged in the manufacturing and distribution of filters, plastic engineering products and spare parts for automotive and industrial applications.

UASB managed to increase its PBT to RM5.7 million in 2016 despite a drop in revenue to RM99.0 million due primarily to having secured better sales prices as an original equipment supplier, improved cost-control initiatives and enhanced treasury management. The drop in revenue was attributable mainly to a decline in sales of OEM automotive parts. The soft automotive market in Malaysia in 2016 resulted in a lower number of motor vehicles manufactured, with sales to key customers falling by about 30%.

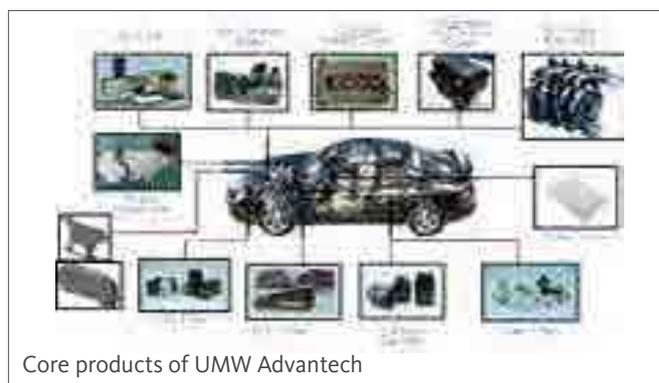
Notably, the company managed to secure new parts business from two key automotive manufacturers in Malaysia worth RM5.8 million per annum. It also won a manufacturing contract with Denso Canada worth RM0.5 million. In addition, UASB collaborated with UMW Aerospace Sdn. Bhd. in the aerospace fan case project during the set-up phase while improving relationships with other key automotive players.

The automotive market is expected to remain sluggish in year 2017 but UASB will implement aggressive business development and sales campaigns to defend and grow its business in 2017, including offering better incentives and rebates to boost volume.



Transferring the first unit of locally-welded Outlet Guide Vane Assembly from the welding booth for inspection

Photo is copyright to Rolls-Royce Plc



Core products of UMW Advantech

### UMW AEROSPACE SDN. BHD.

UMW Aerospace Sdn. Bhd. (“**UMW Aerospace**”) was formed in July 2015 for our 25+5-year agreement with Rolls-Royce to manufacture fan cases for their Trent 1000 and Trent 7000 aero engines. UMW Aerospace’s principal activity is the manufacturing of fan cases and the company is the first Tier-1 aerospace supplier to Rolls-Royce in Malaysia. UMW Aerospace’s first production unit is expected to roll out in the fourth quarter of 2017.

As the project represents UMW’s first venture into aerospace manufacturing, developing competencies and capabilities is important. Through close collaboration with our principal partner and drawing on the expertise from our decades of manufacturing experience, we have developed the LEANAero™ production system. The LEANAero™ system focuses on process efficiency, human capital development and waste elimination to ensure that our aerospace venture starts off on the right foot.

The main production facility for the Rolls-Royce fan cases was completed in 2016 and building approvals were obtained in the first quarter of 2017. The remainder of the year will be spent on ensuring that all activity milestones are met and processes put in place before it commences production in the fourth quarter of the year.

The company was still at its set-up phase, hence there had been no revenue generated during the year. The operating expenses incurred during the year resulted in a LBT of RM24.7 million.



Lubetech's plant facilities

#### UMW LUBE GROUP

- Lubetech Sdn. Bhd.
- UMW Pennzoil Distributors Sdn. Bhd.
- UMW Lubricant International Sdn. Bhd.
- UMW Grantt International Sdn. Bhd.

The UMW Lube Group manufactures, sells and distributes automotive and industrial lubricants for the domestic market, as well as for other specific export markets and key customers. The business activities of the Lube Group are as follows -

- Lubetech Sdn. Bhd. – manufactures Pennzoil, Repsol, Grantt, Toyota Genuine Oils and Perodua lubricants;
- UMW Pennzoil Distributors Sdn. Bhd. – sales, marketing and distribution of Pennzoil lubricants;
- UMW Lubricant International Sdn. Bhd. – sales, marketing and distribution of Repsol lubricants; and
- UMW Grantt International Sdn. Bhd. – sales, marketing and distribution of Grantt lubricants.

The Lube Group's customers had stocked up their purchases in 2015 which resulted in lower sales in 2016. The appreciation of the US Dollar against the Ringgit also increased the cost of base oil thus affecting profit margins. To mitigate the impact of the

softer market, the Lube Group implemented aggressive cost-reduction measures which saved RM2.0 million, exceeding targeted savings of RM1.5 million. As a result, PBT dropped slightly to RM19.5 million in 2016 on the back of a revenue of RM204.1 million.

Meanwhile, the Lube Group continued to invest in the enhancement of its production system, working together with our stakeholders and independently to improve the reliability of its systems. It also decided to incorporate the Toyota Production System with the support of the LEANAero™ team in its production processes to enhance personnel performance and eliminate waste. In the Lube Group's bid to diversify its revenue stream, it conducted a number of customer-focused programmes to introduce Grantt lubricant products.

Moving forward, the Lube Group expects a challenging 2017 with the stronger US Dollar and other key currencies expected to play a major factor. The recovery of global crude oil prices will also increase base oil costs. The Grantt lubricant strategy is to leverage on the Lube Group's current network to increase uptake. Nevertheless, there are encouraging developments in the ASEAN region where there has been an increase in the number of distributors making the switch to Grantt.



A lab technician checking on the viscosity and mineral level of lubricant sample

#### LUBRITECH, CHINA

- Lubritech International Holdings Limited
- Lubritech Limited

Lubritech is involved in the manufacturing and distribution of premium lubricants in greater China. It is currently the sole supplier of premium lubricants for First Automobile Works which, in addition to assembling cars under the Mazda, Red Flag and Besturn marques, added Volkswagen and Audi to its stable in 2016. Lubritech is also the largest distributor of Repsol lubricants outside Spain.

The company posted a record year for both its turnover and earnings, posting revenue of RM178.0 million and PBT of RM3.9 million. The better performance in 2016 was due to the increase in sales volume from key customers and the implementation of cost-reduction initiatives. Additionally, Lubritech conducted customer-focused programmes, sales promotions and production system enhancements during the year.

Despite the better performance, the lubricant market in China has slowed down considerably in line with slower GDP growth in the country and the challenging external environment. However, Lubritech remains confident that it will be able to further improve its performance in 2017, owing to its stable portfolio of customers and the rigorous execution of its distribution strategy.

#### KYB-UMW GROUP

- KYB-UMW Malaysia Sdn. Bhd.
- KYB-UMW Steering Malaysia Sdn. Bhd.

The KYB-UMW Group's principle activities are the manufacturing and assembling of automotive shock absorbers, motorcycle suspension units and power-steering pumps. It is presently a market leader in OEM and REM.

In 2016, the KYB-UMW Group successfully fulfilled all customers' orders for their new models including the Honda Civic, Toyota IMV models, Perodua Bezza and new Proton Saga and Persona. The addition of the new models has further enhanced the group's market share to 54% in 2016 from 49% in the previous year. The KYB-UMW Group expects to sustain OEM sales in 2017 following the successful delivery of all products in 2016. Additionally, the group managed to improve REM sales for both the domestic and export markets.

These achievements underpinned the increase in the group's turnover and PBT to RM306.1 million and RM29.72 million, respectively, in 2016. The robust performance was further helped by cost reductions in the areas of consumables and personnel costs. The KYB-UMW Group also implemented client-focused programmes and introduced enhancements to its production systems to further boost efficiency during the year.

The automotive market is expected to remain challenging in 2017 but the KYB-UMW Group is confident of protecting its margins due to its high market share in the OEM segment. The spate of new models launched by auto manufacturers in 2016 will also help to improve turnover as they will generate manufacturing demand for parts. Additionally, the REM market is expected to remain stable as spare parts dealers continue to hold stock for workshop orders and festive sales.

Nevertheless, the KYB-UMW Group will face pressure from the stronger key currencies as a portion of its raw materials is denominated in US Dollar and Japanese Yen. To mitigate the impact of forex volatility, the KYB-UMW Group will enhance its localisation programme and explore new cheaper sources of materials.



Excel-G gas type shock absorbers for domestic and export aftermarket sales

**SEGMENTAL REVIEW**



**OIL & GAS**

UMW’s Oil & Gas Division (“**O&G Division**”) supports the upstream activities of the O&G industry through the provision of offshore drilling and hydraulic workover services, oilfield services, fabrication, onshore drilling, manufacturing of oil country tubular goods (“**OCTG**”) and line pipes, and trading of oilfield products. The Division comprises both listed and unlisted assets.

The Division’s listed assets and operations are led by UMW-OG, which was listed on the Main Market of Bursa Malaysia Securities Berhad in November 2013. The unlisted assets and business operations are currently located in Malaysia, Oman, India, China and Australia.

The global O&G industry continued to be adversely affected by low crude oil prices, which reached the lowest point in over 10 years in 2016. The combination of rising production and slowing growth in demand in emerging markets, particularly China, led to the sharp drop in prices starting at the end of 2014 (See Figure 5). The resulting fall in oil prices led to cutbacks in oilfield exploration thereby impacting demand for related oilfield services.

For the financial year under review, the listed arm of our O&G Division reported a LBT of RM1.18 billion and the unlisted assets recorded a total LBT of RM734.89 million. The combined LBT of RM1.92 billion takes into account the impairments and provisions made to our O&G assets.

**PROVISION FOR FINANCIAL GUARANTEE CONTRACTS**

The downturn in the global O&G industry since mid-2014 adversely impacted our O&G activities. A number of JVs in our unlisted O&G portfolio were severely hit by the downturn as demand for their products and services weakened significantly. While the UMW Group

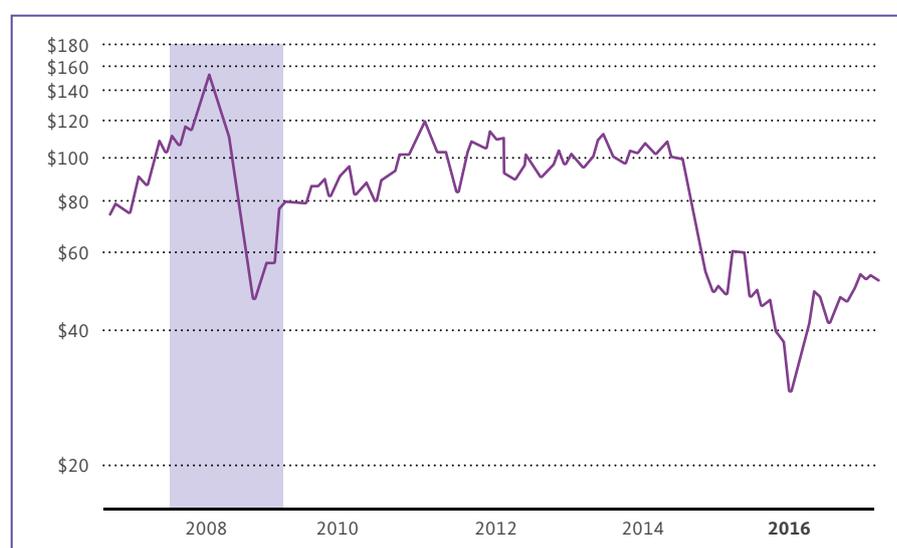


Figure 5: Crude Oil 10-Year Price Chart (Source: *macrotrend.net*)

made attempts to nurture and enhance the value of these companies through various corporate strategies, these were hampered by persistent low oil prices.

The UMW Group had previously provided financial guarantees for borrowings for some of our JVs and the financial guarantee contracts had been recognised based on their fair value at inception. During the year, the Group reassessed the probability of default in respect of certain guaranteed borrowings to a JV and recognised an expense of RM705.0 million.

**IMPAIRMENT OF O&G ASSETS**

The continued slump in the O&G industry significantly affected both

the offshore and onshore businesses of the O&G Division. Asset utilisation and daily operating rates of the oil rigs declined drastically more than previously anticipated, resulting in significant losses during the year. In compliance with MFRS 136 Impairment of Assets, the Group carried out an impairment review of the affected assets and recognised the following impairment amounts in the fourth quarter of 2016 -

Impairment of assets	2016 (RM million)
O&G (Listed)	780
O&G (Unlisted)	381
<b>Total</b>	<b>1,161</b>

## - MANAGEMENT DISCUSSION & ANALYSIS -

### SEGMENTAL RISK

While the Group is planning to exit the O&G sector, continued weakness in oil prices may further devalue the segment's assets leading to further asset impairments going forward. A weak oil environment may also adversely impact the selling price of the assets.

### MOVING FORWARD

In January 2017, the UMW Group announced that it would exit the O&G business to focus on the growth of our remaining core businesses. The strategic exit from the sector was made in view of the inherent volatility in the sector and the continued downward pressure exerted by the Division on the wider UMW Group. The UMW Group's shareholding in UMW-OG will be divested via distribution of UMW-OG's shares to our existing shareholders, while a plan has been put in place to progressively dispose of our unlisted assets.

During this rationalisation period, the operational performance of the O&G assets will continue to be reflected in the UMW Group's financial statements.

### BUSINESS UNITS

#### O&G LISTED GROUP

##### UMW OIL & GAS CORPORATION BERHAD

UMW-OG is principally engaged in the provision of drilling services for exploration, development and production wells and workover services to the upstream sector of the O&G industry, and the provision of threading, inspection and repair services for OCTG in Malaysia and overseas. Activities are focused on premium connections used in high-end and complex wells.

UMW-OG reported a LBT of RM1.18 billion in 2016 on the back of RM321.0 million in revenue due mainly to asset impairments of RM780.3 million and low levels of income-generating activities. The financial performance of UMW-OG's various business segments are provided in the table below -

	Revenue		Profit/(Loss) Before Taxation	
	Twelve Months Ended 31/12/2016 RM' 000	Twelve Months Ended 31/12/2015 RM' 000	Twelve Months Ended 31/12/2016 RM' 000	Twelve Months Ended 31/12/2015 RM' 000
<b>Business Segment</b>				
Drilling Services	303,547	802,363	(1,155,764)	(385,329)
Oilfield Services	17,419	37,412	(34,131)	(5,030)
Others	87	102	8,631	41,933
<b>Total</b>	<b>321,053</b>	<b>839,877</b>	<b>(1,181,264)</b>	<b>(348,426)</b>

An overall decrease in drilling activities resulted in a lower number of working rigs and in 2016, UMW-OG's working rigs were as follows -

- UMW NAGA 4, 6 and 7 with PETRONAS Carigali Sdn. Bhd;
- UMW NAGA 8 with Sapura Kencana Energy Inc. (carry over from 2015); and
- UMW NAGA 8 with Hess Exploration and Production Malaysia BV (new award in 2016).

There are fewer contracts available as major capex plans have either been cancelled or put on hold. The resultant over supply of rigs in the market has strained operating day rates thereby squeezing margins. Various intensive cost-cutting initiatives were put in place in 2016 to ensure that UMW-OG remains resilient during these challenging times.

Moving forward, UMW-OG will continue to focus on the Southeast Asian market, where it has a strong presence. It also identifies the Middle East and the North Sea as geographical areas with business opportunities. The company will look into diversifying its businesses to secure recurring and sustainable income in order to better weather future downturns in the industry.

#### O&G UNLISTED GROUP

##### JAYBEE DRILLING GROUP

- UMW Sher (L) Ltd., India
- Jaybee Drilling Pvt. Ltd., India

UMW Sher (L) Ltd. (“**UMW Sher**”) is the asset owner providing contract drilling and engineering services for the O&G industry and the leasing of drilling rigs. Currently, UMW Sher has three onshore rigs.

Jaybee Drilling Pvt. Ltd. is responsible for operating these rigs in India.

The Jaybee Drilling Group reported lower revenue and profits in FY2016 as the number of operating days of the rig was lower than in 2015. The group believes there remain significant opportunities for drilling and exploration services in India, particularly in the Northeast region.

##### ARABIAN DRILLING SERVICES L.L.C., OMAN

Arabian Drilling Services L.L.C. (“**ADS**”) is primarily involved in the provision of service activities related to the extraction of petroleum and natural gas from onshore sites in Oman. It had a market share in terms of operating rigs of 3.8% in 2016, based on an estimated 52 rigs operating in Oman. The current environment of low oil prices is less encouraging for the prospect of increased drilling investments in the country.

ADS managed to maintain its revenue levels in 2016 at the same levels as the previous year. ADS will be ceasing its operations in Oman following the UMW Group’s decision to exit the O&G business as announced in January 2017.

##### ZHONGYOU BSS (QINGHUANGDAO) PETROPIPE CO., LTD., CHINA

Zhongyou BSS (Qinghuangdao) Petropipe Co., Ltd. (“**Zhongyou BSS**”) manufactures and sells Longitudinal Submerged Arc-Welded (“**LSAW**”) and Spiral Submerged Arc-Welded (“**SSAW**”) pipes, coating and heat induction bends for the O&G sector. The resumption of four major pipeline projects by the China National Petroleum Corporation (“**CNPC**”) in August 2016 helped improve the company’s performance as revenue nearly doubled last year. Pre-tax losses also moderated accordingly.



HWU operating on a platform

Despite the positive development in China’s pipeline market from CPNC-related projects, the company continued to face stiff competition from local pipe mills as a result of the overall slowdown in pipeline demand. This contributed to the significant reduction in gross margins while new sales orders came in small quantities and more varied pipe specifications. The export market for the company’s products was also generally slower due to the low oil price environment as well as intense competition for a smaller number of pipeline projects. Furthermore, there was also particularly aggressive competition from Indian and Chinese pipe mills during the year.

While the resumption of CNPC’s pipeline projects is expected to generate revenue in the first half of 2017, only one new major pipeline project has been confirmed for construction this year. Nevertheless, the overall outlook of this market is positive



although in terms of the non-pipeline market, the continued slowdown of China's economy will limit growth and the company expects to see intense competition continue into the year. The same will be true for its exports as well. Zhongyou BSS is nevertheless targeting a business turnaround and will strive to achieve profitability in 2017.

#### **SHANGHAI BSW PETRO-PIPE CO. LTD., CHINA**

Shanghai BSW Petro-Pipe Co. Ltd., China ("**Shanghai BSW**") is primarily involved in O&G line-pipe fabrication, construction, trading and coating services. Shanghai BSW has two production lines for SSAW pipes with an annual capacity of 164,000 metric tonnes, one production line for internal coating with an annual capacity of 2 million metric tonnes, and one production line for external coating with an annual capacity of 1.5 million metric tonnes.

Revenue for Shanghai BSW increased in 2016 due to its participation in the Qingdao Port project and increased export sales. Pre-tax losses similarly moderated during the corresponding period.

The 2017 market outlook is attractive for Shanghai BSW although the overall market is still slowing down but at a slower pace. Major line pipe projects have restarted in 2016 and the company expects to receive 10,000 metric tonnes to 20,000 metric tonnes of orders from these projects in 2017. Shanghai BSW is also in talks with the China Petroleum Pipe Bureau to supply our products for Malaysian piping projects. In the social market (domestic non-CNPC), there are sufficient projects for Shanghai BSW to obtain another 60,000 metric tonnes worth of orders.

#### **UNITED SEAMLESS TUBULAAR PRIVATE LIMITED, INDIA**

United Seamless Tubulaar Private Limited, India ("**USTPL**") is primarily involved in the manufacturing of carbon and alloy grade seamless steel pipes and tubes for -

- O&G exploration;
- Flow line pipes; and
- Structural works and other applications.

USTPL's financial performance for 2016 moderated significantly due to the fall in global crude oil prices, which significantly slowed exploration activities. This in turn adversely affected demand for casings and line pipes leading to lower export sales for USTPL. Conditions are expected to remain much the same in 2017 in view of the continuous weak market condition. Management will continue to review the overall strategy for investment in USTPL to arrive at the most feasible and economical decision for implementation.

#### **UMW OILFIELD INTERNATIONAL GROUP**

- **UMW Oilfield International (M) Sdn. Bhd.**
- **UMW Oilfield International (L) Ltd.**

The UMW Oilfield International Group ("**UOI Group**") is principally involved in the trading of OCTG and line pipes for the O&G sector. UMW Oilfield International (L) Ltd. targets the international market while UMW Oilfield International (M) Sdn. Bhd. works on the domestic Malaysian market. The UOI Group experienced a severe decline in its financial performance due to adverse market conditions that led to deferrals of most project tenders as crude oil price did not start to recover until the second half of 2016. However, with the price of crude oil stabilising, the UOI Group expects demand for large diameter pipelines and OCTG to improve in 2017 as long as oil prices remain above USD45 per barrel.



UMW-OG's Hydraulic Workover Unit ("HWU") and crew ready for operations

#### **PFP HOLDINGS PTY. LTD., AUSTRALIA**

PFP Holdings Pty. Ltd., Australia ("PFP") supplies a complete range of piping and pressure vessel components, including pipes, flanges and fittings to the O&G, petrochemical mining and mineral processing, general fabrication, marine and defence, and desalination sectors. It has operations in Australia, Singapore, Malaysia, China and Taiwan.

PFP is one of three major inventory and project suppliers in Australia and holds about a 10% to 15% market share of the big three's turnovers. The market is shifting from major infrastructure towards the repair, maintenance and operational side and PFP is gearing up for this in order to target this sector as well as other industries. PFP is expected to be highly competitive with these new products and will gain market share from its two major rivals.

However, the sluggish O&G industry significantly impacted PFP's turnover and earnings in 2016 with minimal orders coming in during the year.

In 2017, PFP plans to introduce more diversified materials to increase market share and revenue. The aim for the coming year is to increase market representation and exposure to new clients in areas not currently targeted by PFP. In addition, we are currently finalising the divestment of the entire PFP Group to an interested party in view of the UMW Group's decision to exit the O&G business as announced in January 2017.

#### **SHANGHAI TUBE-COTE PETROLEUM PIPE COATING CO. LTD., CHINA**

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. ("STPPC") provides coating services for drill pipes and tube casings in China. Despite the soft business environment, STPPC managed to secure sufficient orders mainly from its parent company to maintain revenues in 2016, comparable to the previous year. However, due to fierce competition, the average sales price dropped and resulted in a 5.5% decline in gross profit margin. STPPC is currently exploring the small diameter line pipe market and working closely with the parent company, the Hilong Group, and major drill pipe providers to secure new projects. The market outlook for 2017 is projected to be better than 2016, and should allow STPPC to defend its margins in the coming year.

#### **JIANGSU TUBE-COTE SHUGUANG COATING CO., LTD., CHINA**

Jiangsu Tube-Cote Shuguang Coating Co., Ltd. is mainly involved in coating drilled pipes and tubes in China. Its performance in 2016 was adversely affected by reduced sales volumes on the back of slower economic growth in China, as well as a slightly lower gross profit margin due to stiff competition. The market continued to deteriorate in 2016, particularly in the domestic social market (domestic non-CNPC) where sales dropped by approximately 25%. However, the market is expected to recover in 2017 although earnings prospects will continue to experience downward pressure from growing competition.



Oilfiled Services, pipe threading plant

#### SICHUAN HAIHUA PETROLEUM STEEL PIPE CO., LTD., CHINA

Sichuan Haihua Petroleum Steel Pipe Co., Ltd. (“**SCHH**”) is an electric resistance-welded pipe manufacturer. Its plant is located in the Guanghan Economic Development Zone, Sichuan, with a total land area of 25 acres. SCHH mainly distributes its products in Sichuan province.

SCHH’s revenue dropped by approximately 50% in 2016 owing to the lacklustre China economy, where there was an oversupply of steel products. This was further aggravated by the drop in demand last year. Additionally, in a bid to reduce costs, the company’s management ordered a halt to production of new stock at the beginning of the year. Sales were thus derived from existing stocks. However, SCHH’s LBT in 2016 remained comparable to the previous year.

SCHH is presently restructuring its operations with plans to bring in new equity investors to fund a new line of business. Presently, we are finalising the divestment of UMW’s entire equity in SCHH to an interested party in view of the UMW Group’s decision to exit the O&G business as announced in January 2017. As such, the company is unable to provide a forecast of its prospects for 2017.

#### UMW SYNERGISTIC GENERATION SDN. BHD.

The principal activity of UMW Synergistic Generation Sdn. Bhd. (“**USG**”) is as a total power solutions provider, in particular in the engineering, procurement, construction, installation and commissioning of generator packages for industrial and O&G applications.

USG’s financial performance for 2016 was adversely affected by the slowdown in the O&G sector as well as moderate economic growth in Malaysia. As a result, expected orders from key customers were delayed leading to a revenue shortfall. Earnings were similarly affected but total PBT improved slightly from 2015 due to lower personnel costs.

The management of the company has put in place a new strategy for USG to focus on recurring and sustainable business, through upsizing power generation as this is a segment with ample growth prospects. In addition, USG is currently undergoing an internal restructuring within the UMW Group in order to strengthen its market position.

SEGMENTAL REVIEW



OTHERS

Companies grouped under this Division are considered non-core but nevertheless retain significant growth potential going forward. The UMW Group is presently investing in these business segments to generate further growth.

This Division also includes companies that provide support services to our core companies such as financing or technological support.

One significant business area that the Group is focusing on under this segment is to be a niche property developer by transforming the Group's land bank in Serendah into integrated developments comprising HVM parks and residential and commercial properties.

**TOYOTA CAPITAL MALAYSIA SDN. BHD.**

Toyota Capital Malaysia Sdn. Bhd. ("TCAP") was established as a JV between Toyota Financial Services Corporation ("TFSC") and UMW to offer financial products and services to support the sale of our motor vehicles. Despite the challenging operating conditions resulting from the slower automotive sales and strong competition from other lenders, TCAP remained profitable in 2016. Its managed assets size stood at RM5.0 billion as at December 2016 and it has an existing customer base of 121,000 accounts.

During the year, TCAP held a number of customer-focused programmes designed



The TCAP team receives a recognition award from TFSC for outstanding Kaizen accomplishments

to improve customer satisfaction and retain Toyota customers. It also implemented programmes to help extend repayment schedules for customers in need of the service, as well as flood-relief programmes to lighten the financial obligations of flood-affected customers. TCAP was recognised for its performance in 2016, receiving the TFSC President's Award in the 2016 Global Kaizen Award Competition held in Rome, Italy.

**U-TRAVELWIDE SDN. BHD.**

U-Travelwide Sdn. Bhd. ("U-Travelwide") provides support services to the UMW Group by fulfilling the travel requirements of the Group's personnel. The company continued with its cost-cutting measures adopted in 2015 through 2016, which had a positive impact on the company's financial results. U-Travelwide remained profitable in 2016 albeit with a smaller PBT.



A workshop organised by UMW Land in collaboration with Majlis Daerah Hulu Selangor attracted participants from MIDA, Invest Selangor, Strand Aerospace and Rolls-Royce Plc among others

#### **UMW DEVELOPMENT SDN. BHD.**

UMW Development Sdn. Bhd. (“**UMWD**”) started as a JV between UMW Corporation Sdn. Bhd. (“**UMWC**”), Permodalan Nasional Berhad (“**PNB**”) and Permodalan Negeri Selangor Berhad. Its purpose is to unlock the value of its landholdings, particularly in Serendah, Selangor. In 2016, UMWC acquired PNB’s remaining shares in UMWD raising its shareholding to 90% in the company. Moving forward, the company will continue exploring various options with other interested parties to fully realise the value of its land in Serendah.

#### **UMW TECHNOLOGY SDN. BHD.**

UMW Technology Sdn. Bhd. (“**UTech**”) was established in 2015 to represent the Group’s venture into the technology industry. In 2016, UTech reached an important milestone with its collaboration with Sparks Lab New York Inc. (“**Sparks Lab**”), a renowned co-working service provider that serves North American and European technology companies and start-ups. With Sparks Lab, UTech has better access into the global innovation and technology sector, which converges in the US.

UTech also established UMW IT Services Sdn. Bhd. (“**UITS**”) in 2016 to digitise the UMW Group’s processes via Cloud computing. In the same year, UITS successfully developed

UMW’s maiden Cloud infrastructure to provide digital services to the UMW Group’s aerospace advanced manufacturing facility in Serendah. The infrastructure is powered by leading software applications, including those from SAP and Siemens.

#### **UMW LAND SDN. BHD.**

UMW Land Sdn. Bhd. (“**UMW Land**”) was incorporated on 19 August 2015 to unlock the value of the Group’s land in Serendah. In line with the nation’s aspirations to focus on HVM and Industry 4.0, UMW Land aspires to revolutionise the manufacturing industry outlook in Malaysia by developing an industrial park specifically for the HVM industry driven by aerospace but also encompassing other sectors such as medical devices, research & development, training and logistics.

In 2016, UMW Land completed the fast track construction of the Rolls-Royce aero engine fan case manufacturing plant in Serendah. The manufacturing plant represents a catalyst for the development of the surrounding areas, which will integrate technology and the natural environment in providing spaces for both work and play. It will also support the future expansion of UMW’s businesses into HVM.

## - FINANCIAL CALENDAR -

### FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### Announcement of Financial Results



First Quarter  
ended 31 Mar 2016

**24 MAY 2016**



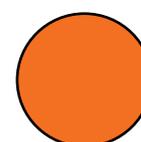
Second Quarter  
ended 30 June 2016

**29 AUG 2016**



Third Quarter  
ended 30 Sept 2016

**29 NOV 2016**



Fourth Quarter  
ended 31 Dec 2016

**27 FEB 2017**

#### Notice of Annual General Meeting

**28 APR 2017**



#### Annual General Meeting

**25 MAY 2017**



## - SUMMARY OF GROUP RESULTS -

### FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### Revenue

Year	RM million
2015	14,441.6
2016	10,958.5

#### Profit/(Loss) Before Taxation

Year	RM million
2015	269.7
2016	(2,130.2)

#### Net Profit/(Loss) for the Year

Year	RM million
2015	2.2
2016	(2,269.8)

#### Share Capital

Year	RM million
2015	584.2
2016	584.2

#### Reserves

Year	RM million
2015	6,000.3
2016	4,134.4

#### Basic (Loss)/Earnings Per Share

Year	Sen
2015	(3.2)
2016	(141.9)

#### Dividend Per Share

Year	Sen
Gross	20
Net	20

#### Net Assets Per Share

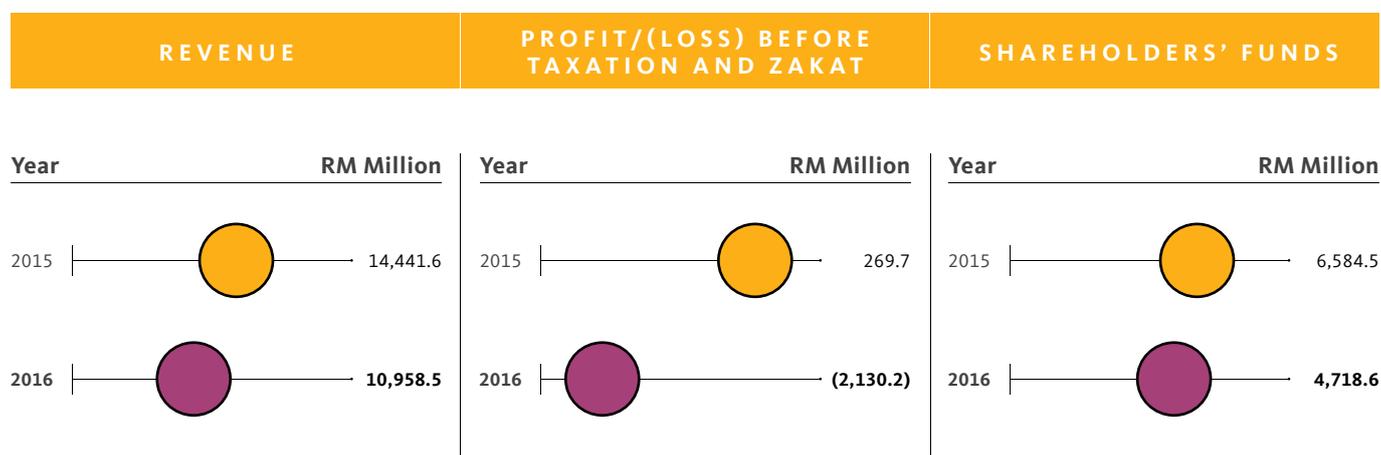
Year	RM
2015	5.64
2016	4.04

## - FIVE-YEAR GROUP SUMMARY RESULTS -

FINANCIAL YEAR ENDED 31 DECEMBER		2012*	2013	2014	2015	2016
<b>OPERATING RESULTS</b>						
Revenue	RM million	15,816.9	13,951.5	14,932.5	14,441.6	<b>10,958.5</b>
Profit/(Loss) Before Taxation and Zakat	RM million	2,020.3	1,435.7	1,621.5	269.7	<b>(2,130.2)</b>
Profit/(Loss) for the Year	RM million	1,588.8	1,084.2	1,213.0	2.2	<b>(2,269.8)</b>
Profit/(Loss) Attributable to Equity Holders of the Company	RM million	994.3	652.9	652.0	(37.2)	<b>(1,658.0)</b>
<b>OTHER KEY FINANCIAL POSITION</b>						
Shareholders' Funds	RM million	4,848.2	6,290.4	6,580.5	6,584.5	<b>4,718.6</b>
Total Assets	RM million	11,491.1	14,595.2	16,519.7	18,225.3	<b>16,263.0</b>
Total Liabilities	RM million	5,192.7	5,662.6	7,086.6	8,841.4	<b>9,398.7</b>
<b>SHARE INFORMATION</b>						
Per Share						
- Earnings/(Loss) (Basic)	Sen	85.1	55.9	55.8	(3.2)	<b>(141.9)</b>
- Gross Dividend	Sen	50.0	44.0	41.0	20.0	-
- Net Assets	RM	4.15	5.39	5.63	5.64	<b>4.04</b>
Share Price Information						
- Share Price at Year End	RM	11.94	12.06	10.96	7.87	<b>4.57</b>
- Market Capitalisation as at Year End	RM million	13,949.5	14,089.7	12,804.5	9,194.5	<b>5,339.1</b>
<b>FINANCIAL RATIOS</b>						
Return on Shareholders' Funds	%	21.9	11.7	10.1	(0.6)	<b>(29.3)</b>
Return on Total Assets	%	17.6	9.8	9.8	1.5	<b>(13.1)</b>
Debt Equity Ratio	%	43.0	33.5	44.4	64.1	<b>92.6</b>
Dividend Rate - Gross	%	100.0	88.0	82.0	40.0	-
Dividend Yield	%	5.79	3.35	3.60	2.07	-
Dividend Payout Ratio <sup>#</sup>	%	58.8	78.7	76.1	>100	-

\* The Group's Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income have been adjusted in accordance with MFRS 11: Joint Arrangements.

# The Group's dividend policy is for all its subsidiary companies to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits and after taking into account any significant capital expenditure or Group expansion plan.



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- BOARD OF DIRECTORS -

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Seated

**TAN SRI DATO' SRI HAMAD  
KAMA PIAH BIN CHE OTHMAN**  
*Group Chairman/  
Non-Independent Non-Executive Director*

◀◀◀ From right to left

**DATUK SERI DR. NIK NORZRUL  
THANI BIN N.HASSAN THANI**  
*Non-Independent  
Non-Executive Director*

**DATO' SIOW KIM LUN**  
*Senior Independent  
Non-Executive Director*

**DATO' ESHAH  
BINTI MEOR SULEIMAN**  
*Independent Non-Executive Director*

**FADZILAH BINTI SAMION**  
*Group Secretary*

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- BOARD OF DIRECTORS -

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Seated

**BADRUL FEISAL BIN ABDUL RAHIM**  
*President & Group CEO/  
Executive Director*

◀◀◀ From right to left

**ROHAYA BINTI  
MOHAMMAD YUSOF**  
*Non-Independent Non-Executive Director*

**DATO' MOHD. NIZAM BIN  
ZAINORDIN**  
*Non-Independent Non-Executive Director*

**KHALID BIN SUFAT**  
*Independent Non-Executive Director*

**TAN SRI HASMAH  
BINTI ABDULLAH**  
*Independent Non-Executive Director*

**DR. LEONG CHIK WENG**  
*Non-Independent Non-Executive Director*

## - DIRECTORS' PROFILE -

### TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN GROUP CHAIRMAN



**Non-Independent  
Non-Executive Director**

**Male, Age 65, Malaysian**

#### **QUALIFICATIONS**

- Honorary Doctorate in Economics and Muamalat Administration, Universiti Sains Islam Malaysia
- Honorary Doctorate in Business Administration, Universiti Tenaga Nasional, Malaysia
- Master of Philosophy, Swansea University, UK
- Diploma in Statistics, Universiti Teknologi MARA, Malaysia

#### **MEMBERSHIP OF ASSOCIATIONS**

- Senior Fellow (SF Fin) of the Financial Services Institute of Australasia
- Honorary Fellow, Registered Financial Planner (RFP), Malaysian Financial Planning Council

#### **DATE APPOINTED TO THE BOARD**

- 1 January 2017

#### **DATE OF LAST RE-ELECTION**

- Not Applicable

#### **DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

##### **Listed**

- None

##### **Non-Listed**

- None

#### **INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

(as at 31 March 2017)

- None

#### **NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- Not applicable as he was appointed as Director and Group Chairman on 1 January 2017

#### **WORKING EXPERIENCE AND OCCUPATION**

- Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman was the President & Group Chief Executive Officer of Permodalan Nasional Berhad (“**PNB**”) until his retirement on 30 September 2016. He was with PNB since 1979. He had served as a Director of Amanah Saham Nasional Berhad, Pelaburan Hartanah Nasional Berhad, Amanah Mutual Berhad, Chemical Company of Malaysia Berhad, Sime Darby Berhad and several private companies. He is currently the Chairman of PNB Development Sdn. Bhd., E-Lock Corporation Sdn. Bhd. and Universiti Malaysia Kelantan, a Director of Professional Golf Association of Malaysia and a Trustee of Yayasan Karyawan.

His career spans over 30 years in the fields of investment and unit trust management. He undertook various responsibilities in various facets of investment management and corporate finance in PNB including as portfolio manager and head of corporate restructuring.

## - DIRECTORS' PROFILE -

### **BADRUL FEISAL BIN ABDUL RAHIM PRESIDENT & GROUP CEO**



#### **WORKING EXPERIENCE AND OCCUPATION**

- Badrul Feisal bin Abdul Rahim began his career with Arthur Andersen & Co. and since then had been involved in the senior management of established organisations such as Khazanah Nasional Berhad (“**Khazanah**”), PROTON, LOTUS and the DRB-Hicom Group. He acquired vast corporate and operational experience not only through his directorships in these companies but also through manning responsibility over Khazanah’s key subsidiaries such as Tenaga Nasional Berhad, Malaysian Technology Development Corporation, BBMB Securities Sdn. Bhd., Northern Utility Resources Sdn. Bhd., Commerce Asset-Holdings Berhad (now CIMB Group) and the UEM Group.

Badrul Feisal was the Chief Operating Officer of Edaran Otomobil Nasional Berhad from August 2007 to November 2009 prior to joining the UMW Group as Senior General Manager at the President & Group CEO’s office in December 2010. He was appointed as the Acting Executive Director for the UMW Oil & Gas Division from April 2011 to December 2011. He was also the Executive Director of Group Corporate Development Division before being appointed Group Chief Operating Officer of UMW in January 2013. On 1 October 2015, he was promoted to the position of President & Group CEO of the UMW Group.

#### **Executive Director**

- Member of Investment & Risk Management Committee

Male, Age 47, Malaysian

#### **QUALIFICATIONS**

- Bachelor of Science in Accountancy, University of Missouri, Columbia, USA
- American Associate Degree (AAD) in Accountancy, MARA Science College, Malaysia

#### **MEMBERSHIP OF ASSOCIATIONS**

- None

#### **DATE APPOINTED TO THE BOARD**

- 1 October 2015

#### **DATE OF LAST RE-ELECTION**

- 19 May 2016

#### **DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

##### **Listed**

- UMW Oil & Gas Corporation Berhad

##### **Non-Listed**

- None

#### **INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

(as at 31 March 2017)

- None

#### **NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 11 out of 12 Board meetings held

**DR. LEONG CHIK WENG**  
**DIRECTOR**



**WORKING EXPERIENCE AND OCCUPATION**

- After graduation, Dr. Leong Chik Weng joined Raychem Corporation in Menlo Park, California, USA, from 1989 to 1996, where he was subsequently promoted as Technical Director. In 1997, he was appointed Consultant to Guidant Corporation, Santa Clara, California, USA, one of the world's largest cardiovascular product companies, where he developed an advanced chaotic mixing screw technology to produce micro-tubing using polymer alloys. Dr. Leong later joined Universal Search Machine Sdn. Bhd. as Managing Director from 1998 to 2000. He is also the founder and currently the Chief Executive Officer of E-Lock Corporation Sdn. Bhd., a company involved in the provision of information technology services.

**Non-Independent  
Non-Executive Director**

- Chairman of Investment & Risk Management Committee
- Member of Nomination Committee
- Member of Remuneration Committee

**Male, Age 54, Malaysian**

**QUALIFICATIONS**

- Ph.D in Chemical Engineering, University of Massachusetts, USA
- Bachelor of Science in Chemical Engineering, West Virginia University, USA
- Executive Training in Product Development & Manufacturing Strategy, Stanford University, School of Business, USA

**MEMBERSHIP OF ASSOCIATIONS**

- None

**DATE APPOINTED TO THE BOARD**

- 29 November 2007

**DATE OF LAST RE-ELECTION**

- 19 June 2014

**DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

**Listed**

- A-Rank Berhad
- Chemical Company of Malaysia Berhad

**Non-Listed**

- None

**INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

(as at 31 March 2017)

- None

**NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 12 out of 12 Board meetings held

## - DIRECTORS' PROFILE -

### DATUK SERI DR. NIK NORZRUL THANI BIN N.HASSAN THANI DIRECTOR



#### WORKING EXPERIENCE AND OCCUPATION

- Currently, Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani is the Chairman and Senior Partner of Zaid Ibrahim & Co., the largest law firm in Malaysia. Prior to joining Zaid Ibrahim & Co., he was with Baker & McKenzie (International Lawyers), Singapore. Datuk Seri Dr. Nik Norzrul is a Barrister-at-Law, Lincoln's Inn and an Advocate & Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School and Chevening Visiting Fellow at the Oxford Centre of Islamic Studies, Oxford University. He was formerly the Acting Dean/Deputy Dean of the Faculty of Law, International Islamic University Malaysia.

#### Non-Independent Non-Executive Director

- Member of Remuneration Committee

Male, Age 56, Malaysian

#### QUALIFICATIONS

- Ph.D in Law, School of Oriental and African Studies, University of London, UK
- Masters in Law, Queen Mary College, University of London, UK
- LL.B (Hons.), University of Buckingham, UK
- Post-Graduate Diploma in Syariah Law and Practice (with Distinction), International Islamic University, Malaysia

#### MEMBERSHIP OF ASSOCIATIONS

- Fellow Member of the Financial Services Institute of Australasia

#### DATE APPOINTED TO THE BOARD

- 13 August 2008

#### DATE OF LAST RE-ELECTION

- 28 May 2015

#### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

##### Listed

- Chin Hin Group Berhad
- Fraser & Neave Holdings Bhd.
- T7 Global Berhad (formerly known as Tanjung Offshore Berhad)
- Ranhill Holdings Berhad

##### Non-Listed

- Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- MSIG Insurance (Malaysia) Bhd.
- Pelaburan MARA Berhad
- Amanah Saham Nasional Berhad

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

(as at 31 March 2017)

- None

#### NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 11 out of 12 Board meetings held

## - DIRECTORS' PROFILE -

### DATO' SIOW KIM LUN DIRECTOR



#### WORKING EXPERIENCE AND OCCUPATION

- Dato' Siow Kim Lun has considerable experience in investment banking and securities market regulation. He started his career in investment banking with Malaysian International Merchant Bankers in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Hwang Investment Bank Berhad) as Manager of Corporate Finance and subsequently became the Divisional Head of its Corporate Finance Division. From 1993 to 2006, Dato' Siow was with the Securities Commission and had served as Director of its Issues & Investment Division (now known as Corporate Finance & Investment Division) and Director of its Market Supervision Division. Currently, Dato' Siow is also a Director of Kumpulan Wang Persaraan (Diperbadankan) and a member of the Land and Public Transport Commission.

#### Senior Independent Non-Executive Director

- Chairman of Audit Committee
- Chairman of Nomination Committee
- Member of Investment & Risk Management Committee
- Member of Whistle-Blowing Committee

Male, Age 66, Malaysian

#### QUALIFICATIONS

- Masters in Business Administration, Catholic University of Leuven, Belgium
- Bachelor of Economics (Hons.), Universiti Kebangsaan Malaysia
- Advanced Management Program, Harvard Business School, USA

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO THE BOARD

- 10 July 2009

#### DATE OF LAST RE-ELECTION

- 28 May 2015

#### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

##### Listed

- Eita Resources Berhad
- Sunway Construction Group Berhad

##### Non-Listed

- Citibank Berhad
- Eco World International Berhad
- Hong Leong Assurance Berhad

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

(as at 31 March 2017)

- None

#### NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 12 out of 12 Board meetings held

## - DIRECTORS' PROFILE -

### **DATO' MOHD. NIZAM BIN ZAINORDIN DIRECTOR**



#### **WORKING EXPERIENCE AND OCCUPATION**

- Dato' Mohd. Nizam bin Zainordin has an extensive career in Finance spanning over 20 years. He was attached to several companies in the field of finance before joining Permodalan Nasional Berhad ("PNB") in 1994 as Assistant Manager, Finance Department and had since then held various positions in PNB before assuming his present position as Chief Financial Officer.

#### **Non-Independent Non-Executive Director**

- Member of Audit Committee
- Member of Investment & Risk Management Committee
- Member of Whistle-Blowing Committee

**Male, Age 53, Malaysian**

#### **QUALIFICATIONS**

- Executive Masters in Business Administration, Asian Institute of Management, Philippines
- Association of Chartered Certified Accountants, UK

#### **MEMBERSHIP OF ASSOCIATIONS**

- Fellow Member of the Association of Chartered Certified Accountants, UK
- Member of the Malaysian Institute of Accountants
- Certified Financial Planner

#### **DATE APPOINTED TO THE BOARD**

- 13 August 2008

#### **DATE OF LAST RE-ELECTION**

- 19 June 2014

#### **DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

##### **Listed**

- None

##### **Non-Listed**

- Lanjut Golf Berhad
- Pengurusan Pelaburan ASN Berhad

#### **INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

(as at 31 March 2017)

- None

#### **NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 11 out of 12 Board meetings held

## - DIRECTORS' PROFILE -

### **KHALID BIN SUFAT** **DIRECTOR**



#### **WORKING EXPERIENCE AND OCCUPATION**

- Khalid bin Sufat, an accountant by profession, has considerable experience in the banking industry having held several senior positions, namely General Manager, Consumer Banking of Malayan Banking Berhad in 1994, Executive Director of United Merchant Finance Berhad from 1995 to 1998 and Managing Director of Bank Kerjasama Rakyat Malaysia Berhad from 1998 to 2000. This experience has led him to become involved in the managing and restructuring of a number of public-listed companies. He became the Executive Director of Tronoh Mines Malaysia Berhad in 2002 and the Deputy Executive Chairman of Furqan Business Organisation Berhad in 2003 before being appointed as Group Managing Director of Seacera Tiles Berhad in mid-2006, a position he held until late 2007.

#### **Independent Non-Executive Director**

- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee
- Member of Whistle-Blowing Committee

**Male, Age 61, Malaysian**

#### **QUALIFICATIONS**

- Association of Chartered Certified Accountants, UK
- Malaysian Institute of Certified Public Accountants

#### **MEMBERSHIP OF ASSOCIATIONS**

- Fellow Member of the Association of Chartered Certified Accountants, UK
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

#### **DATE APPOINTED TO THE BOARD**

- 1 September 2010

#### **DATE OF LAST RE-ELECTION**

- 28 May 2015

#### **DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

##### **Listed**

- Chemical Company of Malaysia Berhad

##### **Non-Listed**

- Kuwait Finance House (Malaysia) Berhad

#### **INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

(as at 31 March 2017)

- None

#### **NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 11 out of 12 Board meetings held

## - DIRECTORS' PROFILE -

### ROHAYA BINTI MOHAMMAD YUSOF DIRECTOR



**Non-Independent  
Non-Executive Director**

**Female, Age 51, Malaysian**

#### **QUALIFICATIONS**

- Bachelor of Commerce (Accountancy), Australian National University, Australia
- Associate Member of CPA Australia
- INSEAD Advanced Management Programme, France

#### **MEMBERSHIP OF ASSOCIATIONS**

- CPA, Australia

#### **DATE APPOINTED TO THE BOARD**

- 1 July 2013

#### **DATE OF LAST RE-ELECTION**

- 19 May 2016

#### **DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

##### **Listed**

- Malaysian Resources Corporation Berhad

##### **Non-Listed**

- PLUS Malaysia Bhd.
- Projek Lebuhraya Usahasama Bhd.

#### **INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

(as at 31 March 2017)

- None

#### **NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 12 out of 12 Board meetings held

#### **WORKING EXPERIENCE AND OCCUPATION**

- Rohaya binti Mohammad Yusof began her career with Arthur Andersen & Co. as Senior Financial Consultant for the Audit Division. In 1990, she joined Maybank Investment Bank Berhad ("**Maybank Investment**") (previously known as Aseambankers Malaysia Berhad) and was appointed Executive Vice President for Corporate Investment Banking in 2005. After acquiring 18 years' experience in Maybank Investment in areas of fixed income, equity and corporate finance, Rohaya joined the Employees Provident Fund in 2008 as Head of Corporate Finance. Subsequently, Rohaya was appointed Head of the Capital Market Department in 2010 where she oversees domestic and global investment in loans and bonds. Her portfolio also includes monitoring external fund managers for domestic and global fixed income. In April 2017, she moved to the Private Markets Department, whose primary function is to invest in private equity, infrastructure, global and regional real estates.

## - DIRECTORS' PROFILE -

### TAN SRI HASMAH BINTI ABDULLAH DIRECTOR



#### WORKING EXPERIENCE AND OCCUPATION

- Tan Sri Hasmah binti Abdullah had a distinguished career with the Inland Revenue Board (“**IRB**”) spanning over 37 years. She was the former IRB Chief Executive Officer and Director-General from 19 October 2006 to 7 January 2011. Tan Sri Hasmah has led the Malaysian delegation to several international conferences and also represented Malaysia on the Management Committee of the Commonwealth Association of Tax Administrators in London, UK, for three years from 2007 to 2009. Under her leadership at IRB, vast improvements and policy changes to the service delivery system were introduced, in particular refunds, which were made faster with the use of electronic filing. For the improvements and innovations that had impacted positively on the tax-paying public, the IRB was awarded the inaugural Prime Minister’s Innovation Award in 2009.

Tan Sri Hasmah was also a Tax Advisor to PricewaterhouseCoopers Taxation Services Sdn. Bhd. from 1 July 2011 to 30 September 2013. Currently, Tan Sri Hasmah is a Commission Member of the Securities Commission of Malaysia, and a member of the Board of Trustees of the Malaysian Tax Research Foundation, Dana Amal Jariah and Yayasan Allammiyyah. She is also an Executive Council member of the Selangor and Federal Territory Association for the Mentally Handicapped since 6 December 2014.

#### Independent Non-Executive Director

- Chairman of Whistle-Blowing Committee
- Member of Audit Committee
- Member of Investment & Risk Management Committee

Female, Age 66, Malaysian

#### QUALIFICATIONS

- Bachelor of Arts (Hons.), University of Malaya
- Senior Management Development Programme, Harvard Business School, USA

#### MEMBERSHIP OF ASSOCIATIONS

- Fellow Member of the Chartered Tax Institute of Malaysia

#### DATE APPOINTED TO THE BOARD

- 2 September 2013

#### DATE OF LAST RE-ELECTION

- 19 May 2016

#### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

##### Listed

- Panasonic Manufacturing Malaysia Berhad

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

(as at 31 March 2017)

- None

#### NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 10 out of 12 Board meetings held

## - DIRECTORS' PROFILE -

### **DATO' ESHAH BINTI MEOR SULEIMAN DIRECTOR**



**Independent  
Non-Executive Director**

**Female, Age 62, Malaysian**

#### **QUALIFICATIONS**

- Master of Business Administration in Finance, Oklahoma City University, USA
- Bachelor of Economics (Hons.), University of Malaya
- Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia

#### **MEMBERSHIP OF ASSOCIATIONS**

- None

#### **DATE APPOINTED TO THE BOARD**

- 17 October 2016

#### **DATE OF LAST RE-ELECTION**

- Not Applicable

#### **DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

##### **Listed**

- Bursa Malaysia Berhad
- Pos Malaysia Berhad

##### **Non-Listed**

- None

#### **INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

(as at 31 March 2017)

- 8,000 shares (indirect holding) in UMW Oil & Gas Corporation Berhad

#### **NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 1 out of 2 Board meetings held after her appointment

#### **WORKING EXPERIENCE AND OCCUPATION**

- Dato' Eshah binti Meor Suleiman began her career in Public Service in 1981 as Assistant Director, Macro Economic Section, at the Economic Planning Unit of the Prime Minister's Department before serving as Assistant Secretary at the Government Procurement Management Division, Ministry of Finance ("MOF") in 1991. During her tenure in MOF, she held various key positions including Principal Assistant Secretary, Deputy Under Secretary and Under Secretary, Investment, Minister of Finance (Incorporated) and Privatisation Division of MOF. In January 2014, she was assigned as Under Secretary of Statutory Bodies Strategic Management Division of MOF before her retirement from Public Service on 1 November 2014.

#### **Additional Notes**

1. Save as disclosed below, none of the above directors has any family relationship with any director and/or major shareholder of the Company -
  - Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani and Dato' Mohd. Nizam bin Zainordin are nominee directors of Permodalan Nasional Berhad, a major shareholder of the Company.
  - Rohaya binti Mohammad Yusof is a nominee director of the Employees Provident Fund Board, a major shareholder of the Company.
2. None of the above directors has any conflict of interest with the Company.
3. None of the above directors has any conviction for offences within the past five years other than traffic offences or any public sanction or penalty imposed by any regulatory body in the year under review.
4. None of the above directors has transacted in any of the Company's securities in the year under review.
5. All directors have attended various training programmes in 2016 as disclosed in the Statement on Corporate Governance on pages 79 to 83 of this annual report.

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- MANAGEMENT COMMITTEE -

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**BADRUL FEISAL  
BIN ABDUL  
RAHIM**  
President &  
Group CEO



**AZMIN BIN  
CHE YUSOFF**  
Executive Director,  
Group Financial Services/  
Group Chief Operating  
Officer



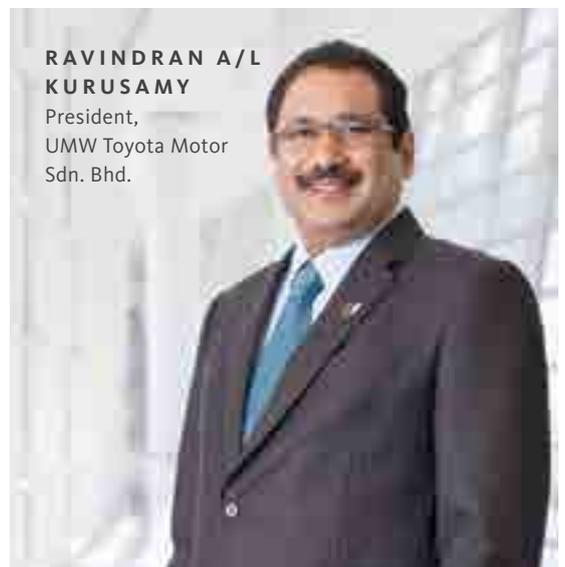
**ZAILANI BIN ALI**  
Executive Director,  
Group Human Resource



**ROZA SHAHNAZ  
BINTI OMAR**  
Director,  
Group Strategy



**RAVINDRAN A/L  
KURUSAMY**  
President,  
UMW Toyota Motor  
Sdn. Bhd.



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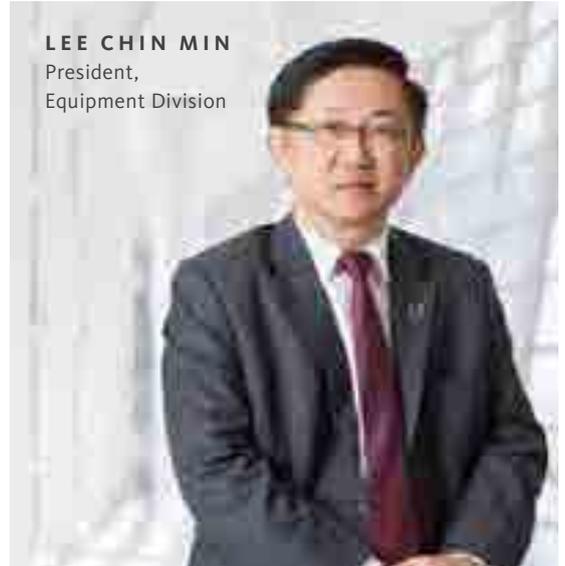
- MANAGEMENT COMMITTEE -

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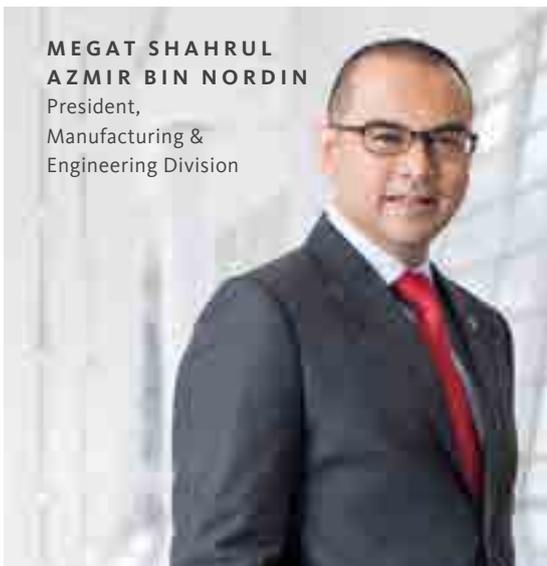
**ROHAIZAD  
BIN DARUS**  
President,  
UMW Oil & Gas  
Corporation Berhad



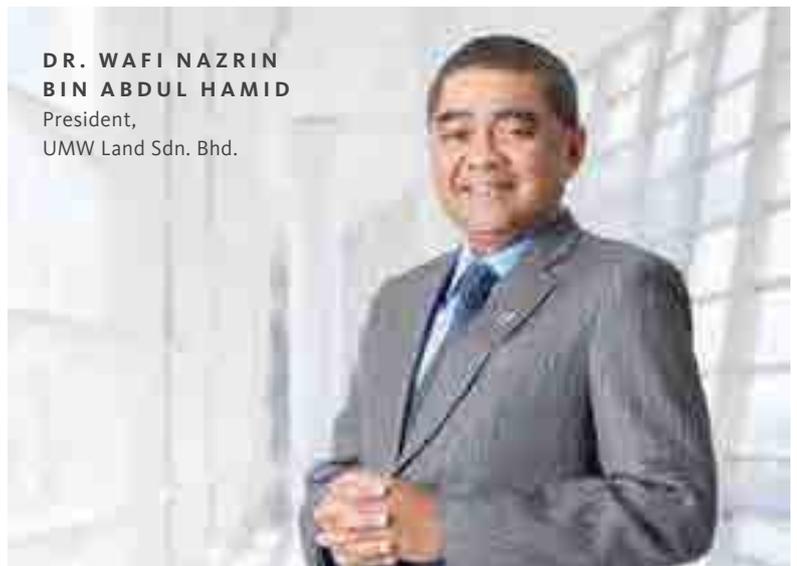
**LEE CHIN MIN**  
President,  
Equipment Division



**MEGAT SHAHRUL  
AZMIR BIN NORDIN**  
President,  
Manufacturing &  
Engineering Division



**DR. WAFI NAZRIN  
BIN ABDUL HAMID**  
President,  
UMW Land Sdn. Bhd.



**FA'IZAH BINTI  
MOHAMED  
AMIN**  
President,  
Technology Division



**MUZAFAR  
BIN MUNZIR**  
Senior Group  
General Counsel/  
Head, Group  
Management  
Services



## - MANAGEMENT COMMITTEE MEMBERS' PROFILE -

### AZMIN BIN CHE YUSOFF

Executive Director, Group Financial Services/  
Group Chief Operating Officer

Male, Age 58, Malaysian

#### QUALIFICATIONS

- Bachelor of Accounting (Hons.), University of Malaya
- Advanced Management Program, Harvard Business School, USA

#### MEMBERSHIP OF ASSOCIATIONS

- Malaysian Institute of Accountants

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 1 September 2009

#### WORKING EXPERIENCE

- Azmin bin Che Yusoff started his career in Kontena Nasional Berhad in 1982 as an Accounts Executive and eventually as Chief Executive Officer from 2003 to 2008. Soon after, he joined Landbridge Haulage (M) Sdn. Bhd. as Executive Director. In September 2009, he joined UMW as Executive Director of the Group Financial Services Division, and in October 2015, was promoted to the position of Group Chief Operating Officer.

#### RESPONSIBILITY

- Responsible for overseeing the administrative, financial and risk management operations of the Group to drive extensive and sustainable growth. In addition, as the Group Chief Financial Officer, he is also responsible for ongoing development and monitoring of control systems designed to preserve the Group's assets and report accurate financial results.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- 5,000 shares in UMW Oil & Gas Corporation Berhad

### ZAILANI BIN ALI

Executive Director,  
Group Human Resource

Male, Age 51, Malaysian

#### QUALIFICATIONS

- Bachelor of Arts, (Hons.) in Social Science, Universiti Kebangsaan Malaysia
- Certified 360° Coach from Assessment Plus, USA

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 1 October 2016

#### WORKING EXPERIENCE

- Zailani bin Ali has more than 25 years of human resource ("HR") experience with local and multinational companies spanning across various industries such as telecommunication, insurance, automotive and banking. He held several senior positions, namely, Director of HR of Maxis Berhad, Senior Vice President/Head of Group HR of International Netherland Group (ING) Malaysia and Member of the Global HR Business Council, Head of HR & Administration of DaimlerChrysler Malaysia, Vice President HR of Citibank Berhad, Regional (Southeast Asia) Manager of Bestfood International, Group HR Manager of DRB Hicom Berhad and Compensation & Benefits Manager of Telekom Malaysia Berhad, prior to joining UMW as Executive Director of Group HR.

Zailani brings with him strategic HR initiatives in the areas of leadership and management development, business transformation and change management, high performance culture, merger and acquisition, reward and performance, workforce data analytics and coaching and mentoring culture.

#### RESPONSIBILITY

- Responsible for designing HR strategies for the UMW Group, especially in the areas of building organisational capabilities, aligning rewards to performance, productivity and leadership development.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- None

## - MANAGEMENT COMMITTEE MEMBERS' PROFILE -

### ROZA SHAHNAZ BINTI OMAR

Director,  
Group Strategy

Female, Age 50, Malaysian

#### QUALIFICATIONS

- Master in Business Administration, Strathclyde University, UK
- Bachelor of Science (Hons.) in Combined Studies (Accounting and Law), De Montfort University, UK

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 4 February 2016

#### WORKING EXPERIENCE

- Roza Shahnaz binti Omar joined UMW in 2010 as General Manager, Group Corporate Development. She has extensive experience in the fields of strategic planning, business development, corporate advisory and investor relations. In February 2016, she was promoted to the position of Director of Group Strategy.

Prior to joining UMW, Roza Shahnaz held several senior positions in various organisations such as Malaysian Rating Corporation Berhad and DRB-Hicom Berhad.

#### RESPONSIBILITY

- Responsible for overseeing the Group Corporate Development Division, Investor Relations & Sustainability and Transformation Management Office, particularly in areas of strategic planning, corporate planning and investor relations.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- 35,000 shares in UMW Oil & Gas Corporation Berhad

### RAVINDRAN A/L KURUSAMY

President,  
UMW Toyota Motor Sdn. Bhd.

Male, Age 53, Malaysian

#### QUALIFICATIONS

- Master in Business Administration, Western International University, USA
- Bachelor of Science in Business Administration (Finance), Northern Arizona University, USA

#### MEMBERSHIP OF ASSOCIATIONS

- Malaysian Automotive Association

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 1 January 2017

#### WORKING EXPERIENCE

- Ravindran a/l Kurusamy joined UMW Toyota Motor Sdn. Bhd. ("UMW Toyota") after graduating with a MBA from USA in 1988. He has been with UMW Toyota for over 26 years and has taken on senior positions in different divisions, starting off in Marketing, Sales and Used Car Operations, Accessories, Production Planning and Information Technology. Ravindran has initiated and successfully concluded several projects to enhance the supply chain and logistics network for UMW Toyota. Through these activities, he has strengthened the company's rapport with its business partners in Malaysia and the ASEAN Region. On 1 January 2017, he was promoted as President of UMW Toyota.

#### RESPONSIBILITY

- Responsible for the overall operations, financial and support functions of UMW Toyota and its subsidiaries.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- None

## - MANAGEMENT COMMITTEE MEMBERS' PROFILE -

### ROHAIZAD BIN DARUS

President,  
UMW Oil & Gas Corporation Berhad

Male, Age 52, Malaysian

#### QUALIFICATIONS

- Bachelor of Science in Mechanical Engineering, California State University, USA

#### MEMBERSHIP OF ASSOCIATIONS

- The Institution of Engineers Malaysia
- Board of Engineers Malaysia

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 1 January 2012

#### WORKING EXPERIENCE

- Rohaizad bin Darus began his career in 1988 with Petronas Gas Sdn. Bhd. as a Trainee Engineer, followed by a stint with Texas Instruments Malaysia Sdn. Bhd.

In 1990, Rohaizad joined Esso Production Malaysia, Inc. and served as its Senior Engineer until 1995. From 1995 to 1998, he served Huptec Engineering Sdn. Bhd. as its Managing Director. After 1998, he was employed by Sarku Engineering Services Sdn. Bhd., which later became a subsidiary of SapuraCrest Petroleum Berhad. Rohaizad held various senior positions at SapuraCrest, a predecessor of SapuraKencana Berhad, from 2002 to 2011. His last position prior to joining UMW as President of UMW Oil & Gas Corporation Berhad in December 2011, was as Chief Executive Officer of the Oil & Gas Construction Services Division. Rohaizad has accumulated over 20 years' experience in the Oil & Gas industry. He also sits on the Industry Advisory Panel of Malaysian Petroleum Resources Corporation.

#### RESPONSIBILITY

- Responsible for the overall corporate management including operational and financial management of UMW Oil & Gas Corporation Berhad and its subsidiaries.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- UMW Oil & Gas Corporation Berhad

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- 1,000,000 shares in UMW Oil & Gas Corporation Berhad

### LEE CHIN MIN

President,  
Equipment Division

Male, Age 59, Malaysian

#### QUALIFICATIONS

- Bachelor of Mechanical Engineering (Hons.), University of Malaya

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 1 January 2013

#### WORKING EXPERIENCE

- Lee Chin Min has been with the Equipment Division of UMW for over 30 years. He first joined UMW as Marketing Executive in 1982, before being promoted to the position of Regional Sales Manager, Material Handling Equipment in 1989. He continued to move up the ranks and assumed the position of General Manager in 2000, where he was one of the key members instrumental in starting the Division's forklift rental business. He was made Director of the Material Handling Equipment business operations in 2008, and was responsible for the Group's material handling equipment business. In 2013, he was promoted to the position of Executive Director of the Equipment Division before being redesignated President on 1 December 2015.

#### RESPONSIBILITY

- Responsible for the overall operations, financial and support functions of Equipment Division (both Industrial Equipment and Heavy Equipment) in Malaysia, Singapore, Brunei, Myanmar, Papua New Guinea and China.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- 1,554 shares in UMW Holdings Berhad
- 54,800 shares in UMW Oil & Gas Corporation Berhad

## - MANAGEMENT COMMITTEE MEMBERS' PROFILE -

### MEGAT SHAHRUL AZMIR BIN NORDIN

President, Manufacturing & Engineering Division

Male, Age 47, Malaysian

#### QUALIFICATIONS

- Bachelor of Science in Electrical Engineering, Widener University, USA

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 1 January 2012

#### WORKING EXPERIENCE

- Megat Shahrul Azmir bin Nordin has over 24 years of skill sets in strategy and growth, turnaround, international business, business development, sales and marketing, manufacturing and management consulting. During his ten-year attachment with Accenture, he led various engagements to enhance strategies, technology, processes and organisations. He has core experiences in the areas of corporate strategy, programme management, turnaround, business process reengineering, organisational transformation and business integration in various industries, including automotive, oil & gas, telecommunications, manufacturing and the public sector.

Prior to joining UMW, Megat Shahrul Azmir was attached to General Electric (“GE”) and focused mainly on country strategy, business development and enterprise selling for Malaysia. He later became the Asia-Pacific Marketing Director for GE Power & Water and led strategy development and execution for 17 countries in the Asia-Pacific region. In January 2012, he joined UMW as Executive Director of the Manufacturing & Engineering Division (“M&E”) before being redesignated President on 1 December 2015.

#### RESPONSIBILITY

- Responsible for the overall operations, and financial and support functions of Aerospace, Lubricant and Auto Component segments under the M&E Division. He is also responsible in driving the setup and operational phases of the aerospace operating company and other divisional growth initiatives.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- 10,000 shares in UMW Oil & Gas Corporation Berhad

### DR. WAFI NAZRIN BIN ABDUL HAMID

President, UMW Land Sdn. Bhd.

Male, Age 49, Malaysian

#### QUALIFICATIONS

- Post-Graduate qualification in EU Competition, King’s College, London, UK
- Master of Business Administration, Universiti Kebangsaan Malaysia
- Ph.D in Maritime Law, Southampton University, UK
- Master of Laws, Cambridge University, UK
- Degree in Law, International Islamic University, Malaysia

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 12 April 2012

#### WORKING EXPERIENCE

- Dr. Wafi Nazrin bin Abdul Hamid was a legal practitioner and has an illustrious career in a leading law firm in Kuala Lumpur. He is also the co-author of the legal reference “ASEAN Competition Law”. In 2007, he left private practice to join and assist Petroliam Nasional Berhad and MISC Berhad in their expansion of maritime and logistics activities, before joining Malaysia Airlines Berhad, where he won the prestigious INTERLAW “Corporate Counsel of the Year” award.

In 2012, he joined UMW as Executive Director of the Group Management Services Division and later in 2015, assumed the position of President of UMW Land Sdn. Bhd. (“UMW Land”). Under his stewardship, UMW Land has successfully completed the fast-track construction of a state-of-the-art 265,000 sq. ft. manufacturing facility for UMW Aerospace Sdn. Bhd. in Serendah, for the production of fan casings for Rolls-Royce Trent 1000/7000 aircraft engines.

#### RESPONSIBILITY

- Responsible for leading and unlocking the value of UMW’s land banks, particularly in Serendah by developing the nation’s first high value manufacturing park. He is also responsible for leading and managing UMW’s Property Division.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- 54,000 shares in UMW Oil & Gas Corporation Berhad

## - MANAGEMENT COMMITTEE MEMBERS' PROFILE -

### FA'IZAH BINTI MOHAMED AMIN

President, Technology Division

Female, Age 49, Malaysian

#### QUALIFICATIONS

- Bachelor of Arts (Hons.) in Political Science, Brock University, Canada

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 23 September 2014

#### WORKING EXPERIENCE

- Fa'izah binti Mohamed Amin spent 17 years in TM Berhad, holding diverse key leadership roles before joining UMW on 1 April 2014 as General Manager, Group COO's Office. In December 2014, she rose to become the President of Technology Division, a division that she established. Technology Division was mandated to facilitate the UMW Group to venture into the technology industry sector, uplifting its position as an industry player. She also leads the Group's digital initiatives.

Fa'izah spent much of her career participating in key nation building initiatives, propagating technology as a necessity for the future of Malaysia. Among the notable projects under her credentials were National Internet 2.0 deployment in Malaysia, the country's 1<sup>st</sup> Internet Exchange (Eastgate Hub) and Malaysia's 1<sup>st</sup> National Public "Cloud". She was also an early "evangelist" of SmartCity technology in TM, where she led a group of Malaysian technologists to develop "Madinah Knowledge Economic City" infrastructure and commercial blueprint in 2009.

#### RESPONSIBILITY

- Responsible for leading UMW's venture in the technology industry and pursuit of investment opportunities in technology companies, globally. Besides her technology investment portfolio, she is also responsible for leading UMW in embracing and adopting technology in its digital transformation initiatives.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- None

### MUZAFAR BIN MUNZIR

Senior Group General Counsel/  
Head of Group Management Services

Male, Age 51, Malaysian

#### QUALIFICATIONS

- Advanced Diploma in Law, Universiti Teknologi MARA, Malaysia
- Diploma in Law, Universiti Teknologi MARA, Malaysia

#### MEMBERSHIP OF ASSOCIATIONS

- None

#### DATE APPOINTED TO MANAGEMENT COMMITTEE

- 1 February 2016

#### WORKING EXPERIENCE

- Muzafar bin Munzir was admitted to the Malaysian Bar in May 1990 and upon his admission, he practiced as an Advocate and Solicitor from May 1990 to March 2010. In April 2010, he joined UMW as General Counsel in the Group Legal Division and subsequently succeeded his predecessor to become the Group General Counsel. He was promoted to the position of Senior Group General Counsel on 1 January 2015 and subsequently also assumed the position of Head of the Group Management Services Division, effective 1 February 2016.

#### RESPONSIBILITY

- Responsible for providing legal advice on all legal matters pertaining to the business of the Group and manages a team of legal counsels. In addition, he is also responsible for overseeing the operations of the Group Management Services Division, Corporate Communications Department and General Services & Travel.

#### DIRECTORSHIPS IN PUBLIC COMPANIES

##### Listed

- None

##### Non-Listed

- None

#### INTERESTS IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 31 March 2017)

- 33,000 shares in UMW Oil & Gas Corporation Berhad

#### Additional Notes

1. None of the above Management Committee ("MC") members has any family relationship with any director and/or major shareholder of the Company.
2. None of the above MC members has any conflict of interest with the Company.
3. None of the above MC members has any conviction for offences within the past five years other than traffic offences or any public sanction or penalty imposed by any regulatory body in the year under review.
4. None of the above MC members has transacted in any of the Company's securities in the year under review.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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The Board of Directors (“**Board**”) of UMW Holdings Berhad (“**UMW**”), management and employees of the Group affirm and remain resolute in the Group’s commitment to enhance shareholder value and its overall competitive positioning by way of upholding the highest standards of Corporate Governance (“**CG**”) practices. The Board plays an active role in advising, administering and reviewing the Group’s governance framework and practices for implementation group-wide.



At the 2016 Post-AGM media briefing

The Board believes that an effective CG structure and culture lies at the core of the UMW Group’s pursuit to achieve its vision and objectives. This includes among others, ethical conduct, business integrity, commitment to values, delivering sustainable values and managing shareholders’ and stakeholders’ expectations.

This Statement on Corporate Governance (“**CG Statement**”) strives to provide practical insights into CG practices of the UMW Group and the Group’s compliance with the best practices of the Malaysian Code on Corporate Governance 2012 throughout the financial year ended 31 December 2016.

## - STATEMENT ON CORPORATE GOVERNANCE -

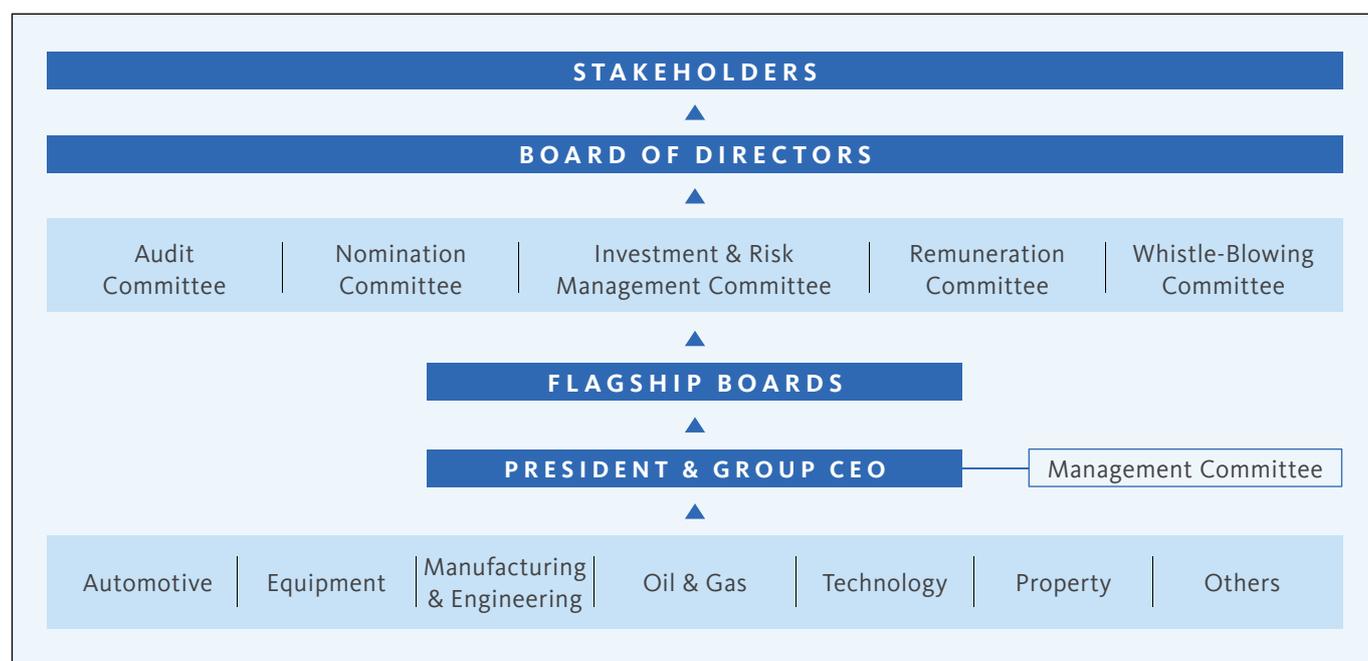
### CG FRAMEWORK

The UMW Group's CG Framework and practices were developed based on the following statutory requirements, best practices and guidelines -

- Companies Act 1965 (“**CA 1965**”);
- Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”);
- Malaysian Code on Corporate Governance 2012 (“**MCCG 2012**”);
- Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on GLC High Performance (“**Green Book**”);
- Corporate Governance Guide: Towards Boardroom Excellence 2<sup>nd</sup> Edition issued by Bursa Malaysia Berhad (“**CG Guide**”); and
- Minority Shareholder Watchdog Group’s (“**MSWG**”) Malaysia-ASEAN Corporate Governance Scorecard.

With the Group's significant presence in the countries it operates, the Group also monitors and abides by the guidelines of the relevant regulators and authorities.

The Group applies the following CG Framework where specific powers of the Board are delegated to the respective Board Committees, the President & Group CEO and the management, as depicted below -



The Group's CG Framework is a reflection of the way strategic and operational activities are managed. The roles of stakeholders, the Board, the Committees of the Board (“**Board Committees**”), and management are distinctly different but complementary in attaining the Group's core objectives.

The framework is supported by, among others, the UMW Group's Financial Limits of Authority Guidelines (“**FLAG**”) which sets out the respective authority limits including those reserved for the Board's approval and those which the Board may delegate to the Board Committees, the President & Group CEO, the Flagship Boards (“**FB**”), Management Committee and management.

The holding company formulates strategies to optimise the Group's performance and oversees activities at the consolidated level, while the core businesses retain the necessary authority and responsibility for conducting their own operations. This allows the Board to take broader perspective on issues affecting the Group, such as overall strategy, risk management and governance level.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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In view of the diversity of the Group's business, FBs were established to provide the appropriate level of dedicated oversight and focus on the core businesses of the respective divisions. Each FB has representatives from the Board and senior management to ensure clear, unambiguous oversight and to exercise a reasonable degree of supervision and control over the divisions.

Subject always to the direction and counsel of the Board and compliance with any policies and delegated authority limits set by the Board, the roles of the FB are, among others, the following -

1. To oversee the operations of the respective divisions, which include, but are not limited to, overseeing their business strategy and performance, human capital management, CG and risk management practices;
2. To fulfil its statutory and fiduciary responsibilities of monitoring the management and financial risk processes, and accounting and financial reporting practices of the divisions;
3. To review the business efficiency and quality of the accounting function, financial reporting and system of internal controls of each division;
4. To enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions; and
5. To ensure that an effective ethics programme is implemented across the divisions, and to monitor compliance with established policies and procedures.

### APPLICATION OF MCCG 2012

This CG Statement strives to provide practical insights on how CG practices have helped the UMW Group to achieve its strategic objectives and build sustainable value in its businesses under the leadership of the Board.

The Board is pleased to demonstrate how the Group has applied the principles and recommendations set out in MCCG 2012 and the extent of the Group's compliance with the principles throughout the financial year ended 31 December 2016.

### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (PRINCIPLE 1)

#### *Clear Functions for Board and Management (Recommendation 1.1)*

The Board recognises its responsibilities in governing, guiding and monitoring the performance of the entire Group. There is a clear division of responsibilities between the Board and management. The Board is led by a Non-Independent Non-Executive Chairman, whose principal responsibility is to ensure the effective running of the Board. Except for matters reserved for shareholders, the Board is the ultimate decision-making body of the Group.

Board Committees such as Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC"), Investment & Risk Management Committee ("IRMC") and Whistle-Blowing Committee ("BWBC") are also established with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board as mandated in their respective Terms of Reference ("TOR"). There are no alternate directors appointed to Board Committees.

The Board keeps itself abreast with the key issues and decisions made by each Board Committee through reports by the Chairman of each Board Committee and via minutes of Board Committee meetings tabled at Board meetings.

As part of UMW's continuous commitment towards ensuring consistent good business practices and governance, the Board is also guided by among others, the Board Charter and the FLAG. These clearly define the relevant matters and applicable authority limits, including those reserved for the Board, and those of the FB, the President & Group CEO and management. Enhancements to the FLAG are regularly made to reflect changing risks and/or to address operational deficiencies.

The Company's Board Charter is available online at [www.umw.com.my/boardcharter.php](http://www.umw.com.my/boardcharter.php)

At management level, several committees namely the Management Audit Committee ("MAC"), Risk Management Committee ("RMC"), Tender Committee and Whistle-Blowing Committee ("MWBC") have been established to ensure CG practices and ethical behaviour are upheld at all times in the Group's business dealings. In addition, relevant corporate divisions ensure that policies and procedures such as the UMW Code of Business Conduct and Ethics ("BCE Code"), Whistle-Blowing Policy, Procurement Policy, FLAG, Risk Management Policy and Information Technology Policy are effectively implemented and enforced.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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### ***Clear Roles and Responsibilities (Recommendation 1.2)***

The responsibility of steering the UMW Group towards a sustainable future rests on the Board. In addition to adopting a sound ethical and governance framework, and financial management policies, the Board also ensures there are adequate resources to meet the Group's objectives. The Board assumes the following specific duties which are discharged in the best interests of the Company, in pursuance of integrated regulatory and commercial objectives -

#### **1. Establishing and Reviewing the Strategic Direction of the Company**

The Board oversees the formulation of the Group's long-term strategic objectives and direction, reviews and approves the Group's annual budget, the business and strategic plans and monitors the achievement of the Group's corporate objectives. The Board focuses on business strategy to understand the key drivers of the Group's performance in ensuring that the Group is responsive to changes in the business and economic environments.

The Board also oversees the Group's business affairs and conducts periodic reviews of the Group's financial performance and implements policies relating to financial matters, which include risk management and internal control and compliance in ensuring alignment to the Group's strategy, operations and the external environment.

The Group's annual strategic planning process for 2016 began with the 2016 Business Plan Conference ("**2016 BPC**") held in November 2015 with a theme "Navigating the Future". The 2016 BPC provided an avenue for senior management in the Group to participate in knowledge sharing sessions. It also provides a platform for the President & Group CEO to deliver his keynote speech addressing his expectations and business targets as well as strategies moving forward, to all business divisions in the UMW Group.

The Management Budget Committee ("**MBC**") is made up of relevant heads of corporate divisions and chaired by the President & Group CEO. The proposed 2016 Business Plan, Budget and Organisation Chart ("**2016 Budget**") were prepared by the respective operating units and corporate divisions and presented to the MBC. The MBC thoroughly reviewed and deliberated the proposed strategies for the financial year 2016 and projections for ensuing years, and challenged the views and assumptions made to ensure the best results.

The finalised 2016 Budget was presented to the Board in January 2016 for deliberation and approval. At this meeting, management presented its recommended strategy as well as the primary challenges facing the Group and the proposed action plans to address such issues.

Mid-year review of the approved budget will be carried out where the targets set by the Board are compared against the actual performance year-to-date. Adjustments and recalibrations to targets and strategies are then made taking into account the prevailing current external factors and economic climate.

#### **2. Overseeing and Evaluating the Conduct of the Group's Businesses**

The President & Group CEO, Badrul Feisal bin Abdul Rahim has been heading the Management Committee, the highest management body in the Group, since 1 October 2015.

As President & Group CEO, Badrul Feisal is the conduit between the Board and management in ensuring that the financial management practice is performed at the highest level of integrity and transparency. He is responsible for ensuring high management competency as well as the emplacement of an effective management succession plan to sustain continuity of operations. He is also tasked to ensure that the businesses and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations, and to develop and maintain strong communication programmes and dialogues with the shareholders and stakeholders of the Company. He is primarily responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies, which include performance targets and long-term goals established by the Board.

The President & Group CEO is directly accountable to the Board and is responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills attained from senior managerial positions held prior to his appointment to the Group, contribute significantly towards the attainment of the Group's goals and objectives.

Board members are also appointed to FBs to maintain oversight and ensure the operations of key subsidiaries are aligned with the Group's strategies and objectives. The President & Group CEO and key senior management were also appointed as board members to FB and key subsidiaries to further ensure that the Group's governance remains linked with strategic and operational focus in line with the Group's objectives.

**3. Identifying Principal Risks and Ensuring Implementation of Appropriate Systems for Managing Risks**

The Board oversees the Enterprise Risk Management (“ERM”) Framework of the Group via the IRMC, which comprises members of the Board. The oversight of this critical area is carried out by the IRMC. The IRMC also reviews and endorses the risk parameters, risk appetite, risk profiles as well as risk action plans presented by the RMC. These systems cover not only financial controls but also strategic, organisational, operational, regulatory and compliance controls.

The Board through the IRMC plays a primary role in risk oversight and exercises extreme caution in setting the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the IRMC and the Board on risk management activities by management via RMC, keeps the IRMC and Board apprised and advised of all aspects of ERM and significant individual risks and risk trends.

In addition to the reporting requirements to the IRMC and the Board, the RMC has specific responsibilities which include, but are not limited to, formulating and implementing ERM mechanism to accomplish the requirements of the ERM policy and to articulate and challenge risk ratings.

Details of the RMC and the Group’s ERM Framework are set out in the Statement on Risk Management and Internal Control on pages 97 to 105 of this annual report.

**4. Establishing Succession Planning**

Through the NC, the Board oversees a clear and orderly succession plan for the President & Group CEO, the Group’s key senior management and the Group Secretary. The NC is responsible for formulating nomination, selection and succession policies for the Group. The Board acknowledges that in a competitive global environment where securing talents is a challenge, more attention is needed in managing human capital development. Sudden loss of key personnel without an immediate suitable replacement may disrupt the operations of the Group and hinder its future growth.

In discharging its responsibility on succession planning, the NC receives succession management updates from the Group Human Resource Division (“GHRD”) in accordance with the succession management framework. The NC reviews the successors’ assessment results, monitors the progress of actions taken, including the development programme for the readiness and potential of identified candidates to assume critical positions within the Group.

In ensuring that all candidates appointed to other senior management positions are of sufficient calibre, the NC considers at length the suitability of shortlisted candidates based on their profiles, professional achievements and personality assessments. For the renewal of service contracts for key management personnel, the NC considers their performance, contributions, achievements and deliverables for the past years. At the same time, the NC considers their remuneration packages when finalising the terms and conditions of their service contracts.

Details on the scope and activities of the NC are set out in the CG Statement on pages 71 to 72 of this annual report.

**5. Overseeing the Development and Implementation of a Communication Policy for the Company**

The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group’s operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community. Communications with the media/public and disclosures made are in accordance with the UMW Corporate Communications Policy (“CCP”).

The CCP regulates the review and release of information to shareholders, stakeholders and the public at large, facilitating timely and accurate disclosure of the Group’s affairs, which includes internal and external corporate communication and Investor Relation (“IR”) activities. In 2013 and 2016, amendments were made to the CCP, authorising selected senior management to be spokespersons of UMW, and defining each spokesperson’s focus area.

Further information on the Group’s IR updates, financial reports, stock exchange announcements, analyst reports, etc., are available on the Company’s website at [www.umw.com.my](http://www.umw.com.my)

**6. Reviewing the Adequacy and Integrity of Management Information and of the Internal Control System**

The Board is ultimately responsible for the adequacy, effectiveness and integrity of the Group’s internal control system.

Further information on the internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control on pages 97 to 105 of this annual report.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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Apart from the six core responsibilities mentioned above, the Board also takes full responsibility and accountability for the smooth functioning of core processes involving Board governance, financial reporting, risk management, business values and ethical oversight.

The Board also reserves full decision-making powers on the following matters -

- Material acquisitions and disposals of assets;
- Investments in capital projects;
- Authority levels;
- Treasury policies;
- Risk management policies;
- Key human resource issues; and
- Conflict of interest issues relating to substantial shareholder or director.

To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by a number of Board Committees. The delegation of certain responsibilities of the Board to its committees is necessary as there is now greater reliance on Board Committees to respond to complex challenges of the business. However, the responsibility for governing, guiding and monitoring the performance of the Group rests with the Board.

Board Committees operate within clearly-defined TOR, operating procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure they are relevant and up-to-date.

The Board receives regular reports on Board Committees' proceedings and deliberations. On matters reserved for the Board and where Board Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board's deliberation and endorsement. Decisions of Board Committees are incorporated into the minutes of meetings of the Board. Independent Directors and Non-Executive Directors ("**NED**") play a leading role in Board Committees, whilst management and third parties are co-opted into Board Committees as and when required.

The TOR of each Board Committee is available online at [www.umw.com.my/boardcharter.php](http://www.umw.com.my/boardcharter.php)

### **Formalise Ethical Standards through Code of Conduct/Ethics (Recommendation 1.3)**

All directors, including directors of FBs and operating subsidiaries within the Group, adhere to the UMW Directors' Code of Ethics ("**DCE**"), BCE Code and Board Charter, which provide guidance to recognise and deal with ethical issues, provide mechanisms to report unethical conducts, and help foster a culture of honesty and accountability.

The DCE is formulated to enhance the standard of CG and corporate behaviour with a view to establishing a standard of ethical conduct for directors based on acceptable beliefs and values, and to uphold the spirit of social responsibility and accountability in line with legislations, regulations and guidelines governing companies. The principles on which the DCE relies are those that concern transparency, integrity, accountability and corporate social responsibility.

The DCE will be reviewed from time to time to incorporate new developments in the CG framework and practices. The UMW DCE is currently under review and will be available at [www.umw.com.my](http://www.umw.com.my) upon approval of the Board.

Directors declare at Board meetings their interests (direct or indirect) in proposals being considered by the Board. Where a director is deemed interested, the director does not participate in any discussion on the subject matter and would excuse himself from the meeting. Declaration of director's interest in any proposal presented to the Board is reflected in the minutes of meetings.

All related party transactions ("**RPTs**") entered into in 2016 were reviewed by the AC and were entered into on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not detrimental to the minority shareholders of the Company.

The BCE Code incorporates the Group's stance with regard to integrity in conducting business. One of the objectives of the BCE Code is to clearly state how UMW employees should conduct themselves in managing business affairs which include, among others, confidentiality of information and dealings in securities. The BCE Code also details and warns against undesired conduct such as conflict of interest, offering or receiving bribes, dishonest conduct, anti-competitive practices and sexual harassment. Employees are to be driven by the UMW value, i.e., "Honour" where they are to continuously display integrity and trust when managing stakeholders, customers, suppliers, vendors and contractors.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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Unethical practices are not tolerated and the Group is committed to behaving professionally, fairly and with integrity in all business dealings and relationships including under relevant laws of each jurisdiction where the Group operates, locally and abroad.

In line with the Board's commitment to maintain the highest possible standard of professionalism, ethics and legal conduct in the Group's business activities, the Whistle-Blowing Policy and General Guidelines was adopted on 20 May 2009. This policy welcomes disclosures of suspected wrongdoings that include mismanagement, malpractices, corrupt practices, fraud and abuse of power or breach of any laws and regulations by any member of the Board, management or employees. This policy provides employees with an accessible avenue to report wrongdoings in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of reprisal. It is also the duty of the Board to ensure that employees are not penalised for whistle-blowing.

The BWBC is responsible for overseeing the implementation of the Whistle-Blowing Policy for directors and senior management in Job Grades 23 and above, whilst the MWBC, which comprises company appointed representatives, is responsible for overseeing the implementation of the policy for all other employees in the Group.

Whistle-blowing complaints are addressed to either the Chairman of the Board or to any member of the BWBC or MWBC.

Complaints received will be escalated to the BWBC and MWBC for review, and where appropriate, for action to be taken by the Board, the President & Group CEO and/or the respective business units/divisions.

The UMW Group Policies & Guidelines ("**GPG**"), implemented in 2011, is aimed at promoting management best practices and good governance practices for the Group. The GPG serves to describe UMW's way of doing business. The policies and guidelines were prepared to ensure that expected standards of performance are properly communicated and disseminated throughout the UMW Group of Companies, and are adopted in a clear, systematic and comprehensive manner by all companies, to ensure full compliance with all rules, regulations, and legislative requirements globally. All subsidiaries within the Group adopt the policies and guidelines that are outlined in the manual.

The GPG is intended to be a living document with new policies, guidelines, and initiatives to be added over time. The GPG is reviewed and updated from time to time, with the endorsement of the Board, to reflect changing external demands and internal conditions necessary to support the Group's overall business objectives.

The Board recognises that integrity is a manifestation of ethical leadership. The Board commits to instilling the highest ethical standards to every aspect of the Group's business, even in challenging market conditions. The Group takes a more proactive approach towards ensuring that its activities promote responsible behaviour, fairness, sustainability and cultural sensitivity.

All directors, employees and contractors of the Group are required to understand and comply with local and international laws, internal rules, guidelines and regulations of the Company in advocating integrity in all their operations.

The Group Integrity Unit ("**GIU**") was established in 2014 to further enhance CG practices and business ethics. The unit is headed by Husaini bin Sulaiman and reports functionally to the BWBC Chairperson, Tan Sri Hasmah binti Abdullah, and administratively to the President & Group CEO.

In 2015, GIU formulated the UMW Integrity Framework and UMW Integrity Plan to enhance integrity culture within the UMW Group through the implementation of strategies and programmes in tandem with the National Integrity Plan. Included in the framework are programmes and procedures to strengthen integrity and good governance, to deter practices of corruption, fraud, abuse of power and other malpractices and misconducts, and to establish a "zero tolerance" culture for white-collar crimes. GIU continued to conduct integrity roadshows for business units in the Equipment Division, Manufacturing & Engineering Division and Automotive Division in the year under review, to create integrity awareness across the Group.

Procurement at UMW is governed by a structured and tiered system comprising of Core Policies, Operational Procedures and Control Mechanisms via the UMW Group's Procurement Guidelines and Supplier Registration Guidelines. The guidelines cover purchases of all types of goods and services made by corporate divisions and strategic business units ("**SBU**s") except for the Automotive Group, which has its own procurement policies and guidelines. These key principles and procedures also serve as guidelines in establishing detailed procurement procedures at all corporate divisions and SBUs. Kaizen or continuous improvement is also practiced and the aforementioned first three core policies had already undergone revisions to better reflect and accommodate the prevailing business environment.

In addition to the above and to ensure a more comprehensive policy which is sustainable and environmentally sound, UMW not only have to work in unison with our business partners but also give priority to procurement from suppliers that have established environmentally conscious policies and attempt to procure goods and/or services with minimal environmental impact.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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UMW Group's Procurement Guidelines is intended for all UMW Group staff who are involved, either directly or indirectly, in actions and decisions relating to procurement. The objectives of this Procurement Guidelines are to provide quality materials, equipment and services in a timely and cost-effective manner, and ensure adequate and dependable sources of supply whilst focusing on quality, utility and total cost of ownership, with the aim of contributing to Group profitability through judicious and ethical buying. The Group Procurement Department is responsible for developing and managing procurement practices to carry out the function effectively and efficiently.

Directors, principal officers and any other employees of the UMW Group who have access to price sensitive information in relation to the Company, are required to comply with the provisions of the MMLR and the Capital Markets & Services (Amendment) Act 2015, in relation to dealings in the securities of the Company. The Board does not encourage trading during closed periods, although allowed under the MMLR upon observation of specified procedures. Notice on closed periods for trading in the Company's securities are circulated on a quarterly basis to Directors, principal officers and other employees who have access to price sensitive information. All dealings are reported to the Group Secretary and are tabled at the next practicable Board meeting for directors' notation.

During the year under review and to the best of our knowledge, none of the Directors, principal officers or any other employees who have access to price sensitive information, were involved in any insider trading activities.

### **Strategies Promoting Sustainability (Recommendation 1.4)**

UMW also promotes good CG in the application of sustainability practices within the Group. Sustainability strategies are inculcated in the UMW Group's Sustainability Programmes, taking into consideration various short/medium to long-term programmes to protect the environment, economic and social interests. UMW's inaugural standalone Sustainability Report which has been benchmarked against the Global Reporting Initiatives G4 ("GRI-G4") guidelines can be viewed at the Company's official website at [www.umw.com.my](http://www.umw.com.my)

As part of the Company's call to promote a sustainability programme, the UMW Bumiputera Agenda Committee ("BA Committee") was established in 2014 for the purpose of Bumiputera Economic Empowerment and fixing of GLC Bumiputera Agenda key performance indicators ("KPI"). The BA Committee is headed by Shamshul bin Abdul Jabar, Head of Group Procurement.

The BA Committee, chaired by an independent NED, Khalid bin Sufat, is tasked to look into the bumiputera agenda cohesively from the UMW Group's perspective and drive any necessary initiative to achieve its objectives. The BA Committee also oversees the bumiputera agenda holistically, encompassing areas of procurement, human capital, dealerships/distributorships, ownership of non-financial assets, disposals/carve-outs, etc.

For 2016, two BA Committee meetings were held to provide updates and sought guidance on issues affecting, among others, Bumiputera Vendor Development Programme, human capital initiatives and procurement activities undertaken by the UMW Group.

### **Access to Information and Advice (Recommendation 1.5)**

The Board has direct access to management for complete and unrestricted information pertaining to the Group's business and affairs necessary for the effective discharge of its responsibilities.

Management is responsible for providing the Board with timely, accurate and quality information and in a form and manner appropriate for the Board to discharge its duties effectively.

All directors are provided with comprehensive Board papers containing management reports and proposal papers at least five days before Board meetings to enable them to review and consider the agenda items to be discussed. In addition, there is a schedule of matters reserved specifically for the Board's decision.

Members of the Group's senior management and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the agenda. Where necessary, management briefs Board members individually before certain matters are discussed at Board meetings.

Minutes of Board meetings are circulated to all directors for their perusal prior to confirmation at the following Board meetings. Directors may request further clarification or raise comments on the minutes prior to confirmation by the Board. The Board keeps abreast of key issues and decisions made by Board Committees through reports by the Chairman of each committee and via the minutes of Board Committee meetings presented to the Board.

The Board can have access to independent professional advice, where necessary, for proper discharge of its duties and at the Group's expense. Heads of operations are required to make presentations on proposal papers and brief/update Board members on operational issues from time to time to facilitate directors in discharging their duties.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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### **Qualified and Competent Company Secretary (Recommendation 1.6)**

Directors have individual and unrestricted access to the advice and services of the Group Secretary.

The Group Secretary is qualified to act as Company Secretary under Section 139A of the CA 1965. She is responsible for ensuring that the secretarial function provides adequate support to the Board, Board Committees and FBs for all Board-related functions. The seniority, experience and group-wide knowledge of the Group Secretary are instrumental in serving the Group's governance needs. The Group Secretary plays an advisory role to the Board in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and directors' duties and responsibilities. She also ensures that deliberations at meetings of the Board, Board Committees and FBs are properly captured, minuted and communicated to management for necessary action.

The Group Secretary is adequately supported by a team of qualified governance staff from the Group Secretarial & Corporate Governance Division ("**GSD**") to ensure effective implementation and monitoring of CG best practices throughout the Group. The Group Secretary together with GSD staff constantly keep themselves abreast of regulatory changes and developments in CG through continuous training, which is mandatory for all levels of staff.

### **Board Charter (Recommendation 1.7)**

In discharging its duties and responsibilities, the Board is guided by its Board Charter which is aimed at ensuring that all directors acting on behalf of the Company are aware of their duties and responsibilities and the various legislations and regulations affecting their conduct. It also ensures that the principles and practices of good CG are applied in all their dealings in respect of and on behalf of the Company. The UMW Board Charter was adopted by the Board on 21 January 2008.

The Board Charter provides guidance to Directors of all operating subsidiaries in the Group to recognise and manage ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability.

The Board Charter is currently being reviewed to incorporate relevant amendments made to the Companies Act 2016, MMLR, etc.

A copy of the Board Charter is published on the Company's website at [www.umw.com.my/boardcharter.php](http://www.umw.com.my/boardcharter.php)

### **STRENGTHEN COMPOSITION (PRINCIPLE 2)**

#### **Establishment of Nomination Committee (Recommendation 2.1)**

The NC, which comprises exclusively of NEDs, the majority being independent, is empowered to identify and recommend to the Board, nominees qualified to serve on the Board (including the President & Group CEO) and Board Committees, and the Group's key management personnel, including the Group Secretary. The NC also oversees the evaluation of the Board and Board Committees and of individual directors. The establishment of KPIs of senior executives is also under the purview of the NC.

Nominations may come from a wide variety of sources, including directors' pool, senior employees of the Group, shareholders, industry associations, recruiting firms and others. The NC is appointed by the Board from amongst its directors, and comprises three members, all of whom are NEDs and majority of whom are Independent Directors, as recommended by MCCG 2012.

Dato' Siow Kim Lun (Senior Independent NED (Chairman)), Khalid bin Sufat (Independent NED) and Dr. Leong Chik Weng (Non-Independent NED) were all appointed to the NC by the Board.

The Group Secretary is also Secretary of the NC.

The key responsibilities of the NC are as follows -

1. Identify and make recommendations to the Board on new candidates for appointment to the Boards of UMW and its subsidiaries and associated companies;
2. Review and make recommendations to the Board the appointment of directors to fill seats on Board Committees;
3. Annually review the required mix of skills, experience and other qualities of the Board including gender diversity, ethnicity and age where appropriate, and core competencies, which NEDs should bring to the Board;
4. Annually carry out the processes for evaluating the effectiveness of the Board, the Board Committees and the performance and contribution of each individual NED, including Independent NEDs, identify areas for improvement and develop and recommend to the Board action plans for improvement, where applicable;
5. Make recommendations to the Board for the re-election/re-appointment of Directors retiring by rotation at the Annual General Meeting ("**AGM**") of the Company;
6. Establish quantitative and qualitative performance criteria for the President & Group CEO and senior-most executives in the Group (Job Grades 22 and above), for recommendation to the Board;

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## - STATEMENT ON CORPORATE GOVERNANCE -

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7. Review the performance of the President & Group CEO and senior-most executives in the Group (Job Grades 22 and above) for determining the annual performance-based reward and for approving the renewal of their service contracts, when applicable;
8. Review management's proposals for the appointment, dismissal and appeal, transfer and promotion of senior-most executives in the Group (Job Grades 22 and above), for recommendation to the Board;
9. Review and approve the performance of the Group Secretary based on recommendations by the President & Group CEO;
10. Make recommendations to the Board on plans for succession for members of the Board, the President & Group CEO, the Group's senior-most executives (Job Grades 22 and above) and the Group Secretary;
11. Review and approve the human resource strategy and plan, including succession management framework and human resource activities and initiatives, and the annual manpower budget, for recommendation to the Board;
12. Recommend the engagement of external professional advisors to assist/advise the NC on leadership needs of the UMW Group, where necessary; and
13. Carry out any other function defined by the Board.

The NC has the authority to make decisions on matters which fall within its responsibilities or to submit to the Board its recommendations on matters which are within its purview, for the Board's consideration and approval. It may obtain independent professional or other advice and may request the attendance of persons at meetings, if necessary.

The NC meets six times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the NC. Nonetheless, during the financial year ended 31 December 2016, the NC met nine times, details of which are given on page 78 of this annual report.

The quorum for the NC is two members and each member of the NC is entitled to one vote on all matters deliberated at the meeting. In the case of an equality of votes, the Chairman of the NC is entitled to a second or casting vote.

Other than the NC members, the President & Group CEO, Executive Director ("ED") of GHRD and other Board members and representatives, if deemed necessary, attend NC meetings, to discuss matters such as extension of service and succession planning of key senior management, and KPI setting and leadership framework.

The approved minutes of all NC meetings are tabled to the Board for notation and kept by the Secretary as evidence that the NC has discharged its functions. The Chairman of the NC reports to the Board on significant issues after each NC meeting.

The following activities were carried out by the NC during the financial year ended 31 December 2016 -

1. Reviewed and recommended the following for Board approval -
  - Re-designation of the EDs of Equipment and Manufacturing & Engineering Divisions;
  - New contract of service and renewal of contract of service for employees in key management positions and their succession planning;
  - Directors retiring by rotation and re-election/re-appointment of directors;
  - Potential woman director candidates for the position of additional Independent Director for UMW;
  - Recruitment/appointment of new/additional directors on the Boards of companies in the Group;
  - Assessment of potential internal successors for the position of the President of UMW Toyota Motor Sdn. Bhd.;
  - Recruitment for senior management in Job Grades 20 and above;
  - Setting of KPIs and key leadership management framework for the President & Group CEO and other senior management;
  - Assessment of the performance of the President & Group CEO and other senior management;
  - Manpower planning for the UMW Group of Companies; and
  - New organisation structure of UMW Corporation Sdn. Bhd.
2. Conducted an assessment on the effectiveness of the Board as a whole, Board Committees and the contribution of individual Directors and recommended improvement plans, where applicable.

### ***Recruitment Process and Annual Assessment of Directors (Recommendation 2.2)***

#### ***Recruitment or Appointment of Directors***

The Group has in place a formal and transparent procedure for the appointment of directors to the Board. The policies and procedures for recruitment or appointment (including re-election/re-appointment) of directors are detailed in the Board Charter. The NC is guided by the Board Charter and its TOR in the nomination, selection and appointment process.

The appointment of a new director is a matter for consideration and decision by the full Board upon appropriate recommendation from the NC.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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In considering candidates as potential directors, the NC takes into account the following key criteria -

1. Skills, knowledge, expertise and experience;
2. Time commitment, character, professionalism and integrity;
3. Perceived ability to work cohesively with other members of the Board;
4. Specialist knowledge or technical skills in line with the Group's strategy;
5. Diversity in age, gender and ethnicity and experience/background; and
6. Number of directorships in companies outside the Group.

The Group does not practice gender, ethnicity or age discrimination, neither at the Board level nor at the management level.

In line with the Government's aspiration to have at least 30% women representation in decision-making positions of Malaysian public companies by 2016, the Board is pleased to report that the Company has now three women directors on the Board of ten members. Whilst the Board recognises gender diversity as one of the key drivers to enhance board effectiveness, appointments to the Board are ultimately based on merit as the overriding principle with a view of achieving a high-performance board. Other competencies such as individual skills, background, industry knowledge and experience, amongst other factors, will be taken into consideration. Nominations for women directors may come from a wide variety of sources, including directors' pool, senior employees of the Group, shareholders, industry associations, recruiting firms and others.

The selection process for directors to be appointed to the Board applies as follows -

1. Potential candidates are referred to the NC for consideration by the NC and subsequently for recommendation to the Board;
2. The NC will determine appropriate means for seeking additional candidates, including engagement of outside consultants to assist the NC in identifying candidates;
3. Shareholders who wish to suggest candidates are to submit their suggestions in writing to the Chairman of the Board, NC, President & Group CEO or Group Secretary providing relevant information about the candidates;
4. The NC will decide on the appropriate means for the review and approval of individual candidates. In the event of a vacancy, the members of the NC will initiate efforts to identify appropriate candidates; and
5. In formulating its recommendation, the NC will consider not only the findings and conclusion of its evaluation process, but also the current composition of the Board, the attributes and qualifications that should be represented at the Board and the recommendations of the principles and practices of MCCG 2012.

All newly-appointed directors will undergo a comprehensive induction programme with the objective of providing an overview of the Company's vision and mission, its philosophy, corporate culture and nature of business, corporate strategy, current issues and the long-term targets of the Group. Specific briefings on operations and plant visits, including overseas plant visits whenever necessary, are also conducted. A familiarisation programme on the Group's businesses and CG practices is arranged for new directors upon their appointment to facilitate effective discharge of their duties.

The responsibility of ensuring that procedures relating to the appointment of new directors are properly executed, rests with the Group Secretary. The Group Secretary ensures that all appointments are properly made, that all necessary information is obtained from the directors, both for the Company's own records and for purposes of meeting statutory and regulatory requirements.

### ***Re-Election/Re-Appointment of Directors***

Article 109 of the Company's Constitution stipulates that directors appointed to the Board for the first time are subject to mandatory retirement at the next AGM following their appointment. Dato' Eshah binti Meor Suleiman was appointed as Director on 17 October 2016 and Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman was appointed Director/Chairman on 1 January 2017. Accordingly, Dato' Eshah and Tan Sri Dato' Sri Hamad Kama Piah will be retiring at this AGM and being eligible have offered themselves for re-election.

Article 123 of the Company's Constitution further provides that at least one-third of the directors are subject to retirement by rotation at each AGM. In this regard, the directors, who are subject to retirement at this AGM under Article 123, i.e., Dr. Leong Chik Weng, Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani and Dato' Mohd. Nizam bin Zainordin have indicated that they do not wish to seek re-election at the forthcoming AGM.

The Board has adopted a retirement age policy for directors, guided in general by MCCG 2012 which stipulates that the tenure of an independent director shall not exceed a cumulative term of nine years. The Company's Board Charter in relation to the tenure of NEDs is currently being reviewed.

### ***Board Performance Evaluation***

The Board has entrusted the NC with the responsibility of annually reviewing the required mix of skills, attributes and core competencies of its directors. The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the effectiveness of each director, including the Chairman.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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The NC had performed the Board and Board Committee evaluation as well as individual directors' self and peer evaluation for the financial year ended 31 December 2016. The exercise was carried out internally by GSD based on a detailed questionnaire adopting the latest CG Framework and best practices.

In reviewing the performance of the Board and the contribution of the Chairman and individual directors, performance was assessed and measured against, among others, the Group's strategic plan, principle duties expected of the Board, the Chairman and directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution.

The evaluation exercise took into account whether -

1. NEDs have adequate time to spend on matters pertaining to the Company's operations;
2. Full consideration has been given to succession planning, taking into account the challenges and opportunities facing the Company and what skills and expertise are needed in the Board in the future;
3. Review of the structure, size and composition (including the skills, knowledge and experience) and gender diversity, ethnicity and age of the Board has been undertaken and changes recommended to the Board;
4. Appropriate recommendations have been made to the Board on the re-election/re-appointment of NEDs; and
5. Leadership needs of the organisation, both executive and non-executive, have been reviewed.

In addition, the NC had also performed an assessment on the independence and effectiveness of Independent Directors as recommended under Principle 3 of MCCG 2012. The assessment took into account Independent Directors' skills and competencies as well as the independent criteria stipulated in the MMLR, which require Independent Directors to be independent of management and free from any business or other relationships that could impair independent judgement, objectivity and ability to act in the best interests of the Company. Due consideration was also given to whether the Independent Director can continue to bring independent and objective judgement to board deliberations.

The findings of the evaluation were summarised and presented to the NC. The Chairman of the NC subsequently met with the Group Chairman to discuss the findings and results of the overall evaluation of the Board, the Board Committees and individual directors and to recommend areas of continuous improvement, where applicable. The overall results of the evaluation conducted and improvements recommended were presented at the Board meeting on 14 April 2017. The evaluation results have shown that the Board has continued to be effective and engaged and

has discharged its function well based on the complexity of the Group's business activities and the current challenging economic climate.

The performance evaluation for Badrul Feisal bin Abdul Rahim (appointed Director and President & Group CEO on 1 October 2015) was undertaken for 2016. The Board is satisfied that Badrul Feisal has discharged his functions, duties and responsibilities well, both as Director and as President & Group CEO of the Company for the year under review.

### ***Appointment of Senior Independent NED ("SID")***

Dato' Siow Kim Lun was appointed as UMW's SID on 11 October 2013. Dato' Siow has the role of supporting the Chairman in ensuring that all Independent Directors have an opportunity to provide their views and comments on the affairs of the Company. He continues to be the conduit between Independent Directors and the Chairman on matters that may be deemed sensitive. Shareholders and other interested parties may also convey their concerns relating to the Group to Dato' Siow via his personal email address at [kimlun22@gmail.com](mailto:kimlun22@gmail.com)

### ***Remuneration Policies and Procedures for Directors (Recommendation 2.3)***

In line with MCCG 2012, the Company aims to set remuneration for directors at levels which are sufficient to attract and retain persons of calibre to guide the Group successfully, taking into consideration factors such as their fiduciary obligations and responsibilities, time commitment, and the Company's performance and market conditions. The RC may appoint external advisers or consultants to advise on specific areas where necessary. The Board as a whole determines the remuneration of directors.

The RC is responsible for reviewing and recommending to the Board, directors' remuneration and in the case of NEDs, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them.

The RC also assists the Board in developing the Group's remuneration policy framework and determining the remuneration package for the President & Group CEO and members of the senior management of the Group. The remuneration of EDs is structured so as to link rewards to corporate and individual performance. The remuneration includes salary and emoluments, bonus and benefits-in-kind. The level of remuneration for ED is benchmarked against compensation levels for similar positions among other Malaysian public-listed companies within the same industry.

## - STATEMENT ON CORPORATE GOVERNANCE -

The Company is also cognisant of the compensation philosophy advocated by the Putrajaya Committee on GLC High Performance, which suggests that GLC Boards should regularly review the compensation of their Chairman and directors and align them to the 50<sup>th</sup> percentile of an appropriate peer group.

A formal review of directors' remuneration is undertaken once every two years in accordance with the Board Charter. All directors, executive and non-executive, abstain from deliberations and voting on decisions in respect of their individual remuneration. The last review on NEDs' remuneration was approved by shareholders on 28 May 2015 with the manner of payment determined by the Board. The fees approved by the Board are as follows -

### Company

	Annual Fees (RM)	Monthly Payment (RM)
Chairman	300,000	25,000
NED	150,000	12,500

### Subsidiaries

	Annual Payment (RM)
Chairman/NED	2,000

*Note - The President & Group CEO does not receive any Directors' fee.*

Apart from the directors' fees mentioned above, the benefits payable to NEDs, comprising benefits-in-kind and other emoluments, are as follows -

Description	Chairman	NEDs
Benefits-in-kind	Leave passage, medical coverage worldwide, car and petrol, club memberships, mobile phone, telephone expenses and security services, etc.	Medical coverage worldwide, car and petrol, telephone expenses, etc.
Other emoluments -		
• Meeting allowance (per meeting)	RM1,500	RM1,000
- Board		
- Board Committees		
- Subsidiaries		
• Per Diem (per day)	RM500	RM500

Payment of NEDs' benefits are made by the Company and its subsidiaries on a monthly basis and/or as and when incurred.

In determining the estimated amount of benefits payable to the NEDs, including the Non-Executive Chairman, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees, as well as the number of NEDs involved in these meetings.

Details of each director's remuneration, distinguishing between EDs and NEDs, is given in Note 27 of the audited financial statements for the year ended 31 December 2016.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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Details of the number of directors of the Company whose total remuneration in the year under review falls within the following bands, are as follows -

Range of Remuneration	Executive Director	Non-Executive Director	Total
RM1 - RM50,000	-	1	1
RM150,001 - RM200,000	-	1	1
RM200,001 - RM250,000	-	4	4
RM250,001 - RM300,000	-	1	1
RM350,001 - RM400,000	-	1	1
RM1,350,001 - RM1,400,000	-	1	1
RM1,700,001 - RM1,750,000	1	-	1

The RC also reviews and recommends to the Board the remuneration of senior management employees of the Group based on individual contribution, performance and responsibilities.

The RC comprises three members, all of whom are NEDs, and are appointed by the Board from amongst its directors. Khalid bin Sufat (Independent NED (Chairman)), Dr. Leong Chik Weng (Non-Independent NED) and Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani (Non-Independent NED) were all appointed to the RC by the Board.

The Group Secretary is also Secretary of the RC.

The RC meets six times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the RC. The RC met five times in the year under review, details of which are given on page 78 of this annual report.

The quorum for the RC is two members and each member is entitled to one vote on all matters deliberated at the meeting. In the case of an equality of votes, the Chairman of the RC is entitled to a second or casting vote.

Other than the RC members, the President & Group CEO, ED of GHRD and other Board members and representatives, if deemed necessary, attend RC meetings to discuss the annual increment and performance-based bonus for senior management in Job Grades 22 and above and the Group Secretary, the remuneration package of key senior management following extension of contract of service, KPI achievement of EDs of SBUs/Corporate Divisions, etc.

The TOR of the RC is available at [www.umw.com.my/boardcharter.php](http://www.umw.com.my/boardcharter.php)

In addition to the above, directors are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as directors and officers of the UMW Group, provided that such director or officer has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust.

### REINFORCE INDEPENDENCE (PRINCIPLE 3)

#### **Annual Assessment of Independent Directors (Recommendation 3.1)**

The Board recognises the importance of the role of the Independent NEDs, particularly in ensuring that strategies proposed by management are fully deliberated and examined objectively, taking into perspective, among others, the long-term interests of shareholders as well as other stakeholders and the community at large.

The Board has entrusted the NC with the responsibility of assessing the effectiveness of the Board as a whole, which also includes the Independent Directors. Except for Dato' Eshah who joined UMW in October 2016, the assessment conducted on the independence and effectiveness of Independent Directors, namely, Dato' Siow, Khalid and Tan Sri Hasmah, took into consideration attributes such as whether the respective individuals can perform director's duties without being subject to the influence of management and possess knowledge of the business arising from familiarity with the industry and the peculiarities of the UMW Group itself. The Independent Directors were also evaluated on whether they could devote sufficient time to actively participate and contribute during Board deliberations.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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Based on the assessment conducted in 2016, the Board, on the recommendation of the NC, was satisfied with the level of independence of the Independent Directors and their ability to act in the best interests of the Company and they are expected to continue to give independent views, advice and judgement to ensure a balanced and unbiased decision-making process at the Board.

The number of Independent Directors of UMW complies with the requirements of the MMLR, which states that at least three members or one-third of the Board shall be Independent Directors.

### ***Tenure of Independent Director (Recommendation 3.2)***

In line with the recommendation of MCCG 2012, the Board has implemented a nine-year policy for Independent NEDs, which has been incorporated in the Board Charter. At present, none of the Independent NEDs has served more than nine years on the Board. Therefore, no shareholders' approval will be sought for this purpose at the forthcoming AGM.

### ***Shareholders' Approval for Retention of Independent Director after Nine Years (Recommendation 3.3)***

The Board has adopted the policy under its Board Charter which stipulates that the tenure of Independent Directors should not exceed a cumulative term of nine years. The policy also allows extension of tenure but the Independent Director is to be re-designated as Non-Independent Director, subject to shareholders' approval.

### ***Position of Group Chairman and President & Group CEO (Recommendation 3.4)***

The Board has put in place a separation of duties and responsibilities between the Group Chairman and the President & Group CEO to ensure a clear segregation of responsibility and accountability, proper balance of authority and greater capacity for independent decision-making. The clear division of responsibilities allows the Group Chairman to assume the formal role of an independent leader in setting the policy framework of the Group and effective conduct of the Board. The Group Chairman ensures and facilitates the flow of information between management and the Board. He also ensures that information relating to issues on the agenda is disseminated to all Directors well before deliberation at Board meetings.

The Group Chairman encourages active participation by Board members in discussions and provides reasonable time for discussion of complex issues under review. Decisions reached at meetings reflect the consensus of the whole Board and not the views of any individual or group.

### ***Composition of Board (Recommendation 3.5)***

The Board consists of ten members, comprising nine NEDs, four of whom are Independent NEDs, and one ED designated as President & Group CEO.

On 1 January 2017, Tan Sri Dato' Sri Hamad Kama Piah assumed the role of the Group Chairman of UMW in place of Tan Sri Asmat bin Kamaludin who retired on 31 December 2016. Tan Sri Dato' Sri Hamad Kama Piah is a Non-Independent NED as he is a nominee of a major shareholder of the Company.

Notwithstanding the above, UMW will endeavour to increase the number of Independent Directors on the Board if opportunity presents itself and should there be a need for added skills on the Board.

## **FOSTER COMMITMENT (PRINCIPLE 4)**

### ***Time Commitment and Protocol for Accepting New Directorships (Recommendation 4.1)***

#### ***Time Commitment***

To facilitate directors' planning, meetings of the Board, Board Committees and shareholders are scheduled in advance at the beginning of the fourth quarter of each preceding year. The Board meets at least once every quarter with additional meetings convened as Special Board meetings as and when situations require urgent Board deliberation and decision.

The commitment and dedication of Board members in ensuring effective discharge of their duties and responsibilities are reflected by the number of Board meetings held during the financial year ended 31 December 2016. Directors also devote time to participate in Company events. The Board is satisfied with the commitment given by the directors in fulfilling their roles and responsibilities during the year under review.

A total of 12 Board meetings were held during the year under review to deliberate on business performance reports of the Company and its major subsidiaries and associated companies, evaluate the feasibility of business propositions and corporate proposals, prevailing economic issues, risk management, strategies and direction, and standards of conduct and compliance by the Group.

To ensure timeliness and efficiency, dissemination of all minutes, reports and board papers for Board and Board Committee meetings have now been made using cloud technology. This cloud-based information technology reduces the need for traditional e-mail and paper-based communication and allows board papers and other information to be securely uploaded by management and remotely accessed by the directors through dedicated applications.

## - STATEMENT ON CORPORATE GOVERNANCE -

From time to time, the Company's Board meetings are held at locations within the Group's business operations to give directors a better perspective of the Group's businesses and to improve their understanding of the operations.

All Directors have exceeded the 50% meeting attendance requirement as prescribed under Paragraph 15.05(3)(c) of the MMLR. Details of the attendance record of each director at Board and Board Committee meetings for the financial year ended 31 December 2016, is set out below -

### Attendance at Board Meetings

Director	No. of Meetings Attended	Percentage
<b>Non-Independent Non-Executive</b>		
Tan Sri Asmat bin Kamaludin*	12/12	100
Dr. Leong Chik Weng	12/12	100
Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani	11/12	92
Dato' Mohd. Nizam bin Zainordin	11/12	92
Rohaya binti Mohammad Yusof	12/12	100
<b>Independent Non-Executive</b>		
Dato' Siow Kim Lun	12/12	100
Khalid bin Sufat	11/12	92
Tan Sri Hasmah binti Abdullah	10/12	83
Dato' Eshah binti Meor Suleiman**	1/2	50
<b>Executive</b>		
Badrul Feisal bin Abdul Rahim	11/12	92

### Attendance at Board Committee Meetings

Director	No. of Meetings Attended				
	AC	NC	RC	IRMC	BWBC
<b>Non-Independent Non-Executive</b>					
Tan Sri Asmat bin Kamaludin^	-	-	-	-	-
Dr. Leong Chik Weng	-	9/9	5/5	6/6	-
Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani	-	3/3	5/5	-	-
Dato' Mohd. Nizam bin Zainordin	8/9	-	-	5/6	3/3
Rohaya binti Mohammad Yusof^	-	-	-	-	-
<b>Independent Non-Executive</b>					
Dato' Siow Kim Lun	9/9	9/9	-	6/6	3/3
Khalid bin Sufat	9/9	9/9	5/5	-	3/3
Tan Sri Hasmah binti Abdullah	8/9	-	-	5/6	3/3
<b>Executive</b>					
Badrul Feisal bin Abdul Rahim	8/9	8/9	5/5	6/6	-

#### Notes:

\* Tan Sri Asmat bin Kamaludin retired as Group Chairman on 31 December 2016

\*\* Dato' Eshah binti Meor Suleiman was appointed as Director on 17 October 2016

^ Tan Sri Asmat bin Kamaludin and Rohaya binti Mohammad Yusof are not members of any Board Committee of the Company

## - STATEMENT ON CORPORATE GOVERNANCE -

### *Protocols for Accepting New Directorships*

The Company has adopted a procedure which allows any director, while holding office, to accept other board appointments outside the Group. The director must first notify the NC of any new external directorships to obtain its endorsement. Thereafter, the Board is notified of the appointment accordingly. In addition, directors must also notify the Company of any subsequent change in their directorships and/or interests in such companies. Confirmation of directorships and interests in companies outside the Group, are given by directors at least twice a year.

Members of the Board also comply with Paragraph 15.06 of the MMLR with regard to holding not more than five directorships in public-listed companies in the year under review, to ensure that they have sufficient time to focus on the affairs of the Company.

### *Continuing Education Programmes for Directors (Recommendation 4.2)*

The Board is mindful of the need for directors to attend continuous education programmes to keep them abreast of new developments pertaining to legislations, regulations, current commercial issues and changing commercial risks that may affect business operations and compliance matters.

The NC had performed a general assessment of the composition, skills and experience of the Board in light of the UMW Group's business and strategies, as recommended under Principle 4 of MCCG 2012 via a Board Skill Matrix exercise. This evaluation has enabled the NC to address the training needs of each director more objectively so that appropriate training and education programmes can be identified and arranged for directors' participation from time to time to further enhance their skills and knowledge. The Company also allocates a dedicated training budget to support the continuous development of directors.

The Group Secretary facilitates in organising training programmes, briefings, workshops and seminars for directors. Whenever required, directors may request for training programmes on specific subjects to facilitate them in discharging their duties effectively.

On 9 June 2016, a customised briefing session by Zaid Ibrahim & Co. ("**ZICO**") on the amendments to the CA 1965 was organised by Group Legal Division in an effort to further enhance the understanding of the new Companies Bill 2015. The half-day session was attended by directors and senior management within the Group and was held at the UMW Head Office in Shah Alam.

The development and training programmes, conferences, seminars, courses/workshops attended by directors, including their participation as distinguished speakers at local and international conventions in 2016, were as follows -

Name of Director	Programme Attended	Date Held	Co-ordinator	Total
Tan Sri Asmat bin Kamaludin (retired as Chairman on 31 December 2016)	Briefing Session on the Trans-Pacific Partnership Agreement (" <b>TPPA</b> ")	21/01/2016	Ministry of International Trade and Industry (" <b>MITI</b> ")	6
	Briefing Session on the TPPA	07/03/2016	MITI and UMW	
	Learning from Leaders Session with Group Chairman	26/04/2016	UMW	
	Briefing on the Companies Bill 2015	09/06/2016	ZICO and UMW Corporation Sdn. Bhd. (" <b>UMWC</b> ")	
	Talk by the Mayor of Hiroshima entitled "From Hiroshima to Our World Without Nuclear Weapons - Beyond Human Atrocities"	22/07/2016	University of Malaya	
	Launch of the AGM Guide & CG Breakfast Series: How to Leverage on AGMs for Better Engagement with Shareholders	21/11/2016	Bursa Malaysia Berhad (" <b>Bursa Malaysia</b> ")	

**- STATEMENT ON CORPORATE GOVERNANCE -**

Name of Director	Programme Attended	Date Held	Co-ordinator	Total
Badrul Feisal bin Abdul Rahim	Mandatory Accreditation Programme for Directors of Public Listed Companies	13 - 14/01/2016	Bursatra Sdn. Bhd.	2
	Briefing on the Companies Bill 2015	09/06/2016	ZICO and UMWC	
Dr. Leong Chik Weng	Companies Bill 2015	21/07/2016	Companies Commission Malaysia (“CCM”) and Rahmat Lim & Partners	2
	Corporate Liability Act: What’s Next?	06/09/2016	Chemical Company of Malaysia Berhad (“CCMB”)	
Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani	Investment Account Platform	17/02/2016	Bank Negara Malaysia (“BNM”)	8
	7 <sup>th</sup> SC-OCIS Roundtable – Influencing Change in Finance & Society: Public Policy and Legislative Priorities	05 - 06/03/2016	Securities Commission (“SC”) and Oxford Centre for Islamic Studies (“OCIS”)	
	International Forum on the World’s Economic Outlook: Challenges and Opportunities for Malaysian Companies	30/05/2016	Permodalan Nasional Berhad (“PNB”) and PNB Investment Institute Sdn. Berhad (“PNBi”)	
	Briefing on the Companies Bill 2015	09/06/2016	ZICO and UMWC	
	The Development of Islamic Banking in Malaysia	05/07/2016	The Asian Law Centre and The Transactional Law Group, University of Melbourne	
	How Effective Boards Engage on Succession Planning for the CEO and Top Management	18/08/2016	PNB and PNB <i>i</i>	
	8 <sup>th</sup> International Conference on Financial Crime and Terrorism Financing 2016	05 - 06/10/2016	Asian Institute of Finance (“AIF”) co-hosted with Compliance Officers’ Networking Group and fully supported by BNM	

**- STATEMENT ON CORPORATE GOVERNANCE -**

Name of Director	Programme Attended	Date Held	Co-ordinator	Total
Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani (contd.)	Asian Institute of Finance's Distinguished Speaker Series 2016 - Riding The Leadership Rollercoaster: An Observer's Guide	02/12/2016	AIF	
Dato' Siow Kim Lun	The Future of Auditor Reporting – The Game Changer for Boardroom	06/03/2016	Bursa Malaysia and Malaysian Institute of Accountants (“MIA”)	9
	Dialogue with BNM on Corporate Governance Concept Paper	26/04/2016	Financial Institutions Directors' Education	
	Money Laundering & Counter Terrorist Financing	28/04/2016	Citibank Berhad	
	International Forum on the World's Economic Outlook: Challenges and Opportunities for Malaysian Companies	30/05/2016	PNB and PNBi	
	Sustainability Engagement Series for Directors/ Chief Executive Officers	01/06/2016	Bursa Malaysia	
	Briefing on the Companies Bill 2015	09/06/2016	ZICO and UMWC	
	Investment Mega Trends in the New Economy	09/08/2016	PNBi	
	How Effective Boards Engage on Succession Planning for the CEO and Top Management	18/08/2016	PNB and PNBi	
	The Cyber Security Threat	18/11/2016	Bursa Malaysia	
Dato' Mohd. Nizam bin Zainordin	GRI Chairman's Retreat 2016	14 - 17/01/2016	Global Real Estate Institute (“GRI”)	6
	PNB Group – Budget 2016/Revised Budget 2016 updates and GST Impact to Corporate Tax Compliance	25/03/2016	Ernst & Young Tax Consultants Sdn. Bhd.	
	International Forum on the World's Economic Outlook: Challenges and Opportunities for Malaysian Companies	30/05/2016	PNB and PNBi	
	The Direction of Global Competition Malaysia	02/08/2016	Harvard Business School	
	The Future of Digital Finance 2016	08/08/2016	Thomvell International Sdn. Bhd.	
	How Effective Boards Engage on Succession Planning for the CEO and Top Management	18/08/2016	PNB and PNBi	

**- STATEMENT ON CORPORATE GOVERNANCE -**

Name of Director	Programme Attended	Date Held	Co-ordinator	Total
Khalid bin Sufat	ACCA Malaysia Annual Conference 2016	10/05/2016	The Association of Chartered Certified Accountants (“ACCA”)	8
	International Forum on the World’s Economic Outlook: Challenges and Opportunities for Malaysian Companies	30/05/2016	PNB and PNBi	
	Futures opportunities in Polymers	30/05/2016	CCMB	
	Foreign Exchange Administration Rules	20/07/2016	Kuwait Finance House	
	Companies Bill 2015	21/07/2016	CCM and Rahmat Lim & Partners	
	How Effective Boards Engage on Succession Planning for the CEO and Top Management	18/08/2016	PNB and PNBi	
	Role of the Chairman & Independent Directors’	28/09/2016	Malaysian Institute of Corporate Governance (“MICG”)	
	MIA International Accountants Conference 2016	15 - 16/11/2016	MIA	
Rohaya binti Mohammad Yusof	High Speed Rail Symposium	29/04/2016	Embassy of Japan	11
	Sustainability Engagement Series for Directors/ Chief Executive Officers	02/06/2016	Bursa Malaysia	
	OCBC Global Treasury Economic & Business Forum	14 - 15/07/2016	OCBC Bank (Malaysia) Berhad	
	2016 International Social Security Conference	10 - 11/08/2016	Employees Provident Fund (“EPF”)	
	Khazanah Megatrends Forum 2016	26/09/2016	Khazanah Nasional Bhd. (“Khazanah”)	
	MIT Insights Series by Dr. Doug Breeden, Senior Research Consultant, Amundi Smith Breeden	28/09/2016	BNM	

## - STATEMENT ON CORPORATE GOVERNANCE -

Name of Director	Programme Attended	Date Held	Co-ordinator	Total
Rohaya binti Mohammad Yusof ( <i>contd.</i> )	Konvensyen Kumpulan Inovatif dan Kreatif – Accelerated Development Programme 2016	05/10/2016	EPF	
	Ashmore Emerging Markets Seminar 2016	10 - 18/10/2016	Ashmore Group	
	Leadership Energy Summit Asia	08 - 09/11/2016	BNM	
	ELC – Performance Driven Leadership Course	16 - 17/11/2016	EPF	
	Islamic Finance – Product and Structure	28/11/2016	EPF	
Tan Sri Hasmah binti Abdullah	ACI Breakfast Roundtable 2016	26/04/2016	KPMG	8
	Investment Mega Trends in the New Economy	09/08/2016	PNBi	
	Audit Committee Workshop I: Fraud Risk Management	10/08/2016	MIA	
	Khazanah Megatrends Forum 2016	26/09/2016	Khazanah	
	Role of the Chairman and Independent Directors'	28/09/2016	MICG	
	2016 National Conference: Navigate Waves of Digital Revolution	11/10/2016	The Institute of Internal Auditors Malaysia	
	Cost, Risk and Brand: The Director's Role in Protecting the Company Against Corruption Seminar 2016	24/11/2016	MICG	
	Revised Auditor Reporting Standards – A Double Edged Sword	08/12/2016	MICG	
Dato' Eshah binti Meor Suleiman (appointed on 17 October 2016)	Briefing on Companies Act 2016	29/11/2016	Bursa Malaysia and Raja, Darryl & Loh	1

### UPHOLD INTEGRITY IN FINANCIAL REPORTING (PRINCIPLE 5)

#### ***Compliance with Applicable Financial Reporting Standards (Recommendation 5.1)***

In presenting the annual financial statements and quarterly announcements to Bursa Securities and all disclosures to shareholders, the Board is fully committed to providing a clear, balanced and comprehensible assessment of the Group's financial performance and its future prospects.

The AC assists the Board in overseeing the financial reporting process and ensuring the quality of financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The AC also assists the Board in reviewing the appropriateness of accounting policies applied by the Group as well as the changes in these policies.

The Board is fully accountable for ensuring that the financial statements of each financial year are prepared in accordance with applicable approved Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the CA 1965. It is also the responsibility of the Board to ensure that the financial statements represent a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

## - STATEMENT ON CORPORATE GOVERNANCE -

In preparing the financial statements the Directors have -

1. Adopted appropriate accounting policies and applied them consistently;
2. Made judgements and estimates that are reasonable and prudent;
3. Ensured that all applicable financial accounting standards have been followed; and
4. Prepared financial statements on a going concern basis, having made due enquiries that the Group and the Company have adequate resources to continue operations in the foreseeable future.

The directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

### **Assessment on Suitability and Independence of External Auditors (Recommendation 5.2)**

The Group maintains an active and transparent relationship with its auditors, both external and internal, through the AC.

For the period under review, the AC had performed an assessment to evaluate the suitability, effectiveness and independence of the Company's external auditors as recommended under Principle 5 of MCCG 2012. The annual evaluation of the external auditors provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance, covering among others, adequacy of the audit team, degree of independence, performance level and audit scope.

Based on the evaluation conducted, the AC is satisfied with the external auditors' performance, technical competency and audit independence. Having satisfied itself with the external auditors' performance and effectiveness, the AC recommended to the Board the external auditors' re-appointment upon which shareholders' approval will be sought at this AGM.

For 2016, the AC also received written confirmation from the external auditors that they are throughout the conduct of the audit engagement, independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the MIA. Services provided by the external auditors include statutory audit and other services. The terms of engagement for services of external auditors are reviewed and approved by the AC.

The breakdown of annual audit and other fees paid to the external auditors for the financial year ended 31 December 2016, is as follows -

	Company (RM'000)	Group (RM'000)
<b>Fees paid to principal auditors</b>		
• Statutory Audit	182	3,002
• Other Services*	-	1,025
<b>Fees paid to other auditors</b>		
• Statutory Audit	-	463
<b>Total</b>	<b>182</b>	<b>4,490</b>

**Note:**

\* Included under Other Services are tax fee and consultancy/advisory services

During the financial year under review, the AC had two private sessions with the external auditors without the presence of management to give opportunity to the external auditors to raise any matter that they consider was important to their area of responsibilities for the AC's attention. These private sessions helped to reinforce the independence of the external auditors from the management of the Company.

The external auditors' Lead Audit Engagement Partner also attends AC meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the AC members on significant audit and accounting issues which they noted in the course of their audit. Apart from this, the external auditors are also invited to attend the general meetings of the Company.

The role of the AC in relation to both external and internal auditors is set out on pages 88 to 96 of this annual report.

### **RECOGNISE AND MANAGE RISKS (PRINCIPLE 6)**

#### **Framework to Manage Risks (Recommendation 6.1)**

The Board affirms its commitment and responsibility for the Group's risk management and internal control systems as well as reviewing the adequacy, effectiveness and integrity of the systems. These systems cover not only financial controls but also strategic, organisational, operational, regulatory and compliance controls.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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The Group has in place Risk Management & Internal Control Systems for managing risks and internal controls affecting its business operations. The realisation of Risk Management & Internal Control Systems is undertaken by management. Regular reports on risks identified and actions taken to mitigate and/or minimise such risks and gaps in the internal control systems, if any, are presented to the IRMC and AC and ultimately to the Board. The oversight of these critical areas is carried out by the AC and the IRMC.

UMW has adopted a risk management framework in line with the Principles and Guidelines of ISO 31000: Risk Management. The framework incorporates a well-structured systematic process to identify, analyse and manage risks to an acceptable level for the achievement of UMW's strategic objectives. There is a clear categorisation used by individual operating companies and corporate divisions for risk appetite and individual risks are measured against set tolerance levels.

The IRMC monitors the consistent enforcement of the ERM policy. It also reviews and endorses the risk parameters, risk appetite, risk profiles as well as risk action plans.

### **Internal Controls**

The Group continues to maintain and review its internal control procedures to ensure a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The internal control system is designed to meet the Group's particular needs and to manage the risks that may impede the achievement of the Group's business objectives. The system, by its nature, cannot eliminate risks but can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors and management acknowledge their responsibility and remain committed towards maintaining strong internal controls for the Group covering financial, operational and compliance controls as well as risk management, and for reviewing the adequacy and integrity of the system.

The MAC was set up primarily to assist management in addressing issues highlighted in the Internal Audit Reports. The objectives of the MAC include among others, to assess the adequacy and effectiveness of the internal controls based on the Internal Audit Reports, and to agree on the corrective measures to be undertaken and its implementation. The MAC report is thereafter presented to the AC meeting by the Chairman of MAC.

An affirmation exercise to affirm management's responsibility and commitment towards maintaining strong internal controls of the Group's business operations was held in the year under review.

The Management Control Policy introduced in 2008 reflects that control is a function of the management and plays an integral part in the overall process of managing the operations of the Group. The policy provides the Board with reasonable assurance that the following are adhered to -

- Data and information published either for internal or external consumption is accurate, reliable and timely;
- The actions of directors, officers and employees are in compliance with established policies, standards, plans and procedures, and all relevant laws and regulations;
- The organisation's resources (including its people, systems, data/information bases and customer goodwill) are adequately protected;
- Resources are acquired economically and employed profitably and quality business processes and continuous improvement are emphasised; and
- The organisation's plans, programmes, goals and objectives are achieved.

### **Group Compliance Department**

The Group Compliance Department ("GCOMP") was established by management to enhance the internal control process across the Group. The setting up of the department was endorsed by the AC.

The primary objectives of GCOMP are to provide better understanding of the relationship between business objectives, control environment and operational risks to achieve the aforementioned business objectives and to educate employees to analyse, evaluate and report on the effectiveness of the control mechanism. GCOMP also advises and monitors compliance of entities in the Group, to established procedures. Further information on GCOMP is available in the Statement on Risk Management & Internal Control in this annual report.

The Statement on Risk Management & Internal Control, which provides an overview of the state of the risk management and internal control system of the Group is set out on pages 97 to 105 of this annual report.

### **Internal Audit Function (Recommendation 6.2)**

The internal audit function is performed in-house by the Group Internal Audit Division ("GIAD"). Effective 1 March 2016, Norchahya binti Ahmad was appointed the new Head of GIAD in place of Ahmad Al Juhari bin Darman, following a restructuring exercise involving several changes in the portfolios of senior management within the UMW Group. Norchahya reports functionally to the AC and administratively to the President & Group CEO.

## - STATEMENT ON CORPORATE GOVERNANCE -

The appointment and removal of the Head of GIAD is within the mandate of the AC, as covered in the Internal Audit Charter.

The GIAD audits internal control practices and reports significant findings to the AC together with recommended corrective actions. Management is responsible for ensuring that the corrective actions are undertaken within an appropriate time frame.

Details of the internal audit function are set out in the AC Report on page 96 of this annual report.

### **ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (PRINCIPLE 7)**

#### ***Corporate Disclosure Policies and Procedures (Recommendation 7.1)***

The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group's operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community. This is achieved through a comprehensive annual report, accurate and timely disclosures and announcements to Bursa Securities, distribution of circulars and press releases and also conducting dialogues and briefings with/for analysts, fund managers, potential investors, locally and abroad, and shareholders from time to time. The Company participated in several engagements with institutional investors during the year under review.

All communications with the media/public and disclosures made to Bursa Securities are in accordance with the CCP and the disclosure requirements of the MMLR. Confidential information is restricted to top management only. The Group Chairman, President & Group CEO and Group Chief Operating Officer and selected members of top management are responsible for making disclosures and responding to market rumours and queries.

#### ***Contacts for Investor Relations Matters***

No.	Name & Designation	Contact Details
1.	Badrul Feisal bin Abdul Rahim President & Group CEO	(603) 51635362 bfeisal@umw.com.my
2.	Roza Shahnaz binti Omar Director, Group Strategy	(603) 51635069 roza@umw.com.my
3.	S. Vikneshwaran a/l Sathasivan Head – Investor, Media Relations & Sustainability	(603) 51635044 vikneshwaran.s@umw.com.my

#### ***Leverage on Information Technology for Effective Dissemination of Information (Recommendation 7.2)***

The Company's website at [www.umw.com.my](http://www.umw.com.my) provides easy access to corporate information pertaining to the Group and its activities. Quarterly IR updates and information on financial results and material events are uploaded on the UMW website immediately after announcements on the same are made to Bursa Securities. The IR updates provide detailed analysis of the Group's quarterly operations, variances and general prospects.

In addition to announcements on quarterly financial reports, the Company communicates with its shareholders and investors through its annual report which contains comprehensive information about the Group. The contents of the annual report are continuously enhanced to better reflect transparency and accountability. The Company disseminates its annual report to its shareholders in CD ROM media but shareholders may also request for a hard copy of the annual report if they wish to. The annual report is also available on the UMW website.

The notice and minutes of general meetings together with slide presentations made at such meetings are made available on the Company's website for the benefit of shareholders who are not able to attend meetings.

### **STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (PRINCIPLE 8)**

#### ***Encourage Shareholder Participation at General Meetings (Recommendation 8.1)***

In accordance with the MMLR and the Constitution of the Company, the notice of AGM together with the annual report are sent out to shareholders at least 21 days before the date of the meeting. An Administrative Guide is also despatched to shareholders to provide additional information with regard to registration procedures and polling administration for ease of reference on the AGM day. The Company's AGM each year is the primary platform for shareholder engagement and for the Company to explain its progress and to answer any questions from shareholders, proxies and corporate representatives.

All directors normally attend the AGM, unless unforeseen circumstances or pressing commitment prevent them. The proceedings of the AGM will commence with a presentation by the President & Group CEO on the Company's operations and financial performance for the preceding financial year, followed by the Company's responses to questions raised by shareholders in advance of the AGM.

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## - STATEMENT ON CORPORATE GOVERNANCE -

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The Chairman plays a pivotal role in accommodating constructive dialogue between the shareholders, the Board and management. Shareholders, corporate representatives and proxies are briefed on their rights to speak and vote at the AGM by the Chairman before the commencement of the meeting.

During the year under review, scrutineers were available to count votes on a show of hands at the AGM. Voting results for agenda items presented at the AGM were disclosed in the announcement to Bursa Securities. Minutes of the AGM were also published on the Company's website.

During the proceedings, shareholders are at liberty to raise questions pertaining to the business of the meeting and the Board and management are at hand to clarify issues raised. Any significant questions that cannot be readily answered at the meeting will be addressed subsequently in writing by management.

### **Encourage Poll Voting (Recommendation 8.2)**

In the past, voting at the AGM of UMW was conducted via a show of hands since there were no matters on the agenda involving RPTs, which require mandatory voting by poll as prescribed by the MMLR. Nonetheless, the Chairman, prior to the commencement of the AGM, highlighted shareholders' rights to request for poll voting in line with the provisions in the Company's Constitution.

In the year under review, the Company had ensured that satisfactory procedures and poll voting processes are in place in the event shareholders request for poll voting on any resolution tabled at the AGM.

Moving forward and in line with the MMLR, all resolutions to be passed at this forthcoming AGM will be conducted via poll voting. A short tutorial on the e-voting process will be played at the AGM prior to the commencement of the voting.

The Company has appointed Securities Services (Holdings) Sdn. Bhd. as poll administrator to conduct the polling process and Commercial Quest Sdn. Bhd. as scrutineers to verify the poll results at the forthcoming AGM.

Poll voting provides an accurate reflection of shareholders' view on the subject matter, in accordance with the principle of one vote to one share.

The poll results will be announced by the Group Chairman at the end of the AGM and will be submitted by UMW to Bursa Securities via Bursa LINK on the same day for the benefit of all shareholders.

### **Effective Communication and Proactive Engagements with Shareholders (Recommendation 8.3)**

The Company regards its general meetings, particularly its AGMs, as the principal forum for direct interaction and dialogue among shareholders, the Board and management. The AGMs provide an important avenue for effective communication with shareholders and for receiving constructive feedback particularly on matters concerning shareholders' interests. A comprehensive report on the Group's operations and financial performance is made at every AGM.

All nine directors were present in person to engage directly with shareholders at the 34<sup>th</sup> AGM held on 19 May 2016.

External auditors and advisers of corporate exercises, where applicable, attend general meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter tabled.

A press conference is held after each AGM where the Group Chairman and President & Group CEO as well as relevant corporate EDs advise the media of the resolutions passed by shareholders, brief the media on the operations, performance and financial results of the Group for the year under review and clarify issues and answer questions posed by the media to keep shareholders and the public updated on the progress of the Group's core businesses.

Shareholders can also submit any additional questions they might have via an enquiry box placed at the venue of the AGM so that these can be responded to in writing after the meeting.

### **COMPLIANCE STATEMENT**

The Board is satisfied that the Group's CG Framework complies with the principles and recommendations of MCCG 2012 and the MMLR. The Board endeavours to continuously raise the standards of governance in the Group and strives to surpass international best practices and uphold its pledge, commitment and effort to enhance and promote the best practices of CG throughout the Group in its effort to achieve the highest standards of transparency, accountability and above all, integrity.

The Board ensures that there is no compromise in the Group's focus on enhancing shareholder value, increasing investor confidence, establishing customer trust and building a competitive organisation that upholds UMW's core values of Honourable, Vibrant, Unshakeable and Pioneering.

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 14 April 2017.

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## - AUDIT COMMITTEE REPORT -

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The Audit Committee (“**AC**”) of the Board was established in 1992 with the primary objective of assisting the Board of UMW Holdings Berhad (“**Board**”) in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes as well as management and financial reporting practices of the Group.

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The Board is pleased to present the report on the AC for the financial year ended 31 December 2016.

### COMPOSITION AND MEMBERSHIP

The AC comprises four Non-Executive Directors (“**NEDs**”), the majority of whom are Independent Directors. No alternate director is appointed as a member of the AC. The composition of the AC is as follows -



▶▶▶▶ From left to right

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**DATO' SIEW KIM LUN**  
*Chairman/Senior Independent NED*

**DATO' MOHD. NIZAM BIN ZAINORDIN**  
*Member/Non-Independent NED*  
*(Member of the Malaysian Institute of Accountants)*

**KHALID BIN SUFAT**  
*Member/Independent NED*  
*(Member of the Malaysian Institute of Accountants)*

**TAN SRI HASMAH BINTI ABDULLAH**  
*Member/Independent NED*

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The detailed profiles of the AC members and their qualifications are set out on pages 50, 51, 52 and 54 of this annual report.

## - AUDIT COMMITTEE REPORT -

The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The terms of reference (“TOR”) of the AC continue to remain aligned with the MMLR and the recommendations of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and other relevant Corporate Governance (“CG”) best practices. The AC’s TOR is available on the Company’s official website at [www.umw.com.my](http://www.umw.com.my)

The Board via its Nomination Committee had conducted a comprehensive review of the AC for the financial year ended 31 December 2016 via the Board and Board Committee evaluation, Audit Committee evaluation and Audit Committee Members’ Self and Peer evaluation in February 2017. The evaluation is specifically designed to evaluate the AC in relation to membership composition, skills and competencies, dynamism, and effectiveness as well as members’ accountability in discharging their duties and responsibilities in accordance with the AC’s TOR, as required under the MMLR and recommended under Principle 2 of the MCCG 2012.

The Nomination Committee Chairman discussed the findings of the evaluation with the Group Chairman, and the results of the evaluation and findings, together with areas of improvement, were presented to the Board for discussion on 14 April 2017.

Based on the results of the evaluation, the Board is of the view that the AC has continued to show commendable performance in 2016 with all four members having demonstrated a high degree of independency, professionalism and integrity, with balanced diversity, skills and experience. The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities well, in accordance with the AC’s TOR.

During the year under review, AC members attended various conferences, seminars and training programmes to keep them abreast of new developments pertaining to legislation, regulations, current commercial issues and risks in order to effectively discharge their duties as AC members. AC members were also assessed on their skill-sets and experience to enable the Nomination Committee to address their training needs more objectively. Results of the AC members’ skill matrix have shown that they are able to maintain a high level of technical competency.

Details of training programmes attended by AC members are set out on pages 79 to 83 of this annual report.

### MEETINGS AND ATTENDANCE

The AC held nine meetings during the financial year ended 31 December 2016. The attendance record of the AC members is as follows -

No.	Name	Attendance
1.	Dato’ Siow Kim Lun	9/9
2.	Dato’ Mohd. Nizam bin Zainordin	8/9
3.	Khalid bin Sufat	9/9
4.	Tan Sri Hasmah binti Abdullah	8/9

The President & Group CEO attended eight out of nine AC meetings held in 2016 to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Chief Financial Officer who is also the Chairman of the Management Audit Committee (“MAC”), and the Head of the Group Internal Audit Division (“GIAD”) also attended all AC meetings held during the year to brief the AC on pertinent issues relating to financial results, audit, adequacy of internal control systems and other related matters within their mandate. The Head of the Group Compliance Department and senior management from relevant business units and divisions also attended AC meetings at the invitation of the AC, to provide information and clarification required on specific issues arising from the relevant audit reports or any matters of interest.

During the financial year, the AC had two private sessions with the external auditors, Messrs. Ernst & Young (“EY”), without the presence of management, in April and November 2016, to give opportunity to the external auditors to raise any matters or findings they considered were important to their areas of responsibility for the AC’s attention. These private sessions helped to reinforce the independence of the external auditors from the management of the Company.

For the purpose of the annual statutory audit, the external auditors’ Lead Audit Engagement Partner also attended AC meetings to present the report on the audited financial statements of the Group, audit scope and plan, audit report and findings together with management’s response thereto, and to brief the AC members on areas of audit emphasis and accounting treatment which they noted in the course of their audit. Other observations and areas of improvement opportunities were also highlighted to the AC.

The Chairman of the AC apprised the Board of relevant and significant issues raised by the internal and external auditors in the year under review.

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## - AUDIT COMMITTEE REPORT -

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The Group Secretary is the Secretary of the AC and she played an important role in organising and providing assistance at AC meetings, with the following key responsibilities -

1. Preparation of the schedule of AC meetings for 2016 and ensuring that meetings are arranged and held accordingly;
2. Drawing up meeting agendas in consultation with the AC Chairman;
3. Ensuring proceedings of meetings are correctly recorded and the relevant minutes are circulated to and confirmed by the AC before disseminating to the Board for notation; and
4. Ensuring AC's recommendations presented to the Board are supported by papers, including minutes that explain the rationale for such recommendations.

The Group Secretary also presents to the AC on a quarterly basis, reports on recurrent related party transactions ("RRPTs") entered into by the UMW Group with related parties in accordance with the shareholders' mandate obtained, to ensure that the RRPTs were at arm's length and within the mandated amounts. Similarly, reports on other RRPTs outside the shareholders' mandate were also tabled to the AC on a quarterly basis. In the year under review, the AC's approval was also sought for a related party transaction ("RPT") entered into by the Company and its subsidiary, which involved the interests of a common shareholder.

The Group Secretary also presented to the AC, updates concerning CG and/or regulatory requirements and guidelines, including proposed key amendments to the Companies Act, 2016 ("CA 2016") and consultation papers issued by Bursa Securities on the proposed amendments to the MMLR. The Company often participates in the review exercise and makes suggestions to Bursa Securities on matters that may have an impact on the UMW Group.

In addition, disclosures on dealings by Principal Officers in the Company's securities and directors' interests in contracts were also presented to the AC in the period under review.

Minutes of each meeting of the AC are kept by the Secretary as evidence that the AC has discharged its functions, and are circulated to the Board at the next practicable Board meeting for notation.

### SUMMARY OF WORK

Throughout 2016, the AC had dealt with various issues relating to financial reporting, external and internal audit findings, RPTs and internal controls, in line with the mandate provided in its TOR. The following is a summary of the work performed by the AC for the financial year ended 31 December 2016 -

#### 1. Financial Reporting

##### Quarterly Report on Financial Results

The AC reviewed the Company's quarterly financial results to ensure that the financial reporting and disclosures made are in compliance with the Malaysian Financial Reporting Standards ("MFRS"), the MMLR, and other legal and regulatory requirements, prior to recommending the same to the Board for approval. During the period under review, the AC reviewed the following -

- (a) The quarterly financial statements for the fourth quarter of 2015 at the AC meeting held on 22 February 2016; and
- (b) The quarterly financial statements for the first, second and third quarters of 2016, at the AC meetings held on 18 May 2016, 26 August 2016 and 23 November 2016, respectively.

On 20 February 2017, the AC reviewed the quarterly financial statements for the fourth quarter of 2016 for recommendation to the Board.

##### Audited Financial Statements

On 7 April 2016, the AC deliberated on the audited financial statements of the Company and the UMW Group for the financial year ended 31 December 2015 together with audit matters raised by the external auditors. A summary of significant accounting and auditing issues, raised under the areas of audit emphasis and key observations reflected in the Memorandum of Suggestions for 2015, were discussed. The status and progress of corrective actions taken on issues raised in the Memorandum of Suggestions were closely monitored by management and reported at subsequent AC meetings.

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## - AUDIT COMMITTEE REPORT -

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On 10 April 2017, the audited financial statements for the financial year ended 31 December 2016 were reviewed by the AC and subsequently presented to the Board on 14 April 2017.

### Dividend

On 22 February 2016, the AC deliberated on the proposed payment of the second single-tier interim dividend of the Company for the financial year ended 31 December 2015 of 20% or 10.0 sen per share, amounting to a net dividend payable of approximately RM116.8 million. The AC's recommendation was presented to the Board for approval at the Board meeting held on 25 February 2016.

The second single-tier interim dividend was paid to shareholders on 23 March 2016, i.e., within 30 days from the date of declaration of the dividend, as advocated by the ASEAN CG Scorecard.

## 2. External Audit

### Audited Financial Statements

On 7 April 2016, the AC discussed with EY the results of the audit of the audited financial statements for the financial year ended 31 December 2015 together with EY's report to the AC. A private meeting with EY was also held to allow the external auditors to openly raise issues and concerns on key audit matters pertaining to the audited financial statements without the presence of management.

The AC also noted the Letter of Representation in connection with the audits of the consolidated financial statements of UMW Holdings and its subsidiaries for the financial year ended 31 December 2015. The external auditors confirmed that they have not identified any fraud to report to the AC other than highlighted in the area of audit emphasis.

The AC was also briefed on developments in financial reporting, the new and revised auditors' reporting standards issued by the International Auditing and Assurance Standards Board as well as changes in the regulatory environment.

EY had also performed a limited assurance review of the Statement on Risk Management and Internal Control ("**SORMIC**") for inclusion in the Company's Annual Report 2015. Based on the limited assurance procedures

performed by EY and the evidence obtained, the SORMIC had been prepared, in all material aspects, in accordance with the disclosures required in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

On 20 February 2017, the AC reviewed the external auditors' report on the status of the 2016 audit of the UMW Group. The key area of focus affecting the results of the UMW Group for the financial year ended 31 December 2016 was discussed, mainly on the impairment assessment arising from the continued downturn of the oil and gas industry which had severely affected the Group's business units involved in the oil and gas sector, locally and abroad.

On 10 April 2017, the AC discussed with EY the results of the audit of the audited financial statements for the financial year ended 31 December 2016 together with EY's report to the AC, for recommendation to the Board for approval.

### External Auditors' Performance Evaluation

On 7 April 2016, the AC reviewed the results of the External Auditors' Performance and Independence Evaluation carried out for the financial year ended 31 December 2015 to evaluate the suitability, effectiveness and independence of the Company's external auditors as recommended under Principle 5 of the MCCG 2012. The annual evaluation of external auditors provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance, covering amongst others, the adequacy of the audit team, degree of independence, performance level and audit scope. The AC Chairman presented the findings, together with areas of improvement, to the Board for discussion.

On 10 April 2017, the results of the External Auditors' Performance and Independence Evaluation carried out for the financial year ended 31 December 2016 were reviewed by the AC and subsequently presented to the Board on 14 April 2017.

Based on the evaluation conducted, the AC is satisfied with the external auditors' performance, technical competency and audit independence. The AC is also satisfied with the level of competence and professionalism demonstrated by the external auditors, the quality of processes, the selection of the audit team (including the lead engagement partner), the adequacy of the audit scope and planning, and audit communications with the AC.

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## - AUDIT COMMITTEE REPORT -

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### Re-appointment of External Auditors

On 7 April 2016, the AC reviewed the re-appointment of EY as external auditors of the Company for the financial year ended 31 December 2016 for recommendation to the Board for approval. The recommendation for re-appointment was made after taking into consideration the results of the evaluation conducted on the external auditors' performance, technical competency and audit independence.

In addition, the external auditors had also provided written assurance to the AC that they were and had been independent throughout the audit engagement for 2016, in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA"). The UMW Group conforms to the requirements of MIA in ensuring that the Lead Audit Partner of the external auditors is subjected to a five-year rotation with a five-year cooling-off period.

The external auditors had also expressed their willingness to be re-appointed as auditors of the Company for the financial year ending 31 December 2017, at the forthcoming Annual General Meeting ("AGM").

### External Auditors' 2016 Audit Plan

On 23 November 2016, the AC reviewed and approved EY's Annual Audit Plan outlining their engagement team, scope of works and the proposed audit fees for the statutory audit, and non-audit fees, including the terms of engagement of EY for the purpose of reviewing the SORMIC for the financial year ended 31 December 2016.

Other audit-related work conducted by EY for the financial year ended 31 December 2016 included assisting the Automotive Division on the accounting for capitalisation of the new plant and external borrowings, and assisting the Equipment Division in a stocktaking exercise of a subsidiary's overseas operations and reviewing the consolidation schedules and control testing of its newly-implemented consolidation system.

### Private Meetings with the AC

The AC held two private sessions with EY without the presence of management, in April and November 2016, to allow the external auditors to have regular engagement and maintain professional and open dialogues with the AC, on findings and discussions relating to among others, management's reporting process and internal control over financial reporting.

At these private meetings, the external auditors also highlighted significant issues regarding the format of the new audit report together with critical accounting policies and treatment, including the reasonableness of accounting estimates and judgements. The AC also provided feedback on the quality and effectiveness of the services that EY had provided.

### Others

On 23 November 2016, the AC approved the appointment of EY as consultants for the provision of professional advisory services to the UMW Group in relation to the implementation of a new accounting standard under MFRS, namely, *MFRS 15: Revenue from Contracts with Customers*. To avoid any conflict of interest, a separate team which is not involved in the statutory audit exercise, will be the EY advisory team for the MFRS project.

The AC acknowledged that due to its complexity and high impact to the UMW Group, a consultant with expertise in the subject matter is required to conduct workshops on accounting, finance and information technology, and to identify key issues and solutions needed to ensure the smooth implementation of the new accounting standard within the UMW Group. The project is expected to complete in 10 months' time from the project kick-off date in December 2016.

## 3. Internal Audit

### Internal Audit Plan and Budget

GIAD performed its audit activities in accordance with the 2016 Audit Plan approved by the AC on 25 November 2015. GIAD's 2016 Audit Plan was developed on a risk-based audit approach covering areas on governance, risk management, controls of high-risk business activities and information systems. For 2016, the plan is to audit 151 business units, generating 88 audit reports, out of which, 137 units (74 reports) will be from the UMW Holdings Group and 14 units (14 reports) from the UMW Oil & Gas Corporation Berhad ("UMW-OG") Group.

The AC noted the key objectives and action plans under the 2016 Audit Plan and approved GIAD's budget for 2016, covering, among others, the financial budget and manpower planning, to ensure that all high risk areas are audited annually with adequate resources and budget to meet the planned audit activities across the UMW Group.

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## - AUDIT COMMITTEE REPORT -

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During the period under review, the AC reviewed and approved the following -

- (a) GIAD's revised 2016 Audit Plan to ensure that the current audit resources are effectively deployed to critical high risk business areas of the UMW Group, at the AC meeting held on 18 May 2016;
- (b) GIAD's 2017 Audit Plan and Budget, at the AC meeting held on 23 November 2016. The key focus of GIAD's 2017 Audit Plan is as follows -
- To perform audit reviews using risk-based audit approach focusing on critical/key high risk areas of the UMW Group on 162 units (82 reports) including 12 overseas units (5 subsidiaries);
  - To provide an independent assessment on governance and risk processes, adequacy and effectiveness of internal controls (financial, operations and systems) and compliance with existing laws and regulations (where relevant) and proposed recommendations for improvements, where applicable;
  - To engage with management on a regular/need basis with a view to address and discuss concerns and improvements required to enhance the UMW Group's internal control environment, risk management and governance processes;
  - To continuously improve and enhance the audit process, staff efficiency and competency by reviewing existing processes and developing customised training programmes;
  - To maintain conformance to standards imposed by The Institute of Internal Auditors; and
  - To upgrade to MS ISO 9001:2015 certification.
- (c) GIAD's revised audit process flow to improve overall efficiency and turnaround time for audit report finalisation, at the AC meeting held on 18 May 2016.

### Internal Audit Reports

The Head of GIAD presented GIAD's reports for the financial year ended 31 December 2016 to the AC at the AC meetings held on 18 February 2016, 10 June 2016, 1 September 2016

and 14 February 2017. GIAD's reports generally cover the status of internal audit activities performed during the year, which include, among others, Audit Plan updates, status of financial and manpower resources, key observations and audit ratings, ageing on audit reports, progress of fieldwork audits and future scheduled audits.

In addition, the AC had on 18 February 2016, 18 May 2016 and 1 September 2016, reviewed the findings on special review audits conducted by GIAD on certain business units and divisions in the UMW Group. The AC noted the audit recommendations made by GIAD and the proposed action plans by management to further improve weaknesses in the areas of internal controls, risk management and processes.

### Others

On 15 January 2016, the AC approved the appointment of Norchahya binti Ahmad as the new Head of GIAD in place of Ahmad Al Juhari bin Darman, effective 1 March 2016, following a restructuring exercise involving several changes in the portfolio of senior management within the UMW Group. The AC's recommendation was presented to the Board for approval on 19 January 2016.

On 25 August 2016, GIAD received the Corporate Award - Tier 3 from The Institute of Internal Auditors Malaysia ("IIAM") for UMW's strong commitment towards continuous professional development.

## **4. Related Party Transactions**

### RRPTs

The AC reviewed RRPTs of the UMW Group on a quarterly basis in accordance with the shareholders' mandate obtained to ensure that they are within the mandated amount. Additionally, other RRPTs entered into by the UMW Group with related parties that are outside the shareholders' mandate, i.e., below the threshold of 1% of net assets (RM65.8 million based on the audited financial results as at 31 December 2015), were also reviewed.

The RRPTs were reviewed at the AC meetings held on 18 May 2016, 26 August 2016, 23 November 2016 and 20 February 2017. The AC is satisfied that the RRPTs were conducted on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not detrimental to the minority shareholders of the Company.

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## - AUDIT COMMITTEE REPORT -

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For the year under review, the cumulative actual value transacted had not exceeded the shareholders' mandate obtained at the 2015 and 2016 AGMs.

On 22 February 2016, the AC reviewed the preliminary draft circular to shareholders relating to the proposed renewal of shareholders' mandate for existing RRPTs and proposed new shareholders' mandate for additional RRPTs of a revenue or trading nature ("**RRPT Circular**").

On 7 April 2016, the AC reviewed the final draft RRPT Circular for submission to Bursa Securities and recommended the same to the Board for approval.

### RPT

On 31 May 2016, the AC reviewed a RPT involving the granting by the Company of an intercompany loan amounting to RM308 million to UMW-OG for UMW-OG's working capital requirements to ensure continuity of its day-to-day operations. The AC's recommendation was presented to the Board for approval.

On 10 June 2016, the AC reviewed a RPT in relation to the proposed acquisition by UMW Corporation Sdn. Bhd., a wholly-owned subsidiary of the Company, of 39% equity interest in UMW Development Sdn. Bhd. ("**UMWD**"), its 51%-owned subsidiary, from Permodalan Nasional Berhad ("**PNB**"), a related party ("**Proposed Acquisition**"). At the meeting, a mandate was given for management to negotiate with PNB on the Proposed Acquisition based on an agreed price range.

Subsequently, on 29 September 2016, the AC reviewed the Proposed Acquisition based on an agreed consideration with PNB of RM21,136,391. In light of the Proposed Acquisition being a RPT, the AC sought the opinion of PricewaterhouseCoopers, as independent valuer, in forming an opinion on the valuation of PNB's 39% equity stake in UMWD.

The AC, having considered all aspects of the proposal, is of the view that the Proposed Acquisition of the 39% equity interest from PNB is in the best interests of UMW, and is conducted at arm's length and on normal commercial terms that are not more favourable to the related party than those generally available to the public, and is not detrimental to the minority shareholders of the Company. The AC's recommendation was presented to the Board for approval.

Dato' Mohd. Nizam bin Zainordin, who is deemed interested in the transaction by virtue of him being a nominee director of PNB, had abstained from all deliberations on the Proposed Acquisition.

## 5. Internal Controls

### SORMIC

On 18 February 2016, the AC reviewed the draft SORMIC for the year ended 31 December 2015 for inclusion in the 2015 Annual Report prior to submitting the same to the external auditors for review. Discussion on SORMIC was led by the Head of Group Compliance. The AC noted the proposed enhancements to the draft SORMIC, particularly in the areas of description and features of risk management and internal control systems, as well as Board commentaries and opinions.

On 7 April 2016, the AC reviewed the final draft SORMIC after the same had been reviewed by the external auditors. Based on the limited assurance procedures performed and evidence obtained, EY has confirmed that the SORMIC was prepared in accordance with the disclosures required in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The SORMIC was recommended to the Board for approval and thereafter for inclusion in the Company's 2015 Annual Report.

### MAC Reports

The AC reviewed the audit reports by the Chairman of the MAC, in relation to all business segments under the UMW Group at the AC meetings held on 18 February 2016, 10 June 2016, 1 September 2016 and 14 February 2017. Discussion on MAC Reports was led by the Executive Director, Group Financial Services, who is also the Chairman of the MAC and assisted by the Head of Group Compliance. The Head of GIAD was also present at all AC meetings where the MAC Reports were presented.

During the review of the MAC Reports, the AC members had direct engagement with the relevant heads or representatives from the respective business units and/or divisions to discuss issues raised under the MAC Reports. These engagements have provided the AC with a clear understanding and explanation of audit issues raised and the mitigation actions to be taken in addressing the compliance and non-conformance issues. Timelines on completion or resolution of recommended mitigating actions were also agreed upon.

Proper follow-up and monitoring of mitigation actions were carried out by Group Compliance and were reported in subsequent MAC Reports to ensure they were properly resolved.

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## - AUDIT COMMITTEE REPORT -

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### Compliance

On 22 February 2016, the AC reviewed the report on development of compliance practices at one of the Group's overseas subsidiary. Existing internal control systems in key business processes such as accounts, procurement, stock management and maintenance were reviewed to improve the compliance level.

The AC reviewed the report by the Group Compliance Department on compliance activities of the UMW Group at the AC meetings held on 10 June 2016 and 23 November 2016. At these meetings, key observations on the implementation of the Risk Control Self-Assessment ("RCSA") Programme, Internal Control System Review, Report by the Chairman of the MAC, and the Financial Limits of Authority Guidelines ("FLAG") were reviewed.

### Governance

On 7 April 2016, the AC reviewed the contents of the draft Statement on Corporate Governance for the financial year ended 31 December 2015 for inclusion in the 2015 Annual Report.

The AC also reviewed, on a quarterly basis, CG reports presented by the Group Secretary covering updates/changes in the MMLR and other statutory and regulatory requirements and guidelines, and their impact to the UMW Group, at the AC meetings held on 22 February 2016, 18 May 2016, 26 August 2016 and 23 November 2016. Key changes to the proposed CA 2016 and amendments to the MMLR were also discussed and clarified.

In addition, consultation papers from Bursa Securities to seek stakeholders' feedback on proposed changes and new initiatives to the MMLR were also presented for discussion with the AC to seek relevant feedback and input.

Disclosures on dealings in the Company's securities by Principal Officers and Directors' interests in contracts were also presented to the AC on a quarterly basis in the year under review.

## 6. Other Activities

(a) On 22 February 2016, the AC reviewed and approved the revised TOR of the Tender Committee and recommended to the Board for approval.

(b) On 22 February 2016, the AC reviewed the preliminary draft AC report for inclusion in the 2015 Annual Report. Subsequently, on 7 April 2016, the final draft AC report was reviewed and approved, and the same was recommended to the Board for approval.

(c) On 7 April 2016, the AC reviewed the summary of overall results and findings of the AC Evaluation for the financial years 2013 to 2015. Based on the evaluation conducted, the AC is satisfied that the AC and its members have discharged their functions, duties and responsibilities well, in accordance with the AC's TOR.

(d) On 7 April 2016, the AC endorsed the zakat payable by the UMW Group for the financial year ended 31 December 2015 and recommended the same to the Board for approval.

(e) On 18 May 2016, the AC noted the status of the intercompany amount due from/to fellow subsidiaries within the UMW Group and comprehensive strategies and turnaround plans of one of the Group's overseas associate.

(f) On 10 June 2016, the AC endorsed the revised procurement guidelines relating to treatment of procurement awards to companies within the UMW Group.

(g) On 26 August 2016, the AC discussed the proposed review of the FLAG and make relevant recommendations to the Board.

(h) On 26 August 2016, the AC reviewed on the proposed structural change at one of the Group's subsidiary.

(i) On 23 November 2016, the AC considered the proposed change in the chairmanship of the AC based on the recommendations from the Nomination Committee. However, upon deliberation, it was agreed that the proposed change of the AC chairmanship be considered together with the proposed revamp of the other Board Committees to be undertaken at a later stage.

(j) The AC reviewed and approved various proposals to write off debts and write-down assets by companies within the UMW Group in accordance with the provisions in the FLAG, at the AC meetings held on 18 February 2016, 7 April 2016, 10 June 2016, 1 September 2016 and 23 November 2016.

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## - AUDIT COMMITTEE REPORT -

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### INTERNAL AUDIT

The UMW Group has an in-house internal audit function which is carried out by GIAD, which is independent of business operations and has a group-wide mandate set out in its Audit Charter approved by the AC. GIAD provides the Board, through the AC, with reasonable assurance of the adequacy and effectiveness of the risk management and internal control system, and governance processes in the UMW Group.

During the financial year ended 31 December 2016, GIAD carried out audits of 158 business units in the UMW Group against the revised 2016 Audit Plan of 147 business units. A total of 84 reports covering the scope of the audit work were reviewed by the AC. Routine audits were carried out by GIAD, on operating units within the UMW Group, focusing on principal risk areas. GIAD also carried out investigative/special review audits as and when required. GIAD reports directly to the AC on major findings and any significant control issues and concerns. The Head of GIAD, Norchahya binti Ahmad, or in her absence, her representative, attends all AC meetings.

In developing its annual audit plan, GIAD adopts a risk-based approach based on the Group's risk profile. It conducts regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group's system of internal controls remains effective and efficient, is adequately monitored and enhanced when the need arises. The audit also covers the UMW Group's major information systems and applications.

The AC on a quarterly basis, reviews and monitors the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities. GIAD is a corporate member of the IIAM and subscribes to the standards issued by IIAM.

Audit findings which require follow-up action, as well as outstanding audit issues which require corrective action by management, are highlighted to the MAC. The MAC reviews the reports of GIAD for the purpose of assessing the adequacy and integrity of the system of internal controls of the UMW Group. MAC reports are prepared and compiled by the Group Compliance Department based on responses given at meetings and follow-up discussions. MAC reports are presented to the AC by the Chairman of MAC on a quarterly basis.

GIAD works collaboratively with the Group Risk Management Division to review and assess the adequacy and effectiveness of the risk governance framework and risk management processes of the Group.

A summary of activities of the internal audit function in the year under review is as follows -

1. Conducted scheduled and special internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements, where necessary.
2. Reviewed the system of internal controls and key operating processes based on the approved annual plan by adopting a risk-based approach and recommended improvements to the existing system of controls.
3. Conducted follow-up reviews to assess if appropriate actions have been taken to address issues highlighted in previous audit reports.
4. Conducted reviews on RRPTs.
5. Carried out investigative/special reviews requested by the AC and management.
6. Conducted discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan.

During the financial year ended 31 December 2016, the total cost incurred by GIAD in discharging its internal audit function was RM5,777,075 compared to 2015 of RM8,658,378 primarily due to lower personnel costs. The internal audit function was carried out solely by GIAD and there were no areas of the internal audit function which were outsourced.

This AC Report is made in accordance with a resolution of the Board of Directors dated 14 April 2017.

## Introduction

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In UMW, the Board of Directors (“**Board**”) is committed in maintaining a sound system of risk management and internal control whilst continuing to uphold and implementing a strong culture and environment for the proper conduct of the Group’s business operations.

Set out below is the Board’s Statement on Risk Management and Internal Control (“**Statement**”) for the financial year ended 31 December 2016 which outlines the nature and scope of risk management and internal control of the Group and covers all of the Group’s operations except for associated companies and joint ventures.

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### 1. BOARD’S RESPONSIBILITY

The Board affirms its commitment and responsibility for the Group’s risk management and internal control systems covering not only financial controls but also strategic, operational, organisational, and compliance controls, and for reviewing the adequacy, effectiveness and integrity of these systems.

The implementation of these control systems is undertaken by the management which regularly reports on risks identified and actions taken to mitigate and/or minimise such risks. The oversight of these critical areas is carried out by the Investment & Risk Management Committee (“**IRMC**”) and the Audit Committee (“**AC**”), which comprise Board members.

The Group’s risk management and internal control systems are designed to meet the Group’s particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group’s business objectives, and to provide information for accurate reporting and ensure compliances with regulatory and statutory requirements.

The process for the identification, evaluation, monitoring and managing significant risks that may materially affect the Group’s business objectives has been in place throughout the year under review and regularly appraised by the Board.

The Board recognises that these systems are designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group’s business and corporate objectives within the risk appetite established by the Board and management. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud. The Group’s concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

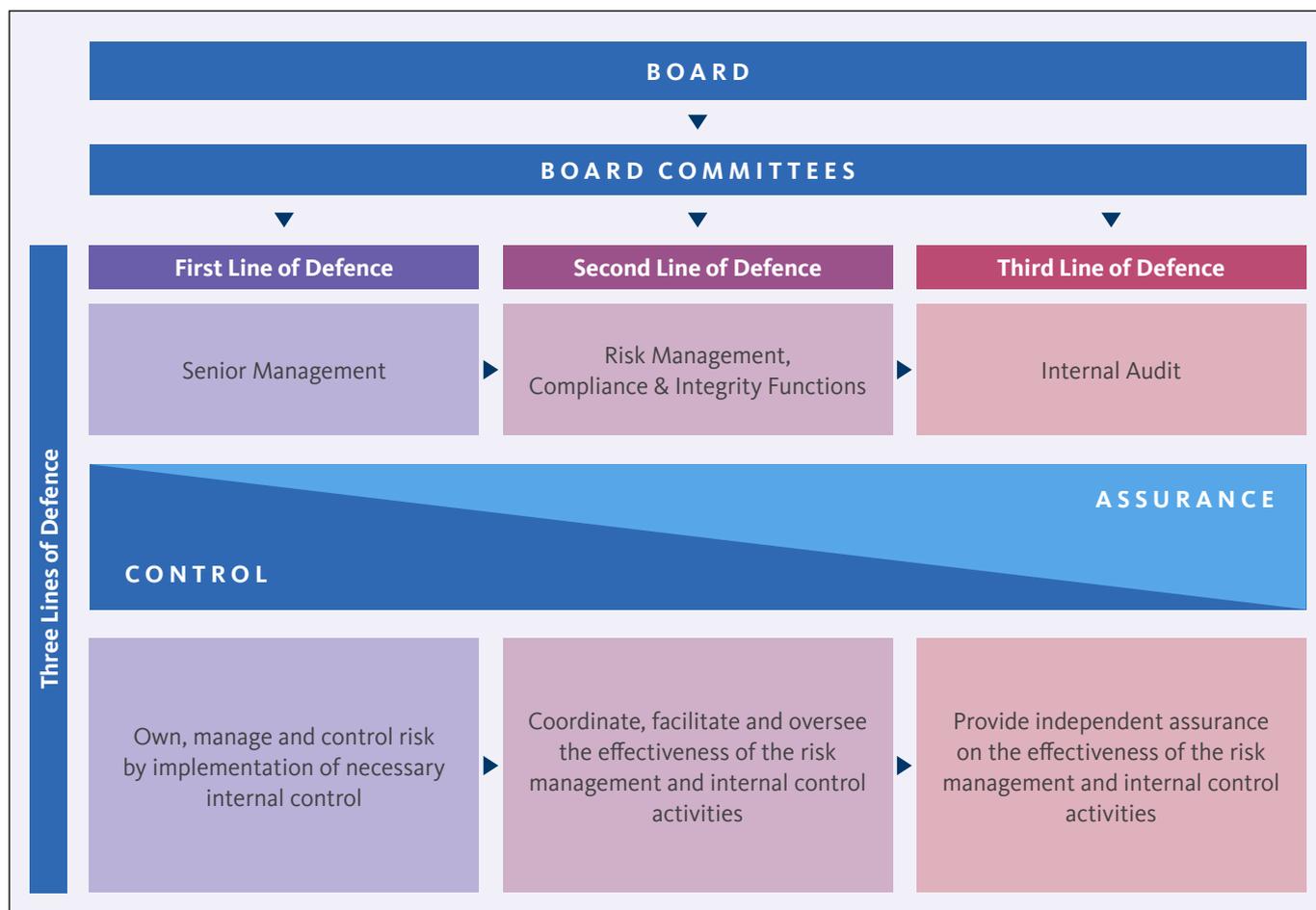
### 2. RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

The Group has in place Risk Management & Internal Control Systems for managing risks and internal controls affecting its business operations. The realisation of Risk Management & Internal Control Systems is undertaken by management. Regular reports on risks identified and actions taken to mitigate and/or minimise such risks and gaps in the internal control systems, if any, are presented to the IRMC and AC and ultimately to the Board.

The key features of these systems are the three lines of defence with established and clear functional responsibilities and accountabilities for the management of risks and internal controls.

# - STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016



## (a) First Line of Defence

The first line of defence is provided by senior management. Management Committee members, Heads of Operating Companies and Heads of Corporate Divisions are accountable for all risks and internal controls assumed under their respective areas of responsibility.

Senior management is also responsible for creating a risk-awareness culture, which will ensure greater understanding of the importance of risk management and internal control whilst ensuring its principles are embedded in key operational processes and in all projects.

## (b) Second Line of Defence

The second line of defence is provided by the Risk Management, Compliance and Integrity functions. These functions are responsible for monitoring the risk management and internal control activities in the Group to ensure effective implementation and compliance with the Group's policies and guidelines.

## (c) Third Line of Defence

The third line of defence is provided by the Group Internal Audit Division ("GIAD"). GIAD provides independent assurance of the adequacy and reliability of the risk management processes and system of internal control, and ensures compliance with risk-related regulatory requirements.

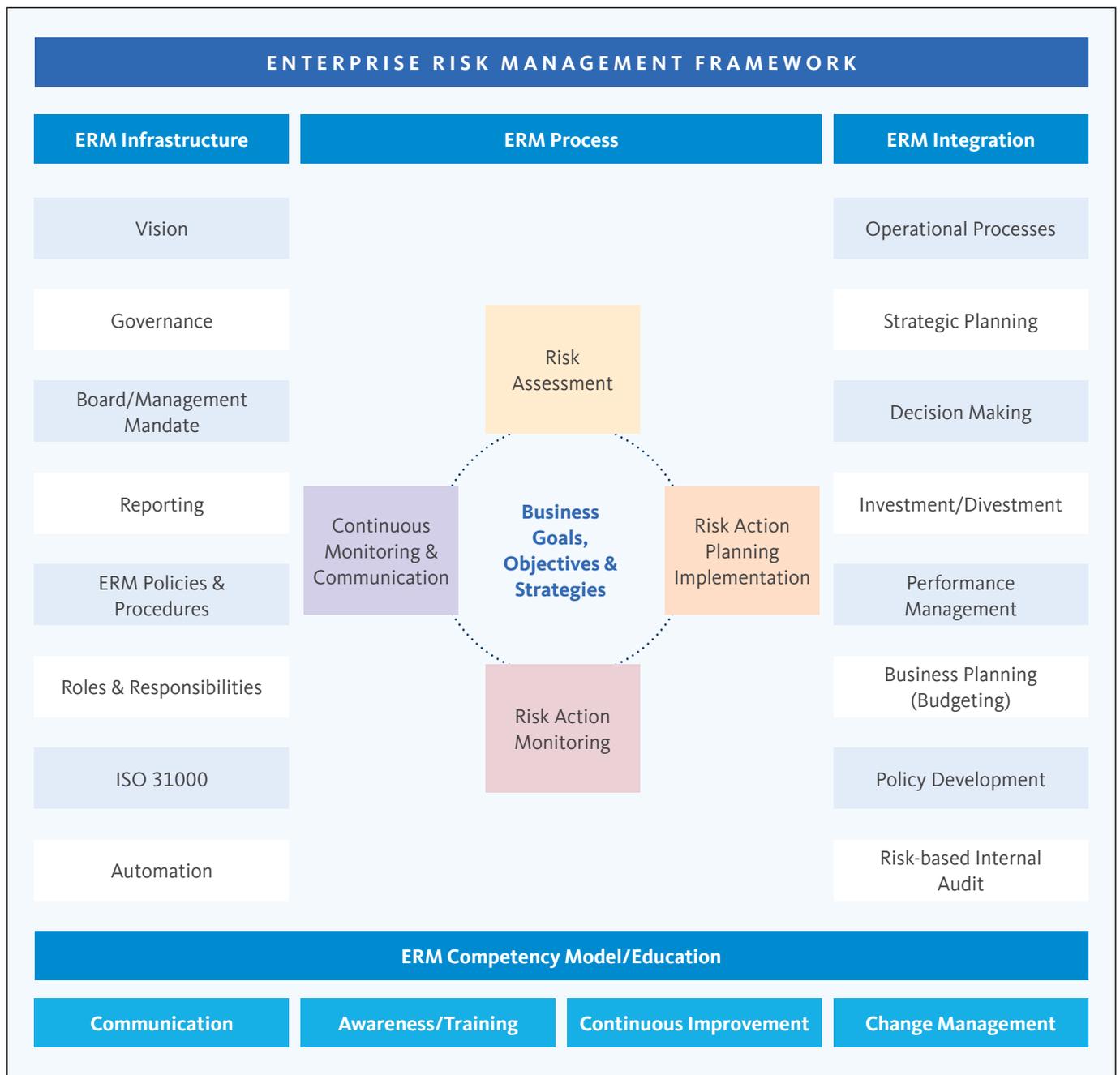
**- STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

**3. RISK MANAGEMENT**

The Group has established an Enterprise Risk Management (“ERM”) Framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group’s commitment to deliver sustainable value, this ERM framework aims to provide an integrated and organised approach group-wide.

It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO31000 : Risk Management, mainly promoting the risk ownership and continuous monitoring of key risks identified. The Group’s ERM Framework is summarised as follows -



# - STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -

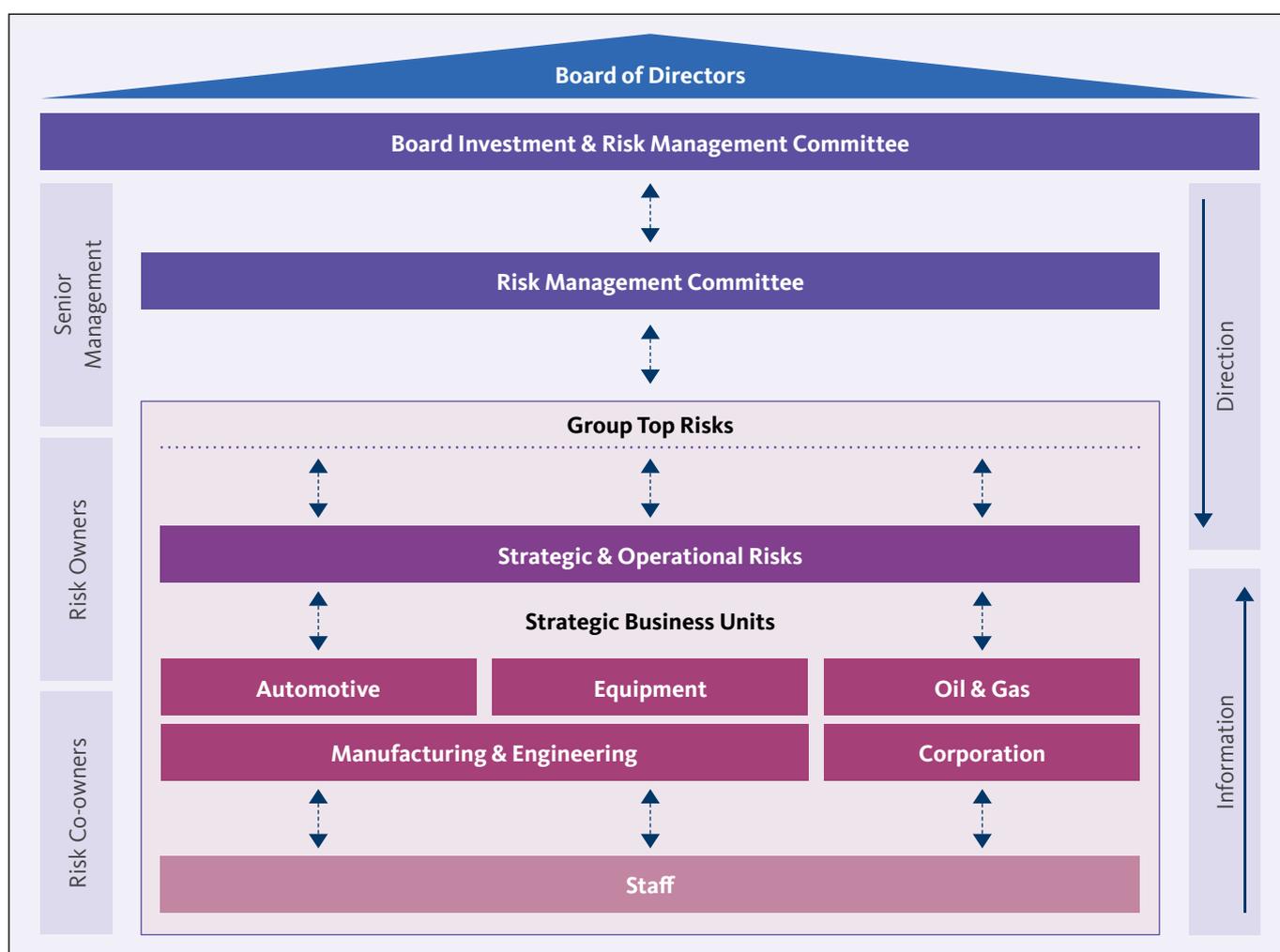
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## (a) Risk Management Oversight

The oversight role of risk management is carried out by the IRMC and the Board. Mandate and commitment from the IRMC and the Board are key contributors to the success factors in the implementation of the ERM programmes. The IRMC and the Board sets the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the IRMC and the Board on risk management activities undertaken by management via the Risk Management Committee (“RMC”), keeps the IRMC and the Board apprised and advised of all aspects of ERM, and significant individual risks and risk trends.

The RMC comprises members of the Management Committee. The RMC maintains the risk oversight within the Group at the management level, as outlined in the ERM Framework. At the Board level, the IRMC assumes the oversight and strategic role for ERM. In addition to the reporting requirements to IRMC and Board, the RMC has specific responsibilities which include, amongst others, to formulate and implement the ERM mechanism to comply with the requirements of the ERM policy and to articulate and challenge risk ratings.

The level of Board and management participation and reporting structure is shown below -



The RMC is assisted by the Group Risk Management Division (“GRMD”) whose primary role is to ensure effective implementation of the risk management and business continuity management framework, programmes and risk-related education across the Group, and provision of independent and objective assessment of risks as well as timely reporting to the RMC, IRMC and the Board.

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## - STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### (b) Risk Management Policy

The Board recognises that risk is an inherent part of the Group's business, presenting both threats and opportunities. In order to achieve corporate goals and meet shareholders' expectations, the Board would have to make decisions which will involve some degree of risk. The following risk policy provides guidance as to the management of risks and applies across all Strategic Business Units ("SBUs") and Corporate Divisions -

- To integrate risk management into the UMW culture, business activities and decision-making processes.
- To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively.
- To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation.
- To require that all proposals submitted to the Board by management relating to strategy, key projects, significant action or investment must include a detailed risk assessment report.
- To implement a robust and sustainable risk management framework that is aligned with the Group's vision and mission and in accordance with best practices.

### (c) Risk Management Process

The Group's ERM Framework has a structured process for SBUs and Corporate Divisions to identify, analyse, evaluate, treat, communicate and monitor their risks. The risks are identified based on the Group's goals and objectives and assessed against the Group's risk parameters. Risks are reassessed and monitored on an ongoing basis to ensure appropriate actions are taken to manage such risks. A risk escalation procedure on significant changes to existing risks and emerging risks has also been established to escalate the risks for management's action.

There is a clear categorisation of the risk appetite. Individual risks are measured against set tolerance levels. Consistent risk parameters have been defined on a 3-tier basis and risk profiles are consolidated and aggregated from these tiers to facilitate a consolidated view of the risk exposure at the Group level.

### (d) Management of Strategic and Operational Risks

The context within which the Group manages the risks and key focus of accountability is as follows -

- **Strategic risks** are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board and President & Group CEO. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.
- **Operational risks** are inherent in the ongoing activities within the different SBUs of the Group. Typically, some of the risks cover foreign exchange, compliance, competency, technology, etc., and senior management needs ongoing assurance that operational risks are identified and managed. Accountability for managing operational risks rests specifically with the Heads of SBUs and Corporate Divisions.

In this context, ERM aligns UMW's strategy processes, people, technology and knowledge with the purpose of evaluating and managing the risks that the Group faces as it creates value.

### (e) Risk Reporting

The Group's ERM Framework provides for regular review and reporting. The reports include the risk profiles, risk action plans and status updates as well as Management Progress Report summary on Critical Investments. During the year under review, these reports were presented to and deliberated by the RMC (four times), by IRMC (five times) and by the Board (twice).

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# - STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## (f) Risk Management Activities

As part of the Group's effort to instil a proactive risk management culture and ownership the following activities were undertaken during the year under review -

- Rolled out a comprehensive ERM Education Programme which includes ERM technical briefings/trainings, awareness/refresher sessions and system trainings for SBUs and Corporate Divisions, as well as, newly-appointed employees to the Group. This is part of the Group's effort to communicate and ensure the application of ERM in day-to-day business operations.
- Held discussions with Heads of SBUs and Corporate Divisions to obtain endorsement of their key risks.
- Provided risk advisory and independent assessment as well as facilitated 114 workshops across the Group.
- Refinement of the risk depository system for purposes of risk tracking and monitoring.
- Rolled out a Business Continuity Management ("BCM") programme for an SBU.

In 2016, the Business Continuity Team continued to provide awareness and education programme in which 57 awareness and training workshops were conducted for the appointed Business Continuity Leaders and process owners. In addition, a total of 19 Business Impact Analysis ("BIA") & Business Continuity Plans ("BCP") were developed, 46 BIAs & BCPs were maintained/reviewed and 74 tests were conducted to ensure the Group remain resilient in times of crisis.

## 4. MAIN FEATURES OF INTERNAL CONTROL

The Board regularly appraises ongoing processes for identifying, evaluating, monitoring and managing significant risks of the Group throughout the year. The main features of the Group's internal control systems are described below -

### (a) Board and Board Committees

The Board, in discharging its duties, has established several committees namely the AC, Nomination Committee, Remuneration Committee, IRMC and Whistle-Blowing Committee ("BWBC"). The Board Committees operate within clearly-defined terms of reference, procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure that they are relevant and up-to-date.

The Board meets on a quarterly basis with additional meetings convened as Special Board meetings as and when situations require urgent Board deliberation and decisions.

The Board Committees (with the exception of the AC and BWBC) meet six (6) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the Committees.

Further information on the Board and Board Committees can be found in the Statement on Corporate Governance of the annual report and in the Company's website at [www.umw.com.my](http://www.umw.com.my).

### (b) Organisation Structure and Reporting Lines

The Group has a well-defined organisation structure that is aligned to business requirements with clearly-defined delegation of responsibilities to the Board, Board Committees and management, which promotes accountability.

The Board and Board Committees are supported operationally by the Management Committee which consists of senior management headed by the President & Group CEO.

The Management Committee meets four (4) times a year on a scheduled basis to discuss its strategic business agenda thus channelling appropriate inputs to the Board for its oversight of the Group's operations and maintenance of effective controls. The organisation structure and delegation of responsibilities are communicated throughout the Group which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

### (c) Group Internal Audit Division

The Group has an adequately resourced GIAD which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal controls and governance processes. GIAD adopts a risk-based approach in developing its audit plan based on the Group's risks profile and conducts regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group's system of internal control remains effective and efficient, is adequately monitored and enhanced when the need arises. The audit also covers the Group's major information systems and applications.

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## - STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

GIAD is independent of the Group's business operations and has a group-wide mandate set out in its Audit Charter approved by the AC of the Board. GIAD carries out its functions in accordance with the annual audit plan approved by the AC each year, which covers the scope of the audit work and resources needed to perform such work. The AC regularly evaluates and monitors the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities. The Head of GIAD or in her absence her representative attends all AC meetings.

GIAD also monitors the implementation of action plans recommended to improve on areas where control deficiencies were identified during the year. On a quarterly basis, GIAD will submit its reports on major findings and significant control issues observed during the audit reviews, together with management's response and proposed action plans, to the AC for its review and where needed, to recommend appropriate actions to strengthen controls.

The Head of GIAD is the Secretary to the BWBC. She is responsible for the preparation of the agenda and the distribution to all members, the papers to be deliberated at the meeting. From time to time, BWBC shall report to the Board of its recommendations on the outcome of any investigations conducted, and the Board upon receiving the recommendations have the final decision on the matter raised.

GIAD is a corporate member of The Institute of Internal Auditors Malaysia ("IIAM") and subscribes to the standards issued by the IIAM.

Further information on the activities of GIAD can be found in the AC Report of the annual report.

### (d) Management Audit Committee

The Management Audit Committee ("MAC") is set up by the Management Committee primarily to assist management in fulfilling its responsibilities in addressing matters highlighted in the Internal Audit Reports. MAC meetings would convene within three months of receipt of the audit report. The objectives of MAC meetings are -

- Assessing the adequacy and effectiveness of internal controls (with the assistance of GIAD) on the operations based on the Internal Audit Reports; and
- Agreeing upon the corrective actions to be taken on the audit issues and its implementation.

The MAC comprises the following -

- Executive Director, Group Financial Services Division (Chairman);
- Head of Compliance (Alternate Chairman);
- Head of Audited Company/Division/Department or his/her representative(s); and
- Head of Group Internal Audit Division or his/her representative(s).

The reports of MAC meetings ("MAC Report") are prepared and compiled by the Group Compliance Department based on responses given during the meetings and updates received subsequently. MAC Reports are subsequently presented to the AC by the Chairman of MAC.

### (e) Group Compliance Department

Group Compliance Department ("GCOMP") was established by management to enhance the internal control process across the Group. The setting up of the Department was endorsed by the AC. The Head of Compliance reports to the Executive Director of the Group Financial Services Division.

The objectives of GCOMP are -

- To provide better understanding of the relationship between business objectives, control environment and operational risks to achieve those objectives;
- To educate employees to analyse, evaluate and report on the effectiveness of the control mechanism; and
- To advice and monitor compliance to the established procedures.

GCOMP's main responsibilities include -

- Developing and monitoring the implementation of Risk Control Self-Assessment ("RCSA") programme;
- Conducting Internal Control Systems ("ICS") review within the Group;
- Reviewing the Financial Limits of Authority Guidelines ("FLAG") and communicating changes and assisting users on the implementation of the FLAG; and
- Preparing MAC Reports for presentation to the AC.

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## - STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### (f) Group Integrity Unit

Group Integrity Unit (“GIU”) was established in 2014 to further enhance corporate governance practices and business ethics. The GIU reports functionally to the BWBC Chairperson and administratively to the President & Group CEO.

The main objective of GIU is to enhance integrity awareness and to educate and disseminate the importance of managing high risk areas such as fraud and corruption.

In 2016, GIU has conducted a series of Integrity Awareness Roadshows in Manufacturing & Engineering Division and UMW Toyota Motor Sdn. Bhd.

### (g) Policies, Guidelines and Procedures

- Written Policies and Guidelines

Clearly-defined and documented internal policies and guidelines have been established through the relevant charters, terms of reference, organisational structures and appropriate authority limits.

The Group’s policies and guidelines have been communicated throughout the Group for implementation and compliance. These policies and guidelines are approved by the Board and regularly updated to reflect changing business requirements. Furthermore, these policies and guidelines are also used as a basis to develop standard operating procedures across the Group.

- Limits of Authority and Responsibility

Clearly-defined and documented lines and limits of authority, responsibilities and accountability have been established by the Group in the form of the FLAG.

The FLAG outlines the authority of the Board and its Committees and that of management for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. The FLAG is also regularly updated to reflect changing risks and/or to address operational deficiencies.

- Standard Operating Procedures

Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties. These procedures, which are developed by management based on the UMW Group Policies and Guidelines, are used in governing the day-to-day business operations within the Group.

### (h) Comprehensive Budgeting and Forecasting System

The Group performs a comprehensive annual budgeting and forecasting exercise including the development of business strategies and key performance indicators, which are deliberated and approved by the Board each year.

During the business planning session, companies within each SBU perform a critical self-assessment which involves analysis of strengths, weaknesses, opportunities, problems and threats together with action plans to address issues identified.

Budgets prepared by SBUs are regularly updated and explanations on variances are incorporated in management reports which are prepared and reported on a quarterly basis to the Board. These management reports analyse and explain variances against plan and report on the achievement of the key performance indicators after taking into account the changes in market conditions and significant business risks.

The Group employs a reward and recognition framework which is based on the achievement of the key performance indicators that measures the goals and targets for each individual SBU in alignment with the Group’s business objectives and strategies.

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## - STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL -

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### (i) Monitoring, Reporting and Reviewing

The effectiveness of the Group's systems of risk management and internal controls are monitored through monthly management review of financial and operating results, business processes, the state of internal controls and business risk profile by the respective Heads of SBUs and reported to the Management Committee.

In addition to the monthly reporting, the President & Group CEO undertakes a mid-term business review on all SBUs and initiates corrective measures where needed. Apart from that, regular internal visits are also made to companies within each SBU by senior management to monitor compliance with policies and to assess performance. The Board is updated on the business performance on a quarterly basis.

These reviews are supplemented by a comprehensive review undertaken by GIAD on controls implemented at each individual business unit. Reports on the reviews carried out by GIAD are submitted on a regular basis to management and the AC. These reports assess the impact of control issues and recommend appropriate actions to be taken to strengthen controls.

The management reports to the AC via MAC Reports on the status of action plans undertaken to address issues highlighted by GIAD. In 2016, 73 Internal Audit Reports were discussed in the MAC meetings and three MAC Reports were tabled at the AC Meetings.

In addition to the MAC Reports, the results of RCSA and ICS programmes are presented twice a year to the AC by GCOMP to provide assurance on the effectiveness of the risk management and internal control systems in the Group.

For associated companies and joint ventures, the Group's interests are served through representations on the Boards of the respective associated companies and joint ventures, receipt and review of respective management accounts, and enquiries thereon. Such representation also provides the Board with information for timely decision-making on the continuity of the Group's investments based on the performance of the associated companies and joint ventures.

### 5. BOARD COMMENTARY AND OPINION

The Board has received written assurance from the President & Group CEO and the Executive Director of the Group Financial Services Division stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, for the financial year ended 31 December 2016 up to the date of this Statement.

The Board is of the view that during the year under review there were no significant weaknesses in the risk management and internal control systems of the Group which had resulted in material losses, contingencies or uncertainties requiring disclosure in the annual report.

The Board is satisfied that the systems of risk management and internal controls in the Group are sound and sufficient to safeguard shareholders' investments and the Group's assets for the year under review and up to the date of this annual report.

The Board remains committed in ensuring that appropriate initiatives and active measures are taken to improve and enhance the Group's risk management and internal control systems so that shareholders' investment and the Group's assets are consistently safeguarded.

### 6. REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors, Messrs. Ernst & Young, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other Than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in this annual report.

Messrs. Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in this annual report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board dated 14 April 2017.

## - CALENDAR OF EVENTS -

### JAN

- 15** Official launching of the Toyota 8FBE Electric-Powered Forklift by UMW Industries (1985) Sdn. Bhd. (“**UMW Industries**”) at UMW Industries (Lot 16), Material Handling & Technical Training Centre.
- 21** “Name The Baby Giraffe Contest” prize giving ceremony was held at Zoo Negara. The contest was organised exclusively for UMW employees to mark the birth of a baby giraffe born to one of UMW’s sponsored giraffes.
- 31** A cooking contest, ‘KYB-UMW Masterchef 2016’, was organised by KYB-UMW (Malaysia) Sdn. Bhd. (“**KYB-UMW**”). Ten teams comprising employees of KYB-UMW participated in the contest.



KYB-UMW Masterchef 2016

### FEB

- 13** UMW staff celebrated Chinese New Year with residents of Rumah Sejahtera Jenjarom, Klang.
- 25** The Toyota Eco Youth Challenge, an initiative programme by UMW Toyota Motor Sdn. Bhd. (“**UMW Toyota**”) to promote environmental consciousness by implementing various environmental activities.



Chinese New Year celebration

### MAR

- 21** UMW received a visit from a delegation of 30 Sri Lankan senior officers. The objective of the visit was to learn about UMW’s businesses and procurement processes.
- 29** Three new products, namely the Komatsu backhoe loader also known as the ‘Hercules’, Komatsu compact hydraulic excavator and Komatsu skid steer loader, were launched at Dataran UMW, Shah Alam, to commemorate UMW-Komatsu 50<sup>th</sup> Anniversary.



Launching of the ‘Hercules’

### APR

- 11** UMW Corporation Sdn. Bhd. (“**UMW Corporation**”) won one of Malaysia Best Employer Brand awards, hosted by World HRD Congress and Stars of the Industry Group and endorsed by the Asian Confederation of Business. The award presentation was held at Pullman Kuala Lumpur City Centre Hotel & Residences.
- 13** UMW Industries bagged five awards at the 2015 Toyota Material Handling International (“**TMHI**”) Award Ceremony.
- 13-17** UMW Toyota continued its tradition of honouring top performers with Star Awards, an annual management recognition programme. 247 of its top achievers in vehicle sales and after sales were rewarded with a trip to Salzburg and Vienna, Austria.



2015 TMHI award ceremony

## - CALENDAR OF EVENTS -

### APR

**18** Mr. Tatsuro Takami, Managing Officer of Toyota Motor Corporation, Japan made his maiden visit to UMW Corporation.



Visit by TMC

**20-28** UMW participated in “Minggu Saham Amanah Malaysia 2016”, which was held at Tapah, Perak. 215,000 visitors turned up at the exhibition.

### MAY

**05** UMW Land Sdn. Bhd. (“**UMW Land**”) organised a one-day workshop in collaboration with Majlis Daerah Hulu Selangor (“**MDHS**”) at The Saujana Hotel Kuala Lumpur. The programme acted as a platform for UMW Land to create awareness among the authorities and provided an opportunity for them to gain a better understanding of UMW Land’s plan and vision.



Workshop collaboration with MDHS

**05** UMW Toyota introduced the all-new generations of Toyota Hilux and Toyota Fortuner.

**06** UMW Toyota opened a full-fledged Toyota 3S (sales, service and spare parts) dealership at Setia Alam, Selangor.

**10** UMW was certified as a Productivity Champion by Malaysia Productivity Corporation (“**MPC**”) at Petzl Manufacturing Malaysia Sdn. Bhd. The ceremony was one of MPC’s initiatives to increase the number of skilled productivity specialists in the country.



Handing over of equipment to Ministry of Urban Wellbeing, Housing & Local Government

**13** The prestigious Chairman’s Award was held at UMW Toyota head office to recognise top-performing outlets under the Sales Satisfaction Index and Customer Satisfaction Index categories.

**19** UMW Equipment Sdn. Bhd. (“**UMW Equipment**”) through its Government & Business Development Department, delivered two units of Cherrington 3,000 beach cleaner, one unit of backhoe loader and one unit of skid steer loader to the Ministry of Urban Wellbeing, Housing & Local Government at Mantanani Island.



Discourse on Competition Law

**25** A press conference was organised by UMW Toyota to announce its new Toyota manufacturing plant to be built at Bukit Raja Industrial Estate in Klang, Selangor.

**25** The Group Health, Safety & Environment Division organised the UMW-HSE Contractor Day, with the aim to instil safety and health awareness among UMW’s appointed contractors.



“UMW-HSE Contractor Day”

**27** The Group Legal Division organised a discourse on Competition Law at the Open Lounge, The Hallmark at UMW Corporate building, Shah Alam.

**31** The Group Human Resources organised “Majlis Penyampaian Anugerah Kecemerlangan Akademik 2015” at UMW Auditorium to reward children of employees who excelled in the UPSR, PT3 and SPM examinations for the year 2015.

## - CALENDAR OF EVENTS -

### JUNE

**08** UMW paid RM4,280,072 in zakat for the financial year 2015. The cheque was presented to DYMM Sultan of Selangor, Sultan Sharafuddin Idris Shah, in a ceremony held at Masjid Sultan Salahuddin Abdul Aziz Shah, Shah Alam.

**17-19** UMW teamed up with Four Wheelers for Charity to distribute Ramadhan packs to 116 underprivileged families in Laloh, Kuala Krai, Kelantan under the “Kembara Ramadhan UMW” programme.

**22** In conjunction with Hari Raya Aidilfitri, KYB-UMW held a programme called “Syoknya Raya”. 30 volunteers brought children from Rumah Amal Kebajikan Sungai Manggis, Banting, to shop at IOI Mall, Serdang.



“Kembara Ramadhan UMW” programme

### JUL

**19** UMW Equipment handed over four units of Komatsu backhoe loader model WB93R-5EO to Kemubu Agriculture Development Authority, Kelantan.

**26** Another full-fledged Toyota 3S (sales, service and spare parts) dealership was opened by UMW Toyota in Kuala Selangor.

**28** Assembly Services Sdn. Bhd. (“ASSB”) received the “Anugerah Syarikat Contoh” for automotive category at Majlis Konvokesyen Institut Latihan Jabatan Tenaga Manusia.



Opening of new Toyota 3S dealership

### AUG

**01** The UMW Excellence Award honoured those in UMW who exceeded expectations.

**04** UMW Toyota introduced two new premium Multi-Purpose Vehicle (“MPVs”) which were the all-new Toyota Alphard and all-new Toyota Vellfire.

**05** UMW proudly bagged a special award, “The Most Outstanding Investment in Selangor” at the Invest Selangor Gala Dinner. UMW was chosen based on the investments made by UMW Toyota as well as UMW Aerospace Sdn. Bhd.’s fan case manufacturing project for Rolls-Royce.

**05** Lubetech Sdn. Bhd. received the “MSOSH OSH Gold 1 Award Winner for 2015” award under the category of Manufacturing & Chemical Stores at the MSOSH OSH Award ceremony. It is an annual Occupational Safety and Health performance award that provides recognition to all companies who have achieved commendable safety and health records.

**10** 40 of UMW’s SL1M trainees (Program Skim Latihan 1 Malaysia) participated in a mud ball-making programme at the Environmental Interpretive Centre, Sepang.



UMW Excellence Award ceremony



SL1M trainees’ mud ball-making programme

## - CALENDAR OF EVENTS -

### AUG

**11** Tan Sri Abdul Wahid Omar, the newly-appointed Group Chairman of Permodalan Nasional Berhad visited the UMW Corporate Office in Shah Alam.

**18** UMW Toyota launched the all-new Toyota Sienta, the compact MPV developed for modern urban families.

**26** UMW Equipment & Engineering Pte. Ltd. (“**UEEPL**”) was honoured at the Total Defence Award 2016 in Singapore, where Mr. Timothy Loh, General Manager of UEEPL accepted the NS Advocate Award for Large Companies’ category.



Visit by PNB Group Chairman

### SEP

**03** ASSB collaborated with Majlis Bandaraya Shah Alam for the “Shah Alam Trees for Life 2016” programme at Persiaran Selangor, Shah Alam. 1,000 trees of the Mussaenda White and Cassia Biflora varieties were planted.

**22** Prima Pearl Auto Sdn. Bhd., an authorised dealer for UMW Toyota, officially opened its new Toyota Showroom at Arena Curve Complex in Bayan Lepas, Penang.



“Shah Alam Trees for Life 2016” programme

### OCT

**28-30** UMW Grantt International Sdn. Bhd. (“**UMW Grantt**”) proudly became the exclusive partner and co-sponsor of the 12<sup>th</sup> edition of the Malaysian Rally Championship 2016.

**30 Oct - 6 Nov** UMW Grantt joined South East Asia’s biggest extreme off-road event, the Borneo Safari International Off-Road Challenge as the Platinum Sponsor Partner.



Borneo Safari International Off-Road Challenge

### NOV

**23** UMW Toyota held an official opening ceremony of the new two-storey Toyota showroom in Johor Bahru.

**28-30** UMW Toyota received a total of six Grand Prix awards from the New Car Assessment Programme for Southeast Asian Countries for the best results in Crashworthiness Performance.



Opening of new Toyota showroom

### DEC

**02** UMW Toyota announced the addition of two new variants in its Toyota Camry range, namely the Camry 2.5 Hybrid Premium and Camry 2.0G X.

**05** UMW Toyota officially launched the All-New Innova.



Two new variants of Toyota Camry

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- AWARDS & ACCOLADES -

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**UMW CORPORATION SDN. BHD.**

HR Asia –  
Best Companies To  
Work For in Asia 2016



**UMW HOLDINGS BERHAD**

Invest Selangor – Selangor Appreciation  
Award 2014/2015 (The Most Outstanding  
Investment in Selangor)



**UMW INDUSTRIES (1985)  
SDN. BHD.**

Toyota Industries Corporation –  
TMHI Award 2015 (Customer Support Award)



**AUTOMOTIVE INDUSTRIES  
SENDIRIAN BERHAD**

PROTON – Supplier Business Excellence  
Program AMP 2015/16 Award (Top Score  
Supplier)



**UMW TOYOTA MOTOR SDN. BHD.**

Putra Brand Awards 2014 –  
Gold Award (The People's Choice Automotive  
Category)



**ASSEMBLY SERVICES SDN. BHD.**

J.D. Power –  
• Malaysia Initial Quality  
(Best MPV/Van 2016: Toyota Avanza)  
• Malaysia Initial Quality  
(Best Entry Midsize Car 2016: Toyota  
Vios)



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- AWARDS & ACCOLADES -

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**LUBETECH SDN. BHD.**

Malaysian Society for Occupational Safety and Health – MSOSH OSH Award 2015 (Gold Class I)



**PERODUA MANUFACTURING SDN. BHD.**

Human Resources Minister Award 2016 in Large Manufacturing Sector



**KYB-UMW STEERING MALAYSIA SDN. BHD.**

Zero PPM Quality Achievement – for support and contribution to the success of 2015 Mitsubishi Vehicle Production in Indonesia



**UMW EQUIPMENT & ENGINEERING PTE. LTD.**

Toyota Industries Corporation – Gold Award 2015 (Customer Support and Trust)



**PERUSAHAAN OTOMOBIL KEDUA SDN. BHD.**

Malaysia Automotive Institute – Malaysia Car of the Year 2016 (Most Significant Design Achievement: Perodua)



**UMW AEROSPACE SDN. BHD.**

MATRADE – Matrade's Excellence Award (Industry Mover)



**TOYOTA CAPITAL MALAYSIA SDN. BHD.**

TFSC President's Choice Award – FY2016 Global Kaizen Competition



## - AWARDS & ACCOLADES -

COMPANY NAME	AWARDS & RECOGNITIONS RECEIVED
<b>UMW Holdings Berhad</b>	Invest Selangor – Selangor Appreciation Award 2014/2015 (The Most Outstanding Investment in Selangor)
<b>UMW Corporation Sdn. Bhd.</b>	Employer Branding Institute – Malaysia Best Employer Brand Awards 2016
	HR Asia – Best Companies To Work For in Asia 2016
<b>UMW Toyota Motor Sdn. Bhd.</b>	Putra Brand Awards 2014 – Gold Award (The People’s Choice Automotive Category)
	J.D. Power – Malaysia Customer Satisfaction 2016 (After-Sales Service – Mass Market)
<b>Assembly Services Sdn. Bhd.</b>	Ministry of Human Resources – Exemplary Company Award (for cooperation and contribution to Manpower Department and Training Institutions under Manpower Department)
	J.D. Power <ul style="list-style-type: none"> <li>• Malaysia Initial Quality (Best MPV/Van 2016: Toyota Avanza)</li> <li>• Malaysia Initial Quality (Best Entry Midsize Car 2016: Toyota Vios)</li> </ul>
<b>Automotive Industries Sendirian Berhad</b>	PROTON – Supplier Business Excellence Program AMP 2015/16 Award (Top Score Supplier)
	Honda Malaysia Sdn. Bhd. <ul style="list-style-type: none"> <li>• Cost Appreciation Award 2015</li> <li>• Environment Appreciation Award 2014</li> </ul>
<b>Perusahaan Otomobil Kedua Sdn. Bhd. (PERODUA)</b>	Frost & Sullivan Malaysia Excellence Awards 2016 <ul style="list-style-type: none"> <li>• Malaysia Car of the Year: Perodua Axia</li> <li>• Malaysia Value-For-Money Car of the Year (1.3L and Below Category)</li> </ul>
	Putra Brand Awards 2016 – Silver Award (The People’s Choice Automotive Category)
	Star Carsifu Editors’ Choice Awards 2016 – Best Family Ride of the Year (<RM100K): Perodua Bezza 1.3 (A) Advance
	ASEAN NCAP Grand Prix Award 2016 <ul style="list-style-type: none"> <li>• Best Child Occupant Protection (COP) Small Family: Perodua Bezza</li> <li>• Best Adult Occupant Protection (AOP) Small Family: Perodua Bezza</li> </ul>
	Malaysia Automotive Institute – Malaysia Car of the Year 2016 <ul style="list-style-type: none"> <li>• Entry Level Car of the Year: Perodua Bezza 1.3 Advance</li> <li>• People’s Choice Award 2016: Perodua Bezza 1.3 Advance</li> <li>• Most Significant Design Achievement: Perodua</li> </ul>
<b>Perodua Manufacturing Sdn. Bhd.</b>	Human Resources Minister Award 2016 in Large Manufacturing Sector
<b>UMW Industries (1985) Sdn. Bhd.</b>	Toyota Industries Corporation <ul style="list-style-type: none"> <li>• Platinum Award (2015 Toyota Premier Club Recognition)</li> <li>• TMHI Award 2015 (Customer Support Award)</li> <li>• TMHI Award 2015 (Vision 2020 Award)</li> </ul>
	Tennant Distributor Excellence Award – 2 <sup>nd</sup> Runner-up 2015
<b>UMW Equipment &amp; Engineering Pte. Ltd.</b>	Toyota Industries Corporation <ul style="list-style-type: none"> <li>• Gold Award 2015 (Customer Support and Trust)</li> <li>• TMHI Award 2015 – Bronze Award (2015 President Award)</li> <li>• Platinum Award (2015 Premier Club Recognition)</li> </ul>
	Ministry of Defence, Singapore – TDA Total Defence Awards (NS Advocate Award for Large Companies 2016)
	Ministry of Defence & Ministry of Foreign Affairs, Singapore – NS Mark (GOLD) Accreditation
<b>UMW Aerospace Sdn. Bhd.</b>	MATRADE – Matrade’s Excellence Award (Industry Mover)
<b>Lubetech Sdn. Bhd.</b>	Malaysian Society for Occupational Safety and Health – MSOSH OSH Award 2015 (Gold Class I)
<b>KYB-UMW Steering Malaysia Sdn. Bhd.</b>	Zero PPM Quality Achievement – for support and contribution to the success of 2015 Mitsubishi Vehicle Production in Indonesia
<b>Toyota Capital Malaysia Sdn. Bhd.</b>	TFSC President’s Choice Award – FY2016 Global Kaizen Competition

# FINANCIAL STATEMENTS



114	Directors' Report
118	Statement by Directors
118	Statutory Declaration
119	Independent Auditors' Report
124	Consolidated Statement of Financial Position
126	Consolidated Statement of Comprehensive Income
127	Consolidated Statement of Changes in Equity
129	Consolidated Statement of Cash Flows
131	Statement of Financial Position
132	Statement of Comprehensive Income
133	Statement of Changes in Equity
134	Statement of Cash Flows
136	Notes to the Financial Statements

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## - DIRECTORS' REPORT -

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The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

### PRINCIPAL ACTIVITIES

The principal activities of the Group and of the Company are referred to in Note 1 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

### RESULTS

	Group RM'000	Company RM'000
Loss for the year	<u>(2,269,777)</u>	<u>(457,240)</u>
Attributable to:		
Equity holders of the Company	(1,658,039)	(457,240)
Non-controlling interests	(611,738)	-
	<u>(2,269,777)</u>	<u>(457,240)</u>

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

### DIVIDENDS

The amount of dividend paid or declared by the Company since 31 December 2015 was as follows:

	RM'000
<b>In respect of the financial year ended 31 December 2015 and as reported in the directors report in that year:</b>	
Second interim single-tier dividend of 20% or 10.0 sen declared on 25 February 2016 and paid on 23 March 2016	<u>116,829</u>

The directors do not recommend the payment of any final dividend in respect of financial year ended 31 December 2016.

## - DIRECTORS' REPORT (CONTD.) -

### DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman (appointed 1 January 2017)  
 Badrul Feisal bin Abdul Rahim  
 Dr. Leong Chik Weng  
 Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani  
 Dato' Siow Kim Lun @ Siow Kim Lin  
 Dato' Mohd. Nizam bin Zainordin  
 Khalid bin Sufat  
 Rohaya binti Mohammad Yusof  
 Tan Sri Hasmah binti Abdullah  
 Dato' Eshah binti Meor Suleiman (appointed 17 October 2016)  
 Tan Sri Asmat bin Kamaludin (retired 31 December 2016)

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 41 to the financial statements.

### DIRECTORS' INTEREST

According to the register of directors' shareholdings, the directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations except for the following:

The Company	← Number of Ordinary Shares of RM0.50 Each →			
	1 January 2016	Bought	Sold	31 December 2016
<b>Indirect Interest*</b>				
Tan Sri Asmat bin Kamaludin	18,000	-	-	18,000

## - DIRECTORS' REPORT (CONTD.) -

### DIRECTORS' INTEREST (CONTD.)

Related company - UMW Oil & Gas Corporation Berhad	← Number of Ordinary Shares of RM0.50 Each →			
	1 January 2016	Bought	Sold	31 December 2016
<b>Direct Interest</b>				
Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani	75,000	-	75,000	-
Dato' Siow Kim Lun @ Siow Kim Lin	100,000	-	100,000	-
<b>Indirect Interest*</b>				
Tan Sri Asmat bin Kamaludin	304,000	-	304,000	-

\* Indirect interest pursuant to Section 134(12)(c) of the Companies Act, 1965.

### OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment loss on receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment loss on receivables had been made; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances 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.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading or inappropriate.

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## - DIRECTORS' REPORT (CONTD.) -

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### OTHER STATUTORY INFORMATION (CONTD.)

- (e) As at the date of this report, there does not exist:
- (i) 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 liabilities of any other person; or
  - (ii) any material contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in the financial statements, other significant events are disclosed in Note 39 to the financial statements.

### SUBSEQUENT EVENTS

Subsequent events are as disclosed in Note 40 to the financial statements.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 April 2017.



**TAN SRI DATO' SRI HAMAD KAMA PIAH  
BIN CHE OTHMAN**



**BADRUL FEISAL BIN ABDUL RAHIM**

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**- STATEMENT BY DIRECTORS -**

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PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, **TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN** and **BADRUL FEISAL BIN ABDUL RAHIM**, being two of the directors of UMW Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 124 to 254 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 45 on page 255 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 April 2017.

**TAN SRI DATO' SRI HAMAD KAMA PIAH  
BIN CHE OTHMAN**

**BADRUL FEISAL BIN ABDUL RAHIM**

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**- STATUTORY DECLARATION -**

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PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, **AZMIN BIN CHE YUSOFF**, being the officer primarily responsible for the financial management of UMW Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 124 to 255 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.

Subscribed and solemnly declared by the abovenamed **AZMIN BIN CHE YUSOFF** at Shah Alam in Selangor Darul Ehsan on 14 April 2017

**AZMIN BIN CHE YUSOFF**

Before me,



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## - INDEPENDENT AUDITORS' REPORT -

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TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of UMW Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 124 to 254.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

#### *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 audit 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.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

#### Impairment of property, plant and equipment

As at 31 December 2016, the property, plant and equipment of the Group mainly consists of land and buildings, drilling rigs, hydraulic workover units, drilling-related equipment and plant and machinery. The significant downturn in the oil and gas industry and the low utilisation of the drilling rigs and hydraulic workover units during the year are indication that the assets may be impaired. The Group has performed an impairment assessment to estimate the value in use of these assets based on discounted future cash flows.

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## - INDEPENDENT AUDITORS' REPORT (CONTD.) -

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TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### *Key audit matters (contd.)*

#### Impairment of property, plant and equipment (contd.)

This area was important to our audit due to the significance of the carrying value of the drilling rigs, hydraulic workover units, and drilling-related equipment as well as the significant judgement involved in formulating assumptions to the cash flow projections for value in use computations.

Our audit procedures included, amongst others, the review of the underlying assumptions used to prepare the projections, such as the assets' utilisation, operating day rates, and the duration of the current downturn in the industry. We corroborated the key assumptions with industry analysts' views, management's plans and existing contracts, where applicable.

We have also reviewed the methodology of impairment assessment and assessed the reasonableness of the discount factor used, and performed sensitivity analysis of the changes in key assumptions.

In addition, certain assets were impaired based on recoverable amounts determined by fair value less cost to sell. The Group determines these amounts based on professional independent valuations. We have considered the objectivity, independence and expertise of the firm of independent valuers engaged by the Group.

Furthermore, we also evaluated the adequacy of the disclosures of each key assumptions of which the Group had based its cash flow projections. The Group's conclusion on the impairment assessment and related disclosures are included in Note 4 of the financial statements.

#### Provision for warranties

As at 31 December 2016, the provision for warranties amounted to RM201 million. The Group provides various types of warranties under which the performance of products delivered is generally guaranteed for a certain period or term. We focused on this area as the amount of the provision for warranties are material to the financial statements, with their determinations involving a high level of management judgement. Changes in the assumptions can materially affect the levels of provisions recorded in the financial statements.

The warranty provision represents the best estimate of commitments given by the Group for contractual obligations arising from the warranties given for a specified period of time beginning at the date of sale to the end customer. This estimate is principally based on assumptions regarding the warranty costs to either repair or replace any parts of the vehicles covered by the warranty and historical claims experience for vehicles. The Group establishes provision for warranty obligations when the related sale is recognised in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

The disclosure on warranty provisions are included in Note 20 of the financial statements.

We obtained an understanding of the warranty process estimation through enquiry of representative from Warranty and Technical Operation team. Our focus included evaluating the appropriateness of the Group's methodology, evaluating and testing the basis for the assumptions used by the Group in the determination of the warranty provisions and testing the validity of the data used in the calculations.

#### Financial guarantee contracts

As disclosed in Note 23, the Group and the Company recognised an expense of RM705 million and RM524 million respectively, due to the remeasurement of financial guarantee contracts in respect of borrowings of a joint venture. This remeasurement was undertaken because it became probable that the joint venture will not be able to meet its repayment obligations.

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## - INDEPENDENT AUDITORS' REPORT (CONTD.) -

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TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

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### *Key audit matters (contd.)*

#### Financial guarantee contracts (contd.)

We identified this as our area of audit focus as the amount of the remeasurement is material to the financial statements, and involves exercise of significant management judgement and estimates.

In addressing this area of audit focus, we have assessed the Group's basis in arriving at its judgement of the likelihood of default. We have also evaluated the Group's assumption on the timing and extent of the expected cash outflows and the reasonableness of the discount rate applied to these cash outflows.

#### *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 information included in the annual report, but 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 and will 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, 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 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, 1965 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.

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## - INDEPENDENT AUDITORS' REPORT (CONTD.) -

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TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### *Auditors' responsibilities for the audit of the financial statements (contd.)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- 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.
- 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 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.

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## - INDEPENDENT AUDITORS' REPORT (CONTD.) -

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TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 36 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

### Other reporting responsibilities

The supplementary information set out in Note 45 on page 255 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

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



**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
14 April 2017



**AHMAD ZAHIRUDIN BIN ABDUL RAHIM**  
No. 02607/12/2018 J  
Chartered Accountant

**- CONSOLIDATED STATEMENT OF FINANCIAL POSITION -**

AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	7,678,533	8,102,786
Investment properties	5	2,457	3,172
Intangible assets	6	-	25,228
Land use rights	7	6,482	6,761
Leased assets	8	270,509	287,629
Receivables	16	47,756	42,490
Investment in joint ventures	10	54,875	55,951
Investment in associates	11	1,953,223	1,923,150
Deferred tax assets	12	93,079	74,501
Other investments	13	22,660	22,761
Derivative assets	14	11,948	13,514
Deposits, cash and bank balances	17	336,450	-
		<b>10,477,972</b>	<b>10,557,943</b>
<b>Current assets</b>			
Inventories	15	1,931,189	1,889,963
Receivables	16	988,467	1,833,401
Other investments	13	996,898	1,188,945
Tax recoverable		7,604	9,396
Derivative assets	14	3,470	11,510
Deposits, cash and bank balances	17	1,857,424	2,734,143
		<b>5,785,052</b>	<b>7,667,358</b>
<b>TOTAL ASSETS</b>		<b>16,263,024</b>	<b>18,225,301</b>

**- CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTD.) -**

AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	18	584,147	584,147
Share premium		794,482	794,482
Capital reserve		396	396
Hedging reserve	19	3,099	-
Foreign currency translation reserve	19	437,793	445,306
Retained profits		2,898,645	4,760,127
		<b>4,718,562</b>	6,584,458
Non-controlling interests		2,145,713	2,799,413
<b>Total equity</b>		<b>6,864,275</b>	9,383,871
<b>Non-current liabilities</b>			
Provision for warranties	20	104,203	55,976
Deferred tax liabilities	12	22,952	27,480
Long term borrowings	21	3,715,777	2,289,762
Payables	23	803,805	50,197
Derivative liabilities	14	-	80,030
		<b>4,646,737</b>	2,503,445
<b>Current liabilities</b>			
Provision for warranties	20	97,270	85,171
Taxation		40,956	86,981
Short term borrowings	22	2,639,329	3,724,990
Payables	23	1,878,642	2,241,179
Derivative liabilities	14	95,815	199,664
		<b>4,752,012</b>	6,337,985
<b>Total liabilities</b>		<b>9,398,749</b>	8,841,430
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,263,024</b>	18,225,301

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME -

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Revenue	24	<b>10,958,515</b>	14,441,583
Other operating income	25	<b>99,335</b>	143,319
Changes in inventories		<b>35,405</b>	(199,210)
Finished goods purchased		<b>(8,108,901)</b>	(10,394,359)
Raw materials and consumables used		<b>(471,490)</b>	(456,583)
Employee benefits	26	<b>(978,467)</b>	(1,084,963)
Depreciation and amortisation		<b>(569,516)</b>	(510,711)
Other operating expenses		<b>(3,146,395)</b>	(1,803,459)
(Loss)/profit from operations		<b>(2,181,514)</b>	135,617
Finance costs	28	<b>(185,488)</b>	(126,775)
Investment income	29	<b>80,395</b>	126,372
Share of results of associates and joint ventures		<b>156,382</b>	134,438
(Loss)/profit before zakat and taxation	27	<b>(2,130,225)</b>	269,652
Zakat		<b>(8,560)</b>	(5,905)
Income tax expense	30	<b>(130,992)</b>	(261,555)
(Loss)/profit for the year		<b>(2,269,777)</b>	2,192
<b>Other comprehensive (loss)/income</b>			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(14,544)</b>	548,010
Fair value gain/(loss) on cash flow hedge		<b>5,559</b>	(45)
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(8,985)</b>	547,965
<b>Total comprehensive (loss)/income for the year</b>		<b>(2,278,762)</b>	550,157
<b>(Loss)/profit for the year attributable to:</b>			
Equity holders of the Company		<b>(1,658,039)</b>	(37,171)
Non-controlling interests		<b>(611,738)</b>	39,363
		<b>(2,269,777)</b>	2,192
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the Company		<b>(1,652,269)</b>	315,546
Non-controlling interests		<b>(626,493)</b>	234,611
		<b>(2,278,762)</b>	550,157
<b>Loss per share attributable to equity holders of the Company (sen):</b>			
Basic/Diluted	31	<b>(141.9)</b>	(3.2)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**- CONSOLIDATED STATEMENT OF CHANGES IN EQUITY -**

FOR THE YEAR ENDED 31 DECEMBER 2016

	Non-distributable			Distributable			Non-controlling interests	Total equity
	Share capital	Share premium	Foreign currency translation reserve	Capital reserve	Hedging reserve	Retained profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2015</b>	584,147	794,482	92,544	396	45	5,108,848	2,852,595	9,433,057
Profit/(loss) for the year	-	-	-	-	-	(37,171)	39,363	2,192
Other comprehensive income/(loss) for the year	-	-	352,762	-	(45)	-	195,248	547,965
<b>Total comprehensive income/(loss)</b>	-	-	352,762	-	(45)	(37,171)	234,611	550,157
<b>Transactions with owners</b>								
Dividends (Note 32)	-	-	-	-	-	(303,756)	(326,234)	(629,990)
Issuance of ordinary shares by subsidiaries	-	-	-	-	-	-	18,874	18,874
Dilution of interest in subsidiaries	-	-	-	-	-	-	32,510	32,510
Acquisitions of non-controlling interest (Note 9)	-	-	-	-	-	(7,794)	(12,943)	(20,737)
Total transactions with owners	-	-	-	-	-	(311,550)	(287,793)	(599,343)
<b>At 31 December 2015</b>	584,147	794,482	445,306	396	-	4,760,127	2,799,413	9,383,871

**- CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital		Share premium		Share translation reserve		Foreign currency		Non-distributable		Distributable		Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Capital reserve	Hedging reserve	Retained profits	Total	
<b>At 1 January 2016</b>	<b>584,147</b>	<b>794,482</b>	<b>445,306</b>	<b>396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,760,127</b>	<b>6,584,458</b>	<b>2,799,413</b>	<b>9,383,871</b>		
Loss for the year	-	-	-	-	-	-	(1,658,039)	(611,738)	(2,269,777)				
Other comprehensive income/ (loss) for the year	-	-	2,671	-	3,099	-	-	-	5,770	(14,755)	(8,985)		
<b>Total comprehensive income/ (loss) for the year</b>	<b>-</b>	<b>-</b>	<b>2,671</b>	<b>-</b>	<b>3,099</b>	<b>-</b>	<b>(1,658,039)</b>	<b>(626,493)</b>	<b>(2,278,762)</b>				
<b>Transactions with owners</b>													
Dividends (Note 32)	-	-	-	-	-	-	(116,829)	(95,845)	(212,674)				
Acquisitions of non-controlling interest (Note 9)	-	-	(10,184)	-	-	-	(86,614)	68,638	(28,160)				
Total transactions with owners	-	-	(10,184)	-	-	-	(203,443)	(27,207)	(240,834)				
<b>At 31 December 2016</b>	<b>584,147</b>	<b>794,482</b>	<b>437,793</b>	<b>396</b>	<b>3,099</b>	<b>2,898,645</b>	<b>4,718,562</b>	<b>2,145,713</b>	<b>6,864,275</b>				

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## - CONSOLIDATED STATEMENT OF CASH FLOWS -

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before zakat and taxation	<b>(2,130,225)</b>	269,652
Adjustments for:		
Amortisation of financial guarantee contracts	<b>(17,330)</b>	(11,680)
Depreciation and amortisation	<b>569,516</b>	510,711
Net impairment/(reversal of impairment) losses on:		
- receivables	<b>252,213</b>	9,968
- leased assets	<b>456</b>	(285)
- property, plant and equipment	<b>1,164,927</b>	336,431
- investment in joint ventures	<b>53,060</b>	-
- goodwill	<b>25,228</b>	25,555
Dividend income from investments	<b>(4,847)</b>	(300)
Net loss/(gain) on disposal of investments	<b>7,901</b>	(2,293)
Interest expense	<b>185,488</b>	126,775
Interest income	<b>(75,548)</b>	(126,072)
Net gain on disposal of property, plant and equipment and leased assets	<b>(21,292)</b>	(20,322)
Net provision of inventories written down	<b>33,134</b>	11,560
Property, plant and equipment and leased assets written off	<b>7,670</b>	14,617
Net provision for warranties	<b>73,119</b>	109,647
Loss on disposal of non-current assets held for sale	<b>-</b>	51,180
Provision for unutilised leave	<b>5</b>	55
Net fair value losses on financial assets held for trading	<b>1,698</b>	4,047
Provision for additional loss on investment in a joint venture (Note 23)	<b>-</b>	130,314
Remeasurement of financial guarantee contracts	<b>704,991</b>	-
Share of results of associates	<b>(156,897)</b>	(134,375)
Share of results of joint ventures	<b>515</b>	(63)
Net fair value (gain)/losses on derivatives	<b>(171,751)</b>	126,279
Net unrealised foreign exchange gain	<b>(16,281)</b>	(155,003)
Operating profit before working capital changes	<b>485,750</b>	1,276,398
Receivables	<b>564,645</b>	439,527
Inventories	<b>(74,251)</b>	(14,701)
Provision for warranties	<b>(13,175)</b>	(57,384)
Payables	<b>(276,484)</b>	(299,507)
Cash generated from operating activities	<b>686,485</b>	1,344,333
Interest paid	<b>(186,081)</b>	(121,440)
Zakat and taxes paid	<b>(209,672)</b>	(273,776)
Net cash generated from operating activities	<b>290,732</b>	949,117

# - CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow on acquisition of additional shares	(17,745)	(30,180)
Proceeds from issuance of shares by subsidiaries to non-controlling interests	-	18,874
Purchase of investment in a joint venture	(4,239)	-
Purchase of property, plant and equipment and leased assets	(1,181,566)	(2,280,364)
Deposits for purchase of land	-	(129,022)
Proceeds from disposal of property, plant and equipment and leased assets	47,338	51,786
Proceeds from disposal of other investments	2,087,281	1,158,359
Purchase of other investments	(1,891,538)	(1,167,964)
Interest received	75,548	126,072
Dividends received from associates and other investments	83,764	100,212
Withdrawal of deposits	30,000	412,300
Placement of deposits pledged with banks	(1,325)	(414)
Net cash used in investing activities	(772,482)	(1,740,341)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of long term borrowings	2,011,341	748,485
Repayment of long term borrowings	(1,171,384)	(234,677)
Net movement in short term borrowings	(459,598)	809,635
Repayment of finance lease payables	(253)	(872)
Dividends paid to equity holders of the Company	(116,829)	(479,000)
Dividends paid to non-controlling interests	(95,845)	(326,234)
Placement of restricted cash deposits in licensed banks	(558,275)	-
Net cash (used in)/generated from financing activities	(390,843)	517,337
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(872,593)</b>	<b>(273,887)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>(141,171)</b>	<b>64,578</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>2,621,058</b>	<b>2,830,367</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>1,607,294</b>	<b>2,621,058</b>
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	519,157	617,589
Deposits with licensed banks - non-current (Note 17)	336,450	-
Deposits with licensed banks - current (Note 17)	1,338,267	2,116,554
	2,193,874	2,734,143
Less: Bank overdrafts (Note 22)	(22,681)	(78,786)
Less: Deposits with a maturity of more than 3 months (Note 17)	(1,000)	(31,000)
Less: Restricted cash (Note 17)	(558,275)	-
Less: Deposits pledged with banks (Note 17)	(4,624)	(3,299)
	<b>1,607,294</b>	<b>2,621,058</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## - STATEMENT OF FINANCIAL POSITION -

AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	4	9	13
Investment in subsidiaries	9	1,941,009	1,813,751
Investment in an associate	11	25,800	25,800
Due from subsidiaries	16	714,448	145,944
		<b>2,681,266</b>	1,985,508
<b>Current assets</b>			
Other investments	13	505,299	622,907
Receivables	16	377	566
Due from subsidiaries	16	17,946	157,596
Tax recoverable		-	1,013
Derivative assets	14	3,173	952
Deposits, cash and bank balances	17	3,650	18,154
		<b>530,445</b>	801,188
<b>TOTAL ASSETS</b>		<b>3,211,711</b>	2,786,696
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	18	584,147	584,147
Share premium		794,482	794,482
(Accumulated losses)/retained profits		(115,156)	458,913
<b>Total equity</b>		<b>1,263,473</b>	1,837,542
<b>Non-current liabilities</b>			
Long term borrowings	21	1,099,837	189,944
Payables	23	504,662	29,848
Derivative liabilities	14	-	80,030
		<b>1,604,499</b>	299,822
<b>Current liabilities</b>			
Short term borrowings	22	189,982	439,997
Payables	23	68,625	15,099
Derivative liabilities	14	85,132	194,236
		<b>343,739</b>	649,332
<b>Total liabilities</b>		<b>1,948,238</b>	949,154
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,211,711</b>	2,786,696

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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**- STATEMENT OF COMPREHENSIVE INCOME -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Note	RM'000	RM'000
Revenue	24	<b>631,579</b>	357,755
Other operating income	25	<b>208,546</b>	118,920
Depreciation		<b>(7)</b>	(8)
Other operating expenses		<b>(1,305,886)</b>	(440,230)
(Loss)/profit from operations		<b>(465,768)</b>	36,437
Finance costs	28	<b>(36,302)</b>	(22,631)
Investment income	29	<b>55,931</b>	52,452
(Loss)/profit before zakat and taxation	27	<b>(446,139)</b>	66,258
Zakat		<b>(8,560)</b>	(5,905)
Income tax expense	30	<b>(2,541)</b>	(445)
(Loss)/profit for the year, representing total comprehensive income for the year		<b>(457,240)</b>	59,908

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## - STATEMENT OF CHANGES IN EQUITY -

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained profits/ (accumulated losses) RM'000	Total equity RM'000
<b>At 1 January 2015</b>	584,147	794,482	702,761	2,081,390
<b>Total comprehensive income</b>	-	-	59,908	59,908
<b>Transactions with owners:</b>				
Dividends (Note 32)	-	-	(303,756)	(303,756)
<b>At 31 December 2015</b>	584,147	794,482	458,913	1,837,542
<b>At 1 January 2016</b>	584,147	794,482	458,913	1,837,542
<b>Total comprehensive income</b>	-	-	(457,240)	(457,240)
<b>Transactions with owners:</b>				
Dividends (Note 32)	-	-	(116,829)	(116,829)
<b>At 31 December 2016</b>	584,147	794,482	(115,156)	1,263,473

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## - STATEMENT OF CASH FLOWS -

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before zakat and taxation	<b>(446,139)</b>	66,258
Adjustments for:		
Amortisation of financial guarantee contracts	<b>(6,421)</b>	(5,696)
Interest expense	<b>36,302</b>	22,631
Net gain on sale of money market fund	<b>(1,284)</b>	(218)
Equipment written off	-	1
Investment income	<b>(55,931)</b>	(52,452)
Dividend income from subsidiaries	<b>(631,579)</b>	(357,755)
Depreciation	<b>7</b>	8
Remeasurement of financial guarantee contracts	<b>524,483</b>	-
Net fair value loss/(gain) on financial assets held for trading	<b>857</b>	(559)
Net impairment on investment in subsidiaries	<b>413,690</b>	-
Allowance for impairment loss on amounts due from subsidiaries	<b>92,296</b>	234,924
Allowance for impairment loss on amounts due from joint venture	<b>81,580</b>	-
Net unrealised foreign exchange gain	<b>(15,908)</b>	(111,168)
Net fair value (gain)/losses on derivatives	<b>(191,354)</b>	153,980
Operating loss before working capital changes	<b>(199,401)</b>	(50,046)
Receivables	<b>(81,599)</b>	(94)
Amounts due from subsidiaries	<b>(589,892)</b>	105,083
Payables	<b>458</b>	4,448
Cash (used in)/generated from operations	<b>(870,434)</b>	59,391
Interest paid	<b>(26,293)</b>	(21,924)
Zakat and taxes paid	<b>(9,960)</b>	(6,300)
Net cash (used in)/generated from operating activities	<b>(906,687)</b>	31,167

**- STATEMENT OF CASH FLOWS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	21,219	24,942
Dividends received	209,883	715,510
Purchase of other investments	(1,365,490)	(439,024)
Purchase of equipment	(3)	(5)
Proceeds from disposal of other investments	1,483,525	206,027
Additional investment in a subsidiary	-	(25,749)
Net cash generated from investing activities	<b>349,134</b>	481,701
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown/(repayment) of borrowings	659,878	(109,915)
Dividends paid to equity holders of the Company	(116,829)	(479,000)
Net cash generated from/(used in) financing activities	<b>543,049</b>	(588,915)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,504)</b>	(76,047)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>18,154</b>	94,201
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>3,650</b>	18,154
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	3,650	5,575
Deposits with licensed banks (Note 17)	-	12,579
	<b>3,650</b>	18,154

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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# - NOTES TO THE FINANCIAL STATEMENTS -

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FOR THE YEAR ENDED 31 DECEMBER 2016

## 1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries are as disclosed in Note 36 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

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

The registered office of the Company is located at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 April 2017.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) as issued by Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand RM except when otherwise indicated.

As at 1 January 2016, the Group and the Company had adopted new amendments and revised MFRS (collectively referred as “pronouncements”) that have been issued by the MASB. These pronouncements do not give rise to any significant effect on the financial statements of the Group and of the Company.

### 2.2 Adoption of new and revised pronouncements

The Company had adopted the following Amendments and Annual Improvements to Standards that have been issued by the MASB with initial application date of 1 January 2016:

- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 11 Joint Arrangements
  - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 Presentation of Financial Statements
  - Disclosure Initiative
- Amendments to MFRS 127 Consolidated and Separate Financial Statements
  - Equity Method in Separate Financial Statements

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.2 Adoption of new and revised pronouncements (contd.)

- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets  
- Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture - Agriculture: Bearer Plants
- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 16 and MFRS 138)
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)

The adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Company.

#### 2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative	1 January 2017
• Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
• MFRS 9 Financial Instruments (IFRS 9 as issued by International Accounting Standards Board in July 2014)	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	1 January 2018
• MFRS 16 Leases	1 January 2019
• Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
• Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
• Amendments to MFRS 12 (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2017
• Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions	1 January 2018
• Amendments to MFRS 1 (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018

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

\* The effective date of these Amendments has been deferred, and has yet to be announced by MASB.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.3 Standards and interpretations issued but not yet effective (contd.)

The directors expect that the adoption of the standards and IC interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

##### MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities.

##### MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company will assess the impact of adoption of the new standard and will adopt the new standard on the stipulated effective date.

##### MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies

##### (a) Subsidiaries, basis of consolidation, associates and joint arrangements

###### (i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (contd.)

###### (ii) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

###### (iv) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (contd.)

##### (v) Joint arrangement

A joint arrangement is an arrangement of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangement's returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as a joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. Whilst, a joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangements. The Group has classified its joint arrangement as joint venture and accounted for its interest in joint venture using the equity method as described in Note 2.4(a)(vi).

##### (vi) Equity method of accounting

Under the equity method, the investments in associate and joint venture are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate and joint venture. The Group's share of the net profit or loss of the associate and joint venture is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss. The associate or joint venture is equity accounted for from the date the Group exercises significant influence over the financial and operating policies of the associate until the date the Group ceases to have significant influence over the associate or joint venture.

Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the year in which the investment is acquired.

When the Group's share of losses in associate or joint venture equals or exceeds its interest in the associate or joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the holding company.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (contd.)

###### (vi) Equity method of accounting (contd.)

The most recent available audited financial statements of the associate or joint venture is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

In the separate financial statements of the Company and of the Group's subsidiaries, investments in subsidiaries, associate and joint venture are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (b) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are either included in the asset's carrying amount or recognised as a separate asset, provided costs can be measured reliably and it is probable that future economic benefits associated with these costs will flow to the Group.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Periodic survey and drydocking costs are incurred in connection with obtaining regulatory certification to operate the rigs on an ongoing basis. Costs associated with the certification are deferred and amortised on a straight-line basis over the period between surveys and drydocking. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to the profit or loss during the financial period which they are incurred.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (b) Property, plant and equipment (contd.)

Freehold land and assets-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Leasehold land - finance lease	Over lease period of 50 - 99 years
Buildings	) Over period of 50 years or period of the land ) lease, whichever is the shorter
Plant and machinery	3% - 33%
Rigs and hydraulic workover units ("HWUs")	3% - 10%
Drilling equipment	3% - 50%
Office equipment, furniture and fittings	10% - 50%
Motor vehicles	20% - 33%
Renovation and improvements	10% - 16%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income in the year the asset is derecognised.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(y).

##### (c) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Upon the disposal of a land use right, the difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss.

When an indication of impairment exists, the carrying amount of the land use rights is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(y).

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (d) Leased assets

Leased assets represent plant and equipment leased by the Group to third parties under operating leases.

Depreciation of leased assets is provided for on a straight-line basis calculated to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates of depreciation:

Plant and machinery	12.5% - 33.3%
Other equipment and tools	12.5%

The accounting policies for leased assets are the same as that for property, plant and equipment in all respects.

##### (e) Investment properties

Investment properties are land or buildings held by the Group or held under finance leases, to earn rental income or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Depreciation of other investment property is provided for on a straight-line basis to write off the cost to its residual value over its estimated useful life at the following periods:

Leasehold land - finance lease	Over lease period of 50 - 99 years
Buildings	) Over a period of 50 years or period of the ) lease whichever is the shorter

Upon the disposal of an item of investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(y).

##### (f) Financial assets

Financial assets 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (f) Financial assets (contd.)

##### (i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) and other investments or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Fair value through profit or loss comprises investment in cash funds, quoted shares and derivatives.

##### (ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those with maturity dates later than 12 months from the reporting date are classified as non-current.

Loans and receivables of the Group and of the Company comprise of trade and other receivables (other than accrued income and prepayments), due from related companies and cash and bank balances.

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the two preceding categories.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (f) Financial assets (contd.)

##### (iii) Available-for-sale financial assets (contd.)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

##### (g) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

##### (i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio that past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (g) Impairment of financial assets (contd.)

###### (i) Trade and other receivables and other financial assets carried at amortised cost (contd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

###### (ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

###### (iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value or being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

##### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

Cost is determined principally by the following methods:

Equipment, unassembled and completed vehicles and attachments	- specific identification
Finished goods, work-in-progress, raw materials, spares and consumables	- weighted average

Cost includes the invoiced value of inventories purchased plus incidental expenses.

For manufactured goods, completed vehicles, attachments and work-in-progress, cost includes cost of raw materials, direct labour and the appropriate production overheads.

##### (j) Intangible assets

###### (i) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (k) Foreign currencies

###### (i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency.

###### (ii) Foreign currency transactions

Transactions in currencies other than the entity’s functional currency (“foreign currencies”) are initially converted into functional currency at rates of exchange ruling at the transaction dates.

###### Non-monetary items

At each financial reporting date, foreign currency non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

###### Monetary items

At each reporting date, foreign currency monetary items are translated into functional currency at exchange rates ruling at that date.

###### - Entity’s financial statements

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Company’s net investment in foreign operation are recognised in profit or loss in the Company’s separate financial statements or the individual financial statements of the foreign operation, as appropriate.

###### - Consolidated financial statements

Exchange differences arising on monetary items that form part of the Group’s net investment in foreign operation are taken directly to the foreign currency translation reserve within other comprehensive income until the disposal of the foreign operations, at which time they are recognised in profit or loss.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (k) Foreign currencies (contd.)

###### (iii) Foreign operations

Financial statements of foreign subsidiaries consolidated are translated at year end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to the profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date.

##### (l) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

###### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

###### (ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

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

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

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (l) Financial liabilities (contd.)

##### (ii) Other financial liabilities (contd.)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

##### (m) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, the financial guarantee contracts are measured at the higher of:

- (i) the amount determined in accordance with the accounting policy for provisions set out in Note 2.4(v)(i) or
- (ii) the amount initially recognised less cumulative amortisation recognised in the profit or loss.

##### (n) Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

##### (o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### (p) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

**(q) Zakat**

This represents business zakat payable by the Group and the Company. Zakat in the form of contribution is calculated based on certain percentage of the net current asset according to the principles of Syariah.

**(r) Income tax**

Income tax on the profit or loss for the period comprises current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (r) Income tax (contd.)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### (s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Revenue from sale of goods is recognised net of sales discounts when transfer of significant risks and rewards of ownership has been completed. Revenue is recognised net of goods and services tax ("GST") and includes excise duties.
- (ii) Revenue from service rendered is recognised net of GST on accruals basis as and when services are performed.
- (iii) Rental income on operating lease transactions is accounted for on a straight-line basis over the lease term.
- (iv) Finance lease interest from the leasing of assets are recognised according to the effective interest method so as to provide constant periodic rate of return on the net investment.
- (v) Dividend income is recognised when the shareholders' rights to receive payment is established.
- (vi) Revenue from the provision of drilling and workover services include minimum lease payments from customers under day-rate based contracts and other services. Revenue generated from day-rate based contracts, which are classified as operating leases by the Group, are recognised over the period the service is rendered.

Day-rate based contracts may include lump-sum fee for mobilisation and demobilisation which are recognised based on the policies stated in Note 2.4(s)(vii) and (viii), respectively. Fees received from customer under contract for upgrade to the rig is deferred and recognised over the contract term.

Additional payments for meeting or exceeding certain performance targets are recognised when it is probable that the economic benefits associated with the transaction will flow to the entity.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (s) Revenue recognition (contd.)

- (vii) Lump sum mobilisation fees received on drilling and workover services contracts are deferred and recognised on a straight-line basis over the period that the related drilling services are performed.

Mobilisation costs incurred as part of a contract are deferred and recognised as expense over the contract period. The costs of relocating drilling rigs that are not under a contract are expensed as incurred.

- (viii) Demobilisation costs are costs related to the transfer of a drilling rig to a safe harbour or different geographical area and are expensed as incurred.

Demobilisation fees on drilling and workover services contracts are recognised as and when services are rendered, or at the point when it becomes known and certain that demobilisation fee can be charged to the customer.

- (ix) Interest income is recognised using the effective interest method.

- (x) Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.4(x).

##### (t) Leases

###### (i) Where Group is a lessee

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments, at the inception of the lease. The corresponding lease obligations, net of finance charges are included in borrowings. The interest rate implicit in the lease is used as the discount factor in calculating the present value of the minimum lease payments. Initial direct costs incurred are included as part of the asset.

The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability for each period.

The depreciation policy for assets held under finance leases is consistent with that for depreciable property, plant and equipment as described in Note 2.4(b).

Lease rental payments on operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

###### (ii) Where Group is a lessor

The present value of lease payments receivable under a finance lease is recognised as finance lease receivables. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return on the balance outstanding.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

**(t) Leases (contd.)**

**(ii) Where Group is a lessor (contd.)**

Assets leased out under operating leases are included as leased assets in the statement of financial position. They are depreciated over their expected useful lives as described in Note 2.4(d). Net rental income is recognised on a straight-line basis over the lease term.

**(u) Employee benefits**

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in the statement of comprehensive income as incurred.

**(v) Provisions**

**(i) General**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (v) Provisions (contd.)

###### (i) General (contd.)

Provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract is lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

###### (ii) Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

##### (w) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Dividends proposed or declared after the reporting date were not recognised as a liability at the reporting date.

##### (x) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses, respectively, by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the sum of total costs incurred on construction contracts and recognised profits or recognised losses exceed progress billings, the balance is classified as amount due from customers on contracts. Conversely, when progress billings exceed the sum of total costs incurred on construction contracts and recognised profits or recognised losses, the balance is classified as amount due to customers on contracts.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (y) Impairment of non-financial assets

The carrying amounts of assets, other than construction contract assets, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

##### (z) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Group Chief Executive Officer who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (aa) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

##### (i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

##### (ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

##### (bb) Derivatives

The Group and the Company use derivative financial instruments such as forward currency contracts, interest rate swaps, cross currency swaps and cross currency interest rate swaps to manage its risks associated with foreign currency and interest rate fluctuations. Derivatives are initially recorded at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to profit or loss for the financial year.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### (i) Impairment of available-for-sale investments

The Group reviews its equity investment classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. The Group impairs unquoted equity investment with significant decline in fair value and prolonged period of 12 months and more.

The impairment losses recognised for unquoted available-for-sale financial assets as at 31 December 2016 is as disclosed in Note 13.

##### (ii) Financial guarantee contracts

Financial guarantee contracts relate to rate differential on the financing facilities taken by joint ventures and associated companies resulted from corporate guarantee and financial indemnity provided by the Group and by the Company.

Subsequent to initial recognition, financial guarantee contracts are measured at the higher of the amount determined under the accounting policy for provisions or at initial cost less accumulated amortisation.

In assessing the amount of the provision, judgement must be made in respect of whether it is probable that the guarantee will crystallise as a result of default of the guaranteed loans.

In addition, the measurement of the obligation also includes making assumptions as to timing and extent of the expected cash outflows as well as selecting an appropriate discount rate.

During the year, the Group and the Company reassessed the probability of default in respect of certain guaranteed borrowings of a joint venture and recognised an expense of RM705 million and RM524 million respectively, as disclosed in Note 27.

The carrying amount of financial guarantee contracts at the end of the reporting period is disclosed in Note 23.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTD.)

#### 3.2 Significant accounting estimates

##### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (i) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement 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 together with future tax planning strategies. Further details of recognised and unrecognised deferred tax assets is disclosed in Note 12.

##### (ii) Useful lives and residual values of rigs, HWUs, drilling equipment, and plant and machinery

The cost of rigs, HWUs, drilling equipment, and plant and machinery is depreciated on a straight-line basis over their estimated useful lives after allowing for residual values. Management estimates the useful lives and residual values by applying assumptions and estimates that reflect both historical experience and expectations regarding future operations, rig utilisation and asset performance, and also based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's rigs, HWUs, drilling equipment, and plant and machinery at the reporting date is disclosed in Note 4.

During the financial year ended 31 December 2016, the Group has revised the residual value of its offshore drilling rigs at the end of useful life due to existing market conditions. The revision was accounted for prospectively as a change in accounting estimate and as a result, the annual depreciation charge in the current and future financial years has increased by RM12,492,000.

##### (iii) Provision for warranties

The Group recognises a provision for liabilities associated with the warranties provided on certain products. This requires an estimation of the expenditure required to settle the present obligation at the reporting date. In determining the provision, the Group has made assumptions in relation to the expected cost to repair and/or replace the products and the expected timing of those costs. As at 31 December 2016, the carrying amount of provision for warranties at the end of the reporting period is disclosed in Note 20.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTD.)

#### 3.2 Significant accounting estimates (contd.)

##### Key sources of estimation uncertainty (contd.)

##### (iv) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 16.

##### (v) Impairment of property, plant and equipment

During the current financial year, the Group has recognised impairment losses in respect of land and buildings, rigs, HWUs, plant and equipment and drilling equipment included within property, plant and equipment.

The management carried out the impairment test based on higher of the fair value less cost to sell and value in use of the CGU to which the property, plant and equipment are allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows whilst fair value of the assets are valued by professional valuers. Further details of the impairment losses recognised for property, plant and equipment are disclosed in Note 4.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**4. PROPERTY, PLANT AND EQUIPMENT**

	*Land and buildings RM'000	Rigs, HWUs, drilling equipment, plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
<b>Group</b>					
<b>Cost</b>					
At 1 January 2015	1,197,813	5,395,032	576,265	415,212	7,584,322
Exchange differences	4,688	1,013,610	90,448	8,175	1,116,921
Additions	72,885	173,924	1,871,579	38,130	2,156,518
Write-offs	(144)	(122,711)	(46)	(15,203)	(138,104)
Disposals	(447)	(16,467)	(254)	(19,387)	(36,555)
Reclassification	29,221	2,026,715	(2,065,917)	9,981	-
Reclassified (to)/from leased assets (Note 8)	-	(72)	-	415	343
Acquisition of a subsidiary	49,393	33,698	-	1,725	84,816
<b>At 31 December 2015</b>	<b>1,353,409</b>	<b>8,503,729</b>	<b>472,075</b>	<b>439,048</b>	<b>10,768,261</b>
Exchange differences	(1,489)	325,496	(64,022)	187	260,172
Additions	612,980	170,611	249,666	50,039	1,083,296
Write-offs	-	(105,688)	-	(6,175)	(111,863)
Disposals	(147)	(10,141)	-	(11,580)	(21,868)
Reclassification	15,505	144,144	(161,972)	2,323	-
Reclassified (to)/from leased assets (Note 8)	-	79	-	-	79
<b>At 31 December 2016</b>	<b>1,980,258</b>	<b>9,028,230</b>	<b>495,747</b>	<b>473,842</b>	<b>11,978,077</b>

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	*Land and buildings RM'000	Rigs, HWUs, drilling equipment, plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
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**Group (contd.)**

**Accumulated depreciation and impairment losses \*\*\*\***

At 1 January 2015	312,235	1,323,099	-	279,296	1,914,630
Exchange differences	2,184	145,249	-	5,255	152,688
Charge for the year***	26,823	340,787	-	34,021	401,631
Write-offs	(123)	(108,516)	-	(14,848)	(123,487)
Disposals	(249)	(15,173)	-	(12,441)	(27,863)
Impairment losses	-	336,431	-	-	336,431
Reclassification	-	(2,121)	-	2,121	-
Reclassified (to)/from leased assets (Note 8)	-	(72)	-	394	322
Acquisition of a subsidiary	3,555	6,533	-	1,035	11,123
<b>At 31 December 2015</b>	<b>344,425</b>	<b>2,026,217</b>	<b>-</b>	<b>294,833</b>	<b>2,665,475</b>
Exchange differences	860	103,173	5,141	7,344	116,518
Charge for the year	29,173	398,312	-	43,261	470,746
Write-offs	-	(98,487)	-	(5,744)	(104,231)
Disposals	(24)	(7,144)	-	(6,776)	(13,944)
Impairment losses	26,541	1,069,587	65,225	3,574	1,164,927
Reclassified (to)/from leased assets (Note 8)	-	53	-	-	53
<b>At 31 December 2016</b>	<b>400,975</b>	<b>3,491,711</b>	<b>70,366</b>	<b>336,492</b>	<b>4,299,544</b>

**Net carrying amount**

<b>At 31 December 2016</b>	<b>1,579,283</b>	<b>5,536,519</b>	<b>425,381</b>	<b>137,350</b>	<b>7,678,533</b>
At 31 December 2015	1,008,984	6,477,512	472,075	144,215	8,102,786

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

**\* Land and buildings**

	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
<b>Group</b>							
<b>Cost</b>							
At 1 January 2015	123,450	236,402	146,705	31,868	601,470	57,918	1,197,813
Exchange differences	-	58	(1,520)	406	1,330	4,414	4,688
Additions	14,671	17,799	36,860	-	3,555	-	72,885
Write-offs	-	-	-	-	(144)	-	(144)
Disposals	-	-	-	-	(447)	-	(447)
Reclassification	-	4,911	-	-	23,318	992	29,221
Acquisition of a subsidiary	-	-	13,886	-	35,507	-	49,393
At 31 December 2015	<b>138,121</b>	<b>259,170</b>	<b>195,931</b>	<b>32,274</b>	<b>664,589</b>	<b>63,324</b>	<b>1,353,409</b>
Exchange differences	-	26	(417)	30	(1,770)	642	(1,489)
Additions	<b>570,200</b>	<b>2,004</b>	<b>13,982</b>	-	<b>22,828</b>	<b>3,966</b>	<b>612,980</b>
Disposals	<b>(123)</b>	<b>(9)</b>	-	-	<b>(15)</b>	-	<b>(147)</b>
Reclassification	<b>1,602</b>	<b>615</b>	<b>(2,544)</b>	-	<b>15,832</b>	-	<b>15,505</b>
At 31 December 2016	<b>709,800</b>	<b>261,806</b>	<b>206,952</b>	<b>32,304</b>	<b>701,464</b>	<b>67,932</b>	<b>1,980,258</b>

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

**\* Land and buildings (contd.)**

	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
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**Group (contd.)**

**Accumulated depreciation  
and impairment losses**

At 1 January 2015	-	39,908	32,444	12,859	196,521	30,503	312,235
Exchange differences	-	53	123	63	579	1,366	2,184
Charge for the year	-	4,664	3,260	911	16,620	1,368	26,823
Write-offs	-	-	-	-	(123)	-	(123)
Disposals	-	-	-	-	(249)	-	(249)
Acquisition of a subsidiary	-	-	456	-	3,099	-	3,555
At 31 December 2015	-	<b>44,625</b>	<b>36,283</b>	<b>13,833</b>	<b>216,447</b>	<b>33,237</b>	<b>344,425</b>
Exchange differences	-	<b>24</b>	<b>219</b>	<b>8</b>	<b>375</b>	<b>234</b>	<b>860</b>
Charge for the year	-	<b>5,035</b>	<b>3,764</b>	<b>796</b>	<b>18,129</b>	<b>1,449</b>	<b>29,173</b>
Disposals	-	<b>(9)</b>	-	-	<b>(15)</b>	-	<b>(24)</b>
Reclassification	-	-	<b>(2,513)</b>	-	<b>2,513</b>	-	-
Impairment losses	-	<b>3,081</b>	<b>7,820</b>	-	<b>15,640</b>	-	<b>26,541</b>
At 31 December 2016	-	<b>52,756</b>	<b>45,573</b>	<b>14,637</b>	<b>253,089</b>	<b>34,920</b>	<b>400,975</b>

**Net carrying amount**

At 31 December 2016	<b>709,800</b>	<b>209,050</b>	<b>161,379</b>	<b>17,667</b>	<b>448,375</b>	<b>33,012</b>	<b>1,579,283</b>
At 31 December 2015	138,121	214,545	159,648	18,441	448,142	30,087	1,008,984

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

\*\* Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.

\*\*\* In previous year, included in the total depreciation charged for the year of RM510,711,000 was the depreciation associated with property, plant and equipment classified as non-current assets held for sale amounting to RM8,755,000.

\*\*\*\* Accumulated depreciation and impairment losses:

	Land and buildings RM'000	Rigs, HWUs, drilling equipment, plant and machinery RM'000	Assets-in- progress RM'000	Other assets RM'000	Total RM'000
<b>Group</b>					
<b>Accumulated impairment losses</b>					
At 31 December 2016	<b>33,332</b>	<b>1,436,244</b>	<b>70,366</b>	<b>3,877</b>	<b>1,543,819</b>
At 31 December 2015	6,791	366,657	-	303	373,751
At 1 January 2015	6,791	30,226	-	303	37,320
<b>Accumulated depreciation</b>					
At 31 December 2016	<b>367,643</b>	<b>2,055,467</b>	-	<b>332,615</b>	<b>2,755,725</b>
At 31 December 2015	337,634	1,659,560	-	294,530	2,291,724
At 1 January 2015	305,444	1,292,873	-	278,993	1,877,310

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	Computer equipment RM'000
<b>Company</b>	
<b>Cost</b>	
At 1 January 2015	18
Additions	5
Disposals	(3)
At 31 December 2015	<u>20</u>
Additions	3
At 31 December 2016	<u>23</u>
<b>Accumulated depreciation</b>	
At 1 January 2015	1
Charge for the year	8
Disposals	(2)
At 31 December 2015	<u>7</u>
Charge for the year	7
At 31 December 2016	<u>14</u>
<b>Net carrying amount</b>	
At 31 December 2016	<u>9</u>
At 31 December 2015	<u>13</u>

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) Included in the property, plant and equipment of the Group are fully depreciated assets which are still in use with their carrying costs as follows:

	Group	
	2016	2015
	RM'000	RM'000
Land and buildings	<b>5,856</b>	8,721
Plant and machinery	<b>372,901</b>	588,852
Office equipment, furniture and fittings, motor vehicles, renovation and improvements	<b>192,086</b>	194,561
	<b>192,086</b>	194,561

- (b) The net book value of plant and equipment held under hire purchase arrangements is RM2,000 (2015: RM391,000).
- (c) Interest expense capitalised during the financial year under assets-in-progress of the Group amounted to RM2,275,000 (2015: RM5,785,000) as disclosed in Note 28.
- (d) The net book value of property, plant and equipment pledged for borrowings (Note 21 and Note 22) are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Assets-in-progress and plant and machinery	<b>10,858</b>	27,626
Land and buildings	<b>23,127</b>	43,220
Others	<b>1,855</b>	3,418
	<b>35,840</b>	74,264

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (e) During the current and previous financial years, subsidiaries of the Group within oil and gas segment carried out a review of the recoverable amount of their property, plant and equipment due to persistent depressed oil prices that had impacted demand for the Group's assets and services.

An impairment loss of RM1,162,172,000 (2015: RM336,431,000), representing write-down of the assets to the recoverable amount was recognised in "Other operating expenses" in the statement of comprehensive income, in respect of assets with recoverable amounts as follow:

	Group	
	2016	2015
	RM'000	RM'000
At value in use	<b>5,194,005</b>	1,548,100
At fair value less cost to sell	<b>62,774</b>	-
Total recoverable amount	<b>5,256,779</b>	1,548,100

The recoverable amount of the rigs, HWUs and drilling equipment were determined based on value in use of each asset, based on their respective cash flow projections discounted at pre-tax discount rate up to 12.9% (2015: 16.9%).

The calculation of value in use for the rigs, HWUs and drilling equipment are most sensitive to the utilisation, time chartered rates and discount rate assumptions.

Typically, the utilisation and time chartered rates are affected by the levels of offshore exploration, development and production activity of, and the corresponding capital spending by, oil and gas companies, which in turn are primarily affected by the trends in and outlook of oil and natural gas prices. In addition, periodic surveys or inspections and major maintenance also affect the utilisation rates of the rigs and HWUs.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Any adverse change in the key assumptions used in value in use calculations would result in further impairment.

The building and plant and machinery of a subsidiary in the oilfield services segment have also been impaired, based on the cash flows of the subsidiary discounted at a rate of 10.6% on a pre-tax basis.

The recoverable amount of assets at fair value less cost to sell is based on market value based on valuation reports by professional valuers. Fair value of the assets are categorised as level 3 of fair value which is benchmarked against transacted prices of similar assets.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 5. INVESTMENT PROPERTIES

	Freehold land RM'000	Building on freehold land RM'000	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Total RM'000
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#### Group

#### Cost

At 1 January 2015	129	461	7,580	224	8,394
Exchange differences	-	35	-	-	35
At 31 December 2015	<b>129</b>	<b>496</b>	<b>7,580</b>	<b>224</b>	<b>8,429</b>
Exchange differences	-	(5)	-	-	(5)
At 31 December 2016	<b>129</b>	<b>491</b>	<b>7,580</b>	<b>224</b>	<b>8,424</b>

#### Accumulated depreciation

At 1 January 2015	-	142	4,205	197	4,544
Charge for the year	-	7	694	12	713
At 31 December 2015	-	<b>149</b>	<b>4,899</b>	<b>209</b>	<b>5,257</b>
Charge for the year	-	<b>6</b>	<b>694</b>	<b>10</b>	<b>710</b>
At 31 December 2016	-	<b>155</b>	<b>5,593</b>	<b>219</b>	<b>5,967</b>

#### Net carrying amount

At 31 December 2016	<b>129</b>	<b>336</b>	<b>1,987</b>	<b>5</b>	<b>2,457</b>
At 31 December 2015	129	347	2,681	15	3,172

Fair value of investment properties as at 31 December 2016 was estimated by the directors to be approximately RM65,087,000 (2015: RM65,087,000).

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**6. INTANGIBLE ASSETS**

**(a) Goodwill on consolidation**

	Group	
	2016	2015
	RM'000	RM'000
At 1 January	<b>25,228</b>	25,555
Arising from acquisition of a subsidiary	-	23,413
Impairment (Note 27)	<b>(25,228)</b>	(25,555)
Exchange differences	-	1,815
At 31 December	-	25,228

**(b) Impairment tests for goodwill**

Goodwill has been allocated to the Group's CGU identified according to country of operation as follows:

	2016	2015
	RM'000	RM'000
People's Republic of China	-	25,228
	-	25,228

**Key assumptions used in value in use calculations**

The recoverable amount of the CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated based on year five cash flows into perpetuity using pre-tax discount rate of 7.6% (2015: 7.3% - 16.9%).

The goodwill in respect of a subsidiary in People's Republic of China was fully impaired in the current year due to shortfall of the value in use against the carrying amount of goodwill and other assets attributable to the CGU.

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**7. LAND USE RIGHTS**

	Leasehold land RM'000
<b>Group</b>	
<b>Cost</b>	
At 1 January 2015	8,459
Exchange differences	430
At 31 December 2015	<u>8,889</u>
Exchange differences	<u>(68)</u>
At 31 December 2016	<u>8,821</u>
<b>Accumulated depreciation and impairment losses</b>	
At 1 January 2015	1,879
Exchange differences	35
Charge for the year	214
At 31 December 2015	<u>2,128</u>
Exchange differences	<u>(4)</u>
Charge for the year	<u>215</u>
At 31 December 2016	<u>2,339</u>
<b>Net carrying amount</b>	
At 31 December 2016	<u>6,482</u>
At 31 December 2015	<u>6,761</u>

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**8. LEASED ASSETS**

	Machinery and equipment RM'000
<b>Group</b>	
<b>Cost</b>	
At 1 January 2015	585,608
Exchange differences	44,524
Additions	123,846
Disposals	(95,442)
Reclassified to property, plant and equipment (Note 4)	(343)
Reclassified to inventories	(355)
At 31 December 2015	<u>657,838</u>
Exchange differences	3,432
Additions	100,545
Disposals	(104,574)
Write-offs	(151)
Reclassified to property, plant and equipment (Note 4)	(79)
Reclassified to inventories	(216)
At 31 December 2016	<u>656,795</u>

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**8. LEASED ASSETS (CONTD.)**

	Machinery and equipment RM'000
<b>Group (contd.)</b>	
<b>Accumulated depreciation and impairment losses</b>	
At 1 January 2015	317,907
Exchange differences	26,202
Charge for the year	99,398
Disposals	(72,670)
Reversal of impairment losses	(285)
Reclassified to property, plant and equipment (Note 4)	(322)
Reclassified to inventories	(21)
At 31 December 2015	<b>370,209</b>
Exchange differences	<b>4,502</b>
Charge for the year	<b>97,845</b>
Disposals	<b>(86,452)</b>
Write-offs	<b>(113)</b>
Impairment losses	<b>456</b>
Reclassified to property, plant and equipment (Note 4)	<b>(53)</b>
Reclassified to inventories	<b>(108)</b>
At 31 December 2016	<b>386,286</b>
<b>Net carrying amount</b>	
At 31 December 2016	<b>270,509</b>
At 31 December 2015	<b>287,629</b>

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 8. LEASED ASSETS (CONTD.)

The future minimum lease receivable by the Group in relation to those assets that have been leased as at year end are as follows:

	2016 RM'000	2015 RM'000
Due within one year	<b>132,582</b>	133,192
Due between one and two years	<b>87,889</b>	79,781
Due between two and five years	<b>72,663</b>	66,126
Due after five years	<b>4,625</b>	4,008
	<b>297,759</b>	283,107

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM141,967,000 (2015: RM154,832,000).

### 9. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Quoted shares in Malaysia, at cost	<b>626,616</b>	626,616
Unquoted shares in Malaysia, at cost	<b>1,543,339</b>	1,002,391
Employee Share Options Scheme granted to employees of the subsidiaries	<b>109,094</b>	109,094
Deemed capital contribution	<b>78,145</b>	78,145
Financial guarantees granted	<b>36,914</b>	36,914
	<b>2,394,108</b>	1,853,160
Less: Accumulated impairment losses	<b>(453,099)</b>	(39,409)
	<b>1,941,009</b>	1,813,751
Market value of quoted shares	<b>1,054,180</b>	1,289,112

Details of subsidiaries of the Company are disclosed in Note 36 to the financial statements.

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**9. INVESTMENT IN SUBSIDIARIES (CONTD.)**

**(a) Subsidiaries under members' voluntary liquidation**

The following subsidiaries have been placed under members' voluntary liquidation:

	Date placed under liquidation	Status
(i) Inobel Sdn. Bhd.	15 December 2016	On-going
(ii) U E-Technologies Sdn. Bhd.	15 December 2016	On-going
(iii) UMW Aero Industries Sdn. Bhd.	28 June 2016	**Completed
(iv) Tracpart Centre Sdn. Bhd.	29 December 2015	On-going
(v) UMW Equipment Rental Services Sdn. Bhd.	29 December 2015	**Completed
(vi) UMW Vehicle Components Sdn. Bhd.	29 December 2015	On-going
(vii) KPKK Realty Sdn. Bhd.	29 December 2015	*Completed
(viii) Coldfusion Engineering Sdn. Bhd.	28 November 2014	*Completed
(ix) UMW Deepnautic Pte. Ltd	29 April 2013	**Completed

\* Winding up has fully completed during the year.

\*\* Winding up completed subsequent to year end.

**(b) Acquisition of subsidiaries**

**(i) UMW IT Services Sdn. Bhd.**

On 11 March 2016, UMW Technology Sdn. Bhd., a wholly-owned subsidiary in the Group, had acquired the entire issued and paid-up share capital in UMW IT Services Sdn. Bhd. ("UMW IT"), for a total cash consideration of RM2.00. UMW IT became a wholly-owned subsidiary in the Group as a result of the acquisition.

**(ii) UTech Americas, Inc**

On 28 July 2016, UMW Technology Sdn. Bhd., a wholly-owned subsidiary in the Group, had established a wholly-owned subsidiary, UTech Americas, Inc ("UTech Americas") as a corporation in the State of Delaware, the United States of America under the General Corporation Law of Delaware. The Certificate of Incorporation of UTech Americas was filed with the Secretary of State of the State of Delaware on 18 May 2016.

The incorporation of UMW IT Services Sdn. Bhd. and UTech Americas, Inc did not have a material impact on the financial statement of the Group.

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**9. INVESTMENT IN SUBSIDIARIES (CONTD.)**

**(b) Acquisition of subsidiaries (contd.)**

In prior year, the Group acquired the following additional interests in its subsidiary:

**(i) Sichuan Haihua Petroleum Steelpipe Co., Ltd**

On 19 November 2015, UMW Petropipe (L) Ltd (“UMW Petropipe”), a wholly-owned subsidiary of the Company had been granted approval from the Business Bureau in the People’s Republic of China for the proposed acquisition by UMW Petropipe of 23.7% and 11.9% equity interest (collectively 35.6% equity interest) in Sichuan Haihua Petroleum Steelpipe Co., Ltd (“Sichuan Haihua”) from Sichuan Jinyang Antisepsis Engineering Co., Ltd (“Sichuan Jinyang”) and Elite International Investment (HK) Limited (“Elite”), respectively, for a total consideration of RMB2 (“Acquisition”). The total consideration of RMB2 was arrived at after taking into account UMW Petropipe’s agreement to subscribe to the portion of the increased registered capital of RMB26.25 million, not subscribed by Sichuan Jinyang and Elite.

The above acquisition had the following effects on the Group’s financial results:

	2015 RM’000
Revenue	1,769
Net loss for the year	<u>(1,580)</u>

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**9. INVESTMENT IN SUBSIDIARIES (CONTD.)**

**(b) Acquisition of subsidiaries (contd.)**

**(i) Sichuan Haihua Petroleum Steelpipe Co., Ltd (contd.)**

The fair values of the identifiable assets acquired and liabilities assumed from the acquisition of the subsidiary as at the effective acquisition date were as follows:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 4)	73,693	73,693
Inventories	21,226	21,226
Trade and other receivables	11,180	11,180
Cash and bank balances	29,756	29,756
	<u>135,855</u>	<u>135,855</u>
Long term borrowings	53,666	53,666
Trade and other payables	27,145	27,145
Short term borrowings	34,502	34,502
	<u>115,313</u>	<u>115,313</u>
Fair value of identifiable net assets acquired	20,542	<u>20,542</u>
Less: Non-controlling interests	(5,012)	
Less: Amount accounted for as a joint venture	(11,922)	
Less: Capital injection	(28,836)	
Goodwill on consolidation	25,228	
Cost of acquisition	<u>-</u>	

	RM'000
The cash outflows on acquisition is as follows:	
Cash and cash equivalents of subsidiary acquisition	29,756
Capital injection	(28,836)
Cost of acquisition satisfied by cash	-
Net cash inflow of the Group	<u>920</u>

If the above combinations took place on 1 January 2015, there will be no material change to the revenue and profit of the Group.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

#### (c) Acquisition of additional equity interest in subsidiaries

##### (i) Arabian Drilling Services L.L.C.

On 12 April 2016, UMW Petropipe, a wholly-owned subsidiary of the Company has acquired additional 123,462 shares of OMR1.00 each, representing 5% of the total issued and paid-up capital of Arabian Drilling Services L.L.C. ("ADS"), increasing its effective equity interest from 65% to 70%, at a consideration of RM1.00.

##### (ii) UMW Development Sdn. Bhd.

On 29 December 2016, UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of the Company has acquired additional 780,000 ordinary shares of RM1.00 each and 3,120,000 7.4% cumulative redeemable preference shares, representing 39% of the total issued and paid-up capital of UMW Development Sdn. Bhd. ("UMWD"), increasing its effective equity interest from 51% to 90%, at a consideration of RM17,744,613.

In prior year, the Group acquired the following additional interests in its subsidiaries:

##### (i) UMW Oil & Gas Corporation Berhad

As at 31 December 2015, the Company has acquired additional 10,434,400 ordinary shares of RM0.50 each, representing 0.49% of the total issued and paid-up capital of UMW Oil & Gas Corporation Berhad ("UMW-OG"), increasing its effective equity interest from 55.24% to 55.73%, at a consideration of RM25,749,000.

##### (ii) UMW Sher (L) Ltd.

On 5 October 2015, UMW India Ventures (L) Ltd, a 75% owned subsidiary of UMW Petropipe, a wholly-owned subsidiary of the Company increased its' equity interest in UMW Sher (L) Ltd ("SHER") to 67.76% from 60% which resulted from a transfer of 547,833 ordinary shares by the other shareholder, Jaybee Energy Private Limited ("JEPL"). The transfer was the result of non-performance on a profit guarantee agreement entered into with JEPL in 2008. Subsequent to the increase in interest, the effective equity interest held by the Group on SHER increased from 45% to 50.82%.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

#### (d) Subsidiaries with non-controlling interest

Financial information of subsidiaries that have material non-controlling interest are provided below:

#### Proportion of equity interest held by non-controlling interests:

	Effective interest held by non-controlling interests	
	2016	2015
<b>Name</b>		
UMW Toyota Motor Sdn. Bhd.	<b>49.00%</b>	49.00%
UMW Oil & Gas Corporation Berhad	<b>44.27%</b>	44.27%
	<b>2016</b>	<b>2015</b>
	RM'000	RM'000
<b>Accumulated balances of material non- controlling interests:</b>		
UMW Toyota Motor Sdn. Bhd.	<b>1,367,916</b>	1,336,635
UMW Oil & Gas Corporation Berhad	<b>1,001,034</b>	1,480,140
Other individually immaterial subsidiaries	<b>(223,237)</b>	(17,362)
	<b>2,145,713</b>	2,799,413
<b>Profit/(loss) for the year attributable to material non-controlling interests:</b>		
UMW Toyota Motor Sdn. Bhd.	<b>119,677</b>	254,447
UMW Oil & Gas Corporation Berhad	<b>(523,912)</b>	(163,104)
Other individually immaterial subsidiaries	<b>(207,503)</b>	(51,980)
	<b>(611,738)</b>	39,363
<b>Dividends paid to non-controlling interests:</b>		
UMW Toyota Motor Sdn. Bhd.	<b>87,308</b>	319,213

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**9. INVESTMENT IN SUBSIDIARIES (CONTD.)**

**(d) Subsidiaries with non-controlling interest (contd.)**

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

**Summarised consolidated statement of comprehensive income for 2016:**

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Revenue	8,451,781	321,053
Profit/(loss) for the year	244,239	(1,183,447)
Total comprehensive income/(loss)	<u>242,020</u>	<u>(1,082,236)</u>

**Summarised consolidated statement of comprehensive income for 2015:**

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Revenue	10,721,549	839,877
Profit/(loss) for the year	519,279	(368,431)
Total comprehensive income	<u>522,228</u>	<u>135,611</u>

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**9. INVESTMENT IN SUBSIDIARIES (CONTD.)**

**(d) Subsidiaries with non-controlling interest (contd.)**

**Summarised consolidated statement of financial position as at 31 December 2016:**

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Non-current assets	1,751,417	5,644,843
Current assets	2,448,108	905,197
Non-current liabilities	(103,167)	(2,580,773)
Current liabilities	(1,304,692)	(1,708,066)
<b>Total equity</b>	<b>2,791,666</b>	<b>2,261,201</b>
Attributable to:		
Equity holders of parent	1,423,750	1,260,167
Non-controlling interest	1,367,916	1,001,034

**Summarised consolidated statement of financial position as at 31 December 2015:**

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Non-current assets	1,123,895	6,089,178
Current assets	3,222,821	1,557,805
Non-current liabilities	(55,116)	(1,748,063)
Current liabilities	(1,563,774)	(2,555,483)
<b>Total equity</b>	<b>2,727,826</b>	<b>3,343,437</b>
Attributable to:		
Equity holders of parent	1,391,191	1,863,297
Non-controlling interest	1,336,635	1,480,140

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

#### (d) Subsidiaries with non-controlling interest (contd.)

Summarised consolidated cash flow information as at 31 December 2016:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Cash inflows/(outflows) from operating activities	417,063	(63,953)
Cash (outflows)/inflows from investing activities	(670,096)	49,487
Cash outflows from financing activities	(178,180)	(647,600)
<b>Net decrease in cash and cash equivalents</b>	<b>(431,213)</b>	<b>(662,066)</b>

Summarised consolidated cash flow information as at 31 December 2015:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Cash inflows from operating activities	580,401	375,299
Cash inflows/(outflows) from investing activities	72,477	(1,836,951)
Cash (outflows)/inflows from financing activities	(654,196)	1,211,055
<b>Net decrease in cash and cash equivalents</b>	<b>(1,318)</b>	<b>(250,597)</b>

### 10. INVESTMENT IN JOINT VENTURES

	2016 RM'000	2015 RM'000
Unquoted shares, at cost plus post acquisition reserves	247,867	195,883
Less: Accumulated impairment losses	(192,992)	(139,932)
Carrying amount of investment	<b>54,875</b>	55,951

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 10. INVESTMENT IN JOINT VENTURES (CONTD.)

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore these entities are classified as joint ventures of the Group.

No quoted market prices are available for the shares of the Group's joint ventures as these companies are private companies.

As none of the Group's joint ventures are individually material to the Group, the summarised financial information for the aggregated assets, liabilities and results of the joint ventures are as follows:

#### Summarised statement of financial position:

	2016 RM'000	2015 RM'000
Cash and cash equivalents	17,078	70,687
Other current assets	327,415	409,843
Non-current assets	523,305	547,303
Current liabilities	(257,495)	(363,501)
Non-current liabilities	(928,349)	(826,560)
	<b>(318,046)</b>	<b>(162,228)</b>

#### Reconciliation of net assets to carrying amount as at 31 December:

Group's share of net assets	188,763	136,779
Financial guarantees granted	59,104	59,104
Less: Accumulated impairment losses	(192,992)	(139,932)
Group's carrying amount of interest in joint ventures	<b>54,875</b>	<b>55,951</b>

#### Summarised statement of comprehensive income:

Loss for the year	(163,972)	(117,363)
Other comprehensive income/(loss)	4,956	(18,235)
Total comprehensive expenses	<b>(159,016)</b>	<b>(135,598)</b>
Group's share of (loss)/profit for the year	<b>(515)</b>	63
Group's share of other comprehensive income	1,795	7,336
Group's share of total comprehensive income	<b>1,280</b>	<b>7,399</b>

The joint ventures have Nil balance (2015: RM Nil) of contingent liabilities as at 31 December 2016 and 2015.

Details of the joint ventures are disclosed in Note 37.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**11. INVESTMENT IN ASSOCIATES**

	2016 RM'000	2015 RM'000
<b>Group</b>		
Unquoted shares, at cost plus post acquisition reserves	<b>1,982,822</b>	1,952,749
Less: Accumulated impairment losses	<b>(29,599)</b>	(29,599)
Carrying amount of investment	<b>1,953,223</b>	1,923,150
<b>Company</b>		
Unquoted shares, at cost	<b>25,800</b>	25,800

**Proportion of material ownership interest held by Group:**

	Effective interest	
<b>Name</b>	2016	2015
Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	<b>38%</b>	38%

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 11. INVESTMENT IN ASSOCIATES (CONTD.)

Summarised financial information in respect of the Group's material associates is set out below:

	← 2016 →			← 2015 →		
	Perodua	Other individually immaterial associates	Total	Perodua	Other individually immaterial associates	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

#### Summarised statements of financial position:

##### Assets and liabilities

Current assets	<b>1,677,243</b>	<b>2,861,056</b>	<b>4,538,299</b>	1,682,065	2,449,353	4,131,418
Non-current assets	<b>2,870,409</b>	<b>5,151,637</b>	<b>8,022,046</b>	2,707,343	5,405,295	8,112,638
<b>Total assets</b>	<b>4,547,652</b>	<b>8,012,693</b>	<b>12,560,345</b>	4,389,408	7,854,648	12,244,056
Current liabilities	<b>815,621</b>	<b>1,681,113</b>	<b>2,496,734</b>	893,890	957,894	1,851,784
Non-current liabilities	-	<b>5,060,644</b>	<b>5,060,644</b>	21,011	5,523,503	5,544,514
<b>Total liabilities</b>	<b>815,621</b>	<b>6,741,757</b>	<b>7,557,378</b>	914,901	6,481,397	7,396,298
<b>Net assets</b>	<b>3,732,031</b>	<b>1,270,936</b>	<b>5,002,967</b>	3,474,507	1,373,251	4,847,758

#### Reconciliation of net assets to carrying amount as at 31 December:

Goodwill	-	<b>62,023</b>	<b>62,023</b>	-	62,023	62,023
Group's share of net assets	<b>1,418,172</b>	<b>451,695</b>	<b>1,869,867</b>	1,320,313	531,804	1,852,117
Financial guarantees	-	<b>50,932</b>	<b>50,932</b>	-	38,609	38,609
Less: Accumulated impairment losses	-	<b>(29,599)</b>	<b>(29,599)</b>	-	(29,599)	(29,599)
<b>Group's carrying amount of interest in associates</b>	<b>1,418,172</b>	<b>535,051</b>	<b>1,953,223</b>	1,320,313	602,837	1,923,150

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 11. INVESTMENT IN ASSOCIATES (CONTD.)

	← 2016 →			← 2015 →		
	Other individually immaterial	Total		Other individually immaterial	Total	
	Perodua	associates	RM'000	Perodua	associates	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

#### Summarised statements of comprehensive income:

##### Results

Revenue	<b>9,045,784</b>	<b>1,506,500</b>	<b>10,552,284</b>	9,138,508	1,095,239	10,233,747
Profit/(loss) for the year	<b>463,587</b>	<b>(56,245)</b>	<b>407,342</b>	430,374	(85,597)	344,777
Other comprehensive (loss)/ income	<b>(123)</b>	<b>(27,754)</b>	<b>(27,877)</b>	(3,177)	130,204	127,027
Total comprehensive income/ (loss)	<b>463,464</b>	<b>(83,999)</b>	<b>379,465</b>	427,197	44,607	471,804
Dividends received	<b>78,257</b>	<b>660</b>	<b>78,917</b>	97,835	2,077	99,912
Group's share of profit/(loss) for the year	<b>176,163</b>	<b>(19,266)</b>	<b>156,897</b>	163,542	(29,167)	134,375

The associates have RM116,387,000 (2015: RM172,916,000) of contingent liabilities as at 31 December 2016 and 2015.

The Group's interest in capital commitments of the associates are as follows:

	2016	2015
	RM'000	RM'000
- Approved and contracted for	<b>28,026</b>	29,277
- Approved and not contracted for	<b>658</b>	9,098

For the purpose of applying the equity method of accounting, the audited financial statements and management accounts for the 12-month period ended 31 December 2016 of these companies have been used.

Details of the associates are disclosed in Note 38.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**12. DEFERRED TAXATION**

	Group	
	2016	2015
	RM'000	RM'000
At 1 January	<b>(47,021)</b>	(38,470)
Recognised in profit or loss (Note 30)	<b>(23,806)</b>	(9,010)
Exchange differences	<b>700</b>	459
At 31 December	<b>(70,127)</b>	(47,021)
Presented after appropriate offsetting as follows:		
Deferred tax assets	<b>(93,079)</b>	(74,501)
Deferred tax liabilities	<b>22,952</b>	27,480
	<b>(70,127)</b>	(47,021)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

**Deferred tax liabilities of the Group:**

	Accelerated capital allowances RM'000
At 1 January 2016	<b>49,187</b>
Recognised in profit or loss	<b>(3,127)</b>
Exchange differences	<b>308</b>
At 31 December 2016	<b>46,368</b>
At 1 January 2015	50,740
Recognised in profit or loss	(3,679)
Exchange differences	2,126
At 31 December 2015	49,187

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 12. DEFERRED TAXATION (CONTD.)

#### Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Provision for liabilities RM'000	Unabsorbed losses RM'000	Others RM'000	Total RM'000
At 1 January 2016	(3,722)	(45,570)	(7,164)	(39,752)	(96,208)
Recognised in profit or loss	1,897	(13,951)	(472)	(8,153)	(20,679)
Exchange differences	(80)	(806)	(217)	1,495	392
At 31 December 2016	<b>(1,905)</b>	<b>(60,327)</b>	<b>(7,853)</b>	<b>(46,410)</b>	<b>(116,495)</b>
At 1 January 2015	(5,054)	(36,518)	(7,857)	(39,781)	(89,210)
Recognised in profit or loss	1,347	(9,060)	1,055	1,327	(5,331)
Exchange differences	(15)	8	(362)	(1,298)	(1,667)
At 31 December 2015	<b>(3,722)</b>	<b>(45,570)</b>	<b>(7,164)</b>	<b>(39,752)</b>	<b>(96,208)</b>

The availability of the unabsorbed tax losses and unutilised capital and reinvestment allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the subsidiaries operate.

Deferred tax assets have not been recognised in respect of these items:

	Group	
	2016 RM'000	2015 RM'000
Unabsorbed tax losses	<b>581,007</b>	477,562
Unutilised capital and reinvestment allowances	<b>133,367</b>	125,482
	<b>714,374</b>	603,044

Deferred tax assets have not been recognised in respect of these items as there is no probable expectation that future taxable income of the applicable group companies will be sufficient to allow the benefit to be realised.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**13. OTHER INVESTMENTS**

	← 2016 →		← 2015 →	
	Carrying amount RM'000	Market value RM'000	Carrying amount RM'000	Market value RM'000
<b>Group</b>				
<b>Current</b>				
<b>Held for trading investments</b>				
Investment in money market fund	<b>996,898</b>	<b>996,898</b>	1,188,945	1,188,945
<b>Non-current</b>				
<b>Available-for-sale financial assets</b>				
Unquoted shares, at cost	<b>5,124</b>	-	5,124	-
Less: Accumulated impairment losses	<b>(822)</b>	-	(822)	-
	<b>4,302</b>	-	4,302	-
<b>Held for trading investments</b>				
Quoted shares outside Malaysia	<b>18,358</b>	<b>18,358</b>	18,459	18,459
Total non-current other investments	<b>22,660</b>	<b>18,358</b>	22,761	18,459
<b>Company</b>				
<b>Current</b>				
<b>Held for trading investments</b>				
Investment in money market fund	<b>505,299</b>	<b>505,299</b>	622,907	622,907

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**14. DERIVATIVES**

	Note	2016		2015	
		Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<b>Group</b>					
<b>Current</b>					
Forward currency contracts	(a)	<b>3,470</b>	<b>85,118</b>	9,362	869
Interest rate swaps	(b)	-	<b>2,590</b>	232	-
Cross currency swaps	(c)	-	-	-	4,559
Cross currency interest rate swaps	(d)	-	-	-	194,236
Embedded derivatives	(e)	-	<b>8,107</b>	1,916	-
		<b>3,470</b>	<b>95,815</b>	11,510	199,664
<b>Non-current</b>					
Forward currency contracts	(a)	-	-	-	73,744
Interest rate swaps	(b)	<b>5,560</b>	-	2,636	6,286
Cross currency interest rate swaps	(d)	<b>6,388</b>	-	10,878	-
		<b>11,948</b>	-	13,514	80,030
<b>Company</b>					
<b>Current</b>					
Forward currency contracts	(a)	<b>3,173</b>	<b>82,542</b>	952	-
Interest rate swaps	(b)	-	<b>2,590</b>	-	-
Cross currency interest rate swaps	(d)	-	-	-	194,236
		<b>3,173</b>	<b>85,132</b>	952	194,236
<b>Non-current</b>					
Forward currency contracts	(a)	-	-	-	73,744
Interest rate swaps	(b)	-	-	-	6,286
		-	-	-	80,030

The Group and the Company uses forward currency contracts, interest rate swaps, cross currency swaps and cross currency interest rate swaps to manage some of the transaction exposure. These contracts except for interest rate swaps are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Under hedge accounting, the fair value movement on the hedging instrument is recognised directly in other comprehensive income.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 14. DERIVATIVES (CONTD.)

Forward currency contracts are used to hedge the Group's current and future sales and purchases denominated in foreign currencies for which firm commitments existed at the reporting date.

#### (a) Forward currency contracts

	2016	2015
	RM'000	RM'000
<b>Notional amounts</b>		
United States Dollar	<b>286,836</b>	735,713
Japanese Yen	<b>81,185</b>	33,951
Euro	<b>47,867</b>	15,156
Singapore Dollar	-	4,277
Thai Baht	<b>3,639</b>	1,077
	<b>3,639</b>	1,077

#### (b) Interest rate swaps

	2016	2015
	RM'000	RM'000
<b>Notional amounts</b>		
United States Dollar	<b>215,327</b>	228,283
	<b>215,327</b>	228,283

#### (c) Cross currency swaps

	2016	2015
	RM'000	RM'000
<b>Notional amounts</b>		
United States Dollar	-	3,500
	-	3,500

#### (d) Cross currency interest rate swaps

	2016	2015
	RM'000	RM'000
<b>Notional amounts</b>		
United States Dollar	<b>6,800</b>	166,175
	<b>6,800</b>	166,175

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 14. DERIVATIVES (CONTD.)

#### (e) Embedded derivatives

The Group entered into purchase contracts with suppliers in Asia Pacific and Japan. The purchase price in these contracts are denominated in USD and subject to periodic price review. These contracts contain embedded foreign exchange derivatives with notional amounts of RM484,780,000 (2015: RM487,284,000) which have been separated and carried at fair value through profit or loss.

Derivatives are neither past due nor impaired and are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

During the financial year, the Group recognised a net gain of RM171,751,000 (2015: net loss of RM126,279,000) and the Company recognised a net gain of RM191,354,000 (2015: net loss of RM153,980,000), arising from fair value changes of derivative assets/liabilities.

The fair value changes are attributable to changes in foreign exchange spot, interest and forward rate. The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 42.

### 15. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
At cost:		
Equipment, unassembled and completed vehicles, attachments and spares	<b>1,528,306</b>	1,500,806
Land held for sale	<b>98,752</b>	74,489
Other finished goods	<b>163,473</b>	159,236
Work-in-progress	<b>13,910</b>	17,585
Raw materials and consumables	<b>37,773</b>	60,550
	<b>1,842,214</b>	1,812,666
At net realisable value:		
Equipment, unassembled and completed vehicles, attachments and spares	<b>82,701</b>	72,182
Other finished goods	<b>934</b>	665
Raw materials and consumables	<b>5,340</b>	4,450
	<b>88,975</b>	77,297
	<b>1,931,189</b>	1,889,963

During the financial year, the Group recognised inventory write downs of RM33.1 million (2015: RM11.6 million).

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM8.5 billion (2015: RM11.1 billion).

Inventories of RM86.0 million (2015: RM97.9 million) have been pledged to banks as security for facilities granted to overseas subsidiary.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 16. RECEIVABLES

The receivables of the Group and the Company are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current:</b>				
Trade receivables	<b>867,691</b>	1,457,664	-	-
Other receivables	<b>120,776</b>	375,737	<b>377</b>	566
Due from subsidiaries	-	-	<b>17,946</b>	157,596
	<b>988,467</b>	1,833,401	<b>18,323</b>	158,162
<b>Non-current:</b>				
Other receivables	<b>47,756</b>	42,490	-	-
Due from subsidiaries	-	-	<b>714,448</b>	145,944
	<b>47,756</b>	42,490	<b>714,448</b>	145,944
Trade receivables (Note a)	<b>867,691</b>	1,457,664	-	-
Other receivables (Note b)	<b>168,532</b>	418,227	<b>377</b>	566
Due from subsidiaries (Note c)	-	-	<b>732,394</b>	303,540
Total trade and other receivables	<b>1,036,223</b>	1,875,891	<b>732,771</b>	304,106
Total trade and other receivables (current and non-current)	<b>1,036,223</b>	1,875,891	<b>732,771</b>	304,106
Less: Included within other receivables:				
Accrued income (Note b)	<b>(14,068)</b>	(23,205)	<b>(262)</b>	(262)
Prepayments (Note b)	<b>(28,253)</b>	(32,393)	<b>(62)</b>	(251)
Add: Cash and bank balances (Note 17)	<b>2,193,874</b>	2,734,143	<b>3,650</b>	18,154
<b>Total loans and receivables</b>	<b>3,187,776</b>	4,554,436	<b>736,097</b>	321,747

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**16. RECEIVABLES (CONTD.)**

**(a) Trade receivables**

	Group	
	2016	2015
	RM'000	RM'000
Third parties (Note (i))	<b>927,018</b>	1,323,814
Allowance for impairment	<b>(162,603)</b>	(36,657)
	<b>764,415</b>	1,287,157
Due from associates and joint ventures	<b>15,027</b>	-
Due from a corporate shareholder of a subsidiary	<b>88,249</b>	170,507
	<b>867,691</b>	1,457,664

**Note (i)**

	Group	
	2016	2015
	RM'000	RM'000
<b>Future minimum lease receivables</b>		
Not later than 1 year	-	3
<b>Analysis of present value of lease receivables</b>		
Not later than 1 year	-	3

The Group's normal trade credit terms range from 1 day to 120 days (2015: 1 day to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables (other than lease receivables) are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 16. RECEIVABLES (CONTD.)

#### (a) Trade receivables (contd.)

The amount due from associates and due from a corporate shareholder of a subsidiary are unsecured, interest-free and have repayment terms of 30 days to 60 days (2015: 30 days to 60 days).

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to a single group of debtors.

	Group	
	2016	2015
	RM'000	RM'000
(i) Age analysis of trade receivables		
(a) Not due and not impaired	<b>678,181</b>	1,114,761
(b) Overdue but not impaired:		
1 - 30 days overdue but not impaired	<b>110,926</b>	115,641
31 - 60 days overdue but not impaired	<b>40,881</b>	40,398
61 - 90 days overdue but not impaired	<b>10,826</b>	32,636
91 - 180 days overdue but not impaired	<b>9,004</b>	90,596
More than 180 days overdue but not impaired	<b>17,873</b>	62,337
	<b>189,510</b>	341,608
(c) Impaired	<b>162,603</b>	37,952
Total trade receivables	<b>1,030,294</b>	1,494,321

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Collaterals and other credit enhancements are as follows:

Trade receivables of RM9.9 million (2015: RM8.8 million) are secured by bank guarantee of RM3.5 million (2015: RM2.3 million).

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**16. RECEIVABLES (CONTD.)**

**(a) Trade receivables (contd.)**

(ii) Receivables that are impaired

	Group		Total RM'000
	Individually impaired RM'000	Collectively impaired RM'000	
<b>2016</b>			
Trade receivables	<b>145,591</b>	<b>17,012</b>	<b>162,603</b>
Less: Allowance for impairment	<b>(145,591)</b>	<b>(17,012)</b>	<b>(162,603)</b>
	-	-	-
<b>2015</b>			
Trade receivables	16,715	21,237	37,952
Less: Allowance for impairment	(16,182)	(20,475)	(36,657)
	533	762	1,295
Movement in allowance for impairment:			
At 1 January 2016	<b>16,182</b>	<b>20,475</b>	<b>36,657</b>
Utilised	<b>(1,882)</b>	<b>(49)</b>	<b>(1,931)</b>
Net impairment loss for the year	<b>121,437</b>	<b>(4,027)</b>	<b>117,410</b>
Exchange differences	<b>9,854</b>	<b>613</b>	<b>10,467</b>
At 31 December 2016	<b>145,591</b>	<b>17,012</b>	<b>162,603</b>
At 1 January 2015	16,234	11,857	28,091
Utilised	(992)	(3)	(995)
Net impairment loss for the year	1,283	8,029	9,312
Exchange differences	(343)	592	249
At 31 December 2015	16,182	20,475	36,657

Trade receivables that are individually determined to be impaired at the reporting date relates to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or bank guarantees.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**16. RECEIVABLES (CONTD.)**

**(b) Other receivables**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current:</b>				
Accrued income	<b>14,068</b>	23,205	<b>262</b>	262
Deposits	<b>19,842</b>	22,978	<b>7</b>	7
Deposits for acquisition of assets	<b>21,863</b>	189,645	-	-
Prepayments	<b>28,253</b>	32,393	<b>62</b>	251
Amounts due from joint ventures	<b>81,580</b>	54	<b>81,580</b>	-
Deferred consideration	<b>6,000</b>	20,000	-	-
Sundry receivables	<b>162,420</b>	206,610	<b>46</b>	46
	<b>334,026</b>	494,885	<b>81,957</b>	566
<b>Non-current:</b>				
Deferred consideration	<b>47,756</b>	42,490	-	-
	<b>381,782</b>	537,375	<b>81,957</b>	566
Allowance for impairment	<b>(213,250)</b>	(119,148)	<b>(81,580)</b>	-
	<b>168,532</b>	418,227	<b>377</b>	566

Deferred consideration relates to proceeds from disposal of investment which is collectible over a six-year period and is discounted to its present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the debtor.

	2016 RM'000	2015 RM'000
<b>Group</b>		
Movement in allowance for impairment:		
At 1 January	<b>119,148</b>	118,454
Charge for the year	<b>134,803</b>	656
Utilised	<b>(809)</b>	(4)
Writeback of impairment loss	<b>(40,712)</b>	-
Exchange differences	<b>820</b>	42
At 31 December	<b>213,250</b>	119,148

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 16. RECEIVABLES (CONTD.)

#### (c) Due from subsidiaries

	Company	
	2016	2015
	RM'000	RM'000
Amount due from subsidiaries	<b>1,285,578</b>	764,428
Allowance for impairment	<b>(553,184)</b>	(460,888)
	<b>732,394</b>	303,540
Non-current	<b>714,448</b>	145,944
Current	<b>17,946</b>	157,596
	<b>732,394</b>	303,540

The amounts due from subsidiaries are unsecured, non-trade in nature, bear interest ranging from 2.45% to 9.92% (2015: 2.45% to 9.41%) per annum and are repayable within 1 to 5 years.

Receivables of the Group amounting to RM22,860,000 (2015: RM28,739,000) are pledged to banks for credit facilities granted to an overseas subsidiary (Note 21).

### 17. DEPOSITS, CASH AND BANK BALANCES

	Group	
	2016	2015
	RM'000	RM'000
<b>Non-current:</b>		
Deposits with a licensed bank	<b>336,450</b>	-
<b>Current:</b>		
Cash and bank balances	<b>519,157</b>	617,589
Deposits with licensed banks	<b>1,338,267</b>	2,116,554
	<b>1,857,424</b>	2,734,143
Deposits, cash and bank balances	<b>2,193,874</b>	2,734,143

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. DEPOSITS, CASH AND BANK BALANCES (CONTD.)

Included in deposits with licensed banks are deposits of RM221,825,000 (2015: RM Nil) which are not available for general use due to restrictions by the lenders in respect of revolving credits of USD50,000,000 (RM224,300,000) (2015: RM Nil) obtained by the Group as disclosed in Note 22. These deposits are required to be maintained throughout the duration of the drawdown of the revolving credits, and approval from the licensed bank is required for any withdrawal request. The deposits have been excluded from the cash and cash equivalent balance in the statements of cash flows.

Non-current deposit with licensed bank relates to an amount of USD75,000,000 (RM336,450,000) (2015: RM Nil) in respect of secured term loan of USD165,000,000 (RM740,190,000) (2015: RM Nil) with maturity of 5 years obtained by the Group as disclosed in Note 21 which is required to be placed with the lender until the loan is repaid. The deposit has been excluded from the cash and cash equivalent balance in the consolidated statement of cash flows.

Included in prior year deposits with licensed banks are deposits of RM578,517,000 which are not available for general use due to restrictions by the lenders in respect of Murabahah term financing of RM575,502,000 obtained by the Group as disclosed in Note 22.

Deposits with licensed banks and bank balances of the Group amounting to RM4,624,000 (2015: RM3,299,000) are pledged to banks for credit facilities granted to overseas subsidiaries (Note 22) which are not immediately available for use in the business.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group	
	2016	2015
	RM'000	RM'000
Deposits, cash and bank balances	<b>2,193,874</b>	2,734,143
Less: Deposits with a maturity of more than 3 months	<b>(1,000)</b>	(31,000)
Less: Restricted cash	<b>(558,275)</b>	-
Less: Deposits pledged with banks	<b>(4,624)</b>	(3,299)
Less: Bank overdrafts (Note 22)	<b>(22,681)</b>	(78,786)
Cash and cash equivalents	<b>1,607,294</b>	2,621,058

	Company	
	2016	2015
	RM'000	RM'000
Cash and bank balances	<b>3,650</b>	5,575
Deposits with licensed banks	-	12,579
	<b>3,650</b>	18,154

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. DEPOSITS, CASH AND BANK BALANCES (CONTD.)

The range of interest rates of deposits at the reporting date were as follows:

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Deposits with licensed banks	<b>0.13 - 8.00</b>	0.04 - 8.00	-	3.00 - 3.15

The range of maturities of deposits as at the reporting date were as follows:

	Range of maturities			
	Group		Company	
	2016	2015	2016	2015
	Days	Days	Days	Days
Deposits with licensed banks	<b>3 - 240</b>	4 - 365	-	4 - 16

### 18. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000

#### Group/Company

#### (a) Authorised:

At 1 January/31 December	<b>2,000,000</b>	2,000,000	<b>1,000,000</b>	1,000,000
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#### (b) Issued and fully paid:

At 1 January/31 December	<b>1,168,294</b>	1,168,294	<b>584,147</b>	584,147
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The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**19. RESERVE**

**(i) Hedging reserve**

The hedging reserve relates to cash flow hedge reserve of a subsidiary. Hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flows hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to income statement only when the hedge transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

**(ii) Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

**20. PROVISION FOR WARRANTIES**

	RM'000
<b>Group</b>	
At 1 January 2015	87,984
Charged to profit or loss	112,262
Utilised during the year	(57,384)
Reversed during the year	(2,615)
Exchange differences	900
At 31 December 2015	<b>141,147</b>
Charged to profit or loss	<b>74,669</b>
Utilised during the year	<b>(13,175)</b>
Reversed during the year	<b>(1,550)</b>
Exchange differences	<b>382</b>
At 31 December 2016	<b>201,473</b>

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**20. PROVISION FOR WARRANTIES (CONTD.)**

	RM'000
<b>Group</b>	
<b>At 31 December 2016</b>	
<b>Current</b>	<u>97,270</u>
<b>Non-current:</b>	
Later than 1 year but not later than 2 years	11,172
Later than 2 years but not later than 8 years	<u>93,031</u>
	<u>104,203</u>
	<u>201,473</u>
<b>At 31 December 2015</b>	
<b>Current</b>	<u>85,171</u>
<b>Non-current:</b>	
Later than 1 year but not later than 2 years	25,033
Later than 2 years but not later than 8 years	<u>30,943</u>
	<u>55,976</u>
	<u>141,147</u>

The Group gives 6 months to 5 years warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised for expected warranty claims on products sold during the last 6 months to 5 years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred between 1 year from the reporting date. Assumptions used to calculate the provision for warranties were based on sales levels and current information available about repairs and returns during warranty periods for all products sold.

The Group recognises provision for liabilities associated with 8-year warranties for its hybrid batteries for motor vehicles. The Group has made assumptions in relation to provision for future warranty claims based on historical experience on level of repair or replacement and recent trend analysis.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**21. LONG TERM BORROWINGS**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Secured</b>				
Term loan	<b>991,047</b>	311,789	-	-
Less: Amount payable within one year (Note 22)	-	(52,060)	-	-
	<b>991,047</b>	259,729	-	-
<b>Unsecured</b>				
Sukuk	<b>1,289,819</b>	629,941	<b>1,289,819</b>	629,941
Term loans	<b>1,624,893</b>	2,107,719	-	-
	<b>2,914,712</b>	2,737,660	<b>1,289,819</b>	629,941
Less: Amount payable within one year (Note 22)	<b>(189,982)</b>	(707,627)	<b>(189,982)</b>	(439,997)
	<b>2,724,730</b>	2,030,033	<b>1,099,837</b>	189,944
<b>Total long term borrowings</b>	<b>3,715,777</b>	2,289,762	<b>1,099,837</b>	189,944

The maturity and exposure to interest rate risk of the total borrowings (excluding finance lease payable) are as follows:

	RWAEIR*	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
<b>Group</b>						
<b>31 December 2016</b>						
<b>Secured</b>						
- Floating rate	<b>2.0 - 3.6</b>	-	<b>111,151</b>	<b>823,203</b>	<b>56,693</b>	<b>991,047</b>
<b>Unsecured</b>						
- Floating rate	<b>2.6 - 3.9</b>	-	<b>236,366</b>	<b>931,830</b>	<b>445,128</b>	<b>1,613,324</b>
- Fixed rate	<b>3.9 - 5.2</b>	<b>189,982</b>	<b>10,770</b>	<b>749,883</b>	<b>350,753</b>	<b>1,301,388</b>
		<b>189,982</b>	<b>247,136</b>	<b>1,681,713</b>	<b>795,881</b>	<b>2,914,712</b>
		<b>189,982</b>	<b>358,287</b>	<b>2,504,916</b>	<b>852,574</b>	<b>3,905,759</b>
<b>31 December 2015</b>						
<b>Secured</b>						
- Floating rate	<b>3.5 - 7.5</b>	52,060	93,680	166,049	-	311,789
<b>Unsecured</b>						
- Floating rate	<b>2.1 - 4.0</b>	267,630	451,304	847,778	537,087	2,103,799
- Fixed rate	<b>3.8 - 7.4</b>	439,997	189,944	-	3,920	633,861
		707,627	641,248	847,778	541,007	2,737,660
		759,687	734,928	1,013,827	541,007	3,049,449

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 21. LONG TERM BORROWINGS (CONTD.)

The maturity and exposure to interest rate risk of the borrowings are as follows:

	RWAEIR*	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
	%					
<b>Company</b>						
<b>31 December 2016</b>						
<b>Unsecured</b>						
- Fixed rate	3.9 - 5.2	189,982	-	749,883	349,954	1,289,819
<b>31 December 2015</b>						
<b>Unsecured</b>						
- Fixed rate	3.8 - 3.9	439,997	189,944	-	-	629,941

\* Range of Weighted Average Effective Interest Rate ("RWAEIR")

The secured long term borrowings of the Group for the financial years 2016 and 2015 were secured by legal charge, fixed and floating charge over assets of certain subsidiaries and corporate guarantee of certain foreign subsidiaries.

On 21 December 2012, the Company received an approval from the Securities Commission for the issuance of an Islamic Medium Term Notes Programme ("IMTN New Sukuk Issuance") of up to RM2 billion in nominal value based on the Islamic Principle of Musharakah ("Sukuk"). The tenure of the Sukuk shall be more than 1 year but not exceeding 15 years from issue date provided that maturity date of the Sukuk shall not extend beyond the tenure of Sukuk Musharakah Programme.

On 15 February 2016, the Company completed the issuance of IMTN with a nominal value of RM400 million under the IMTN programme for a period of maturities of 3 years and 5 years.

On 4 October 2016, the Company completed another issuance of IMTN with a nominal value of RM700 million under the IMTN programme for a period of maturities of 3 years, 5 years, 7 years and 10 years.

Included in the secured term loan is an amount of USD165,000,000 (RM740,190,000) (2015: RM Nil) which is fully repayable on 30 June 2021. The said secured term loan is secured by a charge over all existing and future assets of certain subsidiaries of the Group within oil and gas segment, and a charge over the Debt Service Reserve Account of a subsidiary of the Group, where an amount of USD75,000,000 (RM336,450,000) (2015: RM Nil) is to be placed with the licensed bank until the loan is fully repaid, as disclosed in Note 17.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**22. SHORT TERM BORROWINGS**

	Group	
	2016	2015
	RM'000	RM'000
<b>Secured</b>		
Short term loan	86,370	11,956
Bankers' acceptances and revolving credits	203,689	95,616
Trust receipts	2,206	-
Finance lease payables	-	253
Bank overdrafts (Note 17)	3,672	14,410
Long term loans payable within one year (Note 21)	-	52,060
	<b>295,937</b>	<b>174,295</b>
<b>Unsecured</b>		
Short term loan	381,597	702,577
Bankers' acceptances and revolving credits	1,752,804	1,500,613
Murabahah term financing	-	575,502
Bank overdrafts (Note 17)	19,009	64,376
Long term loans payable within one year (Note 21)	189,982	707,627
	<b>2,343,392</b>	<b>3,550,695</b>
<b>Total short term borrowings</b>	<b>2,639,329</b>	<b>3,724,990</b>

	Company	
	2016	2015
	RM'000	RM'000
<b>Unsecured</b>		
Long term loans payable within one year (Note 21)	<b>189,982</b>	439,997

The secured short term borrowings of the Group are secured by legal charge, fixed and floating charge over assets of certain subsidiaries and lien on fixed deposits.

The range of weighted average effective interest rates at the reporting date for borrowings, excluding finance lease payables, were as follows:

	Group	
	2016	2015
	%	%
Short term loan	2.5 - 6.6	1.1 - 4.0
Bank overdrafts	1.6 - 8.6	1.4 - 9.7
Trust receipts	0.7 - 3.2	1.0 - 3.2
Bankers' acceptances	2.5 - 4.4	3.9 - 4.5
Revolving credits	1.4 - 5.0	0.9 - 6.8
Murabahah term financing	-	1.6 - 4.0

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**23. PAYABLES**

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Current:</b>				
Trade payables:				
Trade payables	<b>629,592</b>	745,835	-	-
Bill payables	<b>27,722</b>	31,596	-	-
Sales tax accruals	-	16,601	-	-
Customer deposits	<b>36,260</b>	49,775	-	-
Related parties	<b>345,328</b>	535,801	-	-
Other payables:				
Accruals	<b>423,930</b>	512,227	<b>16,529</b>	7,428
Provision for unutilised leave	<b>9,162</b>	9,157	-	-
Financial guarantee contracts	<b>88,181</b>	13,561	<b>49,399</b>	6,151
Provision for additional loss on investment in a joint venture	-	130,314	-	-
Sundry payables	<b>318,467</b>	196,312	<b>2,697</b>	1,520
	<b>1,878,642</b>	2,241,179	<b>68,625</b>	15,099
<b>Non-current:</b>				
Other payables:				
Financial guarantee contracts	<b>803,805</b>	50,197	<b>504,662</b>	29,848
Total trade and other payables	<b>2,682,447</b>	2,291,376	<b>573,287</b>	44,947
Total trade and other payables (exclude provisions)	<b>2,673,285</b>	2,151,905	<b>573,287</b>	44,947
Add: Long term borrowings (Note 21)	<b>3,715,777</b>	2,289,762	<b>1,099,837</b>	189,944
Short term borrowings (Note 22)	<b>2,639,329</b>	3,724,990	<b>189,982</b>	439,997
<b>Total financial liabilities carried at amortised costs</b>	<b>9,028,391</b>	8,166,657	<b>1,863,106</b>	674,888

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 23. PAYABLES (CONTD.)

The related parties balances comprise of amounts due to corporate shareholders of subsidiaries and/or their subsidiaries for purchase of inventories. The corporate shareholders are Toyota Motor Corporation, Japan and Toyota Tsusho Corporation, Japan and/or their subsidiaries and associated companies.

The Group has remeasured the financial guarantee liability in respect of borrowings of a joint venture as a result of it becoming probable that the joint venture is no longer expected to be able to meet its repayment obligations. Consequently, an expense of RM705 million was recognised during the year.

Provision for additional loss on investment in a joint venture in prior year relates to recognition of share of loss of a joint venture with nil carrying amount whose borrowings are guaranteed by the Group. This provision was subsumed into financial guarantee contracts in the current year as a result of the remeasurement stated above.

Trade creditors are non-interest bearing and are normally settled within 1 day to 90 days (2015: 1 day to 90 days) terms.

Sundry payables are non-interest bearing and are normally settled within 30 days to 365 days (2015: 30 days to 365 days) terms.

### 24. REVENUE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Gross dividend income from subsidiaries	-	-	<b>631,579</b>	357,755
Sales of goods and services	<b>10,631,121</b>	13,595,175	-	-
Drilling and workover services	<b>321,053</b>	839,877	-	-
Rental income from investment properties	<b>6,341</b>	6,531	-	-
	<b>10,958,515</b>	14,441,583	<b>631,579</b>	357,755

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 25. OTHER OPERATING INCOME

Included in other operating income are:

	Group	
	2016	2015
	RM'000	RM'000
Net gain on disposal of property, plant and equipment and leased assets	<b>21,292</b>	21,050
Net gain on disposal of investments	-	2,293
Bad debts recovered	<b>141</b>	320
Rental income from operating leases	<b>3,198</b>	3,780
Commission	<b>34,675</b>	67,577
Amortisation of financial guarantee contracts	<b>17,330</b>	11,680

	Company	
	2016	2015
	RM'000	RM'000
Net foreign exchange gains	-	64,847
Net fair value gain on financial assets held for trading	-	559
Net gain on sale of money market fund	<b>1,284</b>	218
Amortisation of financial guarantee contracts	<b>6,421</b>	5,696

### 26. EMPLOYEE BENEFITS

	Group	
	2016	2015
	RM'000	RM'000
<b>Staff costs</b>		
Wages and salaries	<b>765,269</b>	872,056
Social security costs	<b>6,556</b>	6,352
Provision for unutilised leave	<b>5</b>	55
Termination benefits	<b>4,359</b>	-
Pension costs - defined contribution plan	<b>84,436</b>	92,327
Other staff related expenses	<b>117,842</b>	114,173
	<b>978,467</b>	1,084,963

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 27. (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION

(Loss)/profit before zakat and taxation are derived after charging/(crediting):

	2016 RM'000	2015 RM'000
<b>Group</b>		
Executive directors:		
- salaries and other emoluments	1,397	1,760
- defined contribution plan	222	174
- benefits-in-kind	103	206
Non-executive directors:		
- fees	1,617	1,611
- other emoluments	434	458
- benefits-in-kind	564	425
- retirement gratuities	500	-
Rental of offices and rigs	56,881	41,818
Auditors' remuneration:		
Statutory audit:		
- auditors' of the Company	3,002	2,921
- other auditors	463	508
Other services:		
- auditors' of the Company	1,025	1,203
Inventories written down, net of reversal	33,134	11,560
Royalty	8,758	7,325
Property, plant and equipment written off	7,632	14,617
Leased assets written off	38	-
Net impairment/(reversal of net impairment) losses of:		
- property, plant and equipment	1,164,927	336,431
- leased assets	456	(285)
- receivables	252,213	9,968
- investments in joint ventures	53,060	-
- goodwill	25,228	25,555

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 27. (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION (CONTD.)

(Loss)/profit before zakat and taxation are derived after charging/(crediting) (contd.):

	2016 RM'000	2015 RM'000
<b>Group (contd.)</b>		
Loss on disposal of property, plant and equipment and leased assets	909	728
Net loss on disposal of investments	7,901	-
Net foreign exchange losses/(gains)	124,102	(76,470)
Provision for warranties, net of reversal	73,119	109,647
Recovery of warranties previously paid	(5,401)	(60,120)
Net fair value losses on financial assets held for trading	1,698	4,047
Net fair value (gain)/loss on derivatives	(171,751)	126,279
Loss on disposal of non-current assets held for sale	-	51,180
Remeasurement of other receivables	7,233	-
Provision for additional loss on investment in a joint venture (Note 23)	-	130,314
Remeasurement of financial guarantee contracts (Note 23)	704,991	-
<b>Company</b>		
Non-executive directors:		
- fees	1,381	1,350
- other emoluments	270	360
- benefits-in-kind	433	290
- retirement gratuities	500	-
Auditors' remuneration:		
- statutory audit	182	182
- other services	-	35
Impairment on investment in subsidiaries	413,690	-
Remeasurement of financial guarantee contracts (Note 23)	524,483	-
Allowance for impairment loss on amount due from subsidiaries	92,296	234,924
Allowance for impairment loss on amount due from joint venture	81,580	-
Net fair value loss on financial assets held for trading	857	-
Net fair value (gain)/losses on derivatives	(191,354)	153,980
Net foreign exchange losses	178,112	-
Equipment written off	-	1

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**27. (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION (CONTD.)**

**Directors Remuneration 2016**

	Salary and other emoluments RM'000	Pension cost - defined contribution plan RM'000	Directors' fee RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Retirement gratuity RM'000
<b>Executive Director:</b>						
Badrul Feisal bin Abdul Rahim	1,397	222	-	-	103	-
<b>Non-Executive Directors:</b>						
Tan Sri Asmat bin Kamaludin	-	-	448	42	376	500
Dr. Leong Chik Weng	-	-	224	115	22	-
Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani	-	-	152	45	56	-
Dato' Siow Kim Lun	-	-	154	73	20	-
Dato' Mohd. Nizam bin Zainordin	-	-	154	47	22	-
Khalid bin Sufat	-	-	152	54	24	-
Rohaya binti Mohammad Yusof	-	-	150	15	20	-
Tan Sri Hasmah binti Abdullah	-	-	152	42	20	-
Dato' Eshah binti Meor Suleiman (appointed 17 October 2016)	-	-	31	1	4	-

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**27. (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION (CONTD.)**

**Directors Remuneration 2015**

	Salary and other emoluments RM'000	Pension cost - defined contribution plan RM'000	Directors' fee RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Retirement gratuity RM'000
<b>Executive Directors:</b>						
Datuk Syed Hisham bin Syed Wazir	1,382	122	-	-	171	-
Badrul Feisal bin Abdul Rahim (appointed 1 October 2015)	378	52	-	-	35	-
<b>Non-Executive Directors:</b>						
Tan Sri Asmat bin Kamaludin	-	-	464	46	273	-
Dr. Leong Chik Weng	-	-	232	104	22	-
Datuk Seri Dr. Nik Norzrul Thani bin N.Hassan Thani	-	-	153	55	24	-
Dato' Siow Kim Lun	-	-	154	72	22	-
Dato' Mohd. Nizam bin Zainordin	-	-	154	45	21	-
Khalid bin Sufat	-	-	152	72	24	-
Rohaya binti Mohammad Yusof	-	-	150	18	19	-
Tan Sri Hasmah binti Abdullah	-	-	152	46	20	-

**Note:**

Directors' fees include amounts received from UMW Holdings and its subsidiaries.  
Other emoluments include meeting attendance allowance and per diem allowance received from UMW Holdings and its subsidiaries.  
Benefits-in-kind ("BIK") for all Non-Executive Directors include car and petrol, telephone expenses and medical coverage worldwide.  
Additionally, BIK for Chairman include among others, leave passage, club memberships, mobile phone and security services.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 27. (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION (CONTD.)

The number of directors of the Company whose total remuneration falls within the respective bands are as follows:

	Number of directors	
	2016	2015
<b>Executive directors:</b>		
RM450,001 - RM500,000	-	1
RM1,650,001 - RM1,700,000	-	1
RM1,700,001 - RM1,750,000	<b>1</b>	-
<b>Non-executive directors:</b>		
Up to RM50,000	<b>1</b>	-
RM150,001 - RM200,000	<b>1</b>	1
RM200,001 - RM250,000	<b>4</b>	5
RM250,001 - RM300,000	<b>1</b>	-
RM350,001 - RM400,000	<b>1</b>	1
RM750,001 - RM800,000	-	1
RM1,350,001 - RM1,400,000	<b>1</b>	-

### 28. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expense				
- Bank borrowings	<b>150,083</b>	108,705	-	-
- Sukuk	<b>36,059</b>	22,502	<b>36,059</b>	22,502
- Others	<b>1,621</b>	1,353	<b>243</b>	129
	<b>187,763</b>	132,560	<b>36,302</b>	22,631
Less: Interest expense capitalised in assets-in-progress	<b>(2,275)</b>	(5,785)	-	-
Net interest expense	<b>185,488</b>	126,775	<b>36,302</b>	22,631

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 29. INVESTMENT INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Investment income comprises:				
<b>Gross dividend income from:</b>				
- Available-for-sale financial assets				
- Unquoted investments	4,847	300	-	-
<b>Interest income from:</b>				
- Loans and receivables				
- Subsidiaries	-	-	43,173	32,002
- Others	55,940	87,521	1,523	1,015
<b>Distribution income from:</b>				
- Quoted investments	19,608	38,551	11,235	19,435
	<b>80,395</b>	<b>126,372</b>	<b>55,931</b>	<b>52,452</b>

### 30. INCOME TAX EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian taxes	142,152	239,710	2,100	-
Overseas taxes	17,954	33,351	-	-
RPGT/WHT*	3,285	4,527	128	445
	<b>163,391</b>	<b>277,588</b>	<b>2,228</b>	<b>445</b>
(Over)/under provision in prior year:				
Malaysian taxes	(10,758)	(6,962)	313	-
Overseas taxes	2,165	(61)	-	-
	<b>(8,593)</b>	<b>(7,023)</b>	<b>313</b>	<b>-</b>
	<b>154,798</b>	<b>270,565</b>	<b>2,541</b>	<b>445</b>
Deferred taxation (Note 12):				
Relating to origination and reversal of temporary differences	(25,733)	(6,047)	-	-
Under/(over) provision in prior years	1,927	(2,963)	-	-
	<b>(23,806)</b>	<b>(9,010)</b>	<b>-</b>	<b>-</b>
	<b>130,992</b>	<b>261,555</b>	<b>2,541</b>	<b>445</b>

\* Real Property Gain Tax/Withholding tax

Domestic current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 30. INCOME TAX EXPENSE (CONTD.)

Reconciliations of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2016	2015
	RM'000	RM'000
<b>Group</b>		
(Loss)/profit before zakat and taxation	<b>(2,130,225)</b>	269,652
Taxation at Malaysian statutory rate of 24% (2015: 25%)	<b>(511,254)</b>	67,413
Effect of different tax rates in other jurisdictions	<b>2,661</b>	23,208
Tax incentives	<b>(95)</b>	(86)
Income not subject to tax	<b>(34,327)</b>	(31,031)
Expenses not deductible for tax purposes	<b>691,486</b>	232,980
Tax losses not available for offsetting against future taxable profits	-	140
Utilisation of current year's reinvestment allowances	<b>(2,565)</b>	(1,549)
Utilisation of previously unrecognised tax losses	<b>(41,160)</b>	(3,773)
Deferred tax assets not recognised	<b>70,444</b>	17,849
Under/(over) provision of deferred tax in prior years	<b>1,927</b>	(2,963)
Over provision of income tax expense in prior year	<b>(8,593)</b>	(7,023)
Effect of share of profits of associates and joint ventures	<b>(37,532)</b>	(33,610)
Tax expense for the year	<b>130,992</b>	261,555
<b>Company</b>		
(Loss)/profit before zakat and taxation	<b>(446,139)</b>	66,258
Taxation at Malaysian statutory rate of 24% (2015: 25%)	<b>(107,073)</b>	16,565
Income not subject to tax	<b>(161,746)</b>	(102,606)
Expenses not deductible for tax purposes	<b>271,047</b>	86,916
Under provision of income tax expense in prior year	<b>313</b>	-
Utilisation/surrender of group relief	-	(430)
Tax expense for the year	<b>2,541</b>	445

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 31. EARNINGS PER SHARE

#### Basic/diluted

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016	2015
Net loss attributable to equity holders (RM'000)	<b>(1,658,039)</b>	(37,171)
Weighted average number of ordinary shares of RM0.50 in issue ('000)	<b>1,168,294</b>	1,168,294
Basic/diluted loss per share of RM0.50 (sen)	<b>(141.9)</b>	(3.2)

Diluted earnings per ordinary share is identical to basic earnings per share as the Company has no dilutive potential ordinary shares as at the end of the reporting period.

### 32. DIVIDENDS

	Amount		Net dividend per share of RM0.50 each	
	2016	2015	2016	2015
	RM'000	RM'000	Sen	Sen

#### Recognised during the financial year:

##### In respect of the financial year ended 31 December 2014:

- Third interim single-tier dividend of 32%	-	186,927	-	16.0
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##### In respect of the financial year ended 31 December 2015:

- First interim single-tier dividend of 20%	-	116,829	-	10.0
- Second interim single-tier dividend of 20%	<b>116,829</b>	-	<b>10.0</b>	-
	<b>116,829</b>	303,756	<b>10.0</b>	26.0

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**33. COMMITMENTS**

	Group	
	2016	2015
	RM'000	RM'000

**(a) Capital commitments**

Approved and contracted for:

- land and buildings	<b>96,141</b>	453,512
- equipment, plant and machinery	<b>25,259</b>	236,658
- others	<b>29,763</b>	23,690
	<b>151,163</b>	713,860

Approved but not contracted for:

- land and buildings	<b>985,572</b>	110,899
- equipment, plant and machinery	<b>685,318</b>	363,884
- others	<b>253,689</b>	105,866
	<b>1,924,579</b>	580,649

Total capital commitments

**2,075,742**      1,294,509

**(b) Commitments under non-cancellable operating leases**

Amount payable within 1 year	<b>15,750</b>	11,382
Amount payable later than 1 year but not more than 2 years	<b>26,412</b>	14,351
Amount payable later than 2 years but not more than 5 years	<b>38,251</b>	15,951
Amount payable after 5 years	<b>33,939</b>	36,984

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 34. CONTINGENT LIABILITIES

As at the reporting date, the Group and the Company have the following contingent liabilities for which no liability is expected to arise:

	Group	
	2016	2015
	RM'000	RM'000
<b>Unsecured</b>		
Performance bonds in favour of third parties	<b>169,680</b>	161,820

### 35. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on products and services, and has six reportable operating segments as follows:

- (i) The automotive segment is principally engaged in the import, assembly and marketing of passenger and commercial vehicles and related spares.
- (ii) The equipment segment is involved in the trading and leasing of a wide range of light and heavy equipment including related spares for use in the industrial, construction and agricultural sectors.
- (iii) The manufacturing and engineering segment is involved in the manufacturing, assembly and trading of automotive parts, the blending, packaging, marketing and distribution of lubricants and other established agency lines in the automotive field.
- (iv) The oil and gas (listed) segment is engaged in the manufacturing and trading of oil pipes and the provision of various oil and gas services including drilling and pipe-coating.
- (v) The oil and gas (unlisted) segment is engaged in the fabrications, onshore drilling, manufacturing of oil country tubular goods ("OCTG") and line pipes, and trading of oilfield products.
- (vi) The other segments which do not generate significant external revenue are involved in the following activities:
  - (a) support services in travel;
  - (b) information technology; and
  - (c) management and corporate services and various professional services.

Transfer prices between operating segments are at terms agreed between the parties.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**35. SEGMENT REPORTING (CONTD.)**

**(a) Business segments**

	2016				Per Consolidated Financial Statements RM'000			
	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas (Listed) RM'000		Oil and Gas (Unlisted) RM'000	Others RM'000	Adjustments and Eliminations RM'000
<b>Revenue:</b>								
External customers	8,449,436	1,362,394	576,886	321,053	221,891	26,855	-	10,958,515
Inter-segment	1,520	20,421	24,574	-	-	28,560	(75,075)	-
Total revenue	8,450,956	1,382,815	601,460	321,053	221,891	55,415	(75,075)	10,958,515
<b>Results:</b>								
Depreciation and amortisation	(97,936)	(110,517)	(11,278)	(291,191)	(49,689)	(8,905)	-	(569,516)
Impairment loss of property, plant and equipment	-	-	-	(780,265)	(381,907)	(2,755)	-	(1,164,927)
Remeasurement of financial guarantee contracts	-	-	-	-	-	(704,991)	-	(704,991)
Share of results of associates and joint ventures	176,042	-	2,050	419	(27,653)	5,524	-	156,382

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**35. SEGMENT REPORTING (CONTD.)**

**(a) Business segments (contd.)**

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas (Listed) RM'000	Oil and Gas (Unlisted) RM'000	Others RM'000	Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
<b>2016 (contd.)</b>									
<b>Results (contd.):</b>									
Segment profit/(loss) before zakat and taxation	496,931	145,620	24,619	(1,181,264)	(734,895)	(881,236)	-		(2,130,225)
Zakat	-	-	-	-	-	(8,560)	-		(8,560)
Income tax expense	(78,689)	(30,326)	(12,741)	(2,183)	(4,204)	(2,849)	-		(130,992)
Segment profit/(loss) after zakat and taxation	418,242	115,294	11,878	(1,183,447)	(739,099)	(892,645)	-		(2,269,777)
<b>Assets:</b>									
Investment in associates and joint ventures	1,432,095	-	42,728	2,571	387,514	143,190			2,008,098
Additions to non-current assets	710,052	114,655	82,487	44,792	85,126	146,729		II	1,183,841
Segment assets	5,464,065	1,329,183	621,154	6,548,210	922,111	1,378,301			16,263,024
<b>Liabilities:</b>									
Segment liabilities	1,222,533	348,567	185,309	3,973,305	1,094,920	2,574,115			9,398,749

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**35. SEGMENT REPORTING (CONTD.)**

**(a) Business segments (contd.)**

	2015					Adjustments and Note	Per Consolidated Financial Statements RM'000
	Automotive Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas (Listed) RM'000	Oil and Gas (Unlisted) RM'000	Others RM'000		
<b>Revenue:</b>							
External customers	10,719,591	1,853,014	839,877	324,647	30,018	-	14,441,583
Inter-segment	2,326	29,577	-	-	11,774	(76,732)	-
Total revenue	10,721,917	1,882,591	839,877	324,647	41,792	(76,732)	14,441,583
<b>Results:</b>							
Depreciation and amortisation	(83,923)	(111,342)	(246,119)	(40,853)	(8,366)	-	(510,711)
Impairment loss of property, plant and equipment	-	-	(336,431)	-	-	-	(336,431)
Loss on disposal of non- current assets held for sale	-	-	-	-	(51,180)	-	(51,180)
Provision for additional loss on investment in a joint venture	-	-	-	-	(130,314)	-	(130,314)
Share of results of associates and joint ventures	163,644	-	91	521	(29,818)	-	134,438

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**35. SEGMENT REPORTING (CONTD.)**

**(a) Business segments (contd.)**

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas (Listed) RM'000	Oil and Gas (Unlisted) RM'000	Others RM'000	Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
<b>2015 (contd.)</b>									
<b>Results (contd.):</b>									
Segment profit/(loss) before zakat and taxation	860,938	226,451	16,816	(348,426)	(197,190)	(288,937)	-		269,652
Zakat	-	-	-	-	-	(5,905)	-		(5,905)
Income tax expense	(176,103)	(42,598)	(12,443)	(20,005)	(8,192)	(2,214)	-		(261,555)
Segment profit/(loss) after zakat and taxation	684,835	183,853	4,373	(368,431)	(205,382)	(297,056)	-		2,192
<b>Assets:</b>									
Investment in associates and joint ventures	1,334,358	-	40,336	2,720	(34,683)	636,370			1,979,101
Additions to non-current assets	218,765	142,768	46,644	1,780,988	80,554	10,645		II	2,280,364
Segment assets	5,513,234	1,261,417	432,434	7,649,854	1,671,367	1,696,995			18,225,301
<b>Liabilities:</b>									
Segment liabilities	1,448,165	415,444	165,146	4,305,908	1,180,406	1,326,361			8,841,430

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 35. SEGMENT REPORTING (CONTD.)

#### (a) Business segments (contd.)

The following are nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- I. Inter-segment revenues are eliminated on consolidation.
- II. Additions to non-current assets consist of:

	Note	2016 RM'000	2015 RM'000
Property, plant and equipment	4	<b>1,083,296</b>	2,156,518
Leased assets	8	<b>100,545</b>	123,846
		<b>1,183,841</b>	2,280,364

#### (b) Geographical segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
<b>2016</b>			
Revenue from external customers	<b>10,014,484</b>	<b>944,031</b>	<b>10,958,515</b>
Non-current assets	<b>6,978,286</b>	<b>979,695</b>	<b>7,957,981</b>
<b>2015</b>			
Revenue from external customers	12,858,042	1,583,541	14,441,583
Non-current assets	5,320,508	3,105,068	8,425,576

Non-current assets stated above consist of the following items as presented in the consolidated statement of financial position:

	2016 RM'000	2015 RM'000
Property, plant and equipment	<b>7,678,533</b>	8,102,786
Investment properties	<b>2,457</b>	3,172
Intangible assets	-	25,228
Land use rights	<b>6,482</b>	6,761
Leased assets	<b>270,509</b>	287,629
	<b>7,957,981</b>	8,425,576

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 36. SUBSIDIARIES

(i) The following are the subsidiaries of the Company:

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

#### (a) Subsidiaries incorporated in Malaysia

##### Direct subsidiaries of the Company:

UMW Corporation Sdn. Bhd.	<b>100</b>	100	Provision of full corporate, administrative, professional, security services and financial support to its subsidiaries and associates. In addition, the subsidiary also trades in a range of light and heavy equipment.
UMW Petropipe (L) Ltd.	<b>100</b>	100	Investment holding.
UMW Australia Ventures (L) Ltd.	<b>100</b>	100	Investment holding.
UMW Oil & Gas Berhad	<b>100</b>	100	Investment holding.
UMW Oil & Gas Corporation Berhad <sup>^</sup>	<b>55.73</b>	55.73	Investment holding and provision of full corporate management, administrative and professional services as well as financial support to its subsidiary companies.

<sup>^</sup> Listed on Main Market of Bursa Malaysia Securities Berhad

##### Indirect subsidiaries of the Company:

UMW Malaysian Ventures Sdn. Bhd.	<b>55.73</b>	55.73	Investment holding.
UMW Industries (1985) Sdn. Bhd.	<b>100</b>	100	Distribution of industrial and material handling equipment and related spares.
UMW (East Malaysia) Sdn. Bhd.	<b>100</b>	100	Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak.
UMW (Sarawak) Sdn. Bhd.	<b>100</b>	100	Dormant.
UMW Equipment Sdn. Bhd.	<b>100</b>	100	Distribution of industrial, heavy and material handling equipment and related spares in Peninsular Malaysia.
UMW Advantech Sdn. Bhd.	<b>100</b>	100	Manufacturing and distribution of filters, plastic engineering products and spare parts for various automotive and industrial applications.
UMW Industrial Power Sdn. Bhd.	<b>100</b>	100	Distribution of industrial and power equipment and related parts.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 36. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

#### (a) Subsidiaries incorporated in Malaysia (contd.)

##### Indirect subsidiaries of the Company (contd.):

UMW Offshore Investment (L) Ltd.	<b>100</b>	100	Investment holding.
UMW Linepipe (L) Ltd.	<b>100</b>	100	Investment holding.
UMW Drilling Co. Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW Oilfield International (L) Ltd.	<b>60</b>	60	Supply of oil and gas products and investment holding.
UMW Oilpipe Services (Turkmenistan) Ltd.	<b>28.42</b>	28.42	Provision of threading, inspection, repair and maintenance services for OCTG.
UMW China Ventures (L) Ltd.	<b>100</b>	100	Investment holding.
UMW Autocorp Sdn. Bhd.	<b>100</b>	100	Investment holding.
Kelang Pembena Kereta2 Sendirian Berhad	<b>100</b>	100	Dormant.
KPKK Realty Sdn. Bhd.	-	100	Dormant.
UMW Equipment Rental Services Sdn. Bhd.	-	100	Dormant.
UMW Lubricant International Sdn. Bhd.	<b>100</b>	100	Marketing, selling and distribution of "Repsol" branded lubricants.
U-TravelWide Sdn. Bhd.	<b>100</b>	100	Provision of travel agency services.
UMW Aero Industries Sdn. Bhd.	<b>100</b>	100	Dormant.
Tracpart Centre Sdn. Bhd.	<b>100</b>	100	Dormant.
U E-Technologies Sdn. Bhd.	<b>100</b>	100	Provision of information technology services.
Otomobil Sejahtera Sdn. Bhd.	<b>100</b>	100	Importing and retailing of passenger and commercial vehicles.
UMW M&E Sdn. Bhd.	<b>100</b>	100	Investment holding.
UMW Vehicle Components Sdn. Bhd.	<b>100</b>	100	Dormant.
UMW Fabritech Sdn. Bhd.	<b>70</b>	70	Dormant.
UMW Oilfield International (M) Sdn. Bhd.	<b>100</b>	100	Supply of oil and gas products.
Lubetech Sdn. Bhd.	<b>100</b>	100	Blending and packaging of lubricants.
UMW Pennzoil Distributors Sdn. Bhd.	<b>100</b>	100	Marketing, selling and distribution of "Pennzoil" branded lubricants.
UMW Workover Sdn. Bhd.	<b>55.73</b>	55.73	Provision of workover operations for the oil and gas industry.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 36. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

#### (a) Subsidiaries incorporated in Malaysia (contd.)

##### Indirect subsidiaries of the Company (contd.):

UMW JDC Drilling Sdn. Bhd.	<b>47.36</b>	47.36	Provision of drilling operations for the oil and gas industry.
Inobel Sdn. Bhd.	<b>100</b>	100	Marketing and rendering of information technology services.
KYB-UMW Malaysia Sdn. Bhd.	<b>52.1</b>	52.1	Manufacture and assembly of vehicle shock absorbers.
KYB-UMW Steering Malaysia Sdn. Bhd.	<b>52.1</b>	52.1	Manufacture and assembly of power steering pumps for motor vehicle.
UMW Development Sdn. Bhd.	<b>90</b>	51	Investment holding and property development.
UMW Toyota Motor Sdn. Bhd.	<b>51</b>	51	Importation, assembly, distribution and retailing of motor vehicles, distribution and sales of spare parts, servicing of vehicles, manufacture of vehicle related parts and export of vehicles and related parts.
Assembly Services Sdn. Bhd.	<b>51</b>	51	Assembly of passenger and commercial vehicles.
Automotive Industries Sendirian Berhad	<b>51</b>	51	Manufacturing and selling of vehicle exhaust system and other automotive components.
UMW Australia Ventures Sdn. Bhd.	<b>100</b>	100	Investment holding.
Toyota Boshoku UMW Sdn. Bhd.	<b>33.15</b>	33.15	Manufacturing of seats and other automotive components.
UMW Oilpipe Services Sdn. Bhd.	<b>55.73</b>	55.73	Provision of threading, inspection, repair and maintenance services for OCTG.
UMW Drilling 2 (L) Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW Drilling 3 (L) Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW India Ventures (L) Ltd.	<b>75</b>	75	Investment holding.
UMW Sher (L) Ltd.	<b>50.82</b>	50.82	Provide contract drilling and engineering services for the oil and gas industry and leasing of drilling rigs and vessels.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 36. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

#### (a) Subsidiaries incorporated in Malaysia (contd.)

##### Indirect subsidiaries of the Company (contd.):

UMW Offshore Drilling Sdn. Bhd.	<b>55.73</b>	55.73	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.
UMW Synergistic Generation Sdn. Bhd.	<b>100</b>	100	Total power solution provider.
UMW SG Power Systems Sdn. Bhd.	<b>100</b>	100	General trader and the provision of engineering works.
UMW SG Engineering & Services Sdn. Bhd.	<b>100</b>	100	General trader and the provision of engineering works.
UMW Drilling 4 (L) Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW M&E Limited	<b>100</b>	100	Investment holding.
UMW Drilling Academy Sdn. Bhd.	<b>55.73</b>	55.73	Provision of training and course in relation to oil and gas drilling activities.
UMW Rig Asset (L) Ltd.	<b>55.73</b>	55.73	Investment holding.
UMW Drilling 5 (L) Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW Drilling 6 (L) Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW Drilling 7 (L) Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW Drilling 8 (L) Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW Grantt International Sdn. Bhd.	<b>100</b>	100	Manufacturing, distributing, selling and trading of lubricants, greases, specialty and other products.
UMW Technology Sdn. Bhd.	<b>100</b>	100	Investing in technology companies.
UMW IT Services Sdn. Bhd.	<b>100</b>	-	Providing internal IT support and services.
UMW Aerospace Sdn. Bhd.	<b>100</b>	100	Manufacturing of aerospace engine component products.
UMW Aero Assets Sdn. Bhd.	<b>100</b>	100	Ownership and leasing of equipment and tooling.
UMW Land Sdn. Bhd.	<b>100</b>	100	Investment holding and property development.
UMW Training Centre Sdn. Bhd.	<b>100</b>	100	Provision of training and other related services.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 36. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

#### (b) Subsidiaries incorporated in the Republic of Singapore

##### Indirect subsidiaries of the Company:

UMW Equipment & Engineering Pte. Ltd.	<b>100</b>	100	Importation, distribution, repair, maintenance and service of all types of industrial and heavy equipment, automotive parts and related spares in Singapore.
UMW Equipment Systems Pte. Ltd.	<b>100</b>	100	Investment holding.
Vina Offshore Holdings Pte. Ltd.*	<b>70</b>	70	Dormant.
PFP Singapore Pte. Ltd.*	<b>100</b>	100	Dormant.
UMW Helmsion Engineering Pte. Ltd.*	-	42	Manufacture of industrial cranes and related products and services.
UMW Standard 1 Pte. Ltd.	<b>55.73</b>	55.73	Ownership and leasing of rig.
UMW Standard 3 Pte. Ltd.	<b>55.73</b>	55.73	Dormant.
UMW Singapore Ventures Pte. Ltd.*	<b>55.73</b>	55.73	Investment holding.
UMW Marine and Offshore Pte. Ltd.*	<b>100</b>	100	Dormant.

#### (c) Subsidiary incorporated in Papua New Guinea

##### Indirect subsidiary of the Company:

UMW Niugini Limited*	<b>94.4</b>	94.4	Distribution of heavy equipment and related spares. Trading and hiring of industrial and material handling equipment and related service and spare parts.
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#### (d) Subsidiaries incorporated in People's Republic of China

##### Indirect subsidiaries of the Company:

UMW Oilfield Services (Tianjin) Co., Limited*	<b>55.73</b>	55.73	Provision of threading, inspection, repair and maintenance services for OCTG.
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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**36. SUBSIDIARIES (CONTD.)**

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

**(d) Subsidiaries incorporated in People's Republic of China (contd.)**

**Indirect subsidiaries of the Company (contd.):**

UMW Industrial Equipment (Shanghai) Co., Ltd.*	<b>100</b>	100	Provision of after-sales and repair services for equipment. Marketing of industrial equipment and provision of after-sales and repair services for equipment rental and industrial equipment.
UMW Industrial Trading (Shanghai) Co., Ltd.*	<b>100</b>	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
Vision Fleet Equipment Leasing (Shanghai) Co., Ltd.*	<b>100</b>	100	Rental and fleet management services mainly for products distributed by the UMW Group of China.
PFP (Shenzhen) Piping Materials Co., Ltd.*	<b>100</b>	100	Dormant.
UMW Coating Technologies (Tianjin) Co., Ltd.*	<b>100</b>	100	Provision of oil and gas related equipment and pipe coating services.
Sichuan Haihua Petroleum Steel Pipe Co., Ltd.*	<b>75.6</b>	75.6	Manufacturing of oil, gas, water and other liquid form of transmission pipes, and provision of antiseptis coating services for steel pipes.

**(e) Subsidiary incorporated in Thailand**

**Indirect subsidiary of the Company:**

UOT (Thailand) Limited*	<b>32.77</b>	32.77	Provision of threading, inspection, repair and maintenance services for OCTG.
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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 36. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

**(f) Subsidiary incorporated in the Republic of Vietnam**

**Indirect subsidiary of the Company:**

UMW Equipment Systems (Vietnam) Company Limited*	<b>100</b>	100	Provision of service for equipment installation, maintenance, repair, overhaul and lease of equipment in industrial, construction and traffic sectors.
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**(g) Subsidiaries incorporated in the Union of Myanmar**

**Indirect subsidiaries of the Company:**

UMW Machinery Limited*#	<b>100</b>	100	Importation and distribution of industrial and heavy equipment and related parts.
UMW Engineering Services Limited*#	<b>100</b>	100	Provision of after-sales services for equipment and maintenance and repair of equipment.

**(h) Subsidiary incorporated in British Virgin Islands**

**Indirect subsidiary of the Company:**

UMW ACE (BVI) Ltd.	<b>70</b>	70	Investment holding.
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**(i) Subsidiaries incorporated in Australia**

**Indirect subsidiaries of the Company:**

PFP Holdings Pty. Ltd.	<b>100</b>	100	Investment holding.
PFP (Aust) Holdings Pty. Ltd.	<b>100</b>	100	Investment holding.
Australasia Piping Products Pty. Ltd.	<b>100</b>	100	Dormant.
PFP (Aust) Pty. Ltd.	<b>100</b>	100	International trading of a complete range of piping and pressure vessel components.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**36. SUBSIDIARIES (CONTD.)**

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	
<b>(j) Subsidiary incorporated in India</b>			
<b>Indirect subsidiary of the Company:</b>			
Jaybee Drilling Private Limited#	<b>45</b>	45	Onshore drilling activities in India.
<b>(k) Subsidiary incorporated in Taiwan</b>			
<b>Indirect subsidiary of the Company:</b>			
PFP Taiwan Co., Ltd.*	<b>75</b>	75	Trading of pipes, fittings and related products.
<b>(l) Subsidiary incorporated in Bahrain</b>			
<b>Indirect subsidiary of the Company:</b>			
UMW Middle East Ventures Holding W.L.L.*	<b>100</b>	100	Investment holding.
<b>(m) Subsidiary incorporated in Oman</b>			
<b>Indirect subsidiary of the Company:</b>			
Arabian Drilling Services L.L.C.	<b>70</b>	65	Drilling of oil and natural gas wells and service activities incidental to extraction of petroleum and natural gas, excluding surveying.
<b>(n) Subsidiaries incorporated in the Cayman Islands</b>			
<b>Indirect subsidiaries of the Company:</b>			
Offshore Driller B324 Ltd.	<b>55.73</b>	55.73	Dormant.
Offshore Driller 4 Ltd.	<b>55.73</b>	55.73	Dormant.
UMW Offshore Drilling Ltd.	<b>55.73</b>	55.73	Contract drilling operations and other engineering services for oil and gas exploration, development and production.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 36. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

**(o) Subsidiary incorporated in the Republic of Indonesia**

**Indirect subsidiary of the Company:**

PT UMW International	<b>100</b>	100	Investment holding and general trading.
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**(p) Subsidiary incorporated in United States of America**

**Indirect subsidiary of the Company:**

UTech Americas, Inc.	<b>100</b>	-	Investment holdings.
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(ii) The following companies are under members' voluntary liquidation/deregistration:

Company	Group Effective interest		Principal activities
	2016 %	2015 %	

**(a) Subsidiaries incorporated in Malaysia**

**Indirect subsidiaries of the Company :**

UMW Aero Industries Sdn. Bhd.	<b>100</b>	100	Dormant.
U E-Technologies Sdn. Bhd.	<b>100</b>	100	Provision of information technology services.
Inobel Sdn. Bhd.	<b>100</b>	100	Marketing and rendering of information technology services.
UMW Vehicle Components Sdn. Bhd.	<b>100</b>	100	Dormant.
Tracpart Centre Sdn. Bhd.	<b>100</b>	100	Dormant.

\* Subsidiaries audited by firms of auditors other than Ernst & Young.

# The financial year end of the above subsidiaries is 31 March.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**37. JOINT VENTURES**

Company	Group Effective interest		Principal activities
	2016 %	2015 %	
<b>(a) Joint venture incorporated in the Republic of Singapore</b> Tubulars International Pte. Ltd.	<b>30</b>	30	Investment holding.
<b>(b) Joint venture incorporated in Hong Kong</b> Lubritech International Holdings Limited	<b>60</b>	60	Investment holding.
<b>(c) Joint venture incorporated in India</b> United Seamless Tubular Private Limited	<b>37.9</b>	32.2	Manufacturing and sale of seamless tubular green pipes.
<b>(d) Joint venture incorporated in People's Republic of China</b> Lubritech Limited	<b>60</b>	60	Produce and distribute lubricants, import, export and wholesale of lubricants and greases as well as warehousing and provision of logistic services.
<b>(e) Joint venture incorporated in the Republic of Indonesia</b> PT Pusaka Bersatu	<b>49</b>	49	Import and major distributor of related auto parts merchandise and lubricants as well as providing after sales service in Indonesia.
<b>(f) Joint venture incorporated in the United States of America</b> U-Spark, LLC	<b>50</b>	-	Technology co-working business in North America.

Other than United Seamless Tubular Private Limited whose financial year end is 31 March, the financial year end of all the above jointly-controlled entities is 31 December.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**38. ASSOCIATES**

Company	Group Effective interest		Principal activities
	2016 %	2015 %	
<b>(a) Associates incorporated in Malaysia</b>			
Rail-Tech Industries Sdn. Bhd.	<b>50</b>	50	Dormant.
Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	<b>38</b>	38	Investment holding and provision of management and administrative services.
Held through Perodua:			
Perodua Sales Sdn. Bhd.	<b>38</b>	38	Marketing and distribution of motor vehicles, spare parts and other related activities.
Strategic Auto Sdn. Bhd.	<b>38</b>	38	Dormant.
Perodua Global Manufacturing Sdn. Bhd.	<b>28.12</b>	28.12	Manufacturers and dealers in component parts including engines, coupling and transmission components.
Perodua Manufacturing Sdn. Bhd.	<b>28.12</b>	28.12	Manufacture and assembly of motor vehicles and other related activities.
Perodua Engine Manufacturing Sdn. Bhd.	<b>28.12</b>	28.12	Manufacturers and dealers in component parts including engines, coupling and transmission components.
UMW Toyotsu Motors Sdn. Bhd.	<b>30</b>	30	Sales and after-sales services of Toyota brand of motor vehicles, parts and other relevant products.
PFP (Malaysia) Sdn. Bhd.	<b>40</b>	40	Dormant.
Toyota Capital Malaysia Sdn. Bhd.	<b>30</b>	30	Hire purchase financing, factoring and trade confirming.
Held through Toyota Capital Malaysia Sdn. Bhd.:			
Toyota Capital Acceptance Malaysia Sdn. Bhd.	<b>30</b>	30	Hire purchase financing, debt factoring and money lending.
Seabanc Kredit Sdn. Bhd.	<b>30</b>	30	Hire purchase financing, leasing and debt factoring.
Toyota Lease Malaysia Sdn. Bhd.	<b>30</b>	30	Provision of lease financing.
Lada Motors Sendirian Berhad	<b>40</b>	40	Dormant.
e-Lock Corporation Sdn. Bhd.	<b>20.1</b>	20.1	Investment holding and research, development and distribution of computer's software, solutions and services.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**38. ASSOCIATES (CONTD.)**

Company	Group Effective interest		Principal activities
	2016 %	2015 %	
<b>(b) Associates incorporated in People's Republic of China</b>			
Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd.	<b>49</b>	49	Provision of internal epoxy coating for OCTG and line pipes for the oil and gas industry.
Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd.	<b>34.3</b>	34.3	Manufacturing and marketing of Longitudinal Submerged Arc Welded (LSAW) steel pipes for oil and gas transmission lines and structural pipe for oil and gas applications, internal gas applications and internal services.
Shanghai BSW Petro-pipe Co., Ltd.	<b>32.4</b>	32.4	Manufacture of spiral welded pipes for the oil and gas industry.
Jiangsu Tube-Cote Shuguang Coating Co., Ltd.	<b>28.13</b>	28.13	Provision of internal epoxy coating for OCTG and line pipes for the oil and gas industry.
Held through WSP Holdings Limited: Wuxi Seamless Oil Pipe Co., Ltd.	<b>22.5</b>	22.5	Design and manufacture of seamless OCTG and line pipes for the oil and gas industry.
<b>(c) Associate incorporated in Thailand</b>			
Oil-Tex (Thailand) Company Limited	<b>20</b>	20	Provision of logistic services for the oil and gas industry.
<b>(d) Associate incorporated in British Virgin Islands</b>			
First Space Holdings Limited	<b>22.5</b>	22.5	Investment holding.
<b>(e) Associate incorporated in the Cayman Islands</b>			
WSP Holdings Limited	<b>22.5</b>	22.5	Investment holding.

Other than e-Lock Corporation Sdn. Bhd. whose financial year end is 31 January, UMW Toyotsu Motors Sdn. Bhd., Toyota Capital Malaysia Sdn. Bhd. and its subsidiaries whose financial year end is 31 March, and Oil-Tex (Thailand) Company Limited whose financial year end is 30 June, the financial year end of all of the above associated companies is 31 December.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 39. SIGNIFICANT EVENTS

- (a) On 11 March 2016, UMW Technology Sdn. Bhd. (“UTech”), a wholly-owned subsidiary in the UMW Group, acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid-up capital in UMW IT Services Sdn. Bhd. (“UMW IT”) for a total cash consideration of RM2.00, resulted in UMW IT becoming a wholly-owned subsidiary in the UMW Group. UMW IT was incorporated on 9 March 2016 with an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each.
- (b) On 28 July 2016, UTech, established a wholly-owned subsidiary, UTech Americas, Inc. (“UTech Americas”) as a corporation in the State of Delaware, the United States of America under the General Corporation Law of Delaware. The Certification of Incorporation of UTech Americas was filed with the Secretary of State of the State of Delaware on 18 May 2016.

The authorised capital of UTech Americas comprises 100,000 shares of Common Stock of USD0.001 each and 100,000 shares of Preferred Stock of USD0.001 each. The initial issued and paid-up capital of UTech Americas comprises 1,000 shares of Common Stock of USD0.001 each, issued for USD1,000.00, of which USD1.00 has been allocated to stated capital account and the balance has been allocated to the surplus account in the books of UTech Americas.

- (c) On 1 August 2016, UTech Americas, a wholly-owned subsidiary in the UMW Group, entered into a Joint Venture Agreement (“JVA”) with Spark Labs International, Inc., to cooperate for the mutual benefit of both parties in the engagement of the business of providing co-working spaces and/or offices for lease and various professional services as specified in the JVA.

Following this, a joint venture entity, U-Spark, LLC (“U-Spark”), had been established as a limited liability company in the State of Delaware, in the United States of America on 1 August 2016, under the Delaware Limited Liability Company Act. The Certificate of Formation of U-Spark was filed with the Secretary of State of the State of Delaware on 18 May 2016. The initial contribution to the capital of U-Spark shall be USD2,000,000, where it is to be contributed by the parties on a 50:50 basis.

- (d) On 20 December 2016, UMW Corporation Sdn. Bhd. (“UMWC”), a wholly-owned subsidiary of the Company and its 51%-owned subsidiary, UMW Development Sdn Bhd (“UMWD”), entered into a Share Sale and Purchase Agreement (“SSPA”) with Permodalan Nasional Berhad (“PNB”), for the acquisition by UMWC of PNB’s 780,000 Ordinary Shares (“OS”) of RM1.00 each and 3,120,000 7.4% Cumulative Redeemable Preference Shares (“CRPS”) of RM1.00 each (collectively referred to as “Sale Shares”) in UMWD for a total consideration of RM17,744,613, details of which are as follows:

- 780,000 ordinary shares of RM1.00 each for cash consideration of RM11,549,269; and
- 3,120,000 7.4% CRPS of par value of RM1.00 each for cash consideration of RM6,195,344.

(collectively referred to as “Proposed Acquisition”).

In consideration of PNB agreeing to sell the Sale Shares to UMWC, UMWC agrees to repay the shareholder advances granted by PNB to UMWD amounting to RM3,391,387, together with any interests accrued, which sums remained owing as at the date of the SSPA (“PNB Advances”), for and on behalf of UMWD. UMWD agrees to then repay UMWC the amount at such time and in such manner to be agreed between them.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 39. SIGNIFICANT EVENTS (CONTD.)

Upon settlement of PNB Advances, the owings shall be deemed to have been fully settled and PNB will confirm and warrant that there are no other amounts or liabilities owing by UMWD to PNB.

The Proposed Acquisition is a related party transaction as it involves the interests of PNB and/or funds managed by PNB ("PNB Group").

On 29 December 2016, all conditions precedent in the SSPA had been fulfilled and the acquisition was completed.

### 40. SUBSEQUENT EVENTS

- (a) On 19 January 2017, the Company announced on the proposed distribution of its entire shareholding in UMW Oil & Gas Corporation Berhad ("UMW-OG") ("Proposed Distribution"). As at 30 December 2016, the Company holds 1,204,777,400 ordinary shares of RM0.50 each in UMW-OG, representing 55.73% of the issued and paid-up share capital of UMW-OG.

To facilitate the Proposed Distribution, UMW Holdings Berhad ("UMW Holdings") will undertake a bonus issue of 1,204,777,400 Redeemable Preference Shares ("RPS") of RM0.01 each to the shareholders of UMW Holdings whose names appear in the UMW Holdings's Record of Depositors on an entitlement date to be determined and announced later by the Board after the receipt of all relevant approvals for the Proposed Distribution ("Entitlement Date") ("Entitled Shareholders") on the basis of approximately 1.03 RPS for each existing ordinary share of RM0.50 each in UMW Holdings ("UMWH Shares") held on the Entitlement Date ("Proposed Bonus Issue"), and proposed subsequent redemption of all the RPS at a premium which will be satisfied in the form of UMW-OG Shares ("Proposed Redemption") via the distribution of 1,204,777,400 UMW-OG Shares held by UMW Holdings ("Distribution Shares") to the Entitled Shareholders.

On 27 February 2017, the Company announced that in view of the enforcement of the Companies Act, 2016 on 31 January 2017, all amounts standing to the credit Company's share premium account shall become part of the Company's share capital. The immediate impact of this is that the Company will no longer be able to carry out the mechanics under the Proposed Distribution as set out in the proposal.

In view of the above, the Company will not be undertaking the Proposed Bonus Issue and Proposed Redemption to facilitate the Proposed Distribution as envisaged earlier. Instead, the Company will undertake the Proposed Distribution exercise via a reduction of its share capital by approximately RM704.8 million, being the cost of investment of the Company in UMW-OG Shares.

On 3 March 2017, the Company proposed to further reduce its issued Share Capital by approximately RM89.7 million ("Proposed Capital Reduction").

The above proposals are subject to the following being obtained:

- i) Approval of the shareholders of the Company at an extraordinary general meeting to be convened;
- ii) Confirmation from the High Court for the proposals via an order; and
- iii) Approvals/consents of any other relevant authorities and/or parties, if required.

The Proposed Capital Reduction is conditional upon the Proposed Distribution.

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 40. SUBSEQUENT EVENTS (CONTD.)

- (b) On 19 January 2017, UMW-OG, a subsidiary of the Company announced the following corporate proposals:
- i) Proposed acquisition of 497,768,820 ordinary shares of RM0.50 each in Icon Offshore Berhad (“Icon”) (“Icon Shares”), representing approximately 42.3% equity interest in Icon, for a purchase consideration of RM248,884,410 or RM0.50 per Icon Shares to be satisfied via the issuance of 311,105,513 new ordinary shares of RM0.50 each in UMW-OG at an issue price of RM0.80 per UMW-OG share (“Proposed Icon Acquisition”);
  - ii) Proposed acquisition of 37,087,725 ordinary shares of RM1.00 each in Orkim Sdn. Bhd. (“Orkim”) (“Orkim Shares”), representing approximately 95.5% equity interest in Orkim, for a cash consideration of RM472,725,000 (“Proposed Orkim Acquisition”);
  - iii) Proposed Mandatory General Offer (“MGO”) for all the remaining Icon Shares not already owned by UMW-OG and persons acting in concert with it after the Proposed Icon Acquisition including all new Icon Shares, that may be issued prior to the closing of the proposed MGO arising from the exercise of outstanding options granted pursuant to Icon’s employees’ share scheme;
  - iv) Proposed Renounceable Rights Issue of new UMW-OG shares together with Free Detachable Warrants to raise gross proceeds of approximately RM1.8 billion;
  - v) Proposed increase in Authorised Share Capital of UMW-OG from RM2,500,000,000 comprising 5,000,000,000 UMW-OG shares to RM5,000,000,000 comprising 10,000,000,000 UMW-OG shares; and
  - vi) Proposed amendments to the Memorandum of UMW-OG.

Subsequently on 13 February 2017, UMW-OG announced that Wan Izani bin Wan Mahmood (“WIWM”) and Khoo Chin Yew (“KCY”), being the minority shareholders of Orkim, had accepted UMW-OG’s offers by entering into the following agreements:

- i) Conditional share purchase agreement for the purchase of 970,883 Orkim Shares held by WIWM, representing 2.5% equity interest in Orkim, for a cash consideration of RM12,375,000; and
- ii) Conditional share purchase agreement for the purchase of 776,706 Orkim Shares held by KCY, representing 2.0% equity interest in Orkim, for a cash consideration of RM9,900,000.

The above proposals are subject to certain approvals, which include, among others:

- i) Approval from shareholders of UMW-OG;
  - ii) Consent of lenders of UMW-OG; and
  - iii) Approval of the Securities Commission for the Proposed Orkim Acquisition.
- (c) On 28 March 2017, UMWC, a wholly-owned subsidiary of the Company entered into a SSPA with Permodalan Negeri Selangor Berhad (“PNSB”), for the acquisition by UMWC of PNSB’s 200,000 ordinary shares of RM1.00 each and 800,000 7.4% Cumulative Redeemable Preference Shares (“CRPS”) of RM1.00 each (collectively referred to as “Sale Shares”) in UMWD for a total consideration of RM4,549,901 (“Purchase Consideration”), details of which as follows:
- 200,000 ordinary shares of RM1.00 each for cash consideration of RM2,961,351; and
  - 800,000 7.4% CRPS of par value of RM1.00 each for cash consideration of RM1,588,550.

In consideration of PNSB agreeing to sell the Sale Shares to UMWC, UMWC agrees to repay the shareholder advances granted by PNSB to UMWD amounting to RM869,587, together with any interests accrued, which sums remained owing as at the date of the SSPA (“PNSB Advances”), for and on behalf of UMWD. UMWD agrees to then repay UMWC the amount at such time and in such manner to be agreed between them.

Upon settlement of PNSB Advances, the owings shall be deemed to have been fully settled and PNSB will confirm and warrant that there are no other amounts or liabilities owing by UMWD to PNSB.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 41. SIGNIFICANT RELATED PARTY DISCLOSURES

- (a) In addition to the related party transaction information disclosed elsewhere, transactions by UMW Holdings Berhad and its subsidiaries with the associates and corporate shareholder of the subsidiaries are as follows:

Group companies	Transacting parties	Nature of transactions	2016 RM'000	2015 RM'000
UMW Industries (1985) Sdn. Bhd.	)	Lease rental	<b>9,689</b>	5,425
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	) )	Sale of shock absorbers	<b>49,746</b>	54,003
U-TravelWide Sdn. Bhd.	)	Air tickets	<b>4,027</b>	4,001
UMW Toyota Motor Sdn. Bhd. and subsidiaries	) )	Sale of goods and services	<b>108,043</b>	114,897
UMW Industrial Power Sdn. Bhd.	)	Sale of goods and services	<b>3,134</b>	2,967
UMW Advantech Sdn. Bhd.	) )	Sale of goods and services	<b>29,750</b>	29,954
Lubetech Sdn. Bhd.	) )	Sale of goods and services	<b>19,054</b>	17,155
UMW JDC Drilling Sdn. Bhd.	)	Purchase of goods and services	<b>16,359</b>	19,366
	)	Bare boat charter	<b>2,308</b>	10,518
UMW Corporation Sdn. Bhd.	)	Purchase of goods and services	<b>5,853</b>	5,804
UMW Oil & Gas Corporation Berhad	)	Purchase of goods and services	<b>1,073</b>	1,389
UMW Holdings Berhad	)	Purchase of goods and services	<b>537</b>	553

\* Comprises Perusahaan Otomobil Kedua Sdn. Bhd., its subsidiaries and associates.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

- (b) Transactions by the Group with Toyota Motor Corporation, Japan (the corporate shareholder of UMW Toyota Motor Sdn. Bhd.) and its subsidiaries and associates are as follows:

Group companies	Transacting parties	Nature of transactions	2016 RM'000	2015 RM'000
UMW Toyota Motor Sdn. Bhd. and its subsidiaries	Toyota Motor Corporation, Japan and its subsidiaries	Sale of goods and services	<b>790,709</b>	988,320
		Purchase of goods and services	<b>2,994,537</b>	3,986,807
	UMW Toyotsu Motors Sdn. Bhd.	Sale of goods	<b>104,803</b>	133,391
		Purchase of goods and services	<b>5,098</b>	5,162

- (c) Transactions by the Group with the corporate shareholders of KYB-UMW Malaysia Sdn. Bhd. are as follows:

Group companies	Transacting parties	Nature of transactions	2016 RM'000	2015 RM'000
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	Kayaba Industry Co. Ltd., Japan and its subsidiaries	Sale of goods and services	<b>70,151</b>	50,973
		Purchase of goods and services	<b>9,061</b>	11,862
	Toyota Tsusho Corporation, Japan and its affiliated company	Sale of goods and services	<b>740</b>	500
		Purchase of goods and services	<b>45,735</b>	38,656

- (d) Transactions by the Group with a related company of the corporate shareholder of UMW Sher (L) Ltd. and Jaybee Drilling Pvt. Ltd. are as follows:

Group companies	Transacting parties	Nature of transactions	2016 RM'000	2015 RM'000
UMW Sher (L) Ltd.	)	Bare boat charter	<b>18,855</b>	21,173
Jaybee Drilling Pvt. Ltd.	)	Purchase of goods and services	<b>19,032</b>	21,542
	)	Jaybee Energy Pte. Ltd.		

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

- (e) Transactions by the Group with a non-executive director of the Company and with a company the director has interests are as follows:

Group companies	Transacting parties	Nature of transactions	2016 RM'000	2015 RM'000
UMW Holdings Berhad	) e-Lock Corporation	Purchase of goods and services	<b>25</b>	28
UMW Corporation Sdn. Bhd.	) Sdn. Bhd., a Company in which	Purchase of goods and services	<b>456</b>	368
UMW Oil & Gas Corporation Berhad	) Dr. Leong Chik Weng also has an interest	Purchase of services	<b>54</b>	63

- (f) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

	2016 RM'000	2015 RM'000
Salaries, wages and allowances	<b>16,851</b>	20,086
Provision for unutilised leave	<b>(1)</b>	49
Pension costs - defined benefit plan	<b>2,098</b>	2,637
Retirement gratuity	-	400
Benefits-in-kind	<b>1,942</b>	2,252
	<b>20,890</b>	25,424

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 42. FAIR VALUE DISCLOSURES

The financial instruments of the Group and the Company consist of cash and cash equivalents, trade and other receivables, borrowings, trade and other payables and derivatives.

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

#### **Determination of fair value**

##### Quoted equity instruments

Fair value is determined directly by reference to their published market price at the reporting date.

##### Derivatives

Interest rate swap contracts and forward exchange contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

##### Loans and borrowings

Fair values of the Group's interest-bearing borrowings and loans are determined by using the discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2016 was assessed to be insignificant.

##### Finance leases

The fair value of finance lease receivables/payables are estimated by discounting expected future cash flows at a rate for similar types of leasing arrangements at the reporting date.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**42. FAIR VALUE DISCLOSURES (CONTD.)**

**Determination of fair value (contd.)**

**(i) Financial instruments not carried at fair value**

	Note	2016		2015	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>					
<b>Financial assets</b>					
Other investments (non-current)	13	<b>4,302</b>	*	4,302	*
Finance lease receivables	16	-	-	3	3
		<b>4,302</b>	-	4,305	3

**Financial liabilities**

Finance lease payables	22	-	-	253	253
Long term borrowings					
- Fixed rate borrowings	21	<b>11,569</b>	<b>11,569</b>	3,920	3,920
- Fixed rate Sukuk	21	<b>1,099,837</b>	<b>1,029,963</b>	189,944	166,338
		<b>1,111,406</b>	<b>1,041,532</b>	194,117	170,511

	Note	2016		2015	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000

**Company**

**Financial liabilities**

Long term borrowings					
- Fixed rate Sukuk	21	<b>1,099,837</b>	<b>1,029,963</b>	189,944	166,338

\* Other investments (unquoted shares) carried at cost (Note 13)

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments mainly represent ordinary shares in companies that are not quoted on any market. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 42. FAIR VALUE DISCLOSURES (CONTD.)

#### Determination of fair value (contd.)

#### (ii) Financial instruments carried at fair value

	2016	2015
	RM'000	RM'000
<b>Financial assets:</b>		
<b>Group</b>		
Quoted investment in money market fund	<b>996,898</b>	1,188,945
Quoted shares outside Malaysia	<b>18,358</b>	18,459
Forward currency contracts	<b>3,470</b>	9,362
Embedded derivatives	-	1,916
Interest rate swaps	<b>5,560</b>	2,868
Cross currency interest rate swaps	<b>6,388</b>	10,878
	<b>996,898</b>	1,188,945
<b>Company</b>		
Quoted investment in money market fund	<b>505,299</b>	622,907
Forward currency contracts	<b>3,173</b>	952
	<b>505,299</b>	622,907
<b>Financial liabilities:</b>		
<b>Group</b>		
Forward currency contracts	<b>85,118</b>	74,613
Embedded derivatives	<b>8,107</b>	-
Interest rate swaps	<b>2,590</b>	6,286
Cross currency swaps	-	4,559
Cross currency interest rate swaps	-	194,236
	<b>85,118</b>	74,613
<b>Company</b>		
Forward currency contracts	<b>82,542</b>	73,744
Interest rate swaps	<b>2,590</b>	6,286
Cross currency interest rate swaps	-	194,236
	<b>82,542</b>	73,744

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 42. FAIR VALUE DISCLOSURES (CONTD.)

#### Fair value hierarchy

The following provides the fair value measurement hierarchy of the Group's assets and liabilities.

The different levels have been defined as follows:

- (a) Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (c) Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

		Fair value	
		2016	2015
		RM'000	RM'000
Level	Note		

#### Assets measured at fair value:

##### Group

Quoted investment in money market fund	1	13	<b>996,898</b>	1,188,945
Quoted shares outside Malaysia	1	13	<b>18,358</b>	18,459
Embedded derivatives	2	14	-	1,916
Forward currency contracts	2	14	<b>3,470</b>	9,362
Interest rate swaps	2	14	<b>5,560</b>	2,868
Cross currency interest rate swaps	2	14	<b>6,388</b>	10,878

##### Company

Quoted investment in money market fund	1	13	<b>505,299</b>	622,907
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#### Assets for which fair values are disclosed:

##### Group

Finance lease receivables	2	16	-	3
Investment properties	3	5	<b>65,087</b>	65,087

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 42. FAIR VALUE DISCLOSURES (CONTD.)

#### Fair value hierarchy (contd.)

	Level	Note	Fair value	
			2016 RM'000	2015 RM'000
<b>Liabilities measured at fair value:</b>				
<b>Group</b>				
Forward currency contracts	2	14	<b>85,118</b>	74,613
Embedded derivatives	2	14	<b>8,107</b>	-
Interest rate swaps	2	14	<b>2,590</b>	6,286
Cross currency swaps	2	14	-	4,559
Cross currency interest rate swaps	2	14	-	194,236
<b>Company</b>				
Forward currency contracts	2	14	<b>82,542</b>	73,744
Interest rate swaps	2	14	<b>2,590</b>	6,286
Cross currency interest rate swaps	2	14	-	194,236
<b>Liabilities for which fair values are disclosed:</b>				
<b>Group</b>				
Finance lease payables	2	22	-	253
Long term borrowings				
- Fixed rate borrowings	2	21	<b>11,569</b>	3,920
- Fixed rate Sukuk	2	21	<b>1,099,837</b>	189,944
<b>Company</b>				
Long term borrowings				
- Fixed rate Sukuk	2	21	<b>1,099,837</b>	189,944

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 42. FAIR VALUE DISCLOSURES (CONTD.)

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There has been no transfers between Level 1 and Level 2 fair values during the financial year (2015: No transfer in either direction).

#### Valuation process applied by the Group for Level 3 fair value

Investment properties of the Group, which were categorised as Level 3 fair value, has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

### 43. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating to enjoy the best terms of borrowing and healthy capital ratios in its subsidiaries to support business and maximise shareholders' value.

The Group's dividend policy is for all its subsidiary companies to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits and after taking into account any significant capital expenditure or Group expansion plan.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short term borrowings	<b>2,639,329</b>	3,724,990	<b>189,982</b>	439,997
Long term borrowings	<b>3,715,777</b>	2,289,762	<b>1,099,837</b>	189,944
Total borrowings	<b>6,355,106</b>	6,014,752	<b>1,289,819</b>	629,941
Total equity	<b>6,864,275</b>	9,383,871	<b>1,263,473</b>	1,837,542
Gearing ratio	<b>93%</b>	64%	<b>102%</b>	34%

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## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

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FOR THE YEAR ENDED 31 DECEMBER 2016

### 44. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group. The financial risk management practices are part of the Group's Enterprise Risk Management Framework.

The Board of Directors has established a risk management framework for subsidiaries within the Group. The Group's risk governance structure comprises the following:

- (i) The Investment and Risk Management Committee at the Board level
- (ii) The Risk Management Committee at corporate management level
- (iii) Risk Management Unit at the respective operating units

Responsibilities of the Investment and Risk Management Committee include:

- (i) to monitor the role, effectiveness and efficiency of the Risk Management Committee and Risk Management Units at operating units;
- (ii) to review the risk profile of the UMW Group and risk mitigation action plans; and
- (iii) to review the risk management policies, procedures and measurement methodologies of the UMW Group and to effect changes thereto, if deemed necessary.

The Risk Management Committee comprises members of the Management Committee. This Committee identifies and assesses risks, and makes recommendations on risk management to the Investment and Risk Management Committee.

Financial risk management objectives of UMW Group are as follows:

- (i) to minimise exposure to all financial risks including foreign currency exchange, interest, credit and liquidity risks;
- (ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and
- (iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

- (i) derivatives to hedge its exposure to currency, interest and cash flow risks. However, use of derivatives for speculation is specifically prohibited;
- (ii) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably credit-worthy customers are accepted; and
- (iii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 44. FINANCIAL RISK MANAGEMENT (CONTD.)

The Group's strategies and practices in dealing with its major financial risks are set out below:

#### (a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. These foreign exchange risk exposures are mainly in US Dollar, Japanese Yen, and Euro.

Material foreign currency exposures are hedged via Forward Exchange Contracts and Cross Currency Swaps by using foreign exchange facilities maintained with leading banks in Malaysia and overseas. The Forward Exchange Contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The table below demonstrates the sensitivity of the Group's (loss)/profit after tax as at year end to a possible reasonable change in the US Dollar, Japanese Yen and Euro exchange rates against Ringgit Malaysia with all other variables held constant:

		2016	2015
		RM'000	RM'000
		Effect on (loss)/profit after tax	
US Dollar	+ 10%	<b>(25,147)</b>	(45,554)
	- 10%	<b>25,147</b>	45,554
Japanese Yen	+ 10%	<b>4,511</b>	(3,160)
	- 10%	<b>(4,511)</b>	3,160
Euro	+ 10%	<b>2,409</b>	5,331
	- 10%	<b>(2,409)</b>	(5,331)

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of their placements with financial institutions, bank borrowings at floating rates and loans at floating rates given to related parties. Its policy is to:

- (i) have an optimal mixture of short term deposits or placements; and
- (ii) manage its interest cost using a combination of fixed and floating rate debts. Material interest rate exposures are hedged via interest rate swaps.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 44. FINANCIAL RISK MANAGEMENT (CONTD.)

#### (b) Interest rate risk (contd.)

##### Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's (loss)/profit after tax, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings:

	Basis points	2016 RM'000 Effect on (loss)/profit after tax	2015 RM'000
Ringgit Malaysia interest rates	+ 50	<b>(1,985)</b>	(2,802)
	- 50	<b>1,985</b>	2,802
US Dollar interest rates	+ 50	<b>8,049</b>	(14,058)
	- 50	<b>(8,049)</b>	14,058

#### (c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

Credit risk is managed through the application of the UMW Group Credit Granting Guidelines. These Guidelines outline the credit granting criteria and approval procedures as endorsed by the Board. A credit committee performs on-going monitoring on compliance and ensures that these authorisation policies and procedures are consistent with business requirements.

Due to its diverse customer base, the Group does not have significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial institution.

The total exposure to credit risk comprise of total loans and receivables as disclosed in Note 16, corporate guarantees and financial indemnity granted by the Group and the Company of RM240,583,000 (2015: RM995,632,000) and RM310,746,000 (2015: RM860,653,000) respectively.

#### (d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations when due, as a result of shortage of funds arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's policy to:

- (i) have the right mixture of liquid assets in its portfolio;
- (ii) maintain a healthy gearing ratio;
- (iii) finance long term assets with long term loans; and
- (iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

FOR THE YEAR ENDED 31 DECEMBER 2016

**44. FINANCIAL RISK MANAGEMENT (CONTD.)**

**(d) Liquidity risk (contd.)**

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

	← 2016 →				
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
<b>Group</b>					
<b>Financial liabilities:</b>					
Trade and other payables	1,878,642	-	-	-	1,878,642
Derivatives:					
- Forward contracts (gross payments)	85,118	-	-	-	85,118
- Interest rate swaps (settled net)	2,590	-	-	-	2,590
- Embedded derivatives	8,107	-	-	-	8,107
Financial guarantee contracts	76,568	83,077	636,065	347,181	1,142,891
Borrowings	2,733,161	379,670	2,546,589	885,457	6,544,877
<b>Total undiscounted financial liabilities</b>	<b>4,784,186</b>	<b>462,747</b>	<b>3,182,654</b>	<b>1,232,638</b>	<b>9,662,225</b>
<b>Company</b>					
<b>Financial liabilities:</b>					
Trade and other payables	68,625	-	-	-	68,625
Derivatives:					
- Forward currency contracts	82,542	-	-	-	82,542
- Interest rate swaps	2,590	-	-	-	2,590
Financial guarantee contracts	168,313	85,099	468,758	275,215	997,385
Borrowings	198,645	-	784,084	365,905	1,348,634
<b>Total undiscounted financial liabilities</b>	<b>520,715</b>	<b>85,099</b>	<b>1,252,842</b>	<b>641,120</b>	<b>2,499,776</b>

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 44. FINANCIAL RISK MANAGEMENT (CONTD.)

#### (d) Liquidity risk (contd.)

	← 2015 →				Total RM'000
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	
<b>Group</b>					
<b>Financial liabilities:</b>					
Trade and other payables	2,241,179	-	-	-	2,241,179
Derivatives:					
- Forward contracts (gross payments)	869	73,744	-	-	74,613
- Interest rate swaps (settled net)	-	6,286	-	-	6,286
- Cross currency swaps	4,559	-	-	-	4,559
- Cross currency interest rate swaps	194,236	-	-	-	194,236
Financial guarantee contracts	74,180	74,525	331,294	712,358	1,192,357
Borrowings	3,849,026	758,546	1,040,813	558,918	6,207,303
Total undiscounted financial liabilities	6,364,049	913,101	1,372,107	1,271,276	9,920,533
<b>Company</b>					
<b>Financial liabilities:</b>					
Trade and other payables	15,099	-	-	-	15,099
Derivatives:					
- Forward currency contracts	-	73,744	-	-	73,744
- Interest rate swaps	-	6,286	-	-	6,286
- Cross currency interest rate swaps	194,236	-	-	-	194,236
Financial guarantee contracts	149,710	66,339	288,226	458,596	962,871
Borrowings	456,937	197,257	-	-	654,194
Total undiscounted financial liabilities	815,982	343,626	288,226	458,596	1,906,430

There have been no material changes to the Group's and the Company's exposure to the above financial risks or the manner in which it manages and measures the risks for the financial year ended 31 December 2016.

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**- NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -**

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FOR THE YEAR ENDED 31 DECEMBER 2016

**44. FINANCIAL RISK MANAGEMENT (CONTD.)**

**(e) Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market price (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investments in money market fund as they are quoted in the market.

**Sensitivity analysis for market price risk**

At the reporting date, if the market price of money market fund had been 1% higher/lower, with all other variables held constant, the Group's (loss)/profit net of tax would have been RM9,969,000 (2015: RM11,889,000) lower/higher, arising as a result of higher/lower fair value gains on held for trading investments.

## - NOTES TO THE FINANCIAL STATEMENTS (CONTD.) -

FOR THE YEAR ENDED 31 DECEMBER 2016

### 45. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and accumulated losses of the Company as at 31 December 2016 and 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	2016		2015	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- Realised	<b>2,362,206</b>	<b>(99,248)</b>	3,145,989	368,590
- Unrealised	<b>(165,850)</b>	<b>(15,908)</b>	291,927	90,323
	<b>2,196,356</b>	<b>(115,156)</b>	3,437,916	458,913
Total share of retained profits/(accumulated losses) from associate companies:				
- Realised	<b>1,402,112</b>	-	1,799,944	-
- Unrealised	<b>(16,217)</b>	-	(425,144)	-
Total share of accumulated losses from joint ventures:				
- Realised	<b>(279,516)</b>	-	(303,430)	-
- Unrealised	<b>(3,289)</b>	-	(2,652)	-
	<b>3,299,446</b>	<b>(115,156)</b>	4,506,634	458,913
Add: Consolidation adjustments	<b>(400,801)</b>	-	253,493	-
Total retained profits/(accumulated losses)	<b>2,898,645</b>	<b>(115,156)</b>	4,760,127	458,913

## - STATISTICS ON SHAREHOLDINGS -

AS AT 31 MARCH 2017

Issued Shares : 1,168,293,932 ordinary shares

Voting Rights : One (1) vote per one (1) ordinary share held

### ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	498	20	518	8.73	9,956	673	10,629	0.00
100 to 1,000	1,718	89	1,807	30.47	1,200,606	53,689	1,254,295	0.11
1,001 to 10,000	2,333	220	2,553	43.05	9,176,368	908,491	10,084,859	0.86
10,001 to 100,000	500	280	780	13.15	14,314,794	10,749,928	25,064,722	2.15
100,001 to less than 5% of issued shares	112	158	270	4.55	296,028,152	119,572,615	415,600,767	35.57
5% and above of issued shares	3	0	3	0.05	716,278,660	0	716,278,660	61.31
<b>Total</b>	<b>5,164</b>	<b>767</b>	<b>5,931</b>	<b>100.00</b>	<b>1,037,008,536</b>	<b>131,285,396</b>	<b>1,168,293,932</b>	<b>100.00</b>

### ANALYSIS OF EQUITY STRUCTURE

Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1. Individual	4,223	198	21,122,373	2,295,628	1.81	0.20
2. Body Corporate						
(a) Banks/finance companies	47	1	771,263,908	5,206	66.02	0.00
(b) Investment trusts/foundations/charities	2	0	5,144	0	0.00	0.00
(c) Industrial and commercial companies	91	5	4,693,393	35,922	0.40	0.00
3. Government agencies/institutions	3	0	3,076,384	0	0.26	0.00
4. Nominees	796	563	236,840,666	128,948,640	20.27	11.04
5. Others	2	0	6,668	0	0.00	0.00
<b>Total</b>	<b>5,164</b>	<b>767</b>	<b>1,037,008,536</b>	<b>131,285,396</b>	<b>88.76</b>	<b>11.24</b>

### DIRECTORS' INTERESTS IN THE COMPANY

None of the directors have interests in the shares of the Company as at 31 March 2017.

## - STATISTICS ON SHAREHOLDINGS -

AS AT 31 MARCH 2017

### 30 LARGEST SHAREHOLDERS

Shareholders	No. of Shares	%
1. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	492,004,000	42.11
2. Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board	157,432,460	13.47
3. Permodalan Nasional Berhad	66,842,200	5.72
4. Kumpulan Wang Persaraan (Diperbadankan)	53,764,000	4.60
5. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	38,137,000	3.26
6. AmanahRaya Trustees Berhad - Amanah Saham Wawasan 2020	34,321,200	2.94
7. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	24,056,300	2.06
8. AmanahRaya Trustees Berhad - AS 1Malaysia	21,283,100	1.82
9. HSBC Nominees (Asing) Sdn. Bhd. - BBH And Co. Boston For Vanguard Emerging Markets Stock Index Fund	11,705,520	1.00
10. AmanahRaya Trustees Berhad - Amanah Saham Didik	10,910,400	0.93
11. HSBC Nominees (Asing) Sdn. Bhd. - Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	9,423,330	0.81
12. Cartaban Nominees (Tempatan) Sdn. Bhd. - PAMB For Prulink Equity Fund	9,164,900	0.78
13. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	7,945,200	0.68
14. Cartaban Nominees (Asing) Sdn. Bhd. - Exempt An For State Street Bank & Trust Company (West CLT OD67)	7,659,626	0.66
15. AmanahRaya Trustees Berhad - Public Islamic Select Enterprises Fund	7,293,300	0.62
16. Maybank Nominees (Tempatan) Sdn. Bhd. - Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	7,000,000	0.60
17. AmanahRaya Trustees Berhad - Public Islamic Dividend Fund	6,524,400	0.56
18. Maybank Nominees (Tempatan) Sdn. Bhd. - Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	6,161,600	0.53
19. Cartaban Nominees (Asing) Sdn. Bhd. - GIC Private Limited For Government of Singapore (C)	5,927,600	0.51
20. AmanahRaya Trustees Berhad - Public Ittikal Sequel Fund	4,812,400	0.41

## - STATISTICS ON SHAREHOLDINGS -

AS AT 31 MARCH 2017

### 30 LARGEST SHAREHOLDERS (CONT'D)

Shareholders	No. of Shares	%
21. HSBC Nominees (Asing) Sdn. Bhd. - HSBC BK PLC For Kuwait Investment Office (KIO)	4,000,000	0.34
22. AmanahRaya Trustees Berhad - Public Savings Fund	3,586,400	0.31
23. Citigroup Nominees (Asing) Sdn. Bhd. - CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,582,406	0.31
24. AmanahRaya Trustees Berhad - Public Dividend Select Fund	3,535,100	0.30
25. AmanahRaya Trustees Berhad - Public Islamic Equity Fund	2,884,900	0.25
26. Lembaga Tabung Angkatan Tentera	2,877,300	0.25
27. HSBC Nominees (Asing) Sdn. Bhd. - Exempt An For JPMorgan Chase Bank, National Association (JPME LAB AIF APG)	2,868,200	0.25
28. Citigroup Nominees (Asing) Sdn. Bhd. - Exempt An For Citibank New York (Norges Bank 12)	2,794,200	0.24
29. Citigroup Nominees (Asing) Sdn. Bhd. - Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	2,530,357	0.22
30. Citigroup Nominees (Tempatan) Sdn. Bhd. - Kumpulan Wang Persaraan (Diperbadankan) (Affin AMB EQ)	2,213,200	0.19
<b>TOTAL</b>	<b>1,013,240,599</b>	<b>86.73</b>

### SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct Holdings		Indirect Holdings	
	No. of Shares	%	No. of Shares	%
1. Amanah Saham Bumiputera <sup>^</sup>	-	-	492,004,000	42.11
2. Employees Provident Fund Board <sup>*</sup>	-	-	160,659,060	13.75
3. Permodalan Nasional Berhad	66,842,200	5.72	-	-
4. Yayasan Pelaburan Bumiputera <sup>#</sup>	-	-	66,842,200	5.72
5. Kumpulan Wang Persaraan (Diperbadankan)	53,764,000	4.60	5,231,200	0.45

<sup>^</sup> Total shares held by Amanah Saham Bumiputera are held under the securities account of its nominee.

<sup>\*</sup> Total shares held by Employees Provident Fund Board (“EPF”) include all shares held under multiple securities accounts of its nominees.

<sup>#</sup> Deemed interested by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 8 of the Companies Act, 2016.

The above information was extracted from the Record of Depositors received from Bursa Malaysia Depository Sdn. Bhd. on 3 April 2017.

## - ADDITIONAL COMPLIANCE INFORMATION -

The following information is provided in compliance with Appendix 9C of the MMLR -

### UTILISATION OF PROCEEDS

As at 31 March 2017, the status of utilisation of proceeds from the listing of UMW Oil & Gas Corporation Berhad on 1 November 2013, is as follows -

Purpose	Proposed Utilisation (RM million)	Actual Utilisation To date (RM million)	Intended Timeframe for Utilisation from 1 November 2013 (Month)	Deviation (RM million / %)
Repayment of borrowings	203.0	203.0	24	Nil
Working capital	547.5	547.5	24	Not applicable
Capital expenditure	200.0	200.0	24	Not applicable
IPO/ Listing expenses	51.5	23.6	6	27.9/54.2%*
<b>TOTAL</b>	<b>1,002.0</b>	<b>974.1</b>		

**Note:**

\* Actual expenses incurred were lower as management had successfully negotiated for lower fees. The unutilised balance had been used for working capital purposes.

### NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2016 by the Company's external auditors or their affiliates is disclosed in Note 27 of the Audited Financial Statements.

### MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

The material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests, either subsisting as at 31 December 2016, or entered into since the end of the previous financial year ended 31 December 2015, are as follows -

1. Joint Venture Agreement dated 2 February 1993 between UMW Corporation Sdn. Bhd. ("**UMWC**"), PNB Equity Resource Corporation Sdn. Bhd. ("**PNB EQUITY**"), Med-Bumikar Mara Sdn. Bhd., Daihatsu (Malaysia) Sdn. Bhd. ("**DMSB**"), Daihatsu Motor Co. Ltd. ("**DMC**") and Mitsui & Co. Ltd. ("**MBK**") in respect of a joint venture to set up Perusahaan Otomobil Kedua Sdn. Bhd. ("**Perodua**") to undertake Malaysia's second national car project.

Supplement and Amendment Agreement dated 5 December 2001 between UMWC, DMC, MBM Resources Berhad ("**MBM**"), PNB EQUITY, MBK and DMSB in respect of the setting up of Perodua Auto Corporation Sdn. Bhd. and the restructuring of the manufacturing subsidiaries of Perodua, i.e., Perodua Manufacturing Sdn. Bhd. ("**PMSB**") and Perodua Engine Manufacturing Sdn. Bhd. ("**PEMSB**") to enable the Perodua Group to acquire the ability to compete in the post-AFTA era with assistance from DMC, through DMC's management control in PMSB and PEMS, in improving production efficiencies, reducing cost and enhancing quality and increasing Perodua's competitiveness in the industry.

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## - ADDITIONAL COMPLIANCE INFORMATION -

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Supplemental Agreement dated 22 April 2013 between UMWC, PNB EQUITY, MBM, DMSB, DMC, MBK and Mitsui Co. (Asia Pacific) Pte. Ltd., in respect of the setting up of a new manufacturing company, i.e., Perodua Global Manufacturing Sdn. Bhd. (“**PGMSB**”) and the construction of a new plant, to enable the Perodua Group to achieve global competitiveness in a shorter time with assistance from DMC, through DMC’s management control in PGMSB, by reforming corporate culture, exercising structural transformation of systems, including but without limitation, to procurement system and/or personnel system.

PNB EQUITY is a wholly-owned subsidiary of Permodalan Nasional Berhad (“**PNB**”) and the PNB Group is a major shareholder of UMW Holdings Berhad, the parent company of UMWC.

2. Shareholders’ Agreement dated 2 July 1997 (“**the Agreement**”) between UMW-PNSB Development Sdn. Bhd., (now known as UMW Development Sdn. Bhd.) (“**UMW Development**”), UMW Corporation Sdn. Bhd. (“**UMWC**”), TTDI Development Sdn. Bhd. (“**TTDI**”), formerly a Permodalan Nasional Berhad-related party, and Permodalan Negeri Selangor Berhad (“**PNSB**”) in connection with the joint venture between the parties for a property development project. Pursuant to the Agreement, TTDI acquired 19% and 20% from UMWC and PNSB, respectively, of the total issued and paid-up share capital of UMW Development for a total cash consideration of RM25,326,525 and RM26,659,500. A Supplementary Shareholders’ Agreement dated 31 March 1998 (supplemental to the Shareholders’ Agreement dated 2 July 1997) between UMW Development, UMWC, TTDI and PNSB to facilitate the payment of the purchase price by TTDI to UMWC and PNSB. Supplementary Shareholders’ Agreement No. 2 dated 24 November 2000 between UMW Development, UMWC, TTDI and PNSB in respect of the amendments to the pre-emption rights of the shareholders. Pursuant to this Agreement, Permodalan Nasional Berhad (“**PNB**”) acquired 39% of the equity holding of TTDI in UMW Development in May 2001. PNB is a shareholder of UMW Development and the PNB Group is a major shareholder of UMW Holdings Berhad, the parent company of UMWC.
3. Joint Venture Agreement dated 5 July 2004 between UMW Corporation Sdn. Bhd. (“**UMWC**”), a wholly-owned subsidiary of UMW Holdings Berhad (“**UMWH**”), Toyota Tsusho Corporation, Japan (“**TTC**”) and Toyota Tsusho (Malaysia) Sdn. Bhd. (“**TTM**”) for the setting up of a joint venture operation, under UMW Toyotsu Motors Sdn. Bhd. (“**UMW Toyotsu**”) in which UMW Toyotsu will become an authorised non-executive dealer of UMW Toyota Motor Sdn. Bhd. (“**UMWT**”), a 51%-owned subsidiary of UMWC.

Toyota Motor Corporation, Japan (“**TMC**”), a 39% shareholder of UMWT, owns 21.69% equity interest in TTC. TTC, a 10% shareholder of UMWT is also a 70% shareholder of TTM. TMC and TTC are deemed to be related parties by virtue of their direct interest in UMWT.

### CONTRACTS RELATING TO LOANS

There were no contracts relating to loans by the Company involving directors’ and major shareholders’ interests during the financial year ended 31 December 2016.

## - ADDITIONAL COMPLIANCE INFORMATION -

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the AGM of the Company held on 19 May 2016, the Company had obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature ("RRPT").

In accordance with Paragraph 10.09(2)(b) of the MMLR, details of RRPT conducted during the financial year ended 31 December 2016 pursuant to the Shareholders' Mandate are as follows -

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
Toyota Motor Corporation, Japan ("TMC")	Denso International Asia Pte. Ltd., Singapore ("DIA") has 72.7% equity interest in Denso (Malaysia) Sdn Bhd ("Denso"). DIA is a wholly-owned subsidiary of Denso Corporation, Japan, a company in which TMC has 24.7% equity interest.	• Sale of vehicle parts by Denso to UMWT, a subsidiary of UMWC	421,191
	TMC has direct and indirect interests in UMW Toyota Motor Sdn. Bhd. ("UMWT") and its subsidiaries by virtue of its direct 39% shareholding in UMWT, a 51%-owned subsidiary of UMW Corporation Sdn. Bhd. ("UMWC"), which is in turn a wholly-owned subsidiary of UMW Holdings Berhad ("UMWH").	• Sale of vehicle parts by Denso to ASSB, a wholly-owned subsidiary of UMWT	112,569
	TMC has indirect interest in Daihatsu Perodua Engine Manufacturing Sdn. Bhd. ("DPEM"), an 18.62%-owned associated company of UMWC, vide its wholly-owned subsidiary, DMC. DMC in turn, has 51% equity interest in DPEM.	• Sale of engines by DPEM to ASSB, a wholly-owned subsidiary of UMWT	21,623
	UMWT has 100% equity interest in Assembly Services Sdn. Bhd. ("ASSB").		
TMC	TMC has 22.5% equity interest in JTEKT Corporation, Japan, which in turn has 90% equity interest in JTEKT Automotive (Malaysia) Sdn. Bhd. ("JAMSB").  UMWT has 10% equity interest in JAMSB.	• Sale of vehicle spare parts/local parts by JAMSB to UMWT, a subsidiary of UMWC	122,973
TMC	TMC has indirect interest in Perodua Engine Manufacturing Sdn. Bhd. ("PEMSB"), a 28%-owned associated company of UMWC, vide its wholly-owned subsidiary, Daihatsu Motor Co., Ltd., Japan ("DMC").  DMC has 20% and 41% equity interests in Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua") and Perodua Auto Corporation Sdn. Bhd. ("PCSB"), 38% and 18.62%-owned associated companies of UMWC, respectively.  Perodua and PCSB in turn, have 49% and 51% equity interests in PEMS, respectively.  UMWT has 100% equity interest in Automotive Industries Sendirian Berhad ("AISB").	• Sale of stamping parts/manifold assembly exhaust by AISB, a wholly-owned subsidiary of UMWT, to PEMS	47,010

**- ADDITIONAL COMPLIANCE INFORMATION -**

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
TMC	<p>TMC has direct and indirect interests in UMWT and its subsidiaries by virtue of its direct 39% shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH.</p> <p>TMC has indirect interest in Toyota Boshoku UMW Sdn. Bhd. (“<b>TBU</b>”), vide its 39% equity interest in UMWT and 39.25% equity interest in Toyota Boshoku Corporation, Japan (“<b>TBC</b>”). UMWT and TBC in turn have 65% and 35% equity interests in TBU, respectively.</p> <p>TMC has 21.69% equity interest in Toyota Tsusho Corporation, Japan (“<b>TTC</b>”).</p> <p>TTC is a major shareholder of Toyota Tsusho (Malaysia) Sdn. Bhd. (“<b>TTM</b>”) as TTC has 70% equity interest therein.</p> <p>UMWT has 100% equity interest in ASSB.</p>	<ul style="list-style-type: none"> <li>• Sale of completed vehicle seats, local vehicle OE parts by TBU to ASSB, a wholly-owned subsidiary of UMWT</li> <li>• Sale of fabric and CKD seat component by TTM to TBU, a subsidiary of UMWT</li> </ul>	<p>227,785</p> <p>98,645</p>
TTC/TMC	<p>TMC has an indirect interest in UMWT through its associated company, TTC, by virtue of TTC’s 10% direct shareholding in UMWT.</p> <p>TMC has 21.69% equity interest in TTC.</p> <p>TTC is a major shareholder of TTM as TTC has 70% equity interest therein.</p> <p>TTC and TTM have 51% and 19% equity interests in UMW Toyotsu Motors Sdn. Bhd. (“<b>UMW Toyotsu</b>”), a 30%-owned associated company of UMWC, respectively.</p>	<ul style="list-style-type: none"> <li>• Sale of vehicles and parts by UMWT, a subsidiary of UMWC, to UMW Toyotsu</li> </ul>	104,803

The above RRPT were entered into on an arm’s length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the Public and which will not be to the detriment of the minority shareholders of the Company.

The shareholdings of the respective interested in major shareholders as shown above are based on information disclosed in the Circular to Shareholders dated 28 April 2017 in relation to the Proposed Renewal of Shareholders’ Mandate for Existing RRPT and Proposed New Shareholders’ Mandate for Additional RRPT of a revenue or Trading Nature.

Notwithstanding the related party disclosures already presented in the audited financial statements in accordance with Malaysian Financial Reporting Standard No. 124 (“**MFRS 124**”), the above disclosures are made in compliance with Paragraph 10.09 of the MMLR with regard to the value of RRPT carried out in accordance with the Shareholders’ Mandate during the financial year, as the scope of related party relationships and disclosures contemplated by the MMLR are, to a certain extent, different from those of MFRS 124.

## - TOP TEN PROPERTIES HELD BY THE UMW GROUP -

AS AT 31 DECEMBER 2016

Location	Description	Existing Use	Tenure	Approximate Area of Land/ Built-up (Sq. Metres)	Approximate Age of Building (Years)	Revaluation Date	Acquisition Date	Net Book Value (RM)
1. <b>Klang</b> No.1, Jalan Keluli 2/KU2 Kawasan Perindustrian Bukit Raja, Klang Selangor	Industrial Land	Integrated Quality Hub, Test Track and Centralised Body & Paint Centre	Freehold	Land - 674,300.0 Built-up - 27,753.3	5	-	28.12.2008	652,600,266
2. <b>Ulu Selangor</b> Lots 15001 to 15009 Lots 15019 to 15024 Mukim Serendah Ulu Selangor, Selangor  Lots 40020 to 40021 Lots 40025 to 40027 Lots 40029 to 40033 Mukim Serendah Ulu Selangor, Selangor	Industrial Land	Vacant	Leasehold 99 years expiring 25.10.2098  Leasehold 99 years expiring 07.07.2109	Land - 2,963,851.2 Built-up - Nil	-	-	17.04.1995	74,489,047
3. <b>Shah Alam</b> No. 2, Persiaran Raja Muda Section 15 Shah Alam Selangor	Commercial Land	UMW Toyota Motor Head Office	Leasehold 99 years expiring 22.07.2067	Land - 24,283.2 Built-up - 19,840.5	12	-	06.08.1985	38,788,382
4. <b>Kota Kinabalu</b> Lot 43, SMI Phase 1 IZ3, Jalan 1D KKIP District of Kota Kinabalu Sabah	Industrial Land	Stockyard (Sabah IQH)	Leasehold 60 years expiring 31.12.2066	Land - 34,669.4	1	-	27.07.2015	36,462,323
5. <b>Subang</b> Part of Lot 61716 H.S (D) 58036 Bandar Subang Jaya Daerah Petaling Selangor	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 10,967.1 Built-up - 10,219.3	9	-	28.03.2006	35,240,311
6. <b>Penang</b> No. 8, Jalan Jelutong Section 9W Bandar Georgetown North-East District Pulau Pinang	Industrial Land	Showroom, Parts & Service Centre	Freehold	Land - 12,137.8 Built-up - 2,653.8	9	-	29.12.2003	34,054,123
7. <b>Shah Alam</b> Lot 51, Jalan Pengisar (15/9) Section 15 Shah Alam, Selangor	Industrial Land	Temporary Carpark	Leasehold 99 years expiring 14.10.2069	Land - 24,943.7 Built-up - 5,067.3	-	06.05.2014	20.08.2014	27,238,182
8. <b>Shah Alam</b> No. 19, Jalan Subang Utama 2 (Jalan Puchong) Lion Industrial Park Section 22 Shah Alam, Selangor	Industrial Land	Office and Factory Buildings	Freehold	Land - 46,871.0 Built-up - 821.0	14	-	14.05.1997	26,468,421
9. <b>Batu Pahat</b> Geran 49065 Bandar Penggaram Daerah Batu Pahat Johor	Industrial Land	Showroom, Body & Paint, Parts & Service Centre	Freehold	Land - 10,496.5 Built-up - 2,620.0	9	-	28.09.2005	24,250,810
10. <b>Petaling Jaya</b> Lot 1, Jalan 19/1 Section 19 Petaling Jaya Selangor	Industrial Land	Showroom, Body & Paint, Parts & Service Centre	Leasehold 99 years expiring 28.06.2061	Land - 17,094.0 Built-up - 11,632.1	11	-	15.06.1991	23,852,433

## **PERSONAL DATA PROTECTION NOTICE**

This Personal Data Protection Notice (“**Notice**”) is issued by **UMW HOLDINGS BERHAD** and its subsidiaries, associates, affiliates and related companies (collectively referred to as “**UMW Group**” or “**we**” or “**us**”) and is applicable to all existing and prospective shareholders and/or investors. This Notice explains how we collect and handle your personal data in accordance with the Personal Data Protection Act, 2010 (“**Act**”). For the avoidance of doubt, all existing and prospective shareholders and/or investors shall be referred to collectively as “**shareholders and/or investors**” or “**you**”. Please note that the UMW Group reserves the right to make any variations and/or modification to this Notice at any time. Any variations and/or modification to this Notice shall be communicated through modes of communications deemed suitable by the UMW Group.

### **1. PERSONAL DATA**

As shareholders and/or investors of UMW Group, we may process (to the extent applicable) the following personal data as provided by you and/or a service provider engaged by UMW Group and/or obtained from public domains, regulatory authorities, administrative authorities and/or supervisory authorities which may include, but is not limited to -

- i. your identity including photo, signature, name, contact numbers, email address(es), address(es), identification card/passport number, age, gender, race, nationality, marital status;
- ii. your bank account numbers, CDS account number, such other information that you provide as shareholders and/or investors of UMW Group;
- iii. video and voice recordings (including CCTV recordings and security recordings, images, testimonials, photograph and/or any other recordings of you as obtained when you are in UMW Group’s premises, facilities and offices and/or when you attend any of UMW Group related events, functions, activities and/or meetings);
- iv. information relating to your shareholding interest in the UMW Group or any other companies;
- v. any other personal data that you provide/declare to the UMW Group and/or that are collected from you as shareholders and/or investors of the UMW Group; and
- vi. any other information that you provide or are required to be given to become shareholders and/or investors.

### **2. PURPOSES FOR COLLECTING AND FURTHER PROCESSING (INCLUDING DISCLOSING) YOUR PERSONAL DATA**

Where applicable, we will process your personal data for the following purposes -

- i. to give effect and process your status as shareholders and/or investors of UMW Group;
- ii. to process your request to become shareholders and/or investors;
- iii. issuance of share certificates or securities, if applicable;
- iv. to deliver, communicate and transmit UMW Group’s annual reports, newsletters, latest information and other shareholders and/or investors relation information and materials through modes of communication and delivery we deem appropriate (including without limitation verbally, in hard print, electronically or online);
- v. payment of dividends and other benefits to shareholders and/or investors, if applicable;
- vi. to maintain, upkeep and update our records regarding our shareholders and/or investors;
- vii. statistical analysis and historical data;
- viii. execution of the relevant legal documents and instruments to give effect to your status as shareholders and/or investors of the UMW Group;
- ix. as part of the UMW Group’s internal records management, internal compliance and corporate governance (including auditing, internal investigations, compliance, risk management, conflict of interest reporting, management reporting and security processes);
- x. verification and identification purposes;
- xi. compliance with laws, regulations, guidelines, codes and statutory requirements;
- xii. to provide you with the services or information requested;
- xiii. for contact purposes;
- xiv. to defend and/or enforce UMW Group’s rights under law and/or obtain legal advice;
- xv. to attend to your enquiries and generally to enable resolution of a concern or complaint;
- xvi. to facilitate your participation in any of UMW Group’s functions, activities, meetings and/or events;
- xvii. administrative and operational purposes;
- xviii. security and access within UMW Group’s premises and facilities;
- xix. inclusion in media engagement and/or any relevant or related events;
- xx. publication in any printed materials, website, electronic media and/or social media platform arising from your participation in any UMW Group related functions, activities, meetings and/or events;
- xxi. to better understand your needs as shareholders and/or investors;
- xxii. for internal investigations, compliance, security and/or audit purposes;
- xxiii. to prosecute, prevent, investigate and/or detect any illegal and/or prohibited activities conduct and/or transactions; and
- xxiv. for any purpose that is incidental, ancillary or in furtherance to the above purposes.

The information you provide is necessary to the UMW Group. If you do not provide all the information as requested, we will not be able to keep your complete record of information, thus affecting the UMW Group’s ability to accomplish the above stated purposes.

### **3. DISCLOSURE OF INFORMATION**

We may disclose your personal data to the following parties (including those overseas) -

- i. entities within the UMW Group;
- ii. potential or actual purchasers, successors-in-title of the business or share (wholly or in part) of the UMW Group (including their advisers and representatives) as a result of a potential, proposed or actual sale of business, disposal, acquisition, merger or re-organisation;
- iii. government departments and agencies, law enforcement agencies, regulatory authorities, financiers, agents, professional advisors, share registrars and other such service providers;
- iv. third parties appointed by the UMW Group to provide services to the UMW Group or on behalf of the UMW Group (including the UMW Group’s auditors, solicitors, financiers, agents, professional advisors, share registrars and other such service providers);
- v. any person, who is under a duty of confidentiality and/or who has undertaken the responsibility to keep such data confidential;
- vi. any actual or proposed assignee, participant, sub-participant or transferee of any of our rights or obligations; and
- vii. other parties, in respect of whom you have consented to the disclosure of your personal data.

### **4. WEBSITES**

#### **4.1 INFORMATION TECHNOLOGY**

When visiting the UMW Group’s websites, we may be able to identify you through collection of the following information during your visit to the UMW Group’s websites and/or the fully qualified domain name from which you accessed the UMW Group website, or alternatively, through your internet protocol (“IP”) address -

- i. the date and time in which you accessed UMW Group’s website;
- ii. the URL of any webpage from which you accessed UMW Group’s website; and
- iii. the web browser which you are using and the pages which you have accessed.

The UMW Group’s website may require you to provide a limited amount of information in order to obtain the services you requested and to enable the UMW Group to respond to your messages and requests. Any personal data provided will be used for its intended purpose only, i.e., to respond to your request for services, your messages and requests.

#### **4.2 LINKS TO OTHER SITES**

Links to other sites may be provided on the UMW Group’s website for your convenience and information. These sites may have their own privacy statement and the UMW Group does not control, recommend or endorse these sites and the UMW Group will not be held responsible for these sites and their contents. As such, the UMW Group encourages you to read the privacy policies and terms of usage of these sites prior to accessing these sites.

### **5. ACCESS, CORRECTIONS AND COMPLAINTS**

If you would like to make any inquiries or complaints or requests to access, correct or limit processing of your personal data, you may contact our officer below -

Group Secretary  
Tel: 603 - 5163 5000 (from 9am to 5pm on business days excluding public holidays)  
Email: gssect.pdpa@umw.com.my

Where you elect to contact our officer via telephone, please also send an e-mail for verification and record purposes. The UMW Group shall proceed to address your concerns as soon as practicable upon receipt of your request. Any request for access or correction of personal data may be subject to a fee and will be subjected to the prevailing data protection laws in Malaysia.

### **6. CONFLICT**

In the event of any conflict between this English language version and the Bahasa Malaysia version of this Notice, the terms in this English language Notice shall prevail.

**NOTIS PERLINDUNGAN DATA PERIBADI**

Notis Perlindungan Data Peribadi ini ("Notis") dikeluarkan oleh **UMW HOLDINGS BERHAD** dan anak-anak syarikatnya, syarikat-syarikat bersekutunya, syarikat-syarikat berkenaan dan syarikat-syarikat berkaitannya ("Kumpulan UMW" atau "kami") untuk pemegang saham dan/atau pelabur yang sedia ada dan bakal pemegang saham dan/atau pelabur. Notis ini menerangkan bagaimana kami mengumpul dan mengendalikan data peribadi anda mengikut Akta Perlindungan Data Peribadi, 2010. ("Akta"). Bagi mengelakkan keraguan, semua pemegang saham dan/atau pelabur yang sedia ada dan bakal pemegang saham dan/atau pelabur akan dirujuk secara kolektif sebagai "pemegang saham dan/atau pelabur" atau "anda". Sila maklum bahawa Kumpulan UMW berhak untuk membuat apa-apa perubahan dan/atau pengubahsuaian kepada Notis ini pada bila-bila masa. Apa-apa perubahan dan/atau pengubahsuaian kepada Notis ini akan disampaikan melalui mod komunikasi yang dianggap sesuai oleh Kumpulan UMW.

**1. DATA PERIBADI**

Sebagai pemegang saham dan/atau pelabur Kumpulan UMW, kami mungkin memproses (setakat mana berkenaan) data peribadi yang berikut, sepertimana yang diberikan oleh anda dan/atau pembekal perkhidmatan yang dilantik oleh Kumpulan UMW dan/atau yang diperolehi daripada domain awam, pihak berkuasa, pihak berkuasa pentadbiran dan/atau pihak berkuasa penyelidikan, yang mungkin termasuk tetapi tidak terhad kepada -

- i. identiti anda termasuk gambar, tandatangan, nama, nombor perhubungan, alamat-alamat e-mel, alamat-alamat, kad pengenalan/nombor passport, umur, jantina, kaum, kewarganegaraan, status perkahwinan;
- ii. akaun bank anda, nombor akaun "CDS", maklumat lain yang anda berikan sebagai pemegang saham dan/atau pelabur Kumpulan UMW;
- iii. rakaman video dan suara (termasuk rakaman CCTV dan rakaman sekuriti, imej, testimoni, gambar dan/atau rakaman anda yang diperolehi apabila anda berada di premis, kemudahan dan pejabat Kumpulan UMW dan/atau di mana anda menghadiri mana-mana acara berkaitan, "function", aktiviti dan/atau mesyuarat Kumpulan UMW berkaitan;
- iv. maklumat berkenaan pegangan saham dalam Kumpulan UMW atau syarikat lain;
- v. data peribadi lain yang anda berikan/ishtiharkan kepada Kumpulan UMW dan/atau dikumpulkan dari anda sebagai pemegang saham dan/atau pelabur Kumpulan UMW; dan
- vi. maklumat lain yang anda berikan atau yang perlu diberikan untuk menjadi pemegang saham dan/atau pelabur.

**2. TUJUAN MENGUMPUL DAN SETERUSNYA MEMPROSES (TERMASUK PENZAHIRAN) DATA PERIBADI ANDA**

Setakat mana bersesuaian, kami akan memproses data peribadi anda untuk tujuan-tujuan berikut -

- i. untuk memberi kesan dan memproses status anda sebagai pemegang saham dan/atau pelabur untuk Kumpulan UMW;
- ii. untuk memproses permintaan anda untuk menjadi pemegang saham dan/atau pelabur;
- iii. penerbitan sijil saham atau sekuriti, jika berkenaan;
- iv. untuk menyampaikan, menghubungi dan menghantar laporan tahunan, surat berita, maklumat terkini Kumpulan UMW dan lain-lain maklumat dan bahan-bahan berkaitan dengan pemegang saham dan/atau pelabur melalui mod komunikasi dan penyampaian yang kami anggap sesuai (termasuk tetapi tidak terhad kepada secara lisan, bahan bercetak, secara elektronik atau "online");
- v. pembayaran dividen dan manfaat lain kepada pemegang saham dan/atau pelabur, jika berkenaan;
- vi. pemeliharaan, penjagaan dan mengemaskini rekod kami mengenai pemegang saham dan/atau pelabur;
- vii. analisis statistik dan penyimpanan rekod sejarah;
- viii. pelaksanaan dokumentasi perundangan dan instrumen untuk memberi kesan kepada status anda sebagai pemegang saham dan/atau pelabur Kumpulan UMW;
- ix. bagi pengurusan rekod dalaman, pematuhan dalaman dan pentadbiran korporat Kumpulan UMW (termasuk audit, penyiasatan dalaman, pematuhan, pengurusan risiko, laporan konflik kepentingan, laporan pengurusan dan proses-proses sekuriti);
- x. bagi tujuan pengesanan dan pengenalan;
- xi. pematuhan undang-undang dan peraturan-peraturan, garis panduan, kod dan keperluan statut;
- xii. memberikan anda perkhidmatan atau informasi yang diminta;
- xiii. tujuan perhubungan;
- xiv. mempertahankan dan/atau menguatkuasakan hak Kumpulan UMW di bawah undang-undang dan/atau mendapatkan nasihat guaman;
- xv. untuk melayani pertanyaan anda dan secara amnya untuk menangani kebimbangan atau aduan anda;
- xvi. untuk memudahkan penyertaan anda dalam mana-mana "function", aktiviti, mesyuarat dan/atau acara Kumpulan UMW;
- xvii. untuk tujuan pentadbiran dan operasi;
- xviii. untuk tujuan sekuriti dan akses dalam premis dan kemudahan Kumpulan UMW;
- xix. penyertaan dalam penglibatan media dan/atau apa-apa acara relevan atau berkaitan;
- xx. penerbitan dalam bahan bercetak, laman sesawang, media elektronik dan/atau laman sosial media berikutan penyertaan anda dalam "function", aktiviti, mesyuarat dan/atau acara berkaitan dengan Kumpulan UMW;
- xxi. untuk lebih memahami keperluan anda sebagai pemegang saham dan/atau pelabur;
- xxii. bagi tujuan penyiasatan dalaman, pematuhan, sekuriti dan/atau tujuan audit;
- xxiii. untuk mendakwa, mencegah, menyasiat dan/atau mengesan sebarang aktiviti, tingkahlaku dan/atau transaksi haram dan/atau dilarang; dan
- xxiv. bagi apa-apa tujuan lain yang bersampingan, berdampingan atau selanjutan dengan tujuan di atas.

Maklumat ini perlu untuk Kumpulan UMW. Sekiranya anda gagal untuk menyediakan semua maklumat data peribadi seperti yang diminta, kami tidak dapat menyimpan rekod yang lengkap mengenai anda, dan ini akan menjejaskan keupayaan kami untuk mencapai tujuan-tujuan yang dinyatakan di atas.

**3. PENZAHIRAN MAKLUMAT**

Kami mungkin menzahirkan data peribadi anda kepada pihak-pihak berikut (termasuk yang berada di luar negara) -

- i. entiti di dalam Kumpulan UMW;
- ii. pembeli berpotensi atau sebenar, pengganti dalam hakmilik perniagaan atau saham (keseluruhannya atau sebahagian) Kumpulan UMW (termasuk penasihat dan wakil-wakil mereka) akibat daripada potensi, cadangan atau jualan perniagaan sebenar, pelupusan, pemerolehan, penggabungan atau pengorganisasian semula;
- iii. jabatan dan agensi kerajaan, agensi-agensi penguatkuasaan undang-undang, pihak berkuasa, pihak berkuasa berkanun dan/atau pengawal selia industri dan kepada pihak di mana kami dikehendaki berbuat demikian di bawah undang-undang;
- iv. pihak ketiga yang dilantik oleh Kumpulan UMW untuk menyediakan perkhidmatan kepada Kumpulan UMW atau bagi pihak Kumpulan UMW (termasuk juruaudit, peguam, ahli kewangan, ejen, penasihat profesional, pendaftar saham dan lain-lain jenis pembekal perkhidmatan);
- v. mana-mana individu di bawah kewajipan kerahsiaan dan/atau telah mengaku janji untuk memastikan data tersebut dirahsiakan;
- vi. mana-mana pemegang serah hak, peserta, sub-peserta atau penerima pindahan bagi mana-mana hak atau obligasi kami; dan
- vii. pihak-pihak lain di mana anda telah memberikan persetujuan untuk menzahirkan data peribadi anda kepada mereka.

**4. LAMAN SESAWANG**

**4.1 TEKNOLOGI MAKLUMAT**

Sekiranya anda melawat laman sesawang Kumpulan UMW, kami mungkin boleh mengenalpasti anda melalui pengumpulan maklumat berikut semasa anda melawat laman sesawang Kumpulan UMW dan/atau nama domain yang layak sepenuhnya (fully qualified domain name) dari mana anda melayari laman sesawang Kumpulan UMW, atau sebaliknya, melalui alamat protokol internet anda ("IP") -

- i. tarikh dan masa di mana anda melayari laman sesawang Kumpulan UMW;
- ii. mana-mana URL laman sesawang dari mana anda melayari laman sesawang Kumpulan UMW; dan
- iii. pelayar sesawang yang anda gunakan dan halaman yang telah anda akses.

Laman sesawang Kumpulan UMW mungkin memerlukan anda untuk memberikan sejumlah maklumat yang terhad untuk mendapatkan perkhidmatan yang anda minta dan membolehkan Kumpulan UMW memberikan respons kepada pesanan-pesanan dan permintaan-permintaan anda. Apa-apa data peribadi yang diberikan akan digunakan untuk tujuan yang dimaksudkan sahaja, iaitu untuk memberikan respons kepada permintaan anda untuk perkhidmatan-perkhidmatan dan pesanan-pesanan dan permintaan anda.

**4.2 PAUTAN KE LAMAN SESAWANG LAIN**

Pautan ke laman sesawang lain mungkin disediakan di laman sesawang Kumpulan UMW untuk kemudahan dan maklumat anda. Laman-laman ini mungkin mempunyai pernyataan privasi tersendiri dan Kumpulan UMW tidak mengawal, mengesyorkan atau menyokong laman-laman ini dan Kumpulan UMW tidak akan bertanggungjawab bagi laman-laman ini serta kandungannya. Oleh itu, Kumpulan UMW menggalakkan anda untuk membaca polisi privasi dan terma-terma penggunaan laman-laman ini sebelum mengakses laman sesawang tersebut.

**5. AKSES, PEMBETULAN DAN ADUAN**

Jika anda ingin membuat sebarang pertanyaan, aduan atau permohonan untuk mengakses atau membetulkan atau menghadkan pemrosesan data peribadi anda, anda boleh menghubungi pegawai kami di bawah -

Setiausaha Kumpulan  
Tel: 03-5163 5000 (dari 9 pagi ke 5 petang pada hari bekerja tidak termasuk cuti umum)  
Emel: gsect.pdpa@umw.com.my

Sekiranya anda memilih untuk menghubungi pegawai kami melalui telefon, anda juga diminta menghantar e-mel untuk pengesanan dan tujuan penyimpanan rekod. Kumpulan UMW akan berusaha menangani isu anda secepat mungkin selepas menerima permohonan anda. Sebarang permintaan untuk akses atau pembetulan data peribadi mungkin tertakluk kepada bayaran dan akan tertakluk kepada undang-undang perlindungan data yang berkuatkuasa di Malaysia.

**6. KONFLIK**

Sekiranya terdapat sebarang percanggahan di antara Notis versi Bahasa Inggeris dan Notis versi Bahasa Malaysia ini, versi Bahasa Inggeris akan diguna pakai.

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I/We, \_\_\_\_\_ being a member/members of UMW Holdings Berhad,  
hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him, \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the 35<sup>th</sup> Annual General Meeting (“AGM”) of the Company to be held at the UMW Auditorium, UMW Holdings Berhad, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, on Thursday, 25<sup>th</sup> May 2017 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an “X” in the appropriate spaces provided on how you wish to cast your votes. If you do not do so, your proxy will vote or abstain from voting at his/her discretion. My/Our proxy is to vote as indicated below -

NO.	AGENDA	RESOLUTION	FOR	AGAINST
1	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon			
<b>ORDINARY BUSINESS</b>				
2	Re-election of directors retiring pursuant to Article 109 of the Company’s Constitution (previously referred to as the Articles of Association) - (a) Tan Sri Dato’ Sri Hamad Kama Piah bin Che Othman (b) Dato’ Eshah binti Meor Suleiman	1 2		
3	Approval of the payment of directors’ fees in respect of the financial year ended 31 December 2016	3		
4	Approval of the payment of the following directors’ fees from 1 January 2017 to the next AGM of the Company - (a) RM25,000 per month to the Non-Executive Chairman and RM12,500 per month to each Non-Executive Director of the Company (b) RM2,000 per annum to each Non-Executive Director who sits on the Board of Directors of subsidiary companies	4		
5	Approval of the payment of benefits payable (excluding directors’ fees) from 1 January 2017 to the next AGM of the Company	5		
6	Re-appointment of auditors for the financial year ending 31 December 2017 and authorising directors to fix their remuneration	6		
<b>SPECIAL BUSINESS</b>				
7	Proposed Shareholders’ Mandate for recurrent related party transactions	7		

Number of Shares Held	CDS Account No.	Contact No.

For appointment of two (2) proxies, please state number of shares and percentage of shareholding to be represented by each proxy		
	No. of Shares	Percentage
Proxy 1		
Proxy 2		
<b>Total</b>		

**IMPORTANT -**

Please refer to the Personal Data Protection Notice issued pursuant to the Personal Data Protection Act, 2010 (“PDPA Notice”) which is available on the Company’s website at [www.umw.com.my](http://www.umw.com.my) concerning the Company’s collection of your personal data, whether personally or through an appointed proxy(ies) and/or representative(s). You as shareholder, hereby declare that you have read, understood and accepted the statements and terms contained in the PDPA Notice.

In disclosing the proxy’s personal data, you as shareholder, warrant that the proxy(ies) has/have given his/her/their consent for his/her/their personal data to be disclosed and processed in accordance with the PDPA Notice.

Signed this      day of                      2017

\_\_\_\_\_  
Signature of Member(s)/Common Seal

## NOTES

1. A member entitled to attend, speak and vote at the meeting may appoint a proxy in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The Form of Proxy must be signed by the appointer or his/her attorney or in the case of a corporation, executed under its common seal or under the hand of the attorney duly authorised in writing.
4. All Forms of Proxy must be deposited at the Registered Office of the Company at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than twenty-four (24) hours before the time appointed for the taking of the poll or any adjournment thereof.
5. Only members whose names appear in the ROD and/or Register of Members as at 18 May 2017 shall be entitled to attend and vote at the meeting or appoint a proxy(ies) to attend and vote on his/her behalf.
6. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by poll. The Company has appointed Securities Services (Holdings) Sdn. Bhd. as poll administrator to conduct the poll by way of electronic voting and Commercial Quest Sdn. Bhd. as scrutineers to verify the poll results.

1<sup>st</sup> fold this flap for sealing

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Affix  
Stamp

**UMW HOLDINGS BERHAD** (90278-P)  
No. 10, Jalan Utas (15/7),  
40200 Shah Alam,  
Selangor Darul Ehsan, Malaysia.

2<sup>nd</sup> fold here





[www.umw.com.my](http://www.umw.com.my)

**UMW HOLDINGS BERHAD**  
(90278-P)

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