



**UMW**

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

REALIGNING OUR

# FOCUS

ANNUAL REPORT 2017

/ AUTOMOTIVE /

/ EQUIPMENT /

/ MANUFACTURING & ENGINEERING /

## YEAR 100 + 1

IN THE TURN OF THE CENTURY FOR  
THE COMPANY, WE TOOK OUR FIRST  
MAJOR DECISION: TO OPTIMISE.

TO RETURN TO **OUR CORES.**



/ AUTOMOTIVE /

/ EQUIPMENT /

/ MANUFACTURING & ENGINEERING /

WE BELIEVE BY FOCUSING ON  
WHAT WE DO BEST, WE CAN KEEP  
THE COMPANY MOVING FORWARD -  
AND BEYOND.

**HERE'S FOR ANOTHER  
100 YEARS.**



AUTOMOTIVE



EQUIPMENT



MANUFACTURING & ENGINEERING

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# OUR PROMISE

## OUR BUSINESS

We are an international conglomerate that develops industries, manages partnerships and facilitates growth.

## OUR PROMISE

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.

## BEYOND BOUNDARIES®

In tandem with UMW's growing presence in the global arena, its workforce has embraced the rallying call – Beyond Boundaries®. Going beyond boundaries is not only about crossing geographical or physical borders. It is also about redefining the boundaries in our minds and doing new things in a better way. It is about eliminating all barriers and achieving new heights.

### OUR VALUES

PRINCIPLES UNDERLYING EVERYTHING WE DO:



#### 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.

## ANNUAL GENERAL MEETING



# 36<sup>th</sup>

## ANNUAL GENERAL MEETING

THURSDAY  
24 MAY 2018  
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.

# ABOUT THIS REPORT

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## COVER RATIONALE

### Realigning our Focus

The cover of our Annual Report and Sustainability Report delivers a clear and simple message, which we boldly place in the centre to emphasise its central position in our overall strategy.

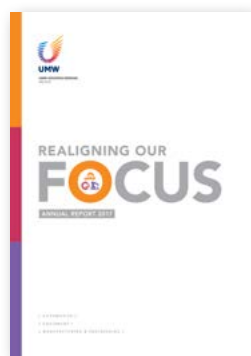
The icons represent our three core businesses. Enclosed by a circle, we show that while our operations may be separate, they are united in working together to achieve our organisation's common goal.

Realigning our Focus conveys our determination to fulfill the task which lies ahead. We temper our ambition with pastel shades which speak of our humanity. We are a team and we respect each other and this drives the sustainability of our success.

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## 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  
2017**



**SUSTAINABILITY REPORT  
2017**

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### 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 2016
- Malaysian Code on Corporate Governance 2017

#### **Cross-referencing**

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

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### 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)

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 36<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, 24 May 2018 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 2017 together with the Reports of the Directors and Auditors thereon.

*Please refer to Explanatory Note A*

2. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Constitution and, being eligible, have offered themselves for re-election -

- (a) Datin Paduka Kartini Hj Abdul Manaf
- (b) Salwah Abdul Shukor
- (c) Dr Veerinderjeet Singh a/l Tejwant Singh
- (d) Mohd Shahazwan Mohd Harris
- (e) Lim Tze Seong

**Resolution 1**  
**Resolution 2**  
**Resolution 3**  
**Resolution 4**  
**Resolution 5**

*Please refer to Explanatory Note B*

3. To re-elect Khalid Sufat who retires pursuant to Articles 123 and 125 of the Company's Constitution and, being eligible, has offered himself for re-election.

**Resolution 6**

*Please refer to Explanatory Note C*

4. To re-elect Dato' Siow Kim Lun @ Siow Kim Lin, who would have served as an Independent Non-Executive Director for a cumulative term of nine (9) years on 10 July 2018, to continue to act as a Senior Independent Non-Executive Director until the conclusion of the next AGM of the Company.

**Resolution 7**

*Please refer to Explanatory Note C*

5. To approve the payment of the following Directors' fees from 25 May 2018 to the next AGM of the Company -

**Resolution 8**

- (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 subsidiaries.

*Please refer to Explanatory Note D*

6. To approve the payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors up to an amount of RM1,550,000 from 25 May 2018 to the next AGM of the Company.

**Resolution 9**

*Please refer to Explanatory Note E*

7. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration.

**Resolution 10**

*Please refer to Explanatory Note F*

# NOTICE OF ANNUAL GENERAL MEETING

## SPECIAL BUSINESS

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

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

**Resolution 11**

"THAT the mandate granted by shareholders on 25 May 2017 pursuant to Paragraph 10.09 of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries (**UMW Group**) to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.3(b)(i) of Part A of the Circular to Shareholders dated 25 April 2018 (**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 additional recurrent transactions of a revenue or trading nature as set out in Section 2.3(b)(ii) of Part A 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 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."

*Please refer to Explanatory Note G*

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

9. Proposed Adoption of the New Constitution of the Company

**Resolution 12**

"THAT approval be given to revoke the existing Constitution (previously referred to as the Memorandum and Articles of Association) of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in Appendix II of the Circular to Shareholders dated 25 April 2018, be adopted as the Constitution of the Company AND THAT the Directors of the Company be authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

*Please refer to Explanatory Note H*



# NOTICE OF ANNUAL GENERAL MEETING

10. 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 36<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 17 May 2018. Only a depositor whose name appears on the ROD as at 17 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

## By Order of the Board

**MOHD NOR AZAM MOHD SALLEH (MAICSA 7028137)**  
Group Secretary

Shah Alam, Selangor Darul Ehsan.  
25 April 2018

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## NOTES

### Proxy and/or Authorised Representatives

1. A member of the Company entitled to attend and vote at the meeting is entitled to 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 to set for the taking of the poll or before any adjournment thereof.
5. A corporation which is a member, may by resolution of its directors or other governing body authorises such person as it thinks fit to act as its representative at the meeting, in accordance with Article 95 of the Company's Constitution.
6. Only members whose names appear in the ROD as at 17 May 2018 shall be entitled to attend and vote at the meeting or appoint proxies to attend and vote on his/her behalf.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by poll.

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES ON ORDINARY BUSINESSES

### Explanatory Note A

The Audited Financial Statements are for discussion only and do not require formal approval of shareholders, pursuant to Section 340(1)(a) of the Companies Act 2016 (**CA 2016**) and hence, will not be put for voting.

### Explanatory Note B

Article 109 of the Company's Constitution 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, Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh and Mohd Shahazwan Mohd Harris, who were appointed Directors on 15 June 2017 and Lim Tze Seong, who was appointed Director on 1 January 2018, retire and being eligible, have offered themselves for re-election.

Except for Lim Tze Seong, all Directors underwent a comprehensive annual performance evaluation carried out by the Nomination & Remuneration Committee (**NRC**) and the Board to assess the performance and contribution of each individual Director, taking into consideration among others, character, integrity, professionalism and competency. The Board is satisfied that the retiring Directors have discharged their functions, duties and responsibilities well, and agreed that they are eligible to stand for re-election at this AGM.

With regard to the assessment of independence and effectiveness of Dr Veerinderjeet Singh and Mohd Shahazwan as Independent Directors, the Board is satisfied with the level of independence demonstrated by Dr Veerinderjeet Singh and Mohd Shahazwan and their ability to act in the best interest of the Company. Both Independent Directors are expected to continue to provide independent views, advice and judgement to ensure a balanced and unbiased decision-making process at the Board. The Board is satisfied that Dr Veerinderjeet Singh and Mohd Shahazwan have complied with the criteria of an Independent Director as defined under MMLR.

Profiles of Datin Paduka Kartini, Salwah, Dr Veerinderjeet Singh, Mohd Shahazwan and Lim Tze Seong are set out on pages 58 to 62 of this Annual Report.

### Explanatory Note C

Article 123 of the Company's Constitution provides that at least one-third of the Directors are subject to retirement by rotation at each AGM while Article 125 of the Company's Constitution further provides that the Directors shall be eligible for re-election. Dato' Siow Kim Lun (appointed on 10 July 2009) and Khalid Sufat (appointed on 1 September 2010) are subject to retirement at this AGM under Articles 123 and 125, and both of whom have offered themselves for re-election at this AGM.

Similarly, the assessment of independence and effectiveness of Dato' Siow and Khalid Sufat as Independent Directors was carried out and the Board is satisfied with their level of independence and ability to act in the best interest of the Company. The Board is satisfied that Dato' Siow and Khalid Sufat have complied with the criteria of an Independent Director as defined under MMLR.

Dato' Siow, the Senior Independent Director of the Company, would exceed the 9-year term on 11 July 2018. Dato' Siow has indicated his willingness to continue to act as a Senior Independent Non-Executive Director of the Company and has offered himself for re-election at this AGM, and to continue to be in office until the next AGM.

Pursuant to the Board Charter and in line with the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**), if the Board wishes to retain an Independent Director beyond nine (9) years, it should provide justifications and seek annual shareholders' approval.

# NOTICE OF ANNUAL GENERAL MEETING

The Board via the NRC has assessed the independence and suitability of Dato' Siow to continue to act as a Senior Independent Director of the Company. The Board has formed a view that as a Senior Independent Non-Executive Director, Dato' Siow continues to exercise strong independent and objective judgements to Board deliberations and the decision-making process as a whole, besides actively seeking clarification and challenging management on the conduct of the Group's business and other issues raised at various Board and Board Committee meetings. The Board is of the view that Dato' Siow's length of service on the Board and Board Committees does not in any way interfere with his exercise of independent judgement in the interest of the Group and its stakeholders.

Dato' Siow's vast professional experience and knowledge in corporate finance and capital market regulation continue to add to the right mix of skills and expertise to the Board. His valuable insight and knowledge of the Group's core business operations would continue to enable him to discharge his duties and role as a Senior Independent Non-Executive Director effectively and without fear and favour, especially during this critical time where the Group is at its turnaround and transformation phase.

Profiles of Dato' Siow and Khalid Sufat are set out on pages 54 and 55 of this Annual Report.

## Explanatory Note D

Pursuant to Section 230(1) of CA 2016, any fees and benefits payable to the 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 Non-Executive Directors (**NEDs**) of the Company and to NEDs who sit on the Board of Directors of subsidiaries as follows -

For the Company -

	Monthly Payment (RM)	Period
Chairman	25,000	From 25 May 2018 to the next AGM
NED	12,500	

For subsidiaries -

	Annual Payment (RM)	Period
Chairman/NED	2,000	From 25 May 2018 to the next AGM

The Board is not proposing for any revision to the existing Directors' fees payable.

## Explanatory Note E

The Directors' benefits payable (excluding Directors' fees) to NEDs from 25 May 2018 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

# NOTICE OF ANNUAL GENERAL MEETING

Payment of benefits to NEDs is to be 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, 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.

The amount of benefits payable to NEDs for the period from 25 May 2018 to the next AGM is up to an amount of RM1,550,000.

## **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 B of MCCG 2017. The annual evaluation of external auditors provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance, covering among 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 competence 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 2017. The external auditors have also expressed their willingness to be re-appointed at this AGM.

## **EXPLANATORY NOTES ON SPECIAL BUSINESSES**

### **Explanatory Note G**

The Board proposes to renew the mandate granted by shareholders at the AGM held on 25 May 2017 and to approve a new mandate for additional recurrent related party transactions (**RRPTs**). 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 UMW 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 Section 2.3(b)(i) of Part A of the Circular to Shareholders dated 25 April 2018. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

### **Explanatory Note H**

The proposed Resolution 12, if passed, will bring the new Company's Constitution in line with the enforcement of CA 2016 and the amended MMLR, which will enhance the Company's administrative efficiency. The proposed new Constitution is set out in Appendix II of the Circular to Shareholders dated 25 April 2018.

## **ABSTENTION FROM VOTING**

1. All Directors standing for re-election, who are also shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 1, 2, 3, 4, 5, 6 and 7 in respect of their re-elections at this AGM.
2. All NEDs, who are also shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 8 and 9 in respect of the approval of Directors' fees and benefits payable to NEDs at this AGM.

# CORPORATE INFORMATION

AS AT 31 MARCH 2018

## BOARD OF DIRECTORS

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

*Group Chairman*

*Non-Independent Non-Executive Director*

### BADRUL FEISAL ABDUL RAHIM

*President & Group Chief Executive Officer*

*Executive Director*

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

*Senior Independent Non-Executive Director*

### KHALID SUFAT

*Independent Non-Executive Director*

### TAN SRI HASMAH ABDULLAH

*Independent Non-Executive Director*

### DATO' ESHAH MEOR SULEIMAN

*Independent Non-Executive Director*

### DATIN PADUKA KARTINI

### HJ ABDUL MANAF

*Non-Independent Non-Executive Director*

### SALWAH ABDUL SHUKOR

*Non-Independent Non-Executive Director*

### DR VEERINDERJEET SINGH

### A/L TEJWANT SINGH

*Independent Non-Executive Director*

### MOHD SHAHAZWAN MOHD HARRIS

*Independent Non-Executive Director*

### LIM TZE SEONG

*Non-Independent Non-Executive Director*

## BOARD COMMITTEES

### AUDIT COMMITTEE

Khalid Sufat (*Chairman*)

Dato' Siow Kim Lun

Tan Sri Hasmah Abdullah

Dr Veerinderjeet Singh

### NOMINATION & REMUNERATION COMMITTEE

Dato' Siow Kim Lun (*Chairman*)

Khalid Sufat

Dato' Eshah Meor Suleiman

Datin Paduka Kartini Hj Abdul Manaf

### INVESTMENT COMMITTEE

Dato' Siow Kim Lun (*Chairman*)

Khalid Sufat

Datin Paduka Kartini Hj Abdul Manaf

Mohd Shahazwan Mohd Harris

Badrul Feisal Abdul Rahim

### RISK MANAGEMENT COMMITTEE

Tan Sri Hasmah Abdullah (*Chairperson*)

Dato' Eshah Meor Suleiman

Salwah Abdul Shukor

Mohd Shahazwan Mohd Harris

### WHISTLE-BLOWING COMMITTEE

Tan Sri Hasmah Abdullah (*Chairperson*)

Khalid Sufat

Dato' Eshah Meor Suleiman

Salwah Abdul Shukor

### GROUP SECRETARY

Mohd Nor Azam Mohd Salleh

(MAICSA 7028137)

### REGISTERED OFFICE

UMW Holdings Berhad (90278-P)

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

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

Batu Tiga Industrial Estate,

40200 Shah Alam,

Selangor Darul Ehsan, Malaysia.

Telephone : (603) 5163 5000

Facsimile : (603) 5519 3890

### REGISTRAR

Securities Services (Holdings) Sdn Bhd

(36869-T)

Level 7, Menara Milenium,

Jalan Damanlela,

Pusat Bandar Damansara,

50490 Kuala Lumpur, Malaysia.

Telephone : (603) 2084 9000

Facsimile : (603) 2094 9940

### AUDITORS

Ernst & Young (AF 0039)

Level 23A, Menara Milenium,

Jalan Damanlela,

Pusat Bandar Damansara,

50490 Kuala Lumpur, Malaysia.

Telephone : (603) 7495 8000

Facsimile : (603) 2095 5332

### PRINCIPAL BANKERS

Malayan Banking Berhad Group

CIMB Bank Berhad

Affin Bank Berhad

Export-Import Bank of Malaysia Berhad

### STOCK EXCHANGE LISTING

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 2018



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
- Perodua Auto Corporation Sdn Bhd
  - Perodua Manufacturing Sdn Bhd
  - Perodua Engine Manufacturing Sdn Bhd
  - Perodua Global Manufacturing Sdn Bhd

## PROPERTY

### UMW Land Sdn Bhd

### UMW Development 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 Industrial Power Services Sdn Bhd

### (f.k.a. UMW Synergistic Generation Sdn Bhd)

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

## TECHNOLOGY

### UMW Technology Sdn Bhd

- UMW IT Services Sdn Bhd
- UTech Americas Inc, USA
- U-Spark LLC, USA

## 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

## OTHERS

### UMW Training Centre Sdn Bhd

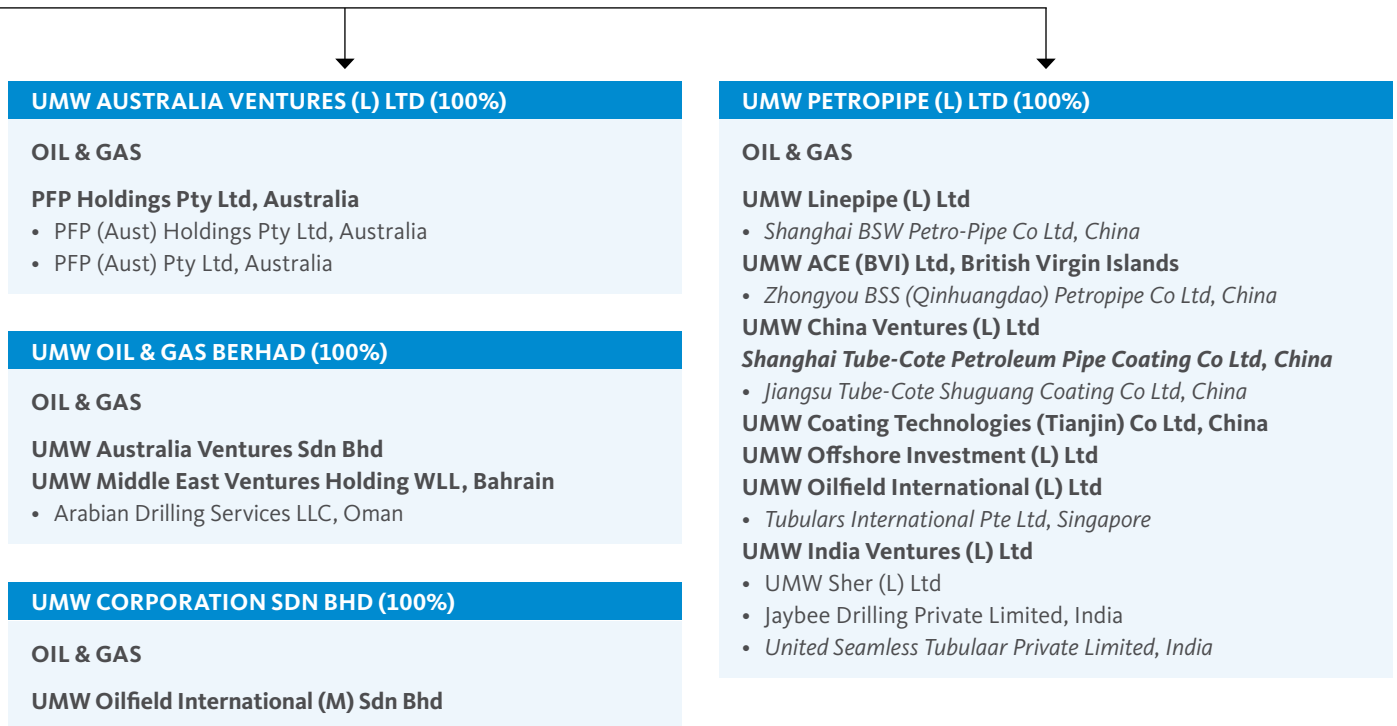
### U-TravelWide Sdn Bhd

### Toyota Capital Malaysia Sdn Bhd

- Seabanc Kredit Sdn Bhd
- Toyota Capital Acceptance Malaysia Sdn Bhd
- Toyota Lease Malaysia Sdn Bhd
- E-Lock Corporation Sdn Bhd

# UMW GROUP STRUCTURE

AS AT 31 MARCH 2018



**Notes:**

Companies in italics are associated companies of the Group

# CHAIRMAN'S MESSAGE

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

GROUP CHAIRMAN

---

*“It is with great pleasure that I present our Annual Report for 2017. The financial year ended 31 December 2017 has been a remarkable and historic year for the UMW Group. This year, we celebrated our 100<sup>th</sup> year anniversary and we are immensely proud of the goals we have accomplished so far in our corporate journey.”*





## CHAIRMAN'S MESSAGE



Tan Sri Dato' Sri Hamad Kama Piah Che Othman seen here with Badrul Feisal Abdul Rahim and other guests at the "Raikan 100 Tahun UMW" carnival launching platform

## Dear valued shareholders,

It is with great pleasure that I present our Annual Report for 2017. The financial year ended 31 December 2017 has been a remarkable and historic year for the UMW Group. This year, we celebrated our 100<sup>th</sup> year anniversary and we are immensely proud of the goals we have accomplished so far in our corporate journey.

2017 will also be remembered as a year of positive realignment for UMW. We completed the divesture of our listed Oil & Gas (O&G) investments and by the end of the 2018, we target and endeavour to achieve a complete exit from the O&G segment.

The Board of Directors and management are confident that this decision, despite being a difficult choice, was the optimal strategic option for the overall financial health of the Group.

We will now refocus our energy and resources on strengthening our three core businesses of Automotive, Equipment and Manufacturing & Engineering (M&E) to lead our Group into the future as an organisation that is much stronger and better equipped to face future challenges.

UMW's strategy of refocusing on our core businesses is already making great strides. UMW Toyota Motor Sdn Bhd's new cutting-edge production plant in Bukit Raja, Klang, Selangor is on track for production by early 2019, from where we will assemble a range of

innovative new completely knocked-down models while increasing our presence in the growing market for Energy Efficient Vehicles (EEV).

In the M&E Division, we achieved a significant milestone in November 2017 with the delivery of the first Trent 1000 TEN fan case to Rolls-Royce Plc as part of our long-term agreement to supply fan cases for the Trent 1000 TEN and Trent 7000 engines. The delivery was achieved just 27 months after the contract was signed and is recognised as one of the fastest aerospace engine component development programmes of its kind. This was a historic achievement for the UMW Group, making us the first ever Malaysian-owned company to become a Tier-1 supplier to the British engine maker. The buoyant aerospace industry, underpinned by robust demand for commercial aircraft such as the Dreamliner family, which is powered by the Trent 1000 TEN engine, and the Airbus A330neo, which is powered by the Trent 7000 engine, augurs well for our emerging business. Our aerospace production facility in Serendah, Selangor is expected to reach full production in 2021.

To consolidate our entry into the high-value manufacturing sector, we are also developing our 861-acre land bank in Serendah into Malaysia's first integrated industrial park. The UMW High Value Manufacturing Park will be the future home to companies in high technology sectors such as aerospace, medical equipment, rail and automotive. We are grateful to the Malaysia External Trade Development Corporation (MATRADE) and the Malaysian Investment Development Authority (MIDA) for their continued support for this project.

## CHAIRMAN'S MESSAGE



*YB Datuk Ahmad Maslan, Deputy Minister of International Trade and Industry (MITI) at the maiden Trent 1000 TEN fan case roll out ceremony at UMW Aerospace Sdn Bhd*

Whilst we continue to focus on future-proofing UMW Group for the long term by moving from labour-intensive production to high-value manufacturing, we also realise that our business operations are susceptible to shorter-term factors, such as domestic and external economic conditions and currency fluctuations. To address such challenges, we have embarked on a comprehensive efficiency improvement programme by closely monitoring and improving our cost structures throughout the Group. We are also actively exploring potential expansion and enhancements to our range of products and services, which we trust will put the Group on a firm footing to achieve improved financial performance in 2018.

We remain mindful of the fact that a future-oriented UMW will require a highly competent and dynamic workforce, equipped with innovative and forward-thinking mindset and skills. In 2017, we continued to invest in the development of a high-performance culture throughout our organisation by launching the Group Human Resource Strategic Roadmap, a five-year agenda that will help transform the Group into a Best in Class organisation by 2021.

### ACKNOWLEDGEMENTS

As I look back on 2017, I am deeply humbled by the support and commitment of all our stakeholders which proved crucial for the Group in overcoming the many challenges we faced throughout the year.

I extend my deepest appreciation to our Board of Directors for their guidance and also to management for their strong commitment to our vision and mission.

I would also like to welcome Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh, Mohd Shahazwan Mohd Harris and Lim Tze Seong to the Board and I look forward to working with them and the rest of the Board to preserve the Group's legacy and build on our success.

## CHAIRMAN'S MESSAGE



*Tan Sri Dato' Sri Hamad Kama Piah Che Othman presents a memento to Tan Sri Abdul Wahid Omar, Group Chairman of Permodalan Nasional Berhad at the UMW Centenary Gala Dinner*

I would like to place on record our appreciation for the services of Dr Leong Chik Weng, Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani, Dato' Mohd Nizam Zainordin and Rohaya Mohammad Yusof, who retired and/or resigned as Directors during the year under review.

**“We will now refocus our energy and resources on strengthening our three core businesses of Automotive, Equipment and M&E to lead our Group into the future as an organisation that is much stronger and better equipped to face future challenges.”**

I also thank all of our employees for their trust and dedication in helping us to realise the ambitious targets we continue to set ourselves and I express my gratitude to all of our shareholders, partners, customers, suppliers and other stakeholders for their belief and support in UMW.

It is my honour and privilege to serve you and I look forward to leading UMW to greater heights in the coming year.

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

# MANAGEMENT DISCUSSION & ANALYSIS

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## BADRUL FEISAL ABDUL RAHIM

PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER

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“2017 was a challenging year for the UMW Group as we addressed continued currency fluctuations and the impact of the losses in our oil & gas segment. We are, however, optimistic that the worst is now behind us and we look forward to a better financial position and performance in 2018.”



# MANAGEMENT DISCUSSION & ANALYSIS

## AUTOMOTIVE

### REVENUE

RM **8.97** BIL

2016: RM 8.45 BIL

### PBT

RM **446.1** MIL

2016: RM496.9 MIL

## EQUIPMENT

### REVENUE

RM **1.46** BIL

2016: RM1.38 BIL

### PBT

RM **141.8** MIL

2016: RM145.6MIL

## MANUFACTURING & ENGINEERING

### REVENUE

RM **645.1** MIL

2016: RM601.5 MIL

### PBT

(RM **17.7** MIL)

2016: RM24.6 MIL

## To our valued stakeholders,

The UMW Group has diverse and global interests in the automotive, equipment, manufacturing and engineering sectors. It is one of Malaysia's leading public-listed companies and its reach extends beyond Malaysia to Singapore, Indonesia, Myanmar, Vietnam, Papua New Guinea, China and India.

UMW is the single largest shareholder of Malaysia's second national car manufacturer, Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**), holding a 38% stake in the company, and through a 35-year partnership with Toyota Motor Corporation (**TMC**) is the exclusive distributor of Toyota and Lexus models in Malaysia. Our Equipment Division distributes equipment from leading global brands for a range of industrial sectors, including logging, construction, mining and agriculture, whilst our Manufacturing & Engineering (**M&E**) Division manufactures products in the aerospace and automotive industries and distributes a range of renowned lubricants.

### OPERATING ENVIRONMENT

	REVENUE		PROFIT/ (LOSS) BEFORE TAXATION	
	Financial year ended 31 Dec 2017 RM'000	Financial year ended 31 Dec 2016 RM'000	Financial year ended 31 Dec 2017 RM'000	Financial year ended 31 Dec 2016 RM'000
<b>Consolidated total from continuing operations</b>	11,066,638	10,436,797	266,573	(282,097)
<b>Continuing operations</b>				
Automotive	8,972,182	8,450,956	446,059	496,931
Equipment	1,458,901	1,382,815	141,831	145,620
M&E	645,075	601,460	(17,709)	24,619
<b>Discontinued operations</b>				
O&G (Listed)	214,186	321,053	(283,204)	(1,181,264)
O&G (Unlisted)	120,589	200,665	(520,203)	(666,865)

The year 2017 was a difficult year for the industry sectors in which UMW Group operates, with stiff pricing competition, an increasing number of players on the market, subdued consumer demand and weak oil prices impacting performance.

The automotive sector was challenged by a range of negative impacts, such as, intense competition from new launches, lower margins, weak consumer demand and high household debt. Stringent lending rules from financial institutions and subdued consumer sentiment have also put pressure on buying patterns and contributed to the decline in total industry volume (**TIV**) to 576,635 units in 2017. These factors have also led to a fall in demand for commercial vehicles. The weaker ringgit also adversely impacted margins leading to lower profitability in the segment.

## MANAGEMENT DISCUSSION & ANALYSIS



UMW senior management welcomes the President of KYB Corporation, Yasusuke Nakajima during his maiden visit to UMW

In response to the adverse operating climate, the Automotive Division has focused on cost-reduction initiatives to increase efficiency and introduced a range of new features and technological enhancements to its product range. It also strived to heighten customer engagement and after sales service as part of a broader strategy to attract new consumer segments.

The performance of the Equipment Division was impacted by an overall cautious approach by customers throughout the year, largely due to a slowing down in both the transport engineering and the construction sectors. The slowdown in the heavy equipment segment was offset by a robust performance in the industrial equipment segment, particularly the leasing business. Performance of the heavy equipment business was impacted by factors such as the banning of bauxite mining in Malaysia and subdued iron ore prices that dampened mining activities. Whilst gold mining was stable, overall activities however, remained at small scale.

On the international front, the Group's business was affected by the lack of new demand for equipment from the jade mining industry. The industrial equipment segment, on the other hand, registered a robust performance for the year, particularly for its leasing business, and this helped to partially offset the slowdown in the heavy equipment business.

Despite the overall challenging conditions, the Equipment Division remained resilient with individual units engaging in aggressive cost-cutting initiatives. The Division also enhanced its engagement with its principal suppliers in addressing the impact of currency volatility. In Malaysia, our operations benefited from higher construction and quarry activities throughout the year, which spurred equipment sales and product support. Better-than-expected crude palm oil prices have sustained the capital expenditure by plantation companies in acquiring new equipment and replacing used equipment.

The performance of the M&E Division was supported in part by positive contributions from the automotive components manufacturing business, although profitability was impacted by pre-operating expenses incurred by its aerospace unit. The lubricants business outperformed our targets, despite facing increased competition from lower-tiered brands. Throughout the year, the Division engaged in cost-cutting initiatives and turned to imports from cost-competitive sources in an effort to manage the rising cost of raw materials.

In the aerospace industry, business was buoyed by the overall strength of the broader commercial aviation sector and demand for the Boeing 787 Dreamliner family, which is powered by the Rolls-Royce Trent 1000 TEN engine. In 2017, UMW Aerospace Sdn Bhd (**UMW Aerospace**) delivered the first Trent 1000 TEN fan case to Rolls-Royce Plc (**Rolls-Royce**) under a long-term supply agreement to supply fan cases for its Trent 1000 TEN and Trent 7000 engines. The first Airbus A330neo, powered by the Rolls-Royce Trent 7000 engine, completed its maiden flight in October 2017.

The Group's listed and unlisted oil and gas (**O&G**) segment, the latter consisting of companies in the process of being divested, continued to register losses, mainly due to the continued weakness in oil prices which exerted downward pressure on project financing and feasibility. This led to many projects being deferred or postponed indefinitely. Throughout the year, the industry saw companies compete for a limited pool of contracts and despite extensive cost-cutting throughout the year, this severely impacted the financial and operating performance of our O&G segment.

At the beginning of 2017, the Group made the strategic decision to exit the O&G business to focus on the growth trajectory of its three core businesses.

## MANAGEMENT DISCUSSION & ANALYSIS



*Badrul Feisal Abdul Rahim, President & Group CEO addressing shareholders at the 2016 Annual General Meeting*

### OUR KEY ACHIEVEMENTS AND GOALS IN 2017

2017 remained a highly challenging year for UMW Group, largely due to the unfavourable exchange rate environment which was the key factor impacting our business and earnings throughout the year. Despite the ringgit strengthening against the US dollar for the full year in the second half of 2017, the average exchange rate remained relatively high, particularly in the first half of 2017, and thus negatively impacted the Group's earnings. At the same time, we were also exposed to the continuing losses registered by our listed O&G Division prior to the completion of our divestment from the segment on 11 July 2017.

On a more positive note, our core businesses recorded some noteworthy achievements in 2017. In the Automotive Division, UMW Toyota Motor Sdn Bhd (**UMWT**) bolstered its product offerings with the launch of new models which helped buoy sales volumes. UMW also embarked on a growth initiative for its Equipment Division with the signing of a Letter of Intent to form a strategic partnership with Komatsu Ltd (**Komatsu**) in August 2017. The M&E Division achieved a historic milestone with the successful delivery by UMW Aerospace of the first Trent 1000 TEN fan case to Rolls-Royce on 29 November 2017 under a long-term supply agreement.

The UMW Group's financial performance for 2017 was broadly in line with expectations, despite the losses incurred by UMW O&G Division and write-downs on the non-listed O&G assets.

Throughout the year, we continued to implement a range of initiatives to enhance our operational excellence. In the Automotive Division, UMWT announced a flagship plan to maintain best-in-class customer

satisfaction standards which will see most of its outlets transferred to existing Toyota dealers, to enable them to fully focus on delivering customer satisfaction. In the M&E Division, the Lube Group introduced a range of LEANAero™ projects to increase efficiency and maintain its adherence to the highest quality standards. Meanwhile, the Equipment Division is collaborating with Komatsu to introduce the smart construction solutions service in the Malaysian market in the near future.

In terms of the overall strategy, in the short-term, UMW plans to complete a full exit from the O&G sector with the planned divestment of all unlisted O&G investments which is part of a broader measure to rationalise our non-strategic assets. In the long-term, we will continue to develop and execute value-creation strategies, including digitisation and digitalisation initiatives to improve efficiency and productivity across all core businesses. We will also strengthen our Human Capital platform to enable Group Human Resource to play an even greater role in ensuring our competitiveness in the era of Industry 4.0 can be sustained.

Looking ahead, we have a range of plans to sustain our expansion. At the business unit level, we aim to widen the Equipment Division's geographical reach and product offerings and also diversify into the rental segment. In the M&E Division, we will continue to pursue our key long-term strategy by growing our home-grown Grantt lubricant brand, both domestically and overseas, with China and Indonesia among the target markets. The M&E Division will also strengthen its focus on high-value manufacturing (**HVM**) which will be facilitated in part by its access to government incentives. The expansion into HVM will be undertaken via both greenfield and brownfield investments.

## MANAGEMENT DISCUSSION & ANALYSIS

### OUR CHALLENGES AND RISKS

UMW is mindful of several challenges that we will have to overcome as we strive to realise our business objectives.

The key risks to the Group next year will be the anticipated volatility in the interest rate environment, which could increase our funding and borrowing costs and foreign currency fluctuations, which will have a particular impact on the Automotive Division and on the price of raw materials for UMW Aerospace's fan case supply contract with Rolls-Royce. We are also aware that UMW Aerospace delivers its fan cases exclusively to Rolls-Royce and is therefore wholly reliant on the latter for orders. To mitigate this risk, we plan to broaden our engagement with Rolls-Royce to include the production and supply of other aerospace engine parts and components and continue to strengthen our capabilities in order to secure supply contracts with new original equipment manufacturers (**OEM**).

Whilst we tailor our strategy to meet specific risks, UMW's overall strategy remains founded on our commitment to generate and deliver value in all the Group's assets and this includes unlocking or converting non-productive assets for value creation and improved cash flow.

UMW's balance sheet has been strengthened following our exit from the listed O&G segment and this in turn improves the Group's capacity to undertake additional borrowings, if required, to grow our core businesses. Nonetheless, UMW will continuously monitor the Group's funding requirements and pro-actively maintain an optimal capital structure.

In order for us to generate capital to achieve our business plan, each of our business unit must be able to raise sufficient cash flow to finance their operations before they implement and execute fresh business ventures. In the case of greenfield projects such as the UMW High Value Manufacturing Park in Serendah, the Group will actively engage with the government for support and incentives to facilitate the realisation and success of the new initiatives.

### OUR STRATEGIES AND OBJECTIVES

UMW remains steadfast in its aspirations 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. The Group has also taken strategic initiatives to further position itself as an agile, high-performing conglomerate with a proven capacity for innovation and excellence. Our goal is to remain financially strong and in a position to continually embark on investments to maintain our market leadership and grow new businesses and competencies. In doing so, UMW will continue to uphold and adhere to the highest standards of corporate governance and integrity in achieving its desired objectives.

We recognise that our human assets are critical to our success and to this end we are committed to offering our employees a working environment which fosters a dynamic and performance-driven culture to drive our competitive advantage and enhance our unique value proposition.

Our exit from the listed O&G segment generated a significant and positive financial impact for the Group. If we had not successfully completed the exit, we would have had to continue to bear the listed entity's full-year loss and as the major shareholder, we would also have to participate in UMW O&G's recapitalisation exercise. This would have negatively impacted the Group's cash flow and financial health. UMW is now working to fully divest its non-listed O&G assets and from 2018 onwards, we should no longer be financially affected by these investments.

We look forward to strengthen our focus on our three core businesses of Automotive, Equipment and M&E and grow these operations through value-creation exercises, including inorganic expansion, joint ventures, geographical expansion and enhancement to our product range.

**“UMW remains steadfast in its aspirations 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. The Group has also taken strategic initiatives to further position itself as an agile, high-performing conglomerate with a proven capacity for innovation and excellence.”**



## MANAGEMENT DISCUSSION & ANALYSIS



UMW Aerospace rolls out its maiden fan case for Rolls-Royce's Trent 1000 TEN

### OUR OUTLOOK AND FUTURE STRATEGY

We are confident that 2018 will be a positive year for UMW. We anticipate a more favourable exchange rate environment which will drive improved earnings across all our business units. Our ongoing cost optimisation measures, including our procurement initiatives should also make a positive contribution to our financial performance.

For the Automotive Division, the primary thrust for UMWT is to enhance and optimise profitability. This objective will be supported by the scheduled commissioning of its second assembly plant in Bukit Raja, Klang, Selangor in early 2019, which will see the rollout of fresh and exciting completely knocked-down (CKD) models, including those that meet market demand for energy efficient vehicles. In an effort to address foreign exchange risk and offer more competitively-priced vehicles, the new plant will also increase localisation activities.

Our business outlook for 2018 is expected to be boosted by the prospects of better margins on the strengthening of the ringgit. UMWT is targeting sales of more than 70,000 units in 2018, a goal which will be supported by our plans to launch several exciting models. To widen its consumer base and promote a more youthful and sporty identity, UMWT is involved in variety of initiatives, such as the TOYOTA GAZOO Racing Festival, a weekend festival that offers entertainment and challenges, and the opportunity to test drive and purchase new Toyota models. Meanwhile, robust demand for entry level vehicles is expected to anchor Perodua's sales goal of 209,000 units in 2018.

On a latest development, we had on 9 March 2018, announced our intention to raise our stake in Perodua by acquiring 50.07% equity interest in MBMR Resources Berhad (**MBMR**) and additional 10.00% equity interest in Perodua from PNB Equity Resource Corporation Sdn Bhd, and the resultant proposed mandatory take-over offer for all the remaining MBMR shares (**Proposed MO**) not already owned by UMW (collectively referred to as the **Proposed Acquisition**).

The Proposed Acquisitions will allow UMW to increase its strategic stake in Perodua which continues to be the leading marque in Malaysia with successful recent launches. After the completion of the proposed MBMR acquisition and assuming the full acceptance of the Proposed MO, the Group's effective interest in Perodua will increase from 38.00% to 60.60%, which will further increase to 70.60% after the completion of the entire exercise.

In addition to strengthening its exposure in the Perodua marque, UMW will also increase its exposure in the commercial vehicle segment via MBMR's multi brand dealerships. MBMR's auto parts manufacturing business, namely its wheels manufacturing, safety products and noise, vibration and harshness products, will also widen UMW's offerings in the manufacturing segment.

The Proposed Acquisitions are consistent with UMW's strategy to enhance its core businesses in the automotive, equipment, manufacturing and engineering segments. It will allow the Group to further improve its prospects in the automotive segment via leveraging on Perodua's strength in the national car segment, coupled with our existing presence in the non-national car segment via the Toyota marque. The Proposed Acquisitions are also expected to allow UMW to benefit from economies of scale and create synergies, with an aim to enhance the Group's financial performance and shareholders' value.

## MANAGEMENT DISCUSSION & ANALYSIS



*Badrul Feisal Abdul Rahim briefing the Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamed at Malaysia Aerospace Summit 2017 (MyAero'17)*

On 13 March 2018, we announced that UMW has proposed to undertake a renounceable rights issue of ordinary shares to raise gross proceeds of up to RM1.1 billion to primarily repay a bridging facility to be obtained to finance the proposed acquisition of the MBMR shares and the Proposed MO.

Further information on the above proposals can be obtained via UMW's announcements to Bursa Malaysia Securities Berhad dated 9, 13, 26 and 28 March 2018 and 3 April 2018.

In the Equipment Division, our priorities are to expand our products and markets and to do so, we will continue to leverage on the strength of leading partners, such as Komatsu and Toyota Industries Corporation and we are optimistic that our operations in key ASEAN markets such as Vietnam and Myanmar will continue to benefit from the countries' favourable growth prospects. We will also enhance our value-added services to strengthen our capacity and expertise as a total solutions provider.

As well as continuing with the expansion of our core businesses, the M&E Division will also focus on increasing our presence in the HVM sector. We view HVM as a catalytic platform for our transformative shift to a future environment of high margins and increased capacity in high-precision engineering. We believe that our ascension of the manufacturing value chain will be a major contributor to our sustainable earnings. Our contract to supply fan cases to Rolls-Royce

is key to our HVM programme and the contribution of the aerospace sector to our HVM ambitions is expected to increase. We are also exploring other opportunities to venture into non-aerospace HVM projects.

In the lubricants segment, we are already the largest distributor of the Repsol brand outside Spain, an achievement we realised after just five years, and we expect the China market to continue to generate huge opportunities for the said brand. The robust expansion of our home-grown Grantt brand will also support the performance of our lubricants business and we will pursue entry and growth in ASEAN markets such as Indonesia by forging partnerships with strong local entities.

Finally in the O&G segment, the persistent low oil price environment will continue to present challenges for our unlisted O&G businesses, but the planned exit from the segment will diminish any adverse impact on our overall performance and enable us to increase our focus on our three core businesses.

**BADRUL FEISAL ABDUL RAHIM**  
President & Group Chief Executive Officer

# MANAGEMENT DISCUSSION & ANALYSIS

## OPERATIONAL PERFORMANCE



### SEGMENTAL REVIEW

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



The new Lexus LC 500

### SEGMENTAL RISKS

Our Automotive Division faces risks from the following areas -



#### Economic environment:

In 2018, the industry is expected to be supported by the strengthening of ringgit, which is expected to stabilise prices for consumers with the economic growth projected at above 5%. The Malaysian Automotive Association predicts that new car sales will grow marginally by 2.3% to 590,000 units. We are confident that launches of new models will enable the Automotive Division to maintain its share of TIV.

The improvements in the public transportation system and the increasing use of ride-hailing services are not expected to materially impact the industry. Sales may, however, be constrained by stringent loan approvals and margins of financing due to high levels of household debt.



#### Competition:

The automotive business is highly competitive and there is a growing range of prices and specifications for each category of vehicle from which consumers can choose.

UMWT intends to hold its leading position for non-national cars and in 2018 will launch several new models, including the C-HR, Harrier and Rush models and a new Camry variant. These models will come with modern specifications at least at par with their competitors.

The construction of the new Bukit Raja plant in Klang, Selangor is nearing completion and production is expected to start in 2019. The new plant will enable UMWT to improve its operational efficiency and cost competitiveness and enhance the value proposition for consumers. The RM1.87 billion facility will also enable UMWT to attain assembly rights for more models for the Malaysian market.

## MANAGEMENT DISCUSSION & ANALYSIS

### SEGMENTAL RISKS (CONT'D)



#### Distributor rights:

UMW does not anticipate any adverse change in the principal-distributor relationship, as UMW continues to strengthen its relationship with TMC, which is demonstrated by the companies' investment in the new Bukit Raja plant. Nonetheless, progress has been made to diversify its revenue stream through investment and expansion into other businesses, including aerospace.



#### Currency:

The Automotive Division has the largest exposure to currency risk because the imported completely knocked-down (CKD) and complete built-up (CBU) kits are transacted in US dollars. This remains a concern, but the continuing appreciation of the ringgit against the US dollar augurs well. UMW will continue to monitor currency movements with assistance from the Group's bankers and their projections. Together with UMW's existing hedging policies, it should enable the Group to better manage possible extreme fluctuations. In the longer term, UMW will focus on the localisation of parts manufacturing to reduce its exposure to the currency risk.



#### Inventory:

The market slowdown, cautious consumer sentiment, tight financing conditions and increasing competition are factors which have resulted in the Automotive Division holding a higher inventory than usual of new and used vehicles.

In line with market practices, the Automotive Division had also offered a range of promotions at year-end which continue into the Malaysian festive season. Incentives such as free vehicle servicing are expected to sustain the sales of new vehicles over the long-term. At the same time, the Automotive Division has also adopted more stringent stock and production planning to match internal projections. The launch of new models throughout the year is not expected to lift inventory levels.

Given that the value of used vehicles depreciates faster than the value of new vehicles, the Automotive Division has revised its guidelines for trade-in prices to ensure better reflection of market conditions and has also refurbished vehicles selected to be offered as 'Certified Pre-owned' which has improved sales.

#### SALES INCREASE BY

# +8.2%

#### VIOS

# 24,160

UNITS SOLD

#### HILUX

# 18,815

UNITS SOLD

#### CAMRY

# 3,341

UNITS SOLD

#### LEXUS & OTHERS

# 24,129

UNITS SOLD

#### BUSINESS UNITS

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

UMWT achieved new vehicle sales of 70,445 units in 2017, an increase of 8.2% from the 65,110 units sold in 2016. The overall market share of the passenger car segment in Malaysia rose to 12% from 11.2% in 2016 and the best-selling models were the Toyota Vios (24,160 units), Toyota Hilux (18,815 units) and Toyota Camry (3,341 units). The gross profit margin fell from 11.3% to 9.5%, mainly due to the increase in local and imported part costs resulting from the further weakening of the ringgit against the US dollar.

The Lexus NX 200t Special Edition, IS Minor Change and Lexus LC 500 models were unveiled this year. We also engaged in a range of promotional activities to spur the growth of Lexus vehicles, including the Lexus 'Drive the Sale' campaign, during which we showcased the futuristic Lexus SKYJET, and a Raya sales campaign which comprised a mini roadshow throughout the country and a promotional 'duit raya' rebate of RM500. Sales of Lexus models totalled 953 units in 2017, bringing the number of Lexus vehicles in circulation to 11,671 units.

## MANAGEMENT DISCUSSION & ANALYSIS



The brand new Toyota Innova 2.0X

In 2017, UMWT launched the Vios Sports Edition, Camry IMP, Innova 2.0X, Fortuner IMP and Hilux IMP models and began taking orders for the Harrier and C-HR SUV models. Enhancements to the model line-up and the introduction of more affordable CKD models in the SUV segment, are crucial in order to address the increasing competition in the segment and regain market share. New features and technologies were introduced in some models in 2017, including a panoramic view camera, a blind spot monitor and a wireless charger. The Harrier will come with the new Toyota Safety Sense feature, which includes a pre-crash system, adaptive cruise control, a lane keeping system and an adaptive high beam system for enhanced safety protection.

Customers' buying trend remained cautious throughout 2017, in part due to the stringent criteria for bank loans. To address this, UMWT offered a range of loan packages and incentives which included a Customer Retention Key for Key financing programme and the Easy GradSCHEME financing plan. UMWT will continue to strengthen its core brand values of quality and reliability and is promoting a more youthful and sporty identity via the TOYOTA GAZOO Racing festival and the 'All about the Drive' brand campaign. A network reform programme will strengthen retail operations and UMWT has transferred branch sales and operations to dealers in a move to improve the quality and quantity of both sales and aftersales.

We are pleased to report that for the second consecutive year, UMWT was ranked highest in overall customer satisfaction according to J.D. Power's 2017 Malaysia Customer Service Index study. In the sales satisfaction index, UMWT ranked equal first, taking the top spot for the fourth time in five years.

### ASSEMBLY SERVICES SDN BHD

Assembly Services Sdn Bhd (**ASSB**) is primarily involved in the assembly of Toyota vehicles for both the local and export markets, and the fitting of accessories.

During the year, production of the new Innovative International Multi-Purpose Vehicles (**IMV**) models for Toyota was ahead of budget with Hilux (18,189 units), Innova (6,066 units) and Fortuner (4,755 units). For 2017, ASSB

produced 57,520 units of Toyota vehicles representing 76% utilisation of total production capacity and continued to introduce new innovations. For example, the Innova 2.0X model benefited from the inclusion of two captain seats replacing the standard bench in the second row and enhancements to the Hilux will be unveiled in 2018.

J.D. Power's 2017 Malaysia Initial Quality Study survey ranked the Toyota Vios the highest in the entry midsize segment. ASSB was the recipient of several prestigious industry awards throughout the year such as -

- the Zero Field Action Achievement Award and the Warranty Reduction Award from Toyota Daihatsu Engineering and Manufacturing Co Ltd; and
- ISO 9001:2015 Certification for Provision of Plant Quality and Market Quality Services. Quality awareness campaign and company-wide quality training featured prominently throughout the year.

### 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's overall performance improved in 2017 over the previous year. Overall, sales volume fell by 6% with the strengthening of US dollar continue to increase the cost of materials and imported CKD components. AISB reported a higher PBT of RM36.0 million compared to RM33.7 million in 2016 due to higher sales volume and lower variable and fixed overhead costs.

Going forward, AISB intends to sustain its market leadership by focusing on the following -

- expanding in-house processes instead of outsourcing;
- diversifying its product range;
- collaborating with a Chinese supplier to develop less expensive parts;
- introducing enhancements to its monitoring system to eliminate waste; and
- maintaining excellent quality, cost, delivery, efficiency and management.

## MANAGEMENT DISCUSSION & ANALYSIS



*AISB's plant facilities*

In 2017, AISB's introduced a range of improvements, including the incorporation of Advantex Roving Wool in the new Perodua Myvi, a technical specification that improves noise reduction harshness and heat insulation performance and is more environmentally friendly.

In recognition of AISB's adherence to the highest operational standards, it was recertified with OHSAS 18001 and ISO 14001.

### TOYOTA BOSHOKU UMW SDN BHD

Toyota Boshoku UMW Sdn Bhd (**TBU**) is a joint venture with Toyota Boshoku Corporation, Japan. It manufactures and assembles 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 2017, TBU achieved production volume of 62,000 units, representing 77.5% utilisation of total production capacity. TBU's performance for the year was impacted by the highly competitive pricing and specifications environment, as well as the weakening of ringgit and this challenging climate is expected to continue into 2018. In response, TBU will engage in a number of in-house cost-cutting activities and capital expenditure management.

Throughout 2017, quality initiatives featured prominently and included a campaign organised in conjunction with the Toyota Boshoku group of companies worldwide. Working with the Human Resources Development Fund, TBU achieved more than 3,000 hours of training activities for its employees. In recognition of the company's commitment to the highest operational standards, in 2017, TBU received IMS ISO 9001 and ISO 14001 certification audit.



*Toyota Boshoku Group's annual Health, Safety and Environment (HSE) audit*

### PERUSAHAAN OTOMOBIL KEDUA SDN BHD

Against the backdrop of a slow-moving passenger vehicle market, Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**) maintained a stable market share of 35.5% for 2017 against 35.7% in 2016, based on a total sales volume of 204,887 units, which exceeded its target of 202,000 units for the year. Perodua retained its position as Malaysia's No. 1 carmaker in the country for the 12<sup>th</sup> consecutive year in 2017, buoyed by the introduction of the new Myvi and robust demand for the Bezza model.

Despite a GDP growth rate of 5.9%, performance in 2017 was negatively impacted by continued weak consumer sentiment, higher inflation and household debt, and stringent bank loans. The weakening of ringgit impacted the cost of CKD imports and compressed profit margin while the persistent issue of graduate unemployment continued to affect first-time buyers who are predominantly Perodua customers.

Total TIV for 2017 was 576,635 units, marginally lower than the 580,124 units recorded in 2016. This was caused by a drop in commercial vehicle sales, which fell 5.5% to 61,956 units compared to 65,579 in 2016. Passenger vehicle sales rose by 0.02% to 514,679 units.

Perodua's four models lead their respective vehicle segments in Malaysia. In 2017, Axia sold 67,464 units and has been Perodua's top selling model since its introduction in 2014, while Myvi sold 55,848 units, Bezza 53,541 units, and Alza 28,034 units. Total production for the year was 200,146 units, representing 80% utilisation.

## MANAGEMENT DISCUSSION & ANALYSIS



The official launch of the all-new Myvi

### AXIA

**67,464**  
UNITS SOLD

### MYVI

**55,848**  
UNITS SOLD

### BEZZA

**53,541**  
UNITS SOLD

### ALZA

**28,034**  
UNITS SOLD

The introduction of the all-new Myvi in November 2017 significantly refreshes the line-up. Targeted at higher-income customers, the model comes with an all-new upper body and interior, designed completely in-house, with a 5-star ASEAN NCAP safety rating. The new Myvi is equipped with four airbags for the standard variant and six airbags for the 1.5L variants, an ABS with electronic brake force distribution (EBD), vehicle stability control (VSC), traction control, emergency stop signal, ISOFIX, reverse sensors and seat belt reminders for all seats. It also comes with lighter and more fuel efficient aluminium block Dual VVT-I engines, built-in toll card reader, and digital air-conditioning with two memory settings.

The new Myvi is the first Malaysian brand, and first car in Malaysia, priced below RM100,000, to have the Advanced Safety Assist suite of active safety features, which comprise Pre-Collision Warning, Pre-Collision Braking, Front Departure Alert and Pedal Misoperation Control features. Improvements were also made to the Axia in 2017 to ensure that demand remains strong.

Going forward, Perodua is prepared to address many of the key challenges it faced in 2017, including strong competition from other carmakers, public transport systems and ride-hailing services as well as strict hire-purchase guidelines and generally cautious buying trends. Perodua is, however, optimistic that it will achieve its targeted 35% market share and 209,000 units sales target and increase production by 8.1% to 215,334 units.

Strategies to manage future risks include continuing cost cutting initiatives such as streamlining processes, eliminating waste, reduce, reuse and recycle programmes and rationalising manpower. Other initiatives include a continued focus on customer satisfaction including service reminders, after-sales programmes such as the Flexi Bijak service package and loyalty programmes such as UFirst.

In the face of increasing competition, Perodua will keep close track of competitors, continue to build on our reputation for reliable, high-quality and cost-competitive vehicles and increase efforts to move up the value chain to target new customer bases, especially additional car buyers and replacement car buyers. The success of this strategy is demonstrated by the fact that 85% of bookings for the new Myvi are for the more expensive 1.5L variants.

## MANAGEMENT DISCUSSION & ANALYSIS

In 2017, Perodua began its Transformation 2.0 Roadmap, a continuation from the Transformation 1.0 launched in 2011. The Roadmap outlines Perodua's short, medium and long-term goals for addressing and staying ahead of future challenges in the operating environment.

Key milestones within this Roadmap in 2017 included the following -

- launch of the new Myvi and upgrading of the facilities and equipment in Perodua Manufacturing Sdn Bhd as part of its plant modernisation;
- launch of Perodua's pre-owned vehicles (**POV**) retail business with the opening of the first POV showroom, Perodua KL - the RM1.7 million outlet sells new and fully refurbished cars with up to 18 months' extended warranty;
- initiatives to strengthen the professionalism of our human capital and the opening of the Perodua Dojo Training Centre in Selangor; and
- return of the Perodua Eco-Challenge, a long-running CSR programme which invites students from institutes of higher learning to research and develop new products with an emphasis on commercial potential.

Other milestones in 2017 included the roll-out of the one millionth Myvi in June, the launch of Bezza in Singapore in February, in Mauritius and Brunei in May and in Sri Lanka in June. A memorandum of understanding with Grab Malaysia was also executed to further improve fleet sales.

Perodua was the recipient of a number of recognitions in 2017, including the following -

- Putra Brand Award - Gold in Automobile Category;
- Perodua President and Chief Executive Officer Datuk (Dr) Aminar Rashid Salleh being conferred Business Person of the Year by the Asian Academy of Management, Universiti Sains Malaysia; and
- the Managing Director of Perodua Sales Sdn Bhd (**PSSB**), Dato' Dr Zahari Husin, being named Automotive Man of the Year in the Malaysia Car of the Year Award 2017.

### Bezza received the following awards during the year -

- Malaysia Car of the Year Award 2017 - Sedan & Hatchback Category (below RM50,000);
- The BrandLaureate BestBrand Award - Most Favourite Brand Award 2016-2017 - Automotive Sedan/Compact Cars;
- Frost & Sullivan Malaysia Excellence Awards - Car of the Year; and
- Frost & Sullivan Malaysia Excellence Awards - Debut Car of the Year.

### Myvi received the following awards in 2017 -

- Malaysia Car of the Year Award 2017 - Sedan & Hatchback Category (RM50,000 - RM60,000); and
- Carlist.my People's Choice Awards 2017 - Budget Car of the Year - the All-New Myvi 1.5.

### Axia received the following awards in 2017 -

- Frost & Sullivan Malaysia Excellence Awards - Value-For-Money (1.3L and below); and
- Vehicle of the Year 2017 Awards - Compact Car of the Year.

### Accreditations

Perodua and PSSB are certified to ISO 9001:2008 for Quality Management System and ISO 14001:2004 for Environmental Management System. Both companies have applied for the new ISO edition 9001:2015 and 14001:2015 and the upgrading certification audit took place in September and October 2017. The certification award will be announced by SIRIM QAS International Sdn Bhd in 2018.



# MANAGEMENT DISCUSSION & ANALYSIS



## SEGMENTAL REVIEW

Our Equipment Division is responsible for distributing equipment from globally renowned manufacturers for various sectors including logging, manufacturing, logistics and distribution, construction, industrial, mining and agricultural. Over the years, we have established ourselves as a leading distributor of equipment for brands including Komatsu, Toyota, BT, Raymond, Rosenbauer, Tennant and Bomag in the region. We have presence in Malaysia, Brunei, China, Papua New Guinea, Myanmar, Singapore and Vietnam.

In 2017, the Equipment Division reported revenue of RM1.46 billion against RM1.38 billion in 2016 and registered PBT of RM141.8 million compared with RM145.6 million in 2016.



Hand over ceremony of Toyota Diesel forklift to Johor Port Berhad

## SEGMENTAL RISKS

Our Equipment Division faces risks from the following areas -



### Economic environment:

A softer economic environment suppresses demand for new equipment purchases or leases as customers become 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 and leases. To mitigate this risk, we hold regular discussions with our partners to improve our value propositions which we then translate to our customers. The Division adopts initiatives such as ensuring operation uptime to key fleet customers, introduce models for specific applications, and expand fleet management rental business as ways to mitigate this risk. We also work on enhancing our customer retention and expansion programmes.



### Distributor rights:

As a franchised distributor for a range of equipment, we are exposed to the possibility of losing those rights. To mitigate this risk, we stay abreast of all changes to regulations in the equipment industry, ensuring that we always fulfil the terms and conditions of our agreements including meeting sales and marketing targets. We also maintain dedicated and highly knowledgeable teams to understand and work closely with our individual partners.

# MANAGEMENT DISCUSSION & ANALYSIS

## SEGMENTAL RISKS (CONT'D)



### Currency:

Our equipment is sourced from overseas and this exposes us to currency fluctuations in the US dollar and Japanese yen, and to a lesser extent the currencies of the other countries in which we operate. To mitigate this risk, we maintain a hedging policy with advisory from UMW's Group Finance and its bankers. For large orders, we liaise with our partners to include price fixing or fluctuation clauses. Quotation, order and payment cycles are made shorter and expedited to minimise the foreign exchange impact and we hold regular discussions with our partners on competitive pricing.



### Political:

Our operations are located in countries with different laws and regulations governing business activity that uses our equipment. Changes to these laws and regulations may adversely impact the segment's profitability. To mitigate this risk, we keep abreast of all developments in the countries in which we operate, employ a strong body of local manpower, and draw extensively on advice from UMW Group Finance and Group Strategy.

## MOVING FORWARD

With Malaysia's growth forecast to be above 5% in 2018, we expect an increase in the sales of new equipment, equipment rentals and parts and services. We remain concerned by the prospects of our overseas operations, especially in the jade mining sector. Demand in the timber and logging sectors is also not expected to improve significantly.

## BUSINESS UNITS

### HEAVY EQUIPMENT GROUP

- UMW Equipment Sdn Bhd
- UMW (East Malaysia) Sdn Bhd
- UMW Niugini Limited, Papua New Guinea
- UMW Engineering Services Limited, Myanmar

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

### UMW EQUIPMENT SDN BHD

In 2017, performance in the construction sector was spearheaded by the ongoing infrastructure projects, such as the MRT Line 2, the LRT Line 3, the Sungai Besi-Ulu Kelang Elevated Expressway, the Damansara-Shah Alam Elevated Expressway and the West Coast Expressway. However, other than these projects, the overall construction sector remained relatively slow. The quarry sector remained active in the Central region and Johor, catering mainly for the needs of infrastructure projects, the Refinery and Petrochemicals Integrated Development, and the Forest City Development. Mining activities in the East Coast region remained subdued due to the unattractive iron ore prices and the banning of bauxite mining throughout the year. Whilst gold mining in the said region was stable, mining activities remained small scale.

Despite the internal and external challenges faced by UMW Equipment Sdn Bhd (**UMW Equipment**) in 2017, deliveries of Komatsu and Bomag improved significantly, largely as a result of better support from principals, promotional campaigns and improvements in the overall market coverage. Nevertheless, the company continues to face intense competition from second-tier manufacturers, exchange rate volatility, lack of financial facility available for contractors and miners and competition from less expensive Korean and Chinese-made machinery.

To counter these challenges, UMW Equipment adopted a range of strategies which include among other, the following -

- Providing extended warranty programmes and maintenance servicing packages on core models to enhance competitiveness;
- Launching of the new Komatsu PC500LC-8R for mass excavations;
- Providing Service Operation Kaizen to support activities of the parts sales and service representatives for incremental parts and service sales; and
- Embarked on project and sector-based coverage to improve sales.

The challenges we experienced in 2017 are forecasted to continue into 2018 and UMW Equipment expects to face the additional challenge of employee turnover given intense competition in the industry. To this end, UMW Equipment intends to invest more heavily in career development and employee engagement. Other measures to ensure business sustainability in 2018 include working closely with principals, especially in the fleet deal and tender business, and continuing to ensure an excellent and trusted after-sales service and a reliable supply of high-quality equipment that exceeds customers' expectations.

## MANAGEMENT DISCUSSION & ANALYSIS



A group photo of representatives from UMW Equipment, Edgenta Propel and BOMAG GmbH after a successful operation and maintenance training session

UMW Equipment expects equipment demand in 2018 to be buoyed by the start of the East Coast Rail Link project, the Gemas to Johor Bahru double track rail project and hydro dam projects that will catalyse growth for the construction sector. Under the Fire and Rescue Department, fire truck sales have been secured for Senai International Airport and for Penang Port.

In the field of technology, UMW Equipment is working with Komatsu to introduce smart construction in Malaysia in the near future, a solutions service to enable customers to recognise the safe and smart job sites of the future. The initiative uses Komatsu ICT machines and Internet of Things (IoT) with high precision 3D data and real-time production engineering technology.

### UMW (EAST MALAYSIA) SDN BHD

UMW (East Malaysia) Sdn Bhd (**UMW EM**) reported an encouraging year for 2017, supported by the on-going Pan Borneo Highway Sarawak project and the development of rural roads under the State Government's rural transformation plan, which boosted demand for machinery from the construction and quarry sectors. UMW EM also benefited from the better-than-expected crude palm oil prices which sustained plantation companies' machinery purchases, boosting the delivery of heavy equipment machinery to the sector. The logging sector, on the other hand, remains under pressure due to the requirement to comply with the certification of the concession areas for sustainability, higher cess payment for hill logs, lower export quotas and lower demand from India due to the imposition of the 18% GST on logs.

UMW EM's performance in 2017 was also bolstered by a deal with Shin Yang Group for new Komatsu PC350-8MO excavators and value-added initiatives such as extended power train warranties (which also enhanced the company's competitiveness). Key challenges during the year came from competitors offering easy credit terms and in-house financing and buy back guarantees.

In the coming year, UMW EM's performance will benefit from the following -

- award of Phase 2 of the Pan Borneo Highway Sarawak project;
- award of 30 work packages relating to the Pan Borneo Sabah Highway project;
- construction of the Baleh Hydroelectric Dam; and
- Government's rural transformation programme.

In addition to the above, the ongoing replanting of aging oil palm trees and the replacement cycle of plantation machineries is also expected to have a positive impact on the business.

UMW EM has a range of measures in place to ensure its sustainability. To address currency risk, the company will employ hedging mechanisms to ensure that its products are competitively priced, and to maximise productivity. UMW EM will also work closely with customers to establish their operational needs and machine requirements and provide quality after-sales support. To ensure the availability of parts, UMW EM will carry out more parts and service overhauling campaigns and conduct product roadshows, to lift market awareness.

## MANAGEMENT DISCUSSION & ANALYSIS



*Pre-inspection delivery of Komatsu 155A Crawler Tractor to Kelantan Public Works Department*

### UMW NIUGINI LIMITED, PAPUA NEW GUINEA

UMW Niugini Limited (**UMW Niugini**) is principally involved in the trading of Komatsu Heavy Equipment and related services and spare parts in Papua New Guinea (**PNG**). It is mainly focused on the sale of Komatsu equipment which represents the major brand out of the four brands which the company represents in PNG. The other brands are FG Wilson, Stihl and Bomag.

PNG is facing a shortage of foreign currency and government funds and this weighed on UMW Niugini's results for the year. The company expects 2018 to be another challenging year and the immediate focus is to sustain operations in the midst of the foreign currency issue. To address this, the company will engage closely with its bankers and maintain a currency exposure threshold at all times. In an effort to lift revenue, UMW Niugini will focus on the mining business which improved substantially in 2017.

### UMW ENGINEERING SERVICES LIMITED, MYANMAR

Formed in 1999, UMW Engineering Services Limited (**UESL**) is the exclusive distributor for Komatsu construction, mining and utilities equipment and Bomag road-building equipment in Myanmar.

Throughout the year, UESL continued to focus on jade mining, resource mining, the construction and quarry industries and government sectors. UESL also sought to build on the confidence of its mining investors with quality after-sales product support extending beyond the expiry of the warranty period and enhanced by a site stationed product support team, and also visited customers in the mining industries on the Reman components programme.

During the year, UESL's performance in construction segment was affected by stiff price and payment terms offered by other equipment suppliers. Furthermore, demand for mining equipment from the jade industry stalled and construction and infrastructure projects suffered delays due to government restrictions.

UESL maintained a close working relationship with Komatsu on pricing and specifications, establish closer partnerships with existing customers to build confidence, and expand market share to other sectors, notably construction and industrial. UESL will also work closely with Komatsu Reman Myanmar Co Ltd to supply major Reman components for the mining sector and control operating and capital expenditure. The development of Komatsu Learning System will enhance the competencies of service management and technical staff.

To stay ahead of any government amendments and regulatory changes which may negatively impact the company's operations, UESL will ensure that staff keep abreast with the regulatory changes and developments.

### UMW INDUSTRIES (1985) SDN BHD

UMW Industries (1985) Sdn Bhd (**UMW Industries**) specialises in material handling and supplying of industrial floor cleaning equipment. The company represents some of the world's most recognised brands of industrial equipment including Toyota, BT, Raymond and Tennant. UMW Industries is the market leader in Malaysia with approximately 50% market share.

## MANAGEMENT DISCUSSION & ANALYSIS

Against the backdrop of a global economy, foreign exchange volatility, intense competition and talent procurement challenges, UMW Industries met its targeted revenue and PBT for 2017 due largely to its focus on growth sectors such as the warehouse and logistics industries. Other contributing factors were the company's fleet management programme, a strong performance in after-sales service, productivity improvement programmes and prudent cost management.

In line with UMW Industries' continued commitment to go Beyond Boundaries in the pursuit of operational excellence, in 2017 the company organised a 'New Logistics Trends and Solutions' seminar for its logistics, warehouse and supply chain customers so as to introduce to them the solutions and technology that can lower warehouse operating costs and increase operational efficiency.

In 2018, currency volatility, and uncertain economic outlook and trade issues are expected to again impact earnings and in response, UMW Industries will undertake the following -

- Work closely with its principals to deliver quality products and services;
- Focus on growth markets such as fleet management, warehouse and logistics and food and beverage;
- Introduce productivity improvements to manage costs; and
- Intensify efforts to preserve key accounts and practice 5S and Kobetsu/Toyota Lean Logistics Programme activities to improve staff productivity and reduce resource wastage.

In collaboration with the Toyota principal, UMW Industries will implement IoT technologies to support its operational transformation and implement Service Mobile, an initiative with Toyota Industries Corporation to improve service and after-sales efficiency.

In 2017, UMW Industries was re-certified under the OSHAS 18001 and 5S programmes. Under the 2016 Toyota Material Handling International Award Programme, UMW Industries received Platinum Club Recognition, President's Award Bronze and the Vision 2020 Award.

### 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.

In 2017, revenue and PBT were affected by the cautious purchasing climate in both the transport engineering and construction sectors. In the industrial equipment sector, the market size for forklift fell 24% over 2016. To retain its market leader position, UEEPL worked closely with Toyota in campaigns to promote forklifts and encourage

customers to rent or trade in their used machines. There was competitive pricing by all forklift distributors to capture market share and loan interest rates increased which also impacted our business. Customers were, however, still able to access the Productivity and Innovation Credit Scheme (**PIC**) for their equipment purchase and UEEPL also benefited from good support from the principal. In the heavy equipment business, UEEPL worked with Komatsu Used Equipment Corporation to sell ex-rental excavators in a move designed to sell off aging units with high maintenance costs and replace them with new excavators. The cost containment exercise was a success.

For UEEPL, the key highlights of 2017 included the following -

- award of a six-year rental contract with an option of a four-year extension to supply a fleet of Toyota electric tow tractors to Changi Airport;
- delivery of semi-automatic VNA trucks to warehouse sector; and
- rental fleet contract to supply Komatsu excavators and Komatsu wheel loaders to the waste recycling sector.

Going into 2018, UEEPL is prepared to face a number of challenges. The company does not expect an immediate improvement to declining revenue and profits but will continue to look for new business opportunities via joint ventures or acquisitions. UEEPL will continue to develop new automation products and expertise, implement the Toyota Lean Logistics Programme and Toyota IoT Service Module. The implementation of Toyota T-Basis CRM Module and to work closely with UMW Training Centre to conduct refresher training are also part of the initiative for improvement.

The company also expects a slowdown in the purchasing of equipment due to the expiry of PIC schemes and to this end, will continue to engage principals on market conditions and the activities of its competitors and also aims to offer customers a premium and a value machine option. To counter anticipated fluctuations in foreign currency, UEEPL will remain vigilant in currency hedging.

In 2017, in recognition of its adherence to the highest quality standards, the company received OHSAS 18001 re-certification, Bizsafe Star re-certification and MPC 5S certification.



Special preview of the new Rosenbauer Light Firefighting & Rescue Truck (LFRT)

## MANAGEMENT DISCUSSION & ANALYSIS



Testing and commissioning of Desmi oil spill response equipment in Port Klang waters

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

UMW Equipment Systems (Vietnam) Company Limited (**UESV**) distributes Toyota and BT material handling equipment.

In 2017, UESV performed well in a very competitive environment with more than 20 brands on the market, remaining a preferential choice among multinational companies as a reliable supplier and service provider. Revenue and PBT rose on higher sales in the equipment and parts and service segments following the opening of UESV's new branch in Quang Ngai in Central Vietnam which expanded coverage in the country.

UESV is focused on building its sales and service network coverage across Vietnam and expanding its skilled manpower to provide enhanced customer service support. In 2017, UESV introduced Raymond battery powered warehouse forklifts in the Mekong Delta, targeting the active food processing industry. The forklift was well received and this augurs well for the segment in the region. Business conditions are expected to remain competitive in 2018, but the segment is confident of achieving its target for the year, barring unforeseen factors such as major shifts in government policy which could increase operation costs. To lift efficiency and productivity, UESV plans to implement IoT for service activity, I-Site for monitoring forklift operation and performance and the Toyota T-Basis CRM module.

Looking further ahead, UESV is optimistic about its future in Vietnam. Market demand is expected to swell given the inflow of foreign investment and a population predicted to reach 100 million in the next five years. In 2017, foreign direct investment in Vietnam hit a record high of US\$35.88 billion, up 44% over 2016, and GDP registered growth of 6.81% with strong contributions from the agro-forestry-fishery industry, construction and service sectors.

UESV holds Toyota's After Sales Evaluation and Certification (**ASEC**) and in 2017 obtained ASEC certifications for its Quang Ngai branch and renewal for the Bac Ninh branch.

### 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 three companies.

In 2017, UMW Shanghai posted stronger revenue and PBT than in the previous year. The sector was boosted by China's 6.9% GDP growth and the positive impact of the One Belt One Road initiative.

Competition from foreign and local brands remained intense. Foreign brands accounted for around 40,000 units, of which our principals, Toyota, BT and Raymond brands accounted for just over 10%. UMW Shanghai established a strong and loyal service team to boost customer confidence, and started a new agency brand, the Tailift range, to compete with local Chinese brands.

Going into 2018, UMW Shanghai expects business in China to remain similar to 2017, although performance may be boosted when the company begins to distribute Tailift products. Battery-powered forklift trucks will be the main focus of UMW Shanghai's future endeavours, both in terms of sales and rental business, due to the strict environmental policies imposed by the Chinese government. To remain sustainable, UMW Shanghai plans to intensify its working relationship with Toyota and will continue to provide value-added service to customers as a long-term solutions provider for the material handling business in China as well as high quality after-sales services. UMW Shanghai is currently renewing its License of Repair and ASEC certification in China.

As the Group expands its business in China in the coming years, it recognises that success relies on having a business model in place that is sufficiently flexible and dynamic to respond with speed to China's fast-changing business environment as well as a specialised and loyal workforce. To this end, the Group will continue to work closely with the principal and senior management and develop a comprehensive remuneration package of rewards and recognition based on performance.

### 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, the O&G sector and port authorities as potential customers.

## MANAGEMENT DISCUSSION & ANALYSIS

In 2017, UMWIP posted lower revenue and operating profit. The major events, both domestically and internationally, that impacted business were -

- The low price of oil in 2016, which created uncertainties and cautious market in 2017, led to deferment of exploration and production projects as well as reduction to capital expenditure and operating expenses by major clients;
- Oversupply of tugboats in the shipping industry;
- Shifting of semiconductor and tobacco plants to Thailand, Vietnam and Indonesia;
- More contracts awarded to Chinese engineering, procurement and construction contractors, who tend to support and import Chinese products; and
- Higher expenses due to an internal merger exercise in which UMW Synergistic Generation Sdn Bhd (now known as UMW Industrial Power Services Sdn Bhd) acquired UMW IP.

UMWIP unveiled a range of measures to mitigate the impact of these developments, which included -

- **Exploring** the non-O&G market and establishing new client bases, for example, combine heat and power generation, renewable energy and oil spill management for government and private ports. The company managed to secure some contracts and results will be shown in 2018;
- **Enhancing** product and service offerings with customised packages, systems solutions, rental fleet maintenance, long-term service agreements and working with clients who are considering outsource;
- **Securing** certification from the Malaysian Public Works Department (**JKR**) for gensets made in China and conducting customer awareness initiatives to build confidence. This measure was successful in East Malaysia and will be duplicated in other markets; and
- **Working** with Group Human Resources to develop a sales and technical team in training, recruitment and succession planning initiatives.

The major operational highlights for 2017 were as follows -

### Compressors

#### Industrial

This is a mature market, which is mainly dependent on the manufacturing sector and price considerations play an important role. Centrifugal compressors are in demand due to their reliability and proven technology. Strong support from the principal and a good relationship with customers are important factors in securing orders.

The market showed some improvement towards the end of 2017 and UMWIP secured several key contracts, including a contract from Petronas Carigali to be delivered in 2018, with Petronas Gas for downstream operations and a long-term service agreement to maintain their compressor fleet, and a three-year extension contract with Shell Sarawak.

### Diesel Engine Generators

A new product from Shanghai Diesel Engine Company Ltd (**SDEC**) from China was introduced to improve market share and has gained acceptance after being successfully registered on JKR's Electrical Material Approved List. SDEC has also offered UMW distribution rights for Myanmar and Indonesia.



The new SDEC 33W Marine Diesel Engine

### New Business – Oil Spill Response Equipment

UMWIP made new inroad when it successfully delivered oil booms and skimmers to the Malaysian Maritime Enforcement Agency (**MMEA**) to be used on their six newly-built offshore patrol vessels (**OPVs**). The company secured a contract to supply oil spill response equipment (OSRE) to MMEA to be installed on the new 80 metre OPVs currently under fabrication at Destini Shipyard.

Other key wins for UMWIP during 2017 included entry to the Electrical Material Approved List for SDEC gensets - the first and only Chinese brand to be approved by JKR - and the award of the Most Valuable Distributor in Southeast Asia from SDEC. UMWIP also successfully developed a compressor package for the offshore market.

## MANAGEMENT DISCUSSION & ANALYSIS



### SEGMENTAL REVIEW

UMW's M&E Division is primarily responsible for the manufacturing of products in the aerospace and automotive industries, and the blending and distribution of lubricants. We work with leading brands in each industry to manufacture and supply products for Malaysia and other markets in Southeast Asia.



The maiden fan case is off to Seletar Aerospace Park in Singapore

Our automotive components segment is one of the leading suppliers of OEM and replacement market (REM) automotive products in Malaysia. Our KYB-UMW Group manufactures high-quality shock absorbers, motorcycle suspension units and hydraulic power-steering pumps and systems. In the lubricants segment, we blend, market and distribute Pennzoil, Repsol and our in-house brand, Grantt, and we have blending plants in Malaysia and China. Our recent expansion into the aerospace industry with our maiden long-term contract with Rolls-Royce marks our migration from labour-intensive production into high-value manufacturing and makes us the first Malaysian-owned company to become a Tier-1 supplier for the British engine maker.

In 2017, the M&E Division reported an improved revenue of RM645.1 million, compared with RM601.5 million in 2016, supported in part by positive contributions from the automotive components manufacturing business. However, the Division registered LBT of RM17.7 million in 2017 compared with PBT of RM24.6 million in 2016, largely due to the pre-operating expenses of RM60.4 million incurred for the aerospace business. The adverse impact is expected to diminish as the fan case manufacturing plant commences full commercial operations.



## MANAGEMENT DISCUSSION & ANALYSIS

### SEGMENTAL RISKS

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



#### Economic environment:

A softer economic environment suppresses business activity, which in turn reduces demand for our products. With projected national growth and TIV of 590,000 projected for 2018, we anticipate a favourable economic climate for the automotive segment in the coming year and in areas where we are OEM suppliers, we will explore expansion opportunities and focus on Group synergies.



#### Competition:

Competition from substitute products from lower-cost sources is a concern for our automotive component and lubricant businesses and is exacerbated by OEM customers sourcing globally and reducing their contracts with us. To address this risk, we will selectively refocus on the aftermarket business and re-evaluate some businesses with a view towards divestment.



#### Distributor rights:

For our lubricant agreements, we are currently in negotiations for contract extensions or renewals. To mitigate this risk, we plan to aggressively market our home-grown brand, Grantt, and gain significant foothold in Malaysia, China and Indonesia.



#### Foreign exchange:

We source some raw materials from overseas sources denominated in US dollar, Japanese yen and euro. To mitigate the risk of currency fluctuations, there is a comprehensive hedging policy with advisory from UMW Group Finance and its bankers. The strengthening of the ringgit will also lessen this risk.



#### New venture:

Our new venture risk into the field of aerospace has transitioned to timely and quality production and delivery of fan cases. The success of our operations also depends on the availability of a highly-specialised workforce and to mitigate this risk, we will continue to identify and select qualified candidates for the requisite training and certifications to ensure that we maintain our standards of quality and competency.



Lubritech Limited, China is now certified with OHSAS 18001:2007

### MOVING FORWARD

The automotive and motorcycle market is expected to further strengthen and positively impact our revenue. REM sales for both the domestic and export markets are expected to contribute higher revenue due to the stable market conditions and the introduction of new products.

The lubricant business in Malaysia is growing and we already have projects in place to expand our manufacturing capacity to meet the increased demand. We also expect our lubricant business in China and Indonesia to increase.

Our aerospace business with Rolls-Royce is progressing according to schedule and is currently in the ramp-up stage to deliver the fan cases in line with the contractual requirements.

## MANAGEMENT DISCUSSION & ANALYSIS



*Repsol – MotoGP world champion Marc Marquez unveils the new range of Repsol passenger car lubricants at the Sepang International Circuit*

### BUSINESS UNITS

#### UMW AEROSPACE SDN BHD

UMW Aerospace Sdn Bhd (**UMW Aerospace**) was established in July 2015 for our 25+5 year agreement with Rolls-Royce to manufacture fan cases for Trent 1000 TEN and Trent 7000 aero engines.

We completed the set-up phase in 2017 and delivered the first Trent 1000 TEN fan case to Rolls-Royce Seletar in Singapore on 29 November 2017, as planned. The delivery, achieved 27 months after the contract was signed, represents one of the fastest aerospace engine component development programmes of its kind and was a historic milestone for the UMW Group and Malaysia's aviation industry in general. Throughout the set-up phase, we continued to work closely with Rolls-Royce across all levels of management and business.

The company reported a loss of RM56.2 million for the year - in line with the approved 2017 budget. We expect to ramp-up production in 2018 with the delivery of 80 fan cases. There were no significant changes in the foreign currency translation and UMW Aerospace works closely with UMW Group Finance to hedge foreign exchange portions and reduce fluctuation risk.

However, 2017 was not without challenges. These included qualifying welders for the highly specialised titanium welding operations to follow international and Rolls-Royce industry standards and maintaining the stability of the manual welding operations to support our plans to ramp-up production. All the qualifying manufacturing processes had gone through rigorous process audit approach and complied with Rolls-Royce's AS9100C and National Aerospace and Defence Contractors Accreditation Programme - Chemical (**NADCAP**) requirements.

In August 2017, UMW Aerospace achieved its Aerospace Basic Quality System Standard, AS9000 certification and in September 2017, NADCAP certification, a standard requirement by Rolls-Royce and the Federal Aviation Administration (FAA).

During the Rolls-Royce Global Aerospace Supplier Conference 2018 in London, UK, held from 6 to 7 March 2018, UMW Aerospace won the coveted 'Trusted to Deliver Excellence' award. This event acknowledges the best-in-class providers, manufacturers and suppliers that make the Rolls-Royce Aerospace supplier industry one of the most competitive in the world.

## MANAGEMENT DISCUSSION & ANALYSIS

### LUBE GROUP

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

The Lube Group manufactures, sells and distributes automotive and industrial lubricants for the Malaysian market and key export markets and clients.

In 2017, revenue increased to RM226.4 million, compared to RM204.2 million in 2016. The Lube Group holds a 12% market share of the estimated lubricants demand of around 300 million litres in Malaysia and our growth of 4.4% year-on-year was in line with the domestic lubricant market growth of 4% year-on-year.

Although actual PBT exceeded budget of RM7.1 million, our performance was negatively impacted by a multitude of domestic and international factors. The ringgit depreciation and the increase in the global crude oil price lifted the price of base oils and additives and major players continued to affect pricing on key segments such as consumer, transportation and industrial. The performance was also adversely affected by the continued flooding of parallel imports in the market on top of the many new local brands, aggressive seasonal and non-seasonal offers and company tax structure and GST.

Throughout the year, we employed a range of mechanisms to deal with these challenges including a comprehensive advertising and promotion programme to support revenue growth, engaging in aggressive cost-cutting initiatives and undertaking natural hedging and quarterly price reviews to mitigate forex losses. To increase the footprint of our Grantt brand, we participated in exhibitions in Vietnam, the Philippines, Thailand and Myanmar.

Despite the challenging environment, some major operational highlights buoyed the year. Grantt successfully penetrated the Vietnam market and also has established presence in Cambodia, Brunei and Singapore. We also appointed a distributor for the Philippines market and product registration is in progress.

Through plant capacity upgrades, namely the addition of two blending kettles and eight holding tanks, we were able to almost double our annual plant capacity and we expect to complete this upgrading initiative by mid-2018.

In 2018, the Lube Group will focus resources for higher growth in business-to-business (B2B) and export market segments as we are targeting Thailand and Myanmar as new export markets. Various activities are to be held, such as field tests with key fleet operators to be more prepared for the impact of crude oil price increases on the price of base oil, additives and packaging materials. The Lube Group will continue with quarterly price reviews for key customers like JX Nippon

Oil & Energy Asia Pte Ltd and high street customers to mitigate these risks and at the same time continue working with UMW IT Services Sdn Bhd (**UITS**) to introduce new apps, namely, Inventory Management, Remote Ordering System, Sales-In-Sales-Out and Service to further improve the efficiency.

As part of our ongoing adherence to the highest standards of quality, we have initiated the following-

- LEANAero™ projects to reduce incoming label rejection from packaging suppliers;
- Set-up Mieruka Board to all filling lines to provide visual management for in-house rejects in order to address them;
- revamped our procedures for inspecting incoming packaging;
- established statistical quality control in the laboratory; and
- revamped supplier evaluation procedures including co-pack suppliers.

The ENEOS Approved Blending Plant Certification was renewed until 2020 and we also received ISO/IEC 17025:2005 accreditation for our laboratory until 2020.

### 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 a market leader in the OEM and REM.

In 2017, the KYB-UMW Group fulfilled all customers' orders for their new models, including the Mitsubishi Outlander, SYM SM Sport and the new Perodua Myvi. The addition of the new models enhanced KYB-UMW's market share to 52% in 2017 from 49% in 2016. The KYB-UMW Group also improved REM sales for both the domestic and export markets last year and expects to sustain OEM sales in 2018. The KYB-UMW Group also successfully diversified the product category of suspension parts such as oil spring and top mounting and achieved the sales target of RM1 million.

The replacement market for Four Wheeler expanded by 12% in 2017, achieving the highest sales record of 1.02 million pieces and for export, the KYB-UMW Group received orders for 31 parts. In the motorcycle segment, the KYB-UMW Group achieved a 33% increase in sales to RM13.5 million. These achievements enabled the KYB-UMW Group to increase turnover to RM322.3 million in 2017 as compared to RM306.2 million in 2016, a result which was achieved despite the appreciation of the US dollar, Japanese yen and euro which led to higher material costs and an increase in royalties to KYB Corporation, Japan.

## MANAGEMENT DISCUSSION & ANALYSIS



*UMW senior management welcomes the President of KYB Corporation, Yasusuke Nakajima to UMW*

Our performance was helped by cost-cutting initiatives such as localisation and resourcing activities which brought down some material and logistic costs and helped improve our price competitiveness. Reduction in fixed costs such as labour costs, repair and maintenance and consumable costs, and improvements to the efficiency of our production process.

Throughout the year, R&D sales activities were mainly focused on parts of the REM for both local and export as they remained growth areas. The OEM segment remained challenging and we implemented client-focused programmes to grow the OEM business for the Honda and SYM businesses. The KYB-UMW Group also took part in a range of sales and promotions initiatives, including PETRONAS Cub Prix events at Batu Kawan in Pulau Pinang, Pasir Puteh in Kelantan, Teluk Intan in Perak, Tangkak in Johor, Temerloh in Pahang, Jempol in Negeri Sembilan, Jasin in Melaka, Bandar Penawar in Johor and the Malaysia Agro Exposition Park in Selangor as well as two KYB roadshow events at Kuantan in Pahang and Kuching in Sarawak.

Going into 2018, we will be faced with several challenges. Increasing raw material costs will require the KYB-UMW Group to obtain from cheaper sources such as India and expedite localisation, lower export profitability due to forex losses will require us to intensify our cost reduction activities, and rising labour costs will see us modernising some facilities to improve productivity and efficiency.

The Plant Transformation Project will enable the KYB-UMW Group to centralise operations, improve productivity and efficiency and build production capacity especially for hard chrome plating lines to meet increasing demand for the domestic and export markets. The focus will be to sustain the OEM share and expand REM sales for both domestic and export markets, grow the suspension kit business and continue our cost-cutting initiatives to further reduce the material cost ratio. The manufacturing logistics initiative will minimise production lead, reduce our inventory levels and workforce. The expected result is to set up a new highly automated standard type assembly line to meet customer requirements and improve process efficiency.

In the field of quality initiatives, the KYB-UMW Group meets the targets set by the Quality Innovation Taskforce to reduce contamination in KYB shock absorbers and has been upgraded from ISO 14001:2004 to ISO 14001:2015. The KYB-UMW Group met all the requirements for ISO/TS 16949 surveillance audit.

# MANAGEMENT DISCUSSION & ANALYSIS



## SEGMENTAL REVIEW

UMW's 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 the trading of oilfield products. The Division comprises both listed and unlisted assets.

UMW has announced its strategic decision to exit the O&G business and is optimistic that most of its O&G businesses can be disposed or liquidated by the end of 2018. The Group will nonetheless undertake the disposals of those businesses in a rigorous process to ensure the best value returns. A dedicated team, overseen by an ad hoc Board Committee, has been formed to provide strategic guidance and direction to management on matters relating to divestment options and proposals in the context of achieving the objective of exiting all investments under the O&G Unlisted Group within the agreed timeline.

While the Group's O&G businesses are in the process of being disposed or liquidated, these companies are expected to continue with their normal business operations unless otherwise stated.



## SEGMENTAL REVIEW

The companies grouped under this Division are non-core which includes companies that provide support services to our core companies such as property, financing and technological support.



MOU signing ceremony between UMW Land Sdn Bhd and Malaysian Investment Development Authority (MIDA) to build Aerospace Manufacturing Park

## MANAGEMENT DISCUSSION & ANALYSIS

Given our Group's focus on property as we seek to diversify our revenue stream, we present a separate risk summary for the segment. It faces risk in the following areas -

### SEGMENTAL RISKS



#### Authority and regulatory approvals:

Approval for the Serendah Development Masterplan may be delayed and necessary measures are being taken to address it. During the completion of our aerospace facility in Serendah, we worked closely with authorities and this good rapport should help us overcome any obstacles in obtaining the new approvals. Once we have all the approvals in hand, we anticipate a substantial gross development value for this project over the long-term.



#### Funding:

As the business grew, UMW Development Sdn Bhd (**UMWD**) needs to source its own funding and may face funding risk. The Group will therefore continue to provide the necessary backing until UMWD can source funds independently.

### BUSINESS UNITS

#### UMW DEVELOPMENT SDN BHD

UMWD was formed as a joint venture between UMW Corporation Sdn Bhd (**UMWC**), Permodalan Nasional Berhad (**PNB**) and Permodalan Negeri Selangor Berhad (**PNSB**).

In 2017, UMWC concluded the acquisition of the remaining 10% shares of the company from PNSB raising UMWC's shareholding to 100%, after UMWC acquired PNB's 39% shares in the company in 2016.

UMWD is currently preparing development plans and aspires to fully realise the value of UMW Group's land in Serendah within the next few years.

#### UMW LAND SDN BHD

A key aim of UMW Land Sdn Bhd (**UMW Land**) is to generate growth for the Group by developing our 861-acre land bank in Serendah into Malaysia's first integrated industrial park focused on high-value manufacturing and advanced technologies. Known as UMW High Value Manufacturing Park, the park will attract companies in high technology sectors such as aerospace, medical equipment, rail and automotive. In March 2018, the project was given further impetus when UMW Land signed a memorandum of understanding with Malaysian Investment Development Authority (**MIDA**) to collaborate in the park's development.

Throughout the year, UMW Land attended major industrial exhibitions in Malaysia and Europe to raise investor awareness and at the end of 2017, sold two acres of land to T7 Global Bhd to set up a metal surface treatment plant. UMW Land is in advanced negotiations with other investors to establish manufacturing plants in Serendah and with support from Malaysia External Trade Development Corporation and MIDA will further promote the park and expand its marketing efforts.

## MANAGEMENT DISCUSSION & ANALYSIS



Mr Kuah Kock Heng, President of Toyota Capital Malaysia officiates the opening of Penang new office

### TOYOTA CAPITAL MALAYSIA SDN BHD

Toyota Capital Malaysia Sdn Bhd (**TCAPM**) is a joint venture between Toyota Financial Services Corporation and UMWC and offers automotive financing services for Toyota and Lexus customers.

Despite the challenging operating environment in 2017, TCAPM ended the year in profit with RM5.06 billion in total managed assets and 122,000 customer accounts. In recognition of this performance, RAM Ratings reaffirmed TCAPM with AAA Corporate Credit Rating.

During the year, TCAPM was involved in several customer and community initiatives designed to attract and retain Toyota customers. The company collaborated with UMWT in the 'Best in Town' activities, which included a Customer Retention Key for Key financing plan. Through this programme, TCAPM invited selected customers to trade in their old Toyota for a new one and yet pay the same monthly instalment. Together with UMWT, TCAPM also took part in university roadshows and career fairs to promote the Toyota Vios model to graduates by offering the TCAPM Easy GradSCHEME financing plan. To provide an enhanced customer service experience and cater to future business expansion, TCAPM relocated its Northern branch in Prai to larger premises in the centre of Penang Island.

To ensure financial sustainability, TCAPM is focusing on enhanced risk and scorecard management and on developing sustainable growth by collaborating with Toyota dealers and improving the competitiveness of its financial offerings. TCAPM is also making improvements to its productivity and efficiency and working closely with UMWT to support the transformation of branches into dealers.

### U-TRAVELWIDE SDN BHD

U-Travelwide Sdn Bhd (**U-Travelwide**) provides travel agency services for the travel needs of our Group's personnel. The company stays ahead of technological developments and new product offerings in the industry to provide the Group with an efficient and state-of-the-art service. Throughout 2017, U-Travelwide continued with its cost-cutting initiatives, which once again lifted its financial

performance. Working closely with airlines which have corporate fare agreements with the UMW Group also positively impacted the company's results. To widen revenue, U-Travelwide also offers services to non-Group customers.

U-Travelwide faces the typical operational risks of businesses that have to make upfront payments on behalf of customers. Debtors' risks are mitigated by carrying out stringent background and financial assessments of customers before granting credit facilities and there is close periodical monitoring and follow-ups to ensure debtors are effectively managed.

U-Travelwide also faces difficulty in competitively packaging its offerings to sufficiently match other high volume travel agents, which may lead to the loss of key corporate customers. As stated above, this is mitigated by engaging in joint efforts with airlines for promotional products and packages. Furthermore, product pricing is reviewed at least twice a year in order to remain competitive.

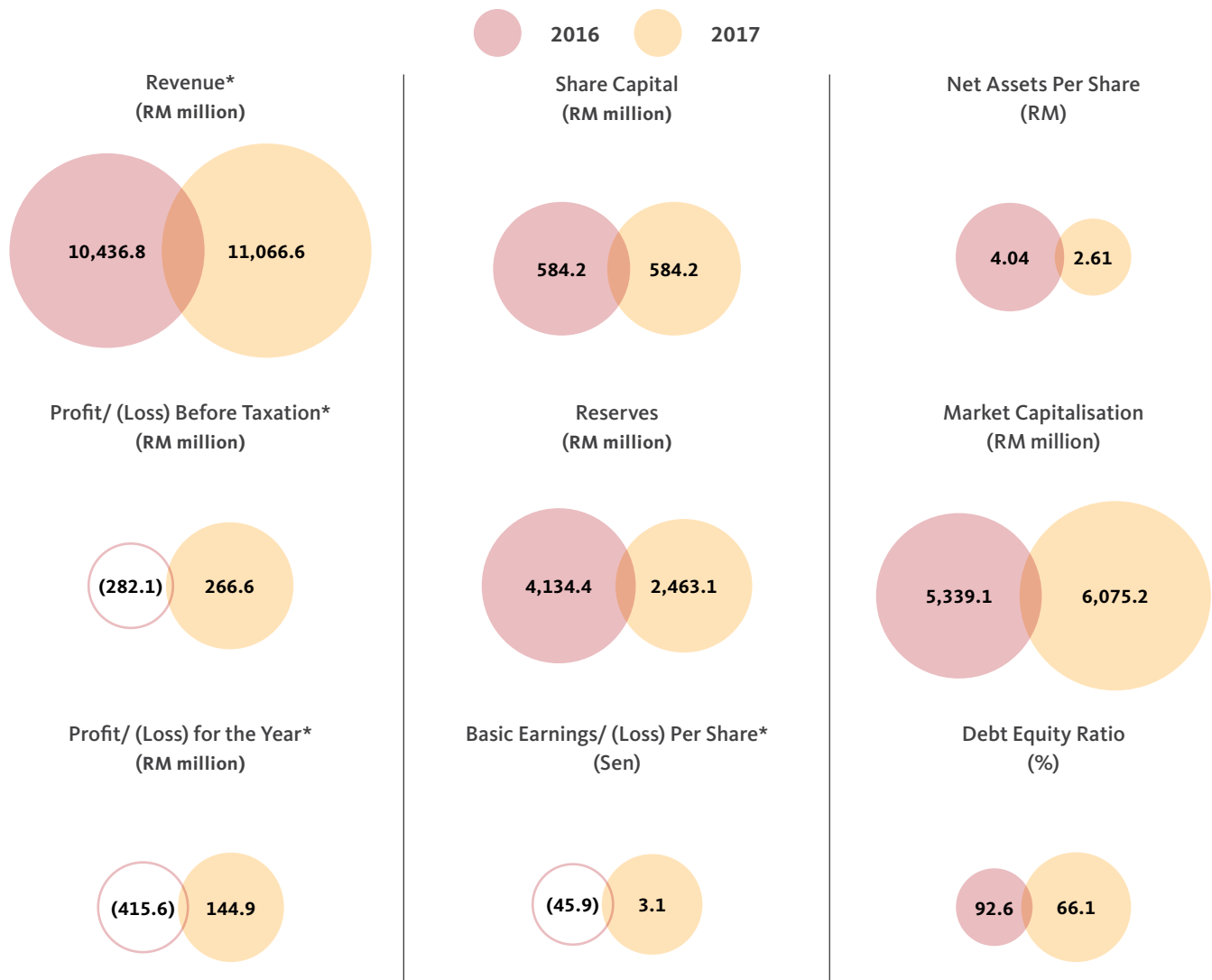
### UMW TECHNOLOGY SDN BHD

Established in 2015, UMW Technology Sdn Bhd (**UTech**) acts as an investment holding company to facilitate UMW's entry into the global technology industry. The following year, UTech entered into a collaboration with Sparks Lab International Inc, a renowned co-working service provider based in New York, US that serves North American and European technology companies and start-ups, which enables UTech to access the global innovation and technology sector, which converges in the US.

In 2016, UTech also formed UMW IT Services Sdn Bhd (**UITS**) to digitise the UMW Group's processes. The company provides in-house IT services to the Group's multiple sectors in the areas of core infrastructure, applications and end-user devices, including digital services to the Group's aerospace advanced manufacturing facility in Serendah. UITS continues to focus on modernising the Group's technology infrastructure, with an emphasis on Cloud computing technology and cybersecurity.

# SUMMARY OF GROUP RESULTS

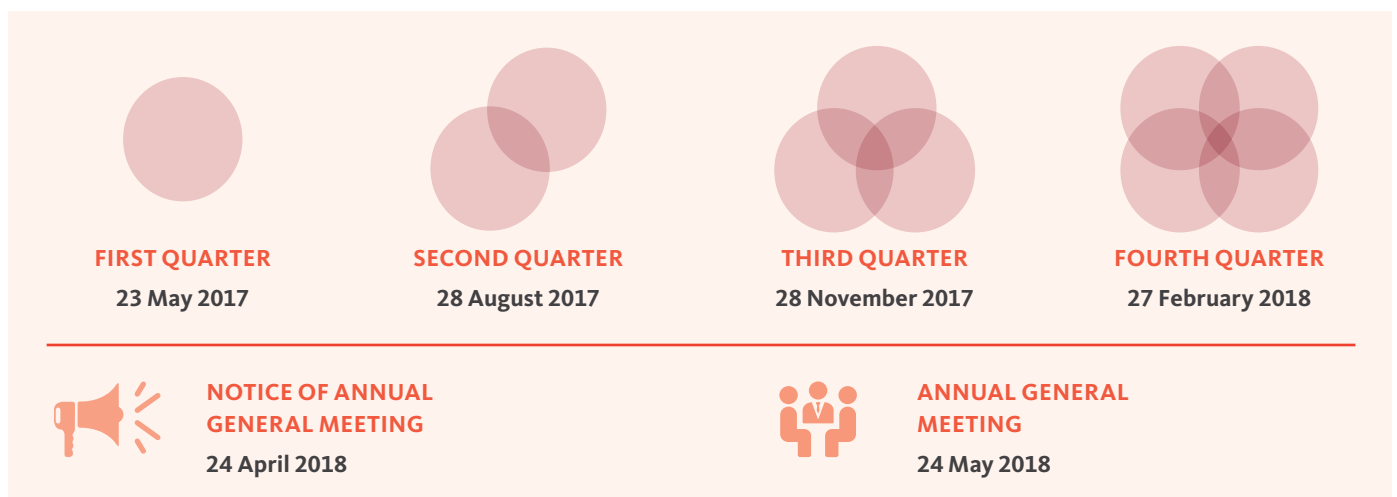
FINANCIAL YEAR ENDED 31 DECEMBER 2017



\* The financial results have excluded discontinued operations to arrive at amounts shown in the consolidated statement of comprehensive income.

## FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 DECEMBER 2017





# FIVE-YEAR GROUP SUMMARY RESULTS

FINANCIAL YEAR ENDED 31 DECEMBER 2017

FINANCIAL YEAR ENDED 31 DECEMBER		2013	2014	2015	2016 *	2017 *
<b>OPERATING RESULTS</b>						
Revenue	RM million	13,951.5	14,932.5	14,441.6	10,436.8	<b>11,066.6</b>
Profit/(Loss) Before Taxation and Zakat	RM million	1,435.7	1,621.5	269.7	(282.1)	<b>266.6</b>
Profit/(Loss) for the Year	RM million	1,084.2	1,213.0	2.2	(415.6)	<b>144.9</b>
Profit/(Loss) Attributable to Equity Holders of the Company	RM million	652.9	652.0	(37.2)	(536.5)	<b>35.3</b>
<b>OTHER KEY FINANCIAL POSITION</b>						
Shareholders' Funds	RM million	6,290.4	6,580.5	6,584.5	4,718.6	<b>3,047.2</b>
Total Assets	RM million	14,595.2	16,519.7	18,225.3	16,286.4	<b>10,095.7</b>
Total Liabilities	RM million	5,662.6	7,086.6	8,841.4	9,422.2	<b>5,917.3</b>
<b>SHARE INFORMATION</b>						
<b>Per Share</b>						
- Earnings/(Loss) (Basic)	Sen	55.9	55.8	(3.2)	(45.9)	<b>3.1</b>
- Gross Dividend	Sen	44.0	41.0	20.0	-	-
- Net Assets	RM	5.39	5.63	5.64	4.04	<b>2.61</b>
<b>Share Price Information</b>						
- Share Price at Year End	RM	12.06	10.96	7.87	4.57	<b>5.20</b>
- Market Capitalisation as at Year End	RM million	14,089.7	12,804.5	9,194.5	5,339.1	<b>6,075.2</b>
<b>FINANCIAL RATIOS</b>						
Return on Shareholders' Funds	%	11.7	10.1	(0.6)	(9.5)	<b>0.9</b>
Return on Total Assets	%	9.8	9.8	1.5	(1.7)	<b>2.6</b>
Debt Equity Ratio	%	33.5	44.4	64.1	92.6	<b>66.1</b>
Dividend Rate - Gross	%	88.0	82.0	40.0	-	-
Dividend Yield	%	3.4	3.6	2.1	-	-
Dividend Payout Ratio <sup>#</sup>	%	78.7	76.1	>100	-	-

# 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.

\* The financial results have excluded discontinued operations to arrive at amounts shown in the consolidated statement of comprehensive income.

## REVENUE\*

RM MILLION

**11,066.6**

2016: RM10,436.8 million

## PROFIT/(LOSS) BEFORE TAXATION AND ZAKAT\*

RM MILLION

**266.6**

2016: (RM282.1 million)

## SHARE CAPITAL

RM MILLION

**584.2**

2016: RM584.2 million

# BOARD OF DIRECTORS



From left to right

*(Seated)*

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

*Group Chairman/  
Non-Independent Non-Executive Director*

**DATO' ESHAH MEOR SULEIMAN**

*Independent Non-Executive Director*

**TAN SRI HASMAH ABDULLAH**

*Independent Non-Executive Director*

**DATO' SIOW KIM LUN**

*Senior Independent Non-Executive Director*

**KHALID SUFAT**

*Independent Non-Executive Director*

**DATIN PADUKA KARTINI**

**HJ ABDUL MANAF**

*Non-Independent Non-Executive Director*

## BOARD OF DIRECTORS



From left to right

*(Seated)*

**BADRUL FEISAL ABDUL RAHIM**

*President & Group Chief Executive Officer/  
Executive Director*

**SALWAH ABDUL SHUKOR**

*Non-Independent Non-Executive Director*

**DR VEERINDERJEET SINGH**

*Independent Non-Executive Director*

**LIM TZE SEONG**

*Non-Independent Non-Executive Director*

**MOHD SHAHAZWAN MOHD HARRIS**

*Independent Non-Executive Director*

**MOHD NOR AZAM MOHD SALLEH**

*Group Secretary*

# DIRECTORS' PROFILE



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

GROUP CHAIRMAN /  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 66 , Malaysian  
Board Committee Membership  
*None*

### Qualifications

- Honorary Doctorate Degree in Finance and Investment, Management & Science University, Malaysia
- 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

- 25 May 2017

### Directorships of Other Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

### Number of Board Meetings Attended in the Financial Year

- 14/14

### Working Experience and Occupation

Tan Sri Dato' Sri Hamad Kama Piah Che Othman was the President & Group Chief Executive Officer of Permodalan Nasional Berhad (PNB) until his retirement on 30 September 2016. He had been with PNB since 1979 and had served as a Director on the Boards of PNB, Amanah Saham Nasional Berhad, Pelaburan Hartanah Nasional Berhad and Amanah Mutual Berhad.

Throughout his corporate career, he had also served on various Boards of Malaysia's largest corporations, among others, as Deputy Chairman of Sime Darby Berhad, Chairman of Chemical Company of Malaysia Berhad and Sime UEP Properties Berhad. He was also a Director of MNRB Holdings Berhad and Titan Chemicals Corporation Berhad and several private companies.

He is currently the Chairman of E-Lock Corporation Sdn Bhd, Universiti Malaysia Kelantan and UITM Holdings Sdn Bhd, as well as a Director of Professional Golf Association of Malaysia and a Trustee of Yayasan Karyawan. He is also a member of the Board of Control of Dewan Bahasa dan Pustaka.

During his illustrious career spanning more than 30 years, he had been involved in various facets of PNB's operations, including investment and portfolio management, real estate investment and management, corporate finance and restructuring as well as unit trust management.

## DIRECTORS' PROFILE



### **BADRUL FEISAL ABDUL RAHIM** PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

Male, Age 48, Malaysian

**Board Committee Membership**  
*Investment Committee*

#### Qualifications

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

#### 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

- None

##### Non-Listed

- None

#### Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

#### Number of Board Meetings Attended in the Financial Year

- 13/14

#### Working Experience and Occupation

Badrul Feisal 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 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.

He is currently an Adjunct Professor at the Manufacturing Engineering Centre of Learning, Universiti Malaysia Perlis, a member of UniKL Industrial Advisory Board of Universiti Kuala Lumpur and also council member of Universiti Malaysia Kelantan.

## DIRECTORS' PROFILE



### DATO' SIOW KIM LUN

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 67, Malaysian

#### Board Committee Memberships

*Nomination & Remuneration Committee (Chairman)*

*Investment Committee (Chairman)*

*Audit Committee*

#### Qualifications

- Masters in Business Administration, Catholic University of Leuven, Belgium
- Bachelor of Economics (Hons.), Universiti Kebangsaan Malaysia
- Advanced Management Programme, 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
- Eco World International Berhad

##### Non-Listed

- Citibank Berhad
- Hong Leong Assurance Berhad
- Radiant Globaltech Berhad

#### Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

#### Number of Board Meetings Attended in the Financial Year

- 12/14

#### 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.

## DIRECTORS' PROFILE



### **KHALID SUFAT** INDEPENDENT NON-EXECUTIVE DIRECTOR

**Male, Age 62, Malaysian**

#### **Board Committee Memberships**

*Audit Committee (Chairman)*  
*Nomination & Remuneration Committee*  
*Investment Committee*  
*Whistle-Blowing Committee*

#### **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

#### **Interest in Securities of the Company and its Subsidiaries**

(as at 31 March 2018)

- None

#### **Number of Board Meetings Attended in the Financial Year**

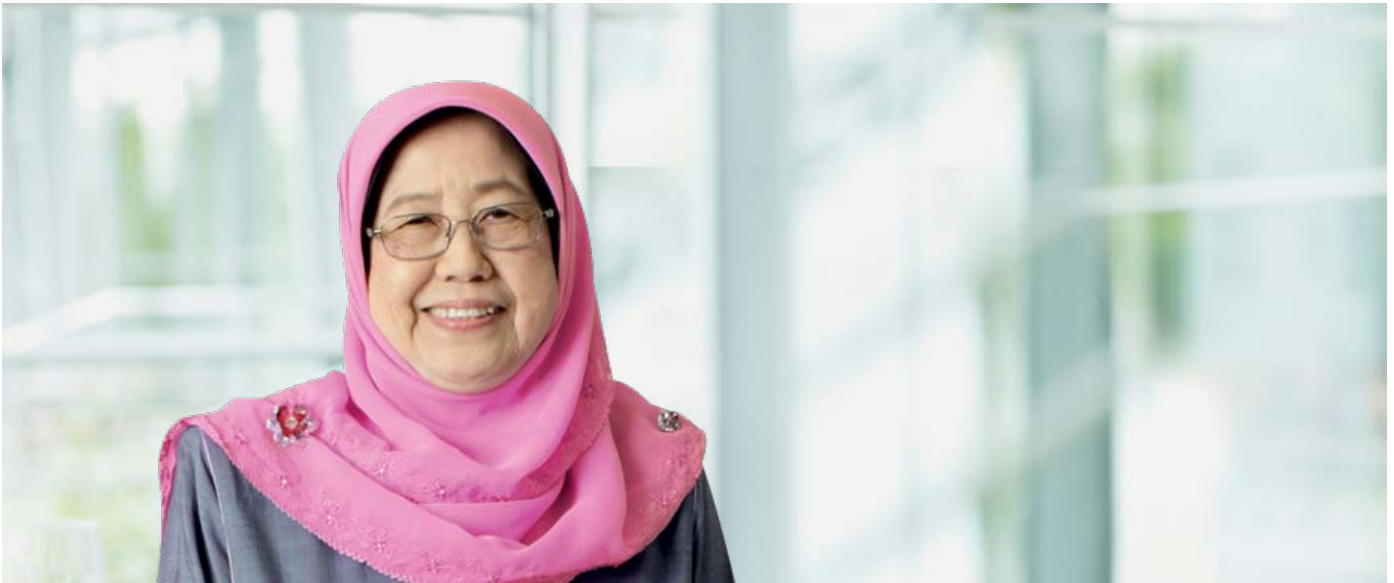
- 13/14

#### **Working Experience and Occupation**

Khalid 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.

On 1 June 2017, Khalid was appointed on the Board of Employees Provident Fund (Professional Representative).

## DIRECTORS' PROFILE



### TAN SRI HASMAH ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Female, Age 67, Malaysian

#### Board Committee Memberships

*Risk Management Committee (Chairperson)*

*Whistle-Blowing Committee (Chairperson)*

*Audit Committee*

#### 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

#### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

#### Number of Board Meetings Attended in the Financial Year

- 13/14

#### Working Experience and Occupation

Tan Sri Hasmah 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.



## DIRECTORS' PROFILE



### **DATO' ESHAH MEOR SULEIMAN** INDEPENDENT NON-EXECUTIVE DIRECTOR

**Female, Age 63, Malaysian**

#### **Board Committee Memberships**

*Nomination & Remuneration Committee  
Risk Management Committee  
Whistle-Blowing Committee*

#### **Qualifications**

- Master of Business Administration, 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**

- 25 May 2017

#### **Directorships of Other Public Companies**

##### **Listed**

- None

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

- None

#### **Interest in Securities of the Company and its Subsidiaries**

(as at 31 March 2018)

- None

#### **Number of Board Meetings Attended in the Financial Year**

- 14/14

#### **Working Experience and Occupation**

Dato' Eshah 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 of 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.

## DIRECTORS' PROFILE



### DATIN PADUKA KARTINI HJ ABDUL MANAF

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Female, Age 56, Malaysian

**Board Committee Memberships**  
*Nomination & Remuneration Committee*  
*Investment Committee*

#### Qualifications

- Master of Business Administration, Ohio University, USA
- Bachelor of Business Administration, Ohio University, USA
- Diploma in Banking Studies, Universiti Teknologi MARA, Malaysia
- Certified Financial Planner, Financial Planning Association of Malaysia
- Capital Markets Services Representative License, Securities Commission, Malaysia

#### Membership of Associations

- None

#### Date Appointed to the Board

- 15 June 2017

#### Date of Last Re-election

- Not applicable

#### Directorships of Other Public Companies

##### Listed

- Chemical Company of Malaysia Berhad
- Sime Darby Berhad

##### Non-Listed

- None

#### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

#### Number of Board Meetings Attended in the Financial Year

- 6/6 (since her appointment)

#### Working Experience and Occupation

Datin Paduka Kartini Hj Abdul Manaf started her career with Permodalan Nasional Berhad (**PNB**) in March 1983 and is presently its Deputy President, Strategic Investment. In her career spanning over 30 years at PNB, she had served in various capacities and had been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.

Currently, Datin Paduka Kartini is a Director of Universiti Malaysia Kelantan.

## DIRECTORS' PROFILE



### SALWAH ABDUL SHUKOR

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Female, Age 49, Malaysian

**Board Committee Memberships**  
*Risk Management Committee*  
*Whistle-Blowing Committee*

#### Qualifications

- LLB. (Hons.), University of Bristol, UK
- Diploma in Shariah Law and Practice, International Islamic University, Malaysia

#### Membership of Associations

- None

#### Date Appointed to the Board

- 15 June 2017

#### Date of Last Re-election

- Not applicable

#### Directorships of Other Public Companies

##### Listed

- None

##### Non-Listed

- None

#### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

#### Number of Board Meetings Attended in the Financial Year

- 5/6 (since her appointment)

#### Working Experience and Occupation

Salwah Abdul Shukor is currently a Partner and Head of the Corporate Department and Intellectual Property at Zain & Co She has been with the firm since 1994 and was made a partner in 2000. Prior to joining Zain & Co, she was with Messrs Arthur Andersen & Co, London.

Salwah has specialised experience in mergers and acquisitions, initial public offerings, intellectual property advisory, and Shariah family matters including estate planning. She has been consistently ranked as a leading lawyer by Chambers Global and Asia Pacific-Legal 500 in the area of Mergers & Acquisitions as a respected practitioner in the market, "rated for her sound technical expertise and spot-on legal knowledge".

Salwah is currently a member of the Bursa Malaysia Listing Committee. She also sits on the Disciplinary Committee Panel of the Advocates and Solicitors Disciplinary Board and the Member Engagement Committee of Meritas Law Firms Worldwide. She is a trustee on the Board of GOLD (Generating Employment for the Learning Disabled) as well as the advisory Boards of Charity Right and Sultan Ahmad Shah Environment Trust.

## DIRECTORS' PROFILE



### DR VEERINDERJEET SINGH INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 61, Malaysian

**Board Committee Membership**  
*Audit Committee*

#### Qualifications

- Bachelor of Accounting (First Class Hons.), University of Malaya
- Ph.D, Universiti Putra Malaysia

#### Membership of Associations

- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Chartered Tax Institute of Malaysia (CTIM)
- Member of CPA Australia

#### Date Appointed to the Board

- 15 June 2017

#### Date of Last Re-election

- Not applicable

#### Directorships of Other Public Companies

##### Listed

- None

##### Non-Listed

- Malaysian Rating Corporation Berhad
- AmBank (M) Berhad

#### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- 66 shares in UMW Holdings Berhad

#### Number of Board Meetings Attended in the Financial Year

- 5/6 (since his appointment)

#### Working Experience and Occupation

Dr Veerinderjeet Singh has extensive tax experience, having been a tax partner in international accounting firms and having worked with the Malaysian Inland Revenue Department. He is currently the Chairman of Axcelasia Taxand Malaysia Sdn Bhd which is a member of the Taxand Global Organisation of independent tax advisory firms. He is also the Non-Executive Chairman of Axcelasia Inc which is a Singapore listed holding company of various entities (including Axcelasia Taxand Sdn Bhd) offering integrated professional services.

Dr Veerinderjeet is a Past President of CTIM and was also the Immediate Past Chairman of the International Fiscal Association - Malaysia Branch. He is a Council member and an Executive Committee member of MICPA. He is also an appointed Council Member of the MIA. Dr Veerinderjeet also sits on the Board of Trustees of the International Bureau of Fiscal Documentation, based in Amsterdam. In January 2012, he was appointed to the Commission on Taxation of the International Chamber of Commerce based in Paris.

Dr Veerinderjeet has written more than 100 publications, including books and articles in local newspapers and in local and international tax, law and accounting journals. He has advised on a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects. He has served as an Adjunct Professor at the University of Malaya and as a Visiting Fellow at the Business School, Taylor's University. He is currently an Adjunct Professor at the Business School, Monash University Malaysia.

## DIRECTORS' PROFILE



### MOHD SHAHAZWAN MOHD HARRIS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 46, Malaysian

#### Board Committee Memberships

*Investment Committee*  
*Risk Management Committee*

#### Qualifications

- Sloan Fellows Master of Business Administration in Leadership and Innovation, Massachusetts Institute of Technology, USA
- Master of Science in Advanced Mechanical Engineering, Imperial College of Science, Technology and Medicine, UK
- Bachelor of Engineering Degree in Mechanical Engineering, University of Warwick, UK

#### Membership of Associations

- None

#### Date Appointed to the Board

- 15 June 2017

#### Date of Last Re-election

- Not Applicable

#### Directorships of Other Public Companies

##### Listed

- None

##### Non-Listed

- None

#### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

#### Number of Board Meetings Attended in the Financial Year

- 5/6 (since his appointment)

#### Working Experience and Occupation

Mohd Shahazwan Mohd Harris was an Executive Director in the Investments Division of Khazanah Nasional Berhad (**Khazanah**) until April 2016. He joined Khazanah in January 2005 and had covered various sectors, including Aviation, Energy, Infrastructure, Sustainable Development, Healthcare and Technology. He was the Executive Director overseeing the restructuring of Malaysia Airlines Berhad between 2012 to 2016. Throughout his career at Khazanah, he had worked across Asia and Europe.

Prior to joining Khazanah, Mohd Shahazwan was with Boston Consulting Group, where he worked extensively in the regional energy sector. Prior to that, he had also worked with PA Consulting Group in Kuala Lumpur and Jakarta, and with Tenaga Nasional Berhad.

Mohd Shahazwan had also served as a Director of Malaysia Airlines Berhad, Pantai Holdings Berhad, UEM Edgenta Berhad, Opus International Consultants Limited (listed on the New Zealand Stock Exchange) and other private companies. He is currently a Senior Advisor to Bain & Co and Corporate Advisor to Temasek International Advisory (Singapore).

## DIRECTORS' PROFILE



### LIM TZE SEONG

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 52, Malaysian

Board Committee Membership

None

#### Qualifications

- Master of Business Administration, University of Wales, UK
- Chartered Institute of Management Accountants, UK

#### Membership of Associations

- None

#### Date Appointed to the Board

- 1 January 2018

#### Date of Last Re-election

- Not Applicable

#### Directorships of Other Public Companies

##### Listed

- None

##### Non-Listed

- None

#### Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

#### Number of Board Meetings Attended in the Financial Year

- Not applicable as he was appointed as Director on 1 January 2018.

#### Working Experience and Occupation

Lim Tze Seong is the Head, International Equity Department of Employees' Provident Fund (EPF), responsible for managing international equity investments through internal and external portfolio managers. Before assuming his present position in EPF, he had previously held the position of Manager, Equity Department and Senior Manager, International Equity Department.

Prior to joining EPF in 2006, he held senior positions in Malaysia's leading fund management companies from 1997-2006 with responsibilities over diverse investment mandates. Lim also served as an investment analyst in a major investment bank from 1991-1997.

#### Notes -

1. Save as disclosed below, none of the Directors has any family relationship with any Director and/or major shareholder of the Company -
  - Tan Sri Dato' Sri Hamad Kama Piah Che Othman, Datin Paduka Kartini Hj Abdul Manaf and Salwah Abdul Shukur are nominees of Permodalan Nasional Berhad.
  - Lim Tze Seong is a nominee of Employees Provident Fund Board.
2. None of the Directors has any conflict of interest with the Company and has any conviction for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed by any regulatory body in the year under review.
3. None of the Directors has transacted in any of the Company's securities in the year under review.

# MANAGEMENT COMMITTEE



**BADRUL FEISAL ABDUL RAHIM**  
President & Group Chief Executive Officer

*Profile presented on page 53.*



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

*Male, Age 59, Malaysian*

#### **Qualifications**

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

#### **Membership of Associations**

- Malaysian Institute of Accountants

#### **Date Appointed to Management Committee**

- 1 September 2009

#### **Working Experience**

Azmin 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, Finance. 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.

#### **Directorships in Public Companies**

##### **Listed**

- None

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

- None

#### **Interest in Securities of the Company and its Subsidiaries**

(as at 31 March 2018)

- None

## MANAGEMENT COMMITTEE



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

*Male, Age 52, 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 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.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None



**ROZA SHAHNAZ OMAR**  
Director, Group Strategy

*Female, Age 51, 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 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.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None



## MANAGEMENT COMMITTEE



**RAVINDRAN KURUSAMY**  
President, UMW Toyota Motor Sdn Bhd

*Male, Age 54, 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 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.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None



**LEE CHIN MIN**  
President, Equipment Division

*Male, Age 60, 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.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- 1,554 shares in UMW Holdings Berhad

## MANAGEMENT COMMITTEE



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

*Male, Age 48, 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 Nordin has over 25 years of skill sets in strategy and growth, turnaround, 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 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 before being redesignated President on 1 December 2015.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None



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

*Male, Age 50, 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 Abdul Hamid was a legal practitioner 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 Petroliaam 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 the production of fan cases for Rolls-Royce Trent 1000 TEN/7000 aircraft engines. UMW Land will undertake to unlock the value of Serendah land via development of UMW High Value Manufacturing Park (**HVM**) in Serendah.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

## MANAGEMENT COMMITTEE



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

*Female, Age 50, 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 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 UMW 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.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None



**MUZAFAR MUNZIR**  
Senior Group General Counsel/  
Head of Group Management Services

*Male, Age 52, 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 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.

### Directorships in Public Companies

#### Listed

- None

#### Non-Listed

- None

### Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

### Notes -

1. Save as disclosed, none of the Management Committee members has any family relationship with any Director and/or major shareholder of the Company.
2. None of the Management Committee members has any conflict of interest with the Company or any conviction for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed by any regulatory body in the year under review.
3. None of the Management Committee members has transacted in any of the Company's securities in the year under review.

# GROUP CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

*“The Board is committed to cultivate responsible organisation by ensuring excellence in Corporate Governance standards at all times, as it firmly believes that the Group’s ethical and governance culture is largely shaped by the tone at the top and must be embedded across the Group.”*



The Board, management and employees 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. It is widely accepted that a company’s corporate governance begins and ends with its Board of Directors.

Our Corporate Governance Overview strives to provide a practical snapshot 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.

I am pleased to present our application of the principles enumerated in the Malaysian Code on Corporate Governance 2017 (MCCG 2017) throughout this statement.

## LEADERSHIP

As a Board, we are responsible for the stewardship of the Company and for protecting and growing the long-term value of UMW for the benefit of its shareholders. We are accountable to shareholders for the decisions that we make.

Our governance framework helps to protect shareholders’ investment by ensuring that processes are in place for decisions to be made by the right people, with the right information and within the right environment, having debated and given due consideration to the appropriate matters.

Towards this, the Board is committed to cultivate responsible organisation by ensuring excellence in CG standards at all times, as it firmly believes that the Group’s ethical and governance culture is largely shaped by the tone at the top and must be embedded across the Group. The Board plays an active role in advising, administering and reviewing the Group’s governance framework and practices for implementation Group-wide.

## CULTURE

At UMW we always seek to operate at the highest ethical standards. Doing the right thing runs through everything we do - it’s in our DNA.

As an organisation with a heritage stretching back more than 100 years, 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.

As a Board, setting and demonstrating the values and behaviours that we expect from our employees is not enough. We also need to ensure that these values and standards are understood and embedded within the Group.

Mindful of the increasingly regulated environment in which we operate, during the year under review, we made considered efforts to adhere to the new MCCG 2017 to further raise the bar in the Group’s CG standard through various measures for implementation in 2017.

## EFFECTIVENESS

As the Group Chairman, I always believe that an effective Board does not place itself in a comfortable setting and it does not remain static. As with all living organisms, the Board, being a body of individuals, should constantly evolve in response to the environment which it operates.

## GROUP CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE



UMW Board members at the seminar on "Companies Act 2016: New Governance Framework for Directors & Management and its Impact"

Maintaining a skilled, balanced and effective Board is crucial for the long-term success of the Group. I am confident that the composition of our Board, which comprises skilled and experienced individuals, provides the appropriate balance of challenge and support to ensure that it operates effectively and makes the best possible decisions.

We believe that diversity in Board composition is an important driver for the Board's effectiveness, creating a breadth of perspectives among Directors.

In discharging our responsibilities, we as Directors, must fulfil our duty of care, skill and diligence in a conscientious manner, as the Board bears the ultimate responsibility for the Company's values and actions.

### ACCOUNTABILITY

It is vital that the Board members see their directorship as a journey of stewardship rather than a position of privilege. The notion of stewardship points that Directors have a responsibility not only to themselves but to the Company, its shareholders and the wider group of stakeholders.

The Board is ultimately responsible for setting the risk appetite of the Group and for maintaining appropriate risk management systems. During the year, we continued to refine our risk procedures and strengthen our risk assurance processes in response to changes to our risk profile.

This statement is to be read together with the Corporate Governance Report 2017 (**CG Report 2017**) which is available on the Company's website. The CG Report 2017 provides the details on how the Company has applied each practice under MCCG 2017 as well as the departures and alternative measures in place within the Company throughout the financial year 2017.

I conclude by saying that the Board is highly committed to maintaining strong governance that honours integrity, transparency, accountability and responsible conduct, as it firmly believes that strong governance will position us to deliver strong growth and greater sustainable value for all our stakeholders.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## LEADERSHIP

The Board recognises its responsibilities in governing, guiding and monitoring the performance of the entire Group. We are responsible for the stewardship and long-term success of UMW. Our overarching aim is to create sustainable value for the benefit of our shareholders. Principally, we achieve this through -

- Promoting good corporate governance culture within the UMW Group;
- Establishing and reviewing the strategic direction of the Group;
- Overseeing and evaluating the conduct of the Group's businesses;
- Ensuring the integrity of the Company's financial and non-financial reporting;
- Identifying principal risks and ensuring the implementation of appropriate systems for managing risk;
- Establishing succession planning;
- Ensuring the existence of a good investor relations programme and shareholder communication policy; and
- Reviewing the adequacy and integrity of Management Information and of the Internal Control System.

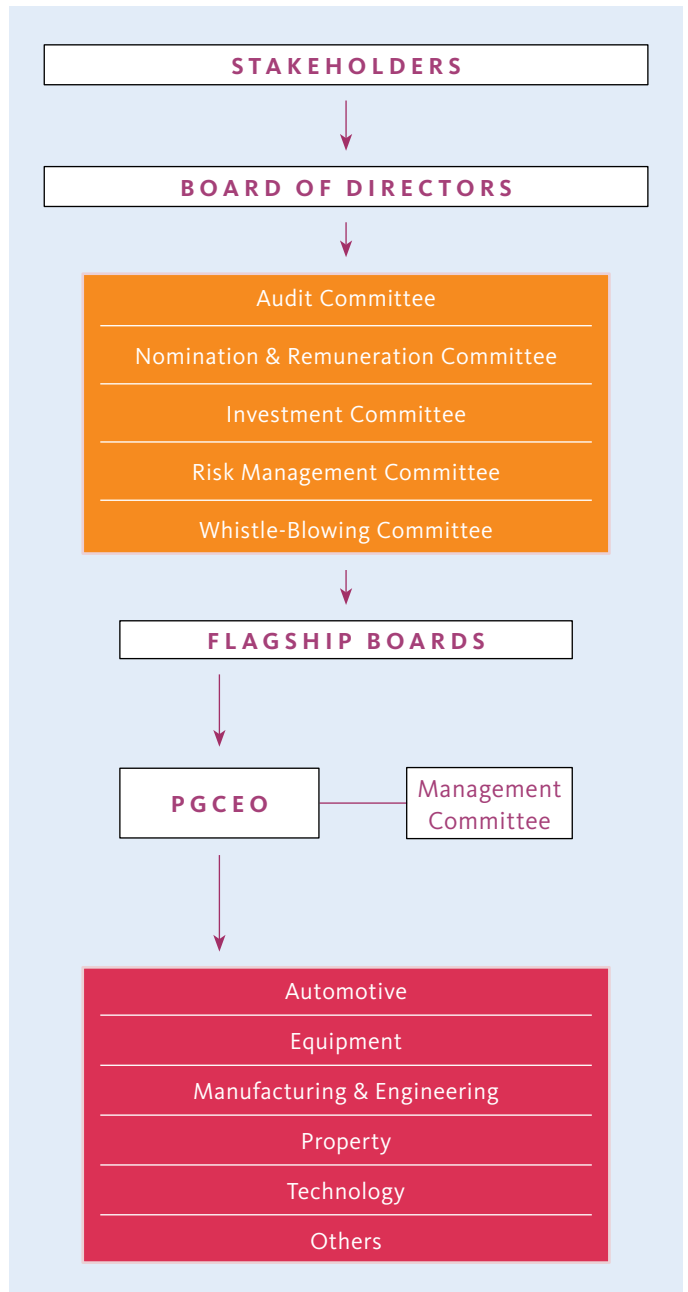
Apart from the above core responsibilities, the Board also takes full responsibility and accountability for the smooth functioning of core processes involving Board governance, business values and ethical oversight.

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

- Companies Act 2016 (**CA 2016**);
- Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad (**Bursa Securities**);
- Malaysian Code on Corporate Governance 2017 (**MCCG 2017**);
- Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on GLC High Performance;
- Corporate Governance Guide: Towards Boardroom Excellence 3<sup>rd</sup> Edition by Bursa Malaysia Berhad; and
- Minority Shareholder Watchdog Group's 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 Chief Executive Officer (**PGCEO**) 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The framework is supported by, among others, the UMW Group's Financial Limits 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 PGCEO, 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.

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 -

- 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;
- To fulfil its statutory and fiduciary responsibilities of monitoring the management and financial risk processes, and accounting and financial reporting practices of the divisions;
- To review the business efficiency and quality of the accounting function, financial reporting and system of internal controls of each division;
- To enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions; and
- To ensure that an effective ethics programme is implemented across the divisions, and to monitor compliance with established policies and procedures.

### BOARD AND MANAGEMENT FUNCTIONS

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.

In line with MCCG 2017, we delegate certain responsibilities to our Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal

control and risk management, executive remuneration and new Board appointments, including matters relating to investment/corporate proposals and strategic direction. 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 terms of reference (**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.

To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by a number of Board Committees, namely, Audit Committee (**AC**), Nomination & Remuneration Committee (**NRC**), Investment Committee (**IC**), Risk Management Committee (**RMC**) and Whistle-Blowing Committee (**WBC**) established with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board as mandated in their respective TORs.

In 2017, enhancements were made to the Board Committees in terms of its functions and composition. On 15 June 2017, the Nomination Committee and Remuneration Committee were merged into a single committee known as NRC. The merge exercise is to streamline the functions and roles of the two (2) committees to enhance work efficiency.

The function on risk management was originally entrusted with the Investment & Risk Management Committee (**IRMC**) since its establishment on 20 May 2010. Apart from providing Board oversight on risk management, the IRMC was primarily responsible in reviewing and evaluating investment and divestment proposals, including funding requirements and periodic monitoring of approved investments/projects. The function on risk management is separated from the IRMC and it is now known as the IC with its function expanded to cover area on growth strategy. The RMC, which was established as a stand alone Board Committee, assumed the previous role of the IRMC in providing oversight to the Group's risk management framework and policies.

Following the Group's strategic decision to exit from the Oil & Gas (**O&G**) industry, the Group is actively implementing action plans towards this direction. Consequent to this, the Board had on 28 September 2017, established an ad hoc Board Committee, known as the Value Group Execution Committee (**VGEC**), to provide strategic guidance and direction to management and to make recommendations to the Board on proposed action plans/resolutions/strategies to achieve the intended objective of exiting the investments under the O&G unlisted segment.

Reports on the activities of our Board Committees can be found on the following pages and in the CG Report 2017. Their respective TORs are available on our website at [www.umw.com.my](http://www.umw.com.my)

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board keeps abreast of 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 FLAG. These clearly define the relevant matters and applicable authority limits, including those reserved for the Board, and those of the FB, the PGCEO and management. Enhancements to FLAG are regularly made to reflect changing risks and/or to address operational deficiencies.

At management level, several committees, namely the Management Audit Committee (**MAC**), Management Risk Committee (**MRC**), Tender Committee and Management 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, Whistle-Blowing Policy, Procurement Policy, FLAG, Risk Management Policy and Information Technology Policy are effectively implemented and enforced.

### BOARD MEETINGS

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. We meet at least once every quarter with additional meetings convened as and when situations require urgent Board deliberation and decision.

In addition to regular Board reviews of strategic projects, we hold an annual Board meeting which is devoted to reviewing progress made against Group strategy and discussing longer-term strategic options. During this meeting we receive detailed updates on markets and technology trends from external experts and we discuss and approve the strategy for each division and the Group.

We also hold a number of informal meetings during the year to build and maintain strong relations between Directors. Additionally, the Group Chairman meets from time-to-time with the NEDs without the PGCEO being present to discuss our priorities and concerns.

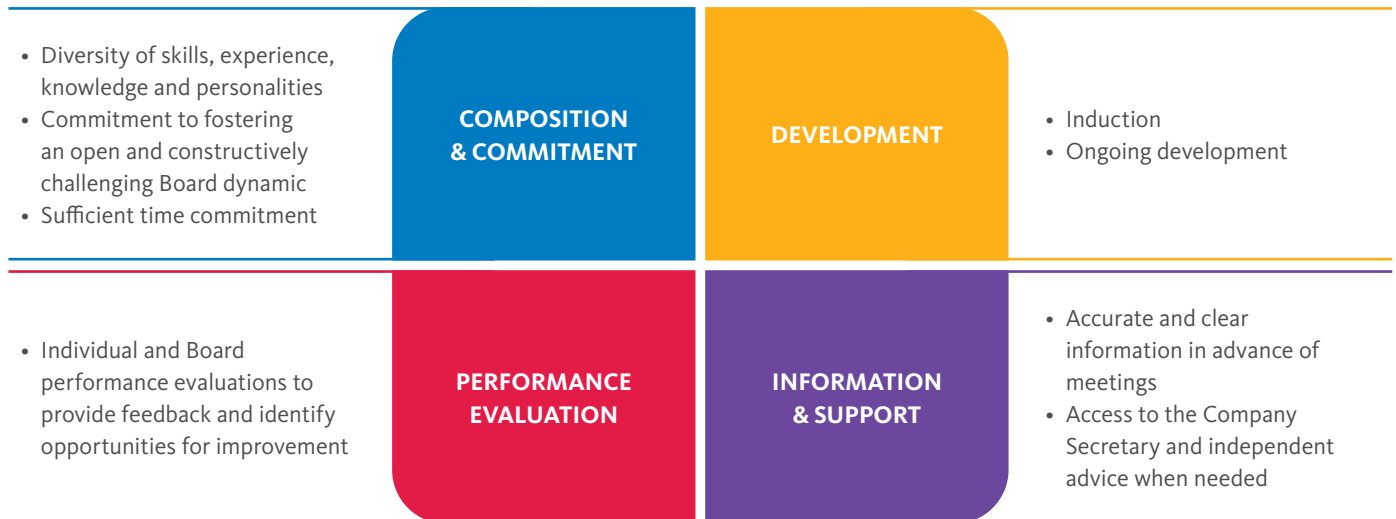
We declare at Board meetings our interests (direct or indirect) in proposals being considered by the Board. Where a Director is deemed interested, the Director does not participate in any discussion on the subject matter and would excuse himself from the meeting. Declaration of Director's interest in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

The Group Secretary provides support to the Board in fulfilling its fiduciary duties in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and Director's duties and responsibilities. He also ensures that deliberation at meeting of the Board and Board Committees are properly captured, minuted and communicated to management for necessary action.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## EFFECTIVENESS



### COMPOSITION & COMMITMENT

#### BOARD COMPOSITION

The composition of the Board remains a key ingredient influencing how the Board functions and the dynamic between its members. The success of the Board in fulfilling its oversight responsibility depends on its size, composition and leadership qualities.

The Board at present consists of eleven (11) members, comprising ten (10) NEDs, six (6) of whom are Independent NEDs, and one (1) Executive Director (**ED**) designated as PGCEO. Changes to the Board were made during the year as the Board experienced three (3) retirements and five (5) appointments.

On 1 January 2017, Tan Sri Dato' Sri Hamad Kama Piah Che Othman assumed the role of Group Chairman of UMW in place of Tan Sri Asmat Kamaludin who retired on 31 December 2016. During the year under review, Dr Leong Chik Weng, Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani and Dato' Mohd. Nizam Zainordin retired as Directors from the Company at the 35<sup>th</sup> Annual General Meeting (**AGM**) held on 25 May 2017.

On 15 June 2017, we welcomed Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh and Mohd Shahazwan Mohd Harris to the Board. Subsequently, Rohaya Mohammad Yusof resigned from office on 1 January 2018 and was replaced by Lim Tze Seong, who was appointed on the same day.

The Board believes that a truly diverse and inclusive Board will leverage on the differences in thought, perspective, knowledge, skills and industry experience, as this will ensure that the Group retains its competitive edge. Diversity is a critical attribute of a well-functioning leadership team.

In this regard, the NRC is empowered to identify and recommend to the Board, nominees qualified to serve on the Board (including the PGCEO) and Board Committees. 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 key responsibilities of the NRC are to identify and make recommendations to the Board on new candidates for appointment to the Board and its subsidiaries and associated companies, and to review and make recommendations to the Board on the appointment of Directors to fill seats on Board Committees. The NRC is entrusted to 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.

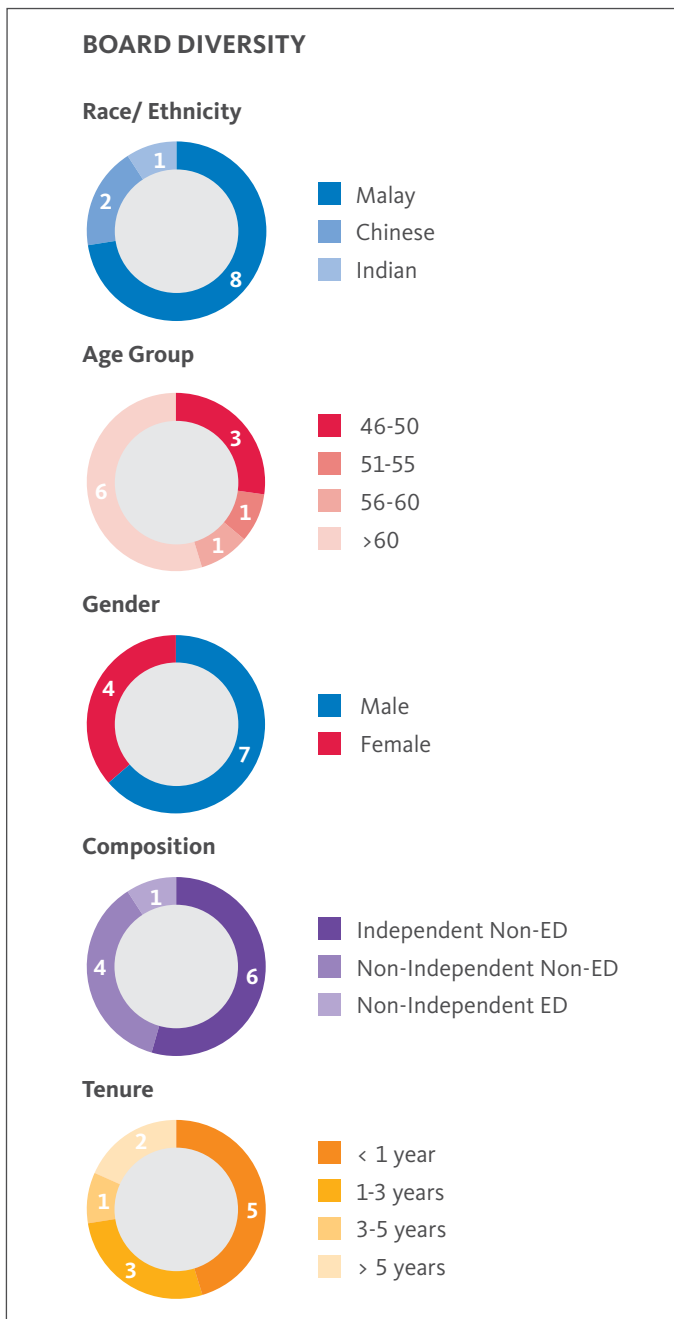
We believe that gender diversity policies will only bring about desired outcomes if there is firm commitment and promotion of a corporate culture that embraces diversity. In line with the Government's aspiration to have at least 30% women representation in decision-making positions of Malaysian public companies, UMW now has four (4) women Directors on the Board of eleven (11) members and achieved beyond the 30% level. The Board had earlier achieved 45% women representation in 2017 before the resignation of Rohaya Mohammad Yusof on 1 January 2018.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

In 2017, UMW was recognised as one of the companies in the top 15 of the 100 public-listed companies with more than 30% women on the Board. The recognition marks the Group’s strong advocacy towards supporting and advancing the Government’s agenda of promoting boardroom diversity.

Whilst the Board recognises gender diversity as one of the key drivers to enhance Board effectiveness, appointments to the Board are ultimately made based on merit as the overriding principle in order to achieve a high-performance Board. Other competencies such as individual skills, background, industry knowledge and experience, amongst other factors, will be taken into consideration.

The current diversity of the existing Board is as follows -



## BOARD INDEPENDENCE

Viewed as a solution for balancing influence, the Board recognises the important contribution that Independent Directors make to good CG. Independent Directors are essential for protecting the interests of minority shareholders and can make significant contributions to the Company’s decision making by bringing in the quality of detached impartiality.

It is important to note that progressive thought on CG places great emphasis on the roles that Independent Directors play in deliberations at Board meetings and Committee meetings and in ensuring the separation of powers between management, particularly its EDs and the Board.

The Company measures the independence of its Board members based on the criteria stipulated in MMLR. To date, all six (6) Independent NEDs satisfy the independence criteria.

Our Director, Dato’ Siow Kim Lun was appointed as Senior Independent Director since 11 October 2013. Dato’ Siow has the role of supporting the Group 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 Group Chairman. 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).

## BOARD COMMITMENT

With regard to commitment, each Board member is expected to commit sufficient time in carrying out their roles as Director and/or member of the Board Committees which they are part of.

A total of fourteen (14) Board meetings were held in 2017 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, taking into cognisance of the prevailing economic issues, risk assessment, strategies and direction, and standards of conduct and compliance by the Group.

All Directors have exceeded the 50% meeting attendance requirement as prescribed under Paragraph 15.05(3)(c) of MMLR. This reflects our commitment and dedication in fulfilling our duties and responsibilities.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Details of the attendance record of each Director at Board and Board Committee meetings for the financial year 2017 are as follows -

### Attendance at Meetings

DIRECTOR	ATTENDANCE AT BOARD MEETINGS		ATTENDANCE AT BOARD COMMITTEE MEETINGS								
	NO. OF MEETINGS ATTENDED	(%)	AC	NC	RC	NRC <sup>∞</sup>	IRMC	IC <sup>∞</sup>	RMC <sup>∞</sup>	WBC	VGEC <sup>α</sup>
<b>Non-Independent Non-Executive</b>											
Tan Sri Dato' Sri Hamad Kama Piah Che Othman <sup>^</sup>	14/14	100									
Datin Paduka Kartini Hj Abdul Manaf*	6/6	100				4/4	1/1	3/3			4/4
Salwah Abdul Shukor*	5/6	83							1/1	1/1	3/4
Rohaya Mohammad Yusof ** ^	12/14	86									
Dr Leong Chik Weng <sup>∅</sup>	6/7	86		4/4	3/3		2/2				
Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani <sup>∅</sup>	7/7	100			3/3						
Dato' Mohd Nizam Zainordin <sup>∅</sup>	6/7	86	4/5				2/2			1/2	
<b>Independent Non-Executive</b>											
Dato' Siow Kim Lun	12/14	86	9/9	5/5		4/4	2/3	3/3			2/2
Khalid Sufat	13/14	93	9/9	5/5	3/3	4/4	1/1	3/3			3/3
Tan Sri Hasmah Abdullah	13/14	93	9/9				3/3		1/1	3/3	
Dato' Eshah Meor Suleiman	14/14	100				4/4			1/1	1/1	
Dr Veerinderjeet Singh*	5/6	83	4/4								3/4
Mohd Shahazwan Mohd Harris*	5/6	83					0/1	3/3	1/1		4/4
<b>Executive</b>											
Badrul Feisal Abdul Rahim	13/14	93	9/9	4/5	2/3	3/4	3/3	3/3			

\* Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh and Mohd Shahazwan Mohd Harris were appointed as Directors on 15 June 2017.

\*\* Rohaya Mohammad Yusof resigned as Director on 1 January 2018 and was replaced by Lim Tze Seong, effective 1 January 2018.

^ Tan Sri Dato' Sri Hamad Kama Piah Che Othman and Rohaya Mohammad Yusof are not members of any Board Committee.

∅ Dr Leong Chik Weng, Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani and Dato' Mohd Nizam Zainordin retired at the 35<sup>th</sup> AGM held on 25 May 2017.

∞ The NC and RC were combined as NRC effective 15 June 2017 while the IRMC was separated into stand alone committees known as IC and RMC on 27 July 2017.

α On 28 September 2017, the Board established an ad-hoc Board Committee known as VGEC.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT



### DEVELOPMENT

#### INDUCTION

Every Board is unique in terms of its own history, culture and dynamics. The workings of one Board may not be entirely applicable on another Board. Therefore, we believe that induction will be vital for newly appointed Directors to orientate themselves in the new environment in order to contribute to the Board.

On joining the Board, a Director receives a tailored induction to suit the individual's background and experience. This includes -

- A comprehensive induction pack with background information about UMW, details of Board meeting procedures, and Directors' duties and responsibilities in addition to a number of other governance related issues;
- A briefing with the Group Secretary who is responsible for facilitating the induction of new Directors on their roles and responsibilities;
- Meetings with the PGCEO and with relevant senior executives to be briefed on the Group's strategy and each individual business portfolio;
- Specific briefings on operations and plant visits; and
- External training, where appropriate, particularly on matters relating to the role of a Director and the role and responsibilities of Board Committees.

We believe that successful induction programmes help to foster constructive relationships between the newly appointed Director and existing Directors and senior management.

#### ONGOING DEVELOPMENT

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.

Directors are also continually updated on the Group's businesses, the markets in which they operate and changes to the competitive and regulatory environment through briefings to the Board and meetings with senior executives. NEDs are encouraged to visit the Group's operations in addition to formal Board visits to increase their exposure to the business.

The NRC had performed a general assessment of the composition, skills and experience of the Board in light of the UMW Group's business and strategies via a Board Skill Matrix exercise. This evaluation has enabled the NRC 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 Chairman discusses training and development needs with each Director as part of our annual individual performance evaluation process. The Group Secretary keeps under review the suitability of external courses so that any needs identified either through the evaluation process or on an ad hoc basis can be addressed.

Details of Directors' attendance on various training programmes are provided in the CG Report 2017.



### INFORMATION SUPPORT

Information is the lifeblood of a Board. Thus, information flow between the Board and management is critical to the proper functioning of both, as well as the execution of the Group's strategic plan and many other critical processes.

In this regard, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

To ensure timeliness and efficiency, dissemination of all minutes, reports and Board papers for Board and Board Committee meetings have now been made using paperless technology. Electronic-based Board papers reduces the need for traditional 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.

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.

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. This can provide the Board with insightful perspectives of matters concerning employees, factories, departments and production lines.

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.



### PERFORMANCE EVALUATION

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

The NRC performed the Board and Board Committee evaluation as well as individual Directors' self and peer evaluation for the financial year ended 31 December 2017. The exercise was carried out internally by Group Secretarial & Corporate Governance Division 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 Group 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 Group 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**



4

**Appropriate recommendations have been made to the Board on the re-election/re-appointment of NEDs**



5

**Leadership needs of the organisation, both executive and non-executive, have been reviewed**

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

In addition, the NRC performed an assessment on the independence and effectiveness of Independent Directors as recommended under MCCG 2017. The assessment took into account Independent Directors' skills and competencies as well as the independent criteria stipulated in 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 as 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 NRC. The Chairman of the NRC 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 27 February 2018. 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.

### REMUNERATION POLICIES AND PROCEDURES

In line with MCCG 2017, 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 NRC may appoint external advisers or consultants to advise on specific areas where necessary. The Board as a whole determines the remuneration of Directors.

The NRC 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 NRC also assists the Board in developing the Group's remuneration policy framework and determining the remuneration package for the PGCEO and members of the senior management of the Group. The remuneration of ED 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.

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 market and appropriate peer group.

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.

In determining the estimated amount of benefits payable to the NEDs, including the Group 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. All Directors, Executive and Non-Executive, abstain from deliberations and voting on decisions in respect of their individual remuneration.

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

### ESTABLISHING SUCCESSION PLANNING

The Board oversees a clear and orderly succession plan for the PGCEO, the Group's key senior management and the Group Secretary through the NRC. The NRC 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. In discharging its responsibilities on succession planning, the NRC receives succession management updates from the Group Human Resource Division in accordance with the succession management framework. The NRC 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The structure of the NRC in respect of the remuneration policy and procedures are as follows -



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



The NRC comprises four (4) members, all of whom are NEDs, and are appointed by the Board from among its Directors. Dato' Siow Kim Lun (Senior Independent NED (Chairman)), Khalid Sufat (Independent NED), Dato' Eshah Meor Suleiman (Independent NED) and Datin Paduka Kartini Hj Abdul Manaf (Non-Independent NED) were all appointed to the NRC by the Board.



The NRC meets six (6) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the NRC. The NRC met twelve (12) times (inclusive of the time when the Committee functioned separately under Nomination Committee and Remuneration Committee) in the year under review.



Other than the NRC members, the PGCEO, ED of Group Human Resource Division and other Board members and representatives, if deemed necessary, attend NRC 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 quorum for the NRC is two (2) 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 NRC is entitled to a second or casting vote.



The Group Secretary is also Secretary of the NRC.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### ACCOUNTABILITY

#### AUDIT COMMITTEE

The AC comprise four (4) Non-Executive Directors, all of whom are Independent Directors. No alternate director is appointed as a member of the AC. The AC is chaired by an Independent NED, Khalid Sufat who is an accountant by profession. The AC members are qualified individuals having the required level of expertise and experience to discharge the AC's function and duties.

The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of MMLR of Bursa Securities. The TOR of the AC continue to remain aligned with MMLR and the recommendations of MCCG 2017 and other relevant CG best practices.

Based on the annual evaluation carried out, the AC has shown continuous commendable performance with all four (4) members having demonstrated a high degree of independency, professionalism and integrity, with balanced diversity, skills and experience. The AC members' accountability in discharging their duties and responsibilities in accordance with the AC's TOR, as required under MMLR and recommended under Principle B of MCCG 2017.

Through the year, the AC had dealt in issues related to financial reporting, external and internal audit findings, related party transactions and internal control, in line with the mandate provided in the TOR. The AC has provided valuable recommendations and views to assist the Board in making informed decisions which have greatly contributed to the Board's discussions on high level review of financial reporting process and financial statements.

#### FINANCIAL AND BUSINESS REPORTING

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 CA 2016. 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.

In preparing the financial statements the Directors have -

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable financial accounting standards have been followed; and
- 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.

#### 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

### RISK MANAGEMENT

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.

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 RMC and AC and ultimately to the Board. The oversight of these critical areas is carried out by the AC and the RMC.

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 RMC 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.

### GROUP COMPLIANCE

The Group Compliance Division (**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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### RELATIONS WITH SHAREHOLDERS

#### GENERAL MEETING

The notice of AGM together in the Annual Report is circulated at least 21 days before the meeting, fulfilling the requirements under CA 2016 and MMLR. 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 attend the AGM, unless unforeseen circumstances or pressing commitments prevent them. The proceedings of the AGM commences with a presentation by the PGCEO on the Company's operations and financial performance for the preceding financial year, followed by the Company's responses to questions raised by shareholders. These answers are posted to the Company's website for the benefit of other shareholders who were not present at the AGM for information.

The Group 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 before the commencement of the meeting. Voting results for agenda items presented at the AGM are disclosed in the announcement to Bursa Securities. Minutes of the AGM are 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.

In line with MMLR, all resolutions passed at the AGM are conducted via poll voting. A poll administrator is to be appointed to conduct the polling process and independent scrutineers are also to be appointed to verify the poll results at AGM.

The Group Chairman announces the poll results at the end of the AGM and these will be submitted to Bursa Securities on the same day for the benefit of all shareholders.

### ONLINE COMMUNICATION

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 Investor Relations (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.

In line with the recommendation under MCCG 2017, UMW is supportive of any technology that can facilitate the voting by shareholders in absentia and remote participation at general meetings. However, the implementation would be based on a thorough evaluation process which includes scrutiny of costs, IT platform and security aspects.

As a first step towards this, the Company will seek the shareholders' approval on the adoption of new Constitution, which among others, will allow general meetings to be convened at more than one (1) venue in future using technology or device that enables shareholders to participate and to exercise their rights to speak and vote at different venues.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### CORPORATE DISCLOSURE POLICY

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 by 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 Corporate Communications Policy and the disclosure requirements of MMLR.

The Group Chairman, PGCEO 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

<b>Badrul Feisal Abdul Rahim</b> <i>PGCEO</i>	(603) 51635362 bfeisal@umw.com.my
<b>Roza Shahnaz Omar</b> <i>Director, Group Strategy</i>	(603) 51635069 roza@umw.com.my
<b>S. Vikneshwaran Sathasivan</b> <i>Head – Investor, Media Relations &amp; Sustainability</i>	(603) 51635044 vikneshwaran.s@umw.com.my

### COMMUNICATION WITH SHAREHOLDERS

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.

The Group's senior management is also present and available to answer queries or issues raised by the shareholders relating to the operations of the Company.

A press conference is held after each general meeting where the Group Chairman and PGCEO as well as the senior management advise the media on resolutions passed by shareholders, and brief the media on the operations, performance and financial results of the Group for the year under review. They also 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.

In addition, 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 2017 and MMLR. The Board endeavours to continuously raise the standards of governance in the Group and strives to uphold its pledge, commitment and effort to enhance and promote the best practices of CG throughout the Group 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. We remain steadfast in strengthening the CG practices to safeguard the interests of all stakeholders.

This CG Overview Statement is made in accordance with the resolution of the Board dated 10 April 2018.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 statutory and fiduciary responsibilities relating to corporate accounting practices, financial reporting, the effectiveness of the Group's internal controls and risk management processes as well as maintaining oversight of both the external and internal audit functions of the Group.

The Board is pleased to present the report on the AC for the financial year ended 31 December 2017.

## COMPOSITION AND MEMBERSHIP

Changes to the membership of the AC were made during the year under review following the retirement of three (3) Board members and the appointment of five (5) new Directors.

Dato' Mohd Nizam Zainordin retired as a Director and AC member on 25 May 2017. With effect from 15 June 2017, Khalid Sufat has been redesignated as Chairman of the AC replacing Dato' Siow Kim Lun who has relinquished his chairmanship. Dato' Siow, however, remains as a member of the AC. Dr Veerinderjeet Singh who was appointed to the Board on 15 June 2017, became the new member of the AC.

The AC now comprises four (4) Non-Executive Directors (NEDs), all of whom are Independent Directors. No alternate Director is appointed as a member of the AC. The composition of the AC is as follows -



*Chairman*

**KHALID SUFAT**

*Independent Non-Executive Director*

*Appointed on 17 January 2012*

*(Redesignated as Chairman on 15 June 2017)*

*Members*

*(From left to right)*

**DATO' SIOW KIM LUN**

*Senior Independent Non-Executive Director*

*Appointed on 2 August 2010 (as Chairman)*

*(Redesignated as member on 15 June 2017)*

**TAN SRI HASMAH ABDULLAH**

*Independent Non-Executive Director*

*Appointed on 24 September 2013*

**DR VEERINDERJEET SINGH**

*Independent Non-Executive Director*

*Appointed on 15 June 2017*

## AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The AC is chaired by Khalid Sufat who is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants. As an accountant by profession, Khalid Sufat has broad experience in the banking industry having held several senior positions in various banks from 1994 to 2000. This experience has led him to become involved in the managing and restructuring of a number of public-listed companies.

Dato' Siow Kim Lun has considerable experience in investment banking and securities market regulation. He was with the Securities Commission from 1993 to 2006 and had served as its Director of Issues & Investment Division and Director of Market Supervision Division.

Tan Sri Hasmah is a Fellow Member of the Chartered Tax Institute of Malaysia and had a distinguished career with the Inland Revenue Board (**IRB**) spanning over 37 years. She was the former Chief Executive Officer and Director-General of IRB from 19 October 2006 to 7 January 2011. She has vast experience and knowledge on taxation matters and had led the Malaysian delegation and represented the country to various international conferences.

Dr Veerinderjeet Singh is a Member of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Chartered Tax Institute of Malaysia. He has extensive tax experience, having been a tax partner in international accounting firms and having worked with the Malaysian Inland Revenue Department. He has broad experience on a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects.

Collectively, the AC members are qualified individuals having the required level of expertise and experience to discharge the AC's functions and duties.

The detailed profiles of the AC members are set out on pages 54, 55, 56 and 60 of this Annual 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 MMLR and the recommendations of the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**) and other relevant Corporate Governance (**CG**) best practices. The AC's TOR is available on the Company's website at [www.umw.com.my](http://www.umw.com.my)

### ANNUAL PERFORMANCE ASSESSMENT

The Board via its Nomination & Remuneration Committee (**NRC**) conducted a comprehensive review on the performance of the AC for the financial year ended 31 December 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 MMLR and recommended under Principle B of MCCG 2017.

The NRC 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 27 February 2018.

Based on the results of the evaluation, the Board is of the view that the AC has continued to show commendable performance in 2017 with all four (4) 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. The AC has provided valuable recommendations and views to assist the Board in making informed decisions which have greatly contributed to the Board's discussions on high level review of financial reporting process and financial statements.

During the year under review, AC members attended various conferences, seminars and training programmes to keep themselves abreast of new developments pertaining to new financial reporting standard legislation, regulations, current commercial issues and risks in order to effectively discharge their duties as AC members. The AC members were also assessed on their skill-sets and experience to enable the NRC 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.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## CONTINUOUS DEVELOPMENT

The AC members attended continuous development programmes to keep themselves abreast of relevant developments in accounting, financial reporting, taxation and auditing standards, practices and rules. The summary of relevant programmes attended by the AC members in 2017 is set out below -

Name	Development Programme
Khalid Sufat	Fintech & Digital Economy Conference 2017
	MFRS - Financial Instrument
	Compliance Conference 2017
	Fintech - Opportunities for Financial Services Industry in Malaysia
	Economic Forum
	Cyber Security and Digital Transformation
	Anti-Money Laundering/Banking Secrecy
	MIA International Accountants Conference 2017
Dato' Siow Kim Lun	Update on Shariah Governance
	Sustainability Forum: The Velocity of Global Change & Sustainability
	Value Creation and Business Partnering
	Companies Act 2016: The New Governance Framework for Directors & Management and its Impact
	International Corporate Governance Network Annual Conference
Tan Sri Hasmah Abdullah	Case Study Workshop for Independent Directors
	Public Sector Internal Audit Conference 2017
	Chief Risk Officer ( <b>CRO</b> ) Forum 2017 - CROs of Tomorrow
	Malaysian Case Studies on Material Deviations between Unaudited and Audited Financial Statements - Lesson Learnt
	National Tax Conference 2017
Dr Veerinderjeet Singh	Audit Committee Leadership Track Effective Oversight of Internal Auditor Functions - Are Boards in Sync with Regulatory Expectations?
	Fintech - Opportunities for Financial Services Industry in Malaysia
	National Tax Conference 2017
	Fraud Risk Management
	2017 International Conference - AC Leadership
	Corporate Board Symposium 2017
MIA International Accountants Conference 2017	

Detailed training programmes attended by the AC members are provided in the Corporate Governance Report 2017.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## MEETINGS AND ATTENDANCE

The AC held nine (9) meetings during the financial year ended 31 December 2017. The attendance record of the AC members is as follows -

No.	Name	Attendance	Percentage
1.	Khalid Sufat	9/9	100
2.	Dato' Siow Kim Lun	9/9	100
3.	Tan Sri Hasmah Abdullah	9/9	100
4.	Dr Veerinderjeet Singh*	4/4	100
5.	Dato' Mohd Nizam Zainordin^	4/5	80

\* Dr Veerinderjeet Singh was appointed to the Board and the AC on 15 June 2017

^ Dato' Mohd Nizam Zainordin retired as Director and a member of the AC on 25 May 2017

The President & Group Chief Executive Officer attended all nine (9) AC meetings held in 2017 to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Executive Director, Group Financial Services 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 2017, 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 by providing a platform to the AC members to make inquiries on specific issues affecting the Group and for the external auditors to highlight any areas of concern for the attention of the AC in a timely manner.

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 during the year under review.

The Group Secretary is the Secretary of the AC and played an important role in organising and providing assistance at AC meetings, with the following key responsibilities -

- Preparation of the schedule of AC meetings for 2017 and ensuring that meetings are arranged and held accordingly;
- Drawing up meeting agendas in consultation with the AC Chairman;
- 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
- 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 on 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 third party, 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 implementation of the Companies Act 2016 (**CA 2016**) and MCCG 2017, and consultation papers issued by Bursa Securities on the proposed amendments to CA 2016 and thereafter amendments to MMLR consequential to the new CA 2016. Issuers communications setting out the best practices and recommendation issued by Bursa Securities were also presented to the AC. 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 during the year under review.

Minutes of each meeting of the AC are kept by the Group Secretary as evidence that the AC has discharged its functions, and are circulated to the Board at the next practicable Board meeting for notation.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## SUMMARY OF WORK

Throughout 2017, the AC 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 2017 -

### 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), 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 financial results for the fourth quarter of 2016 at the AC meeting held on 20 February 2017 together with the external auditors; and
- (b) The financial results for the first, second and third quarters of 2017, at the AC meetings held on 19 May 2017, 25 August 2017 and 24 November 2017, respectively.

On 22 February 2018, the AC reviewed the financial results for the fourth quarter of 2017 together with the external auditors for recommendation to the Board.

#### Audited Financial Statements

On 10 April 2017, the AC deliberated on the audited financial statements of the Company and the UMW Group for the financial year ended 31 December 2016 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 2016, 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.

On 25 August 2017, the AC acknowledged the update on audit findings in relation to the financial year ended 31 December 2016.

On 6 April 2018, the audited financial statements for the financial year ended 31 December 2017 were reviewed by the AC and recommended to the Board for approval.

### 2. External Audit

#### Audited Financial Statements

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. 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 and its subsidiaries for the financial year ended 31 December 2016. 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 2016. 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 22 February 2018, the AC reviewed the external auditors' report on the status of the 2017 audit of the UMW Group. The key area of focus affecting the results of the UMW Group for the financial year ended 31 December 2017 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 6 April 2018, the AC discussed with EY the results of the audit of the audited financial statements for the financial year ended 31 December 2017 together with EY's report to the AC, for recommendation to the Board for approval.



# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## **External Auditors' Performance Evaluation**

On 10 April 2017, the AC reviewed the results of the External Auditors' Performance and Independence Evaluation carried out for the financial year ended 31 December 2016 to evaluate the suitability, effectiveness and independence of the Company's external auditors as recommended under Principle B of MCCG 2017. 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 23 February 2018, the results of the External Auditors' Performance and Independence Evaluation carried out for the financial year ended 31 December 2017 were reviewed by the AC and subsequently presented to the Board on 27 February 2018.

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 and engagements with the AC.

## **Re-appointment of External Auditors**

On 23 February 2018, the AC reviewed the re-appointment of EY as external auditors of the Company for the financial year ended 31 December 2017 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 also provided written assurance to the AC that they were and had been independent throughout the audit engagement for 2017, 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 two-year cooling-off period.

The external auditors also expressed their willingness to be re-appointed as auditors of the Company for the financial year ended 31 December 2017, at the forthcoming Annual General Meeting (AGM).

## **External Auditors' 2017 Audit Plan**

On 24 November 2017, 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 as statutory auditors of the Company and for the purpose of reviewing the SORMIC for the financial year ended 31 December 2017.

Other audit-related work conducted by EY for the financial year ended 31 December 2017 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 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 2017, 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 10 April 2017, the AC reviewed the update on the implementation of the MFRS 15 Project by EY. On 23 November 2016, EY was appointed 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*.

On 10 April 2017 and 6 December 2017, the AC noted the update on the implementation of the MFRS 15 Project by EY.

On 19 May 2017, the AC acknowledged the update on the results of the Goods & Services Tax (GST) health check findings and actions plans for the Group. EY Tax Consultant Sdn Bhd in collaboration with Group Tax had carried out a GST health check for the Group in August 2016 to ensure that all processes and procedures conform to the GST legislative requirements. The health check was completed in March 2017 and a status report was produced to the AC for notation.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. Internal Audit

### Internal Audit Plan and Budget

GIAD performed its audit activities in accordance with the 2017 Audit Plan approved by the AC on 23 November 2016. GIAD's 2017 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 2017, the plan is to audit 162 business units, generating 82 audit reports, out of which, 150 units (70 reports) will be from the UMW Group and 12 units (12 reports) from the UMW Oil & Gas Corporation Berhad (**UMW-OG**) Group.

The AC noted the key objectives and action plans under the 2017 Audit Plan and approved GIAD's budget for 2017, 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.

During the year under review, the AC reviewed and approved the following -

- (a) At the AC meeting held on 16 May 2017, GIAD's 2017 Audit Plan was reviewed to incorporate the inputs from divisional presidents and senior management during GIAD's engagement sessions with them in line with the requirements of the Institute of Internal Auditors (**IIA**). Revisions to the 2017 Audit Plan were also made to ensure that the deployment of manpower resources are effective and adequate to achieve the Audit Plan and audit resources are effectively deployed to critical high risk business areas of the UMW Group. The effect on the demerger exercise of the UMW-OG from the Group was also taken into consideration. In view of this review, GIAD's 2017 Audit Plan was revised to 127 business units generating 70 audit reports.
- (b) On 24 November 2017, GIAD's 2018 Audit Plan and Budget was presented to the AC. The key focus of GIAD's 2018 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 103 audit units (77 reports) including 19 overseas units (10 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 and members of the AC 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 audit processes, staff efficiency including providing assistance for staff to attain Professional Certification in Internal Auditing and developing customised training programmes; and
- To maintain conformance with IIA Standards and upgrade to MS ISO 9001:2015 certification.

- (c) GIAD's Internal Audit Charter (**IA Charter**) was revised and approved at the AC meeting held on 24 November 2017 with the objective to align the existing IA Charter with the International Professional Practice Framework (**IPPF**) 2017 Edition issued by the IIA. During the same meeting, the AC approved the revised Overall Audit Performance Rating to ensure the Group's overall audit opinion ratings is in line with market practices and internal audit standards.

### Internal Audit Reports

The Head of GIAD presented GIAD's reports for the financial year ended 31 December 2017 to the AC at the AC meetings held on 14 February 2017, 16 May 2017, 17 August 2017 and 16 November 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.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

In addition, the AC had on 14 February 2017, 10 April 2017 and 16 November 2017, reviewed the findings on special review audits conducted by GIAD on certain business units and divisions in the UMW Group. The AC reviewed 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.

## 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 were also reviewed.

The RRPTs were reviewed at the AC meetings held on 19 May 2017, 25 August 2017, 24 November 2017 and 23 February 2018. 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.

For the year under review, the cumulative actual value transacted had not exceeded the shareholders' mandate obtained at the 2016 and 2017 AGMs.

On 20 February 2017, 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 10 April 2017, the AC reviewed the final draft RRPT Circular for submission to Bursa Securities and recommended the same to the Board for approval.

### RPT

On 24 November 2017, the AC reviewed the transaction on the proposed tenancy with Capital Development Sdn Bhd (**Capital Development**), a wholly-owned subsidiary of PNB Commercial Sdn Bhd (**PNB Commercial**), which in turn, is a subsidiary of Permodalan Nasional Berhad (**PNB**), a major shareholder of the Company, for the new Corporate Office of UMW in Kuala Lumpur.

Under Chapter 10.08 of MMLR, the proposed tenancy with Capital Development qualified to be regarded as a non-RPT as the tenancy period is not more than 3 years and the rental rate

is supported with independent valuation. However, for good governance and transparency, management has decided to table it to the AC for review before making recommendation to the Board.

The AC, having considered all aspects of the proposal, was of the view that the proposed tenancy with Capital Development is in the best interest of UMW, fair and reasonable and carried out on normal commercial terms that are no more favourable to the related party than those generally available to public. The proposed tenancy agreement with PNB Commercial is also not detrimental to the minority shareholders of UMW.

## 5. Internal Controls

### SORMIC

On 10 April 2017, the AC reviewed the final draft SORMIC for the year ended 31 December 2016 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 2016 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 14 February 2017, 16 May 2017, 17 August 2017 and 16 November 2017. Discussion on MAC Reports was led by 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. On top of this, random verification exercises were conducted in order to ascertain that the audit issues raised have been fully resolved.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## Compliance

The AC reviewed the report by the Group Compliance Department on compliance activities of the UMW Group at the AC meetings held on 16 May 2017 and 16 November 2017. 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, SORMIC, credit application approved by Group Credit Limit Committee and the Financial Limits Authority Guidelines (FLAG) were reviewed.

## Governance

On 10 April 2017, the AC reviewed the contents of the draft Statement on Corporate Governance for the financial year ended 31 December 2016 for inclusion in the 2016 Annual Report.

The AC also reviewed, on a quarterly basis, CG reports presented by the Group Secretary covering updates/changes in MMLR and other statutory and regulatory requirements and guidelines, and their impact to the UMW Group, at the AC meetings held on 20 February 2017, 19 May 2017, 25 August 2017 and 24 November 2017. Key changes to CA 2016 and proposed amendments to MMLR were also discussed and clarified.

In addition, consultation papers from Bursa Securities to seek stakeholders' feedback on proposed changes and new initiatives to MMLR were also presented for discussion with the AC to seek relevant feedback and input, including the three (3) Issuers Communication Notes published by Bursa Securities to provide guidance, illustrations and overview to listed issuers, with the aim to improve practices and enhance the understanding, standards of disclosure and transparency in the marketplace.

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 20 February 2017, the AC reviewed the preliminary draft Audit Committee report for inclusion in the 2016 Annual Report. Subsequently, on 10 April 2017, the final draft Audit Committee Report was reviewed and approved, and the same was recommended to the Board for approval.

(b) On 10 April 2017, the AC endorsed the zakat payable by the UMW Group for the financial year ended 31 December 2016 and recommended the same to the Board for approval.

(c) On 10 April 2017, the AC reviewed the summary of overall results and findings of the Audit Committee Evaluation, Audit Committee Members' Self and Peer Evaluation and the External Auditors' Performance and Independence Evaluation for the financial year ended 31 December 2016. Based on the analysis carried out, it was noted that the AC has continued to show commendable performance with all members having demonstrated a high degree of independency, professionalism and integrity, and with balanced diversity, skills and experience. The AC members have discharged their functions, duties and responsibilities well, in accordance with the AC's TOR.

In relation to the results of the evaluation on External Auditors' Performance and Independence Evaluation, the AC is satisfied with EY's performance, technical competencies and audit independence. The AC is also satisfied with the level of calibre and professionalism demonstrated by EY, quality of processes, selection of audit team (including the lead engagement partner), adequacy of audit scope and planning, and audit communications with the AC. Subsequently, the AC recommended to the Board for the re-appointment of EY as External Auditors of the Company at the 35<sup>th</sup> AGM of the Company.

(d) On 25 August 2017, the AC agreed for the Chairman of the AC be authorised to endorse the responses of the survey by the Securities Commission on the implementation of MFRS 9: Financial Instruments and the same was recommended to the Board for discussion and approval.

(e) The AC reviewed and approved various proposals in relation to write off of debts, write off of obsolete stocks and write-down of assets by companies within the UMW Group in accordance with the provisions in the FLAG, at the AC meetings held on 14 February 2017, 10 April 2017, 25 August 2017, 16 November 2017 and 24 November 2017.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## INTERNAL AUDIT

The UMW Group has an in-house internal audit function which is carried out by GIAD. GIAD is independent of the business operations and has a Group-wide mandate set out in its Audit Charter approved by the AC. It 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 within the UMW Group.

For the financial year ended 31 December 2017, GIAD carried out audits of 129 business units in the UMW Group against the revised 2017 Audit Plan of 127 business units. A total of 72 reports covering the scope of the audit work were reviewed by the AC. Routine audits were carried out by GIAD, focusing on principal risk areas. GIAD also carries 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, Puan Norchahya 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 Institute of Internal Auditors Malaysia (**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 -

- Conducted scheduled and special internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements, where necessary.
- 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.
- Conducted follow up reviews to assess if appropriate actions have been taken to address issues highlighted in previous audit reports.
- Conducted reviews on RRPTs.
- Carried out investigative/special reviews requested by the AC or management.
- 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 2017, the total cost incurred by GIAD in discharging its internal audit function was RM5,587,223 compared to RM5,777,075 in 2016. This was primarily due to the reduced number of audit assignments performed coupled with the transfer of certain internal auditors to UMW-OG as a result of the demerger exercise of the UMW-OG from the Group. The Group's internal audit function was carried out solely by GIAD and there were no areas of the internal audit function which were outsourced.

The Group GIAD currently has a total of 37 internal auditors, the majority of whom have relevant qualifications and work experience with diverse background. GIAD staff are encouraged to continuously enhance their knowledge, skills and competencies through relevant professional audit certifications, seminars, courses and on-the-job trainings as well as attachment to operating companies to ensure that they are competent to meet the needs of the changing business environment.

This AC Report is made in accordance with the resolution of the Board dated 10 April 2018.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

## INTRODUCTION

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 2017 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.

### 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 Risk Management Committee (**RMC**) 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.

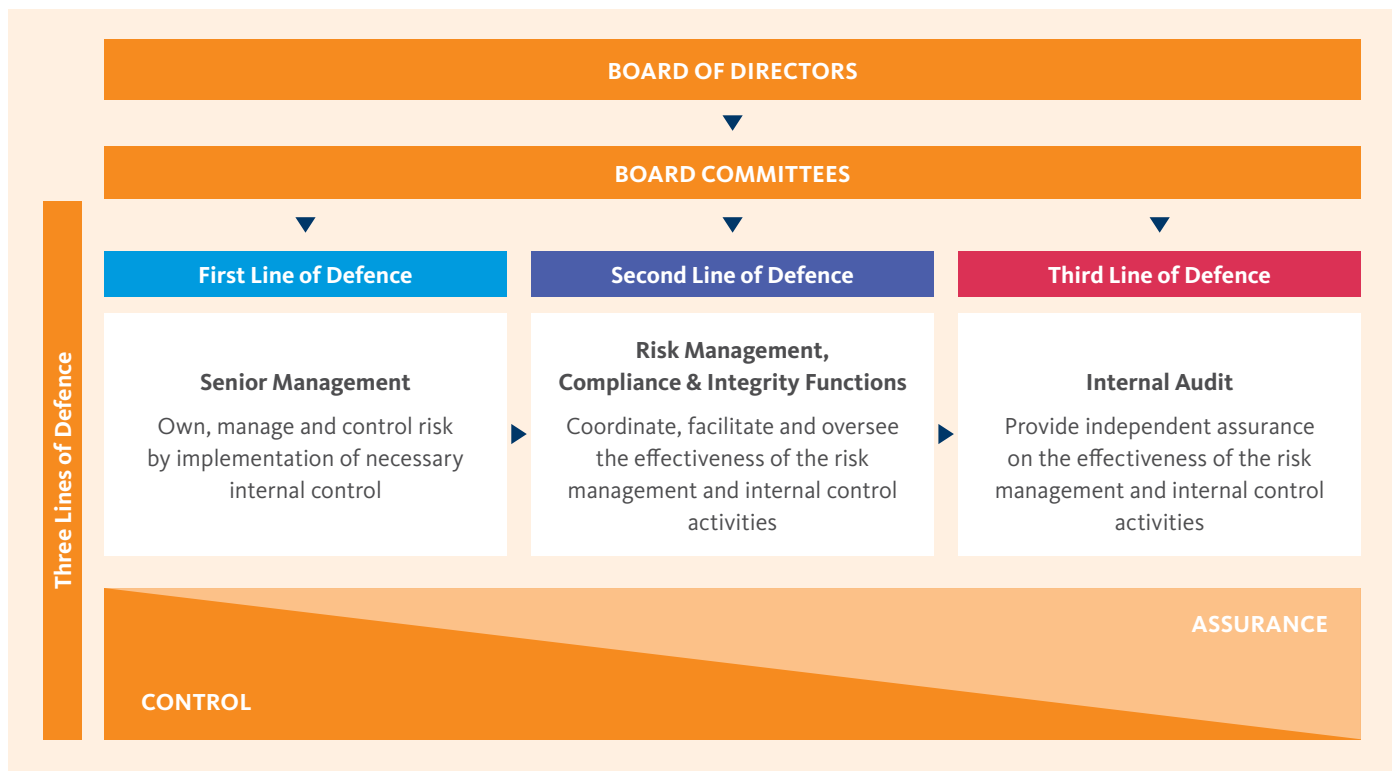
### 2. RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

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 RMC 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 & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017



## (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.

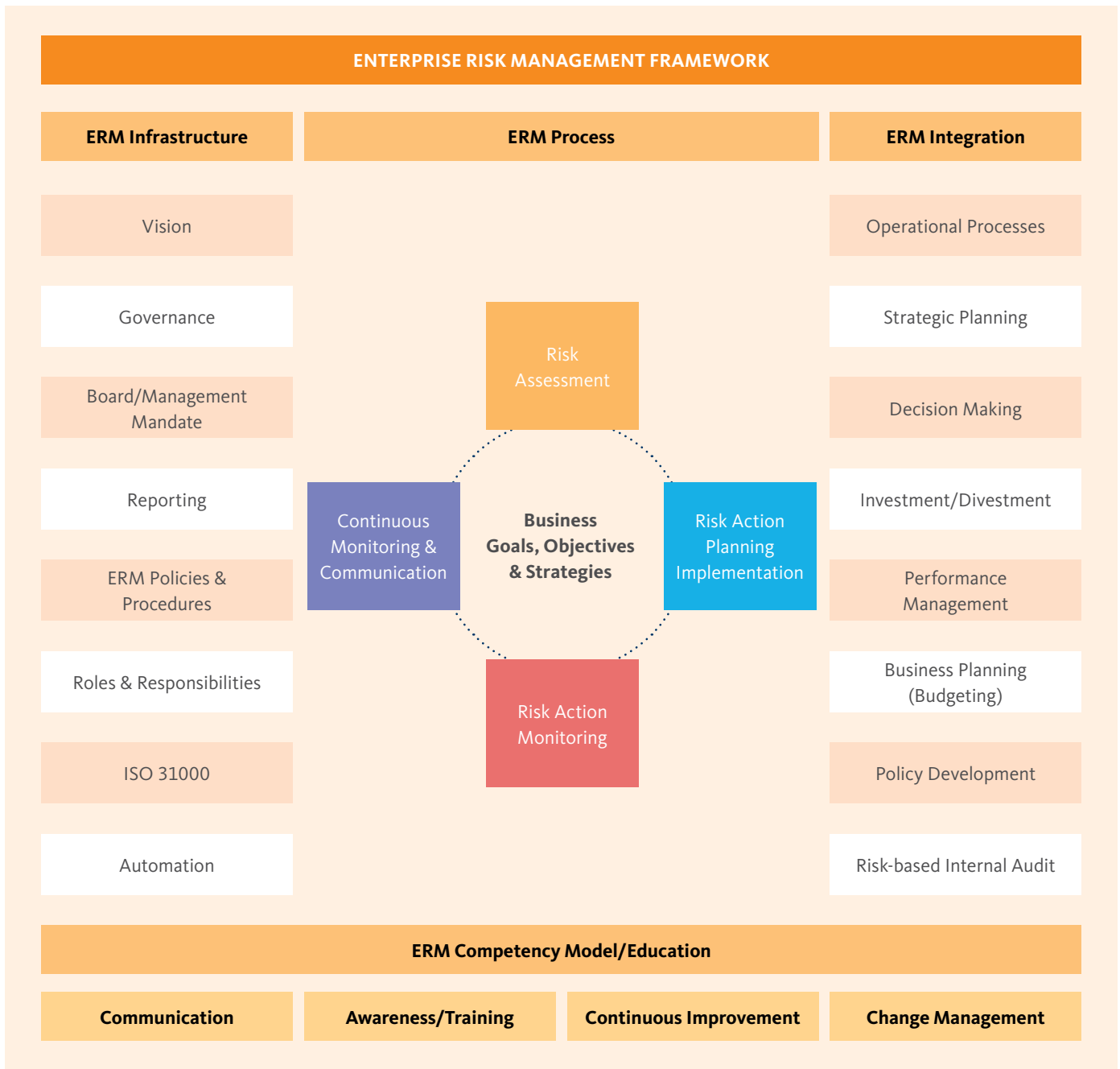
# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 & INTERNAL CONTROL

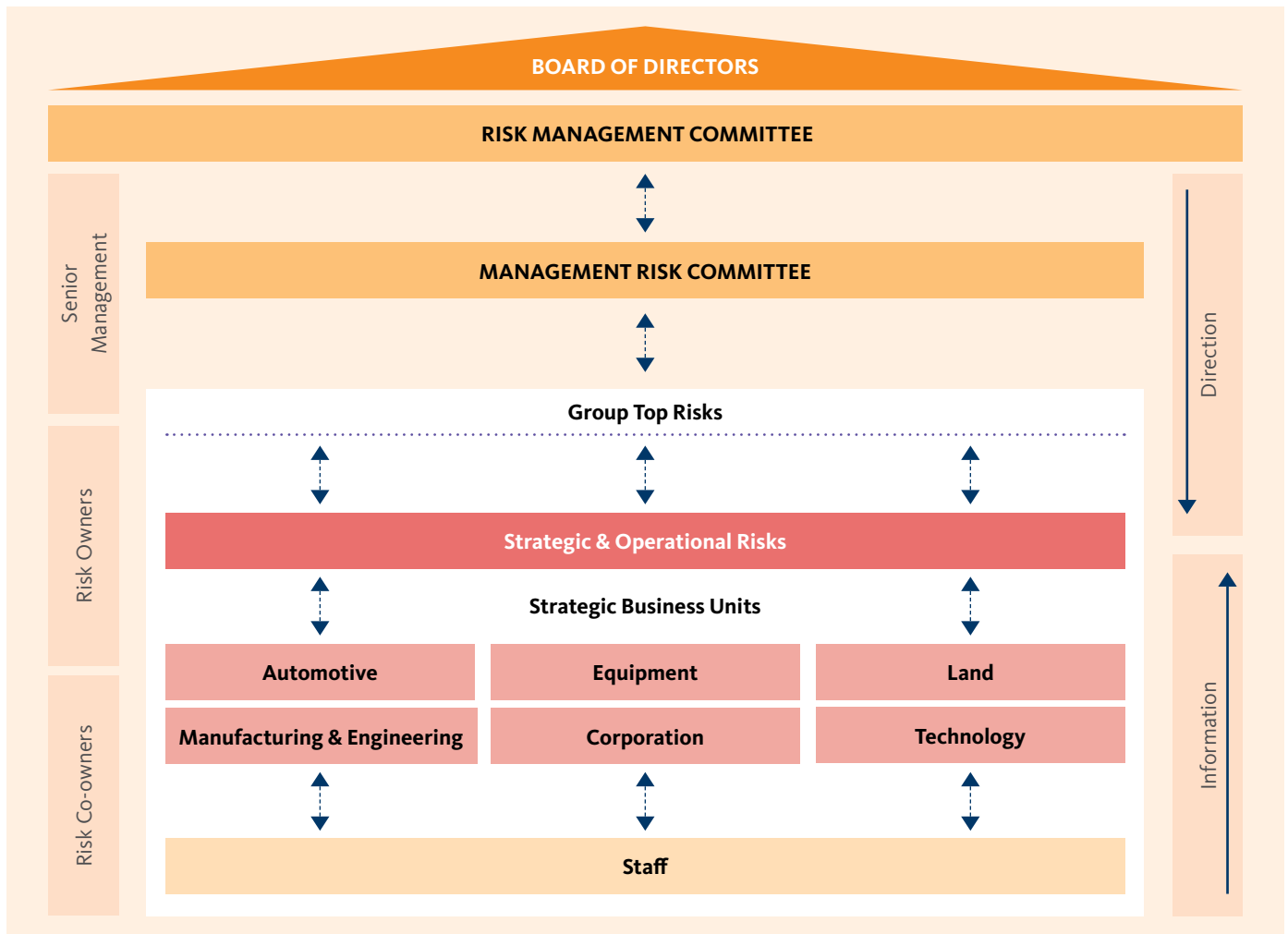
FOR THE YEAR ENDED 31 DECEMBER 2017

## (a) Risk Management Oversight

The oversight role of risk management is carried out by the RMC and the Board. Mandate and commitment from the RMC and the Board are key contributors to the success factors in the implementation of the ERM programmes. The RMC and the Board sets the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the RMC and the Board on risk management activities undertaken by management via the Management Risk Committee (**MRC**), keeps the RMC and the Board apprised and advised of all aspects of ERM, and significant individual risks and risk trends.

The MRC comprises members of the Management Committee. The MRC maintains the risk oversight within the Group at the management level, as outlined in the ERM Framework. At the Board level, the RMC assumes the oversight and strategic role for ERM. In addition to the reporting requirements to RMC and Board, the MRC 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 MRC 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 MRC, RMC and the Board.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

### (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 (**SBU**s) 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 (**PGCEO**). 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., 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 (**RAPs**) 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 MRC (two (2) times). On the 27 July 2017, the Board Committees were changed from Investment & Risk Management Committee (**IRMC**) to Investment Committee (**IC**) and reconstituted a new standalone Board Committee known as RMC. The risk reports were presented and deliberated at the RMC once in December 2017. The reports shall be presented at Board meetings.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

### (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 a seventy-six (76) assessments/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 2017, Business Continuity Office (BCO) team continued to provide awareness and education programme in which twenty (20) awareness and training workshops were conducted for the appointed Crisis Execution Team (CETs) and Business Continuity Leaders (BCLs).

To date, the BCO team has implemented BCM programmes in eight (8) Operating Companies including UMW Corporation Sdn Bhd, comprising a total of seventy (70) Business Impact Analysis (BIA) and seventy (70) Business Continuity Plans (BCP). The BCO team had also conducted Crisis Simulation (Table top Exercise) for all the eight (8) companies. Testing such as Email and Whatsapp Blast, and Call Tree Test were also conducted to ensure they have the familiarity to respond to a range of threats.

The BCO team will continue its effort in imparting knowledge on BCM across UMW Group to ensure UMW's resilience towards 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 & Remuneration Committee, Investment Committee, RMC, Whistle-Blowing Committee (WBC) and Value Group Execution Committee. 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 and Board Committees meet on a scheduled basis and additional meetings may be called by the Chairman of the Committees when required.

Further information on the Board and Board Committees are available in Corporate Governance Report disclose 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 PGCEO.

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 control. 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.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

### (c) 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 Group Compliance Department (**GCOMP**) (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 GCOMP based on responses given during the meetings and updates received subsequently. MAC Reports are subsequently presented to AC by the Chairman of MAC.

### (d) Information Technology (IT) Policies

The Group's information technology operations are governed by the IT Policies. These policies prescribe the use of all IT facilities within the Group which include but are not limited to IT Security Policies, E-Mail Policies, Anti-Virus Policies, Software Usage Policies and Backup Policies.

IT Key Risks were identified through risk management process and managed by UMW IT Services Sdn Bhd (except for Automotive Division) and Information Technology Services Division (for Automotive Division). These key risks which cover the areas of IT Disruption, Cyber Security and Disaster Recovery are reported to the Board through GRMD.

In May 2017, IT User Council (**ITUC**) was established by the Management Committee to provide independent advice in the areas of governance, risk and control from the perspective of technology. ITUC is tasked to provide critical input on any IT proposals that are presented to the Board.

ITUC comprises the following -

- Executive Director, Group Human Resource (Chairman);
- President, Technology Division (Advisor);
- Representatives from SBUs (IT Users); and
- Representatives from Group Risk Management, Group Internal Audit and Group Financial Services.

### (e) 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.

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 covering 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 quarterly basis, GIAD will submit its reports on major findings and significant control issues observed during the audit reviews, together with the Management's response and proposed action plans, to the AC for its review and where needed, to recommend appropriate actions to strengthen controls.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

The Head of GIAD is the Secretary to the WBC of the Board. 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, WBC shall report to the Board of its recommendations on the outcome 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 Auditor Malaysia (**IIAM**) and subscribed to the standards issued by the IIAM.

Further information on the activities of GIAD can be found in the AC Report.

## (f) 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 Authority Guidelines (**FLAG**) and communicating changes and assisting users on the implementation of the FLAG; and
- Preparing MAC Reports for presentation to the AC.

## (g) 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 WBC Chairperson and administratively to the PGCEO.

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 2017, GIU has conducted Integrity Forum for Senior Management of the Group and series of Integrity Awareness Roadshows in Automotive Industries Sendirian Berhad.

## (h) 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 used in governing the day-to-day business operations within the Group.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

### (i) 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 performs 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.

### (j) 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 PGCEO 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. In 2017, seventy-two (72) reports were issued by GIAD to management and the AC.

The management reports to the AC via MAC Reports on the status of action plans undertaken to address issues highlighted in GIAD's reports. In 2017, sixty-nine (69) Internal Audit Reports were discussed in the MAC meetings and four (4) 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 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.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

### 5. BOARD COMMENTARY AND OPINION

The Board has received written assurance from the PGCEO 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 2017 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 the 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 the 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 the 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 10 April 2018.

# CALENDAR OF EVENTS

## JANUARY



► AISB road safety campaign with its employees

23

UMW Industries (1985) Sdn Bhd (**UMW Industries**) handed over a total of nine (9) units of Toyota Diesel forklift to Johor Port Berhad.

27

In conjunction with the Chinese New Year celebrations, Automotive Industries Sendirian Berhad (**AISB**) launched its first road safety campaign. The two weeks' campaign was to increase awareness and promote road safety amongst AISB's employees.

## FEBRUARY



► Special townhall on the demerger of UMW Oil & Gas

01

A special townhall by Badrul Feisal Abdul Rahim, President & Group Chief Executive Officer to address matters regarding the demerger of UMW Oil & Gas Corporation Berhad was held at UMW Auditorium.

15 - 23

BT organised the Navigation Solutions for its distributors in Asia at the Material Handling and Technical Training Centre, Lot 16, Shah Alam.

## MARCH



► Signing of the Memorandum of Understanding with Malaysian Investment Development Authority

02

UMW Toyota Motor Sdn Bhd (**UMW Toyota**) launched the "2017 Toyota Eco Youth" programme with the overriding theme to reduce carbon footprint.

21

UMW Land Sdn Bhd inked a Memorandum of Understanding with the Malaysian Investment Development Authority (**MIDA**) to explore areas of co-operation and collaboration with regard to the industrial development of UMW's land-bank in Serendah.

24

A half-day training session on "Companies Act 2016: New Governance Framework for Directors & Management and Its Impact" was specially organised for Board members and senior management.

## APRIL



► A UMW Community Champion with a homeless child

06

UMW Grantt International Sdn Bhd (**UMW Grantt**) signed two (2) Memorandums of Agreement with Universiti Utara Malaysia (**UUM**) through its School of International Studies (**SOLS**). The agreements include UMW Grantt sponsoring one of UUM's student residence halls, better known as Inapan Siswa (**INASIS GRANTT**) and providing a three-year sponsorship for research opportunities and students' activities for SOLS and residents of INASIS GRANTT.

11

50 UMW Community Champions participated in the UMW Community Champions' Programme with the homeless at the Temporary Service Centre for the Homeless in Lorong Medan Tuanku 2, Kuala Lumpur. This was the first programme collaborated with KASEH4U in 2017. KASEH4U is a non-governmental organisation established in November 2013 to provide basic meals to the homeless.

19

UMW Industries won three awards under the 2016 Toyota Material Handling International (**TMHI**) Award programme which was held at the 2017 TMHI Distributor Conference in Nagoya, Japan.



# CALENDAR OF EVENTS

## APRIL



► Opening of a new B&P Centre in Kuching, Sarawak

20 - 25

UMW participated in the “Minggu Saham Amanah Malaysia 2017”, which was held at Temerloh, Pahang.

20

UMW Toyota launched the new Body & Paint (B&P) Centre in Kuching, Sarawak. The new facility is located at the Pending Industrial Area to complement its existing Sales & Service Centre along Jalan Datuk Tawi Sli in Kuching.

## MAY



► Seminar on “New Logistics Trends & Solutions”

01

80 UMW employees participated in the “Perhimpunan Hari Pekerja” in conjunction with “Hari Pekerja Sedunia”, held at Putrajaya International Convention Centre.

02

UMW organised a welcome event for the first intake of the Diploma in Manufacturing Engineering (Industrial Automation & Robotic) programme at Kolej Kemahiran Tinggi MARA (KKTm) in Kuantan, Pahang.

03

UMW Industries shared the latest trends and solutions in logistics and warehousing with more than 50 of its customers during a “New Logistics Trends & Solutions” Seminar organised at its premises at Lot 16, Shah Alam.

19,  
23 - 26

UMW Group Health, Safety and Environment collaborated with Road Safety Department of Malaysia for Putrajaya and Selangor in hosting a road safety talk session for UMW employees in Shah Alam.

## JUNE



► Academic Excellence Awards Ceremony for children of UMW employees

05

UMW organised the Academic Excellence Awards ceremony to celebrate the academic excellence of children of UMW employees in UPSR, PT3 and SPM examinations in 2016. Altogether there were 97 award recipients.

10

32 volunteers from the KYB-UMW Group participated in the Corporate Social Responsibility (CSR) programme with residents of Rumah Amal Anak Yatim Sungai Manggis, Banting. The volunteers brought children from the orphanage to shop at IOI Mall, Putrajaya in conjunction with Hari Raya celebration.

17

40 selected students from SK Bandar Baru Salak Tinggi were treated to Hari Raya shopping at AEON Shopping Centre, Seri Kembangan, Selangor as part of UMW’s annual festive programme with the underprivileged.

19 - 25

UMW Development Sdn Bhd (**UMW Development**) participated in the 52<sup>nd</sup> International Paris Air Show (**IPA2017**) at Parc Des Expositions, Le Bourget, Paris. The IPA2017 was the platform for UMW Development to engage with global aerospace companies to promote the UMW High Value Manufacturing Park (**UMW HVM Park**) in Serendah.



► UMW Development at the 52<sup>nd</sup> International Paris Air Show (IPA2017), Paris

# CALENDAR OF EVENTS

## JULY



► Long Service Award ceremony at TBU

22

Toyota Boshoku UMW Sdn Bhd (**TBU**) hosted a Long Service Award ceremony for its employees. A total of 16 staff were honoured with 6 staff receiving the 20 years award and 10 staff receiving the 10 years award.

27

UMW Group Insurance Division in collaboration with K Insurance Sdn Bhd and Etiqa Insurance Berhad organised an “Insurance Awareness Talk on Liberalisation of Motor Insurance” for UMW employees at UMW headquarters in Shah Alam.

## AUGUST



► Mr Yasusuke Nakajima, the President of KYB Japan during his visit to UMW

02

UMW Group welcomed the President of KYB Japan, Mr Yasusuke Nakajima who made his maiden visit to UMW.

15

UMW M&E Sdn Bhd participated in the “Malaysia Aerospace Summit 2017” organised by the Ministry of Trade and Industry.

24

The UMW Equipment Fire, Emergency & Rescue Department together with its Principal, Rosenbauer introduced the new Light Firefighting & Rescue Truck (**LFRT**) to the Malaysian market. Held at UMW Industries’ premises at Lot 16, Shah Alam, the event was attended by 24 firemen from companies within the Klang Valley and Penang.

25 - 27

TBU was named first runner-up in the Door Trim Competition of TB Asia & Oceania Skills Competition in Bangkok, Thailand.



► TBU Door Trim Competition in Bangkok, Thailand

## SEPTEMBER



► “Bengkel Motivasi Dan Pecutan Akhir SPM 2017” programme

25 - 27

104 students from 15 schools in the Petaling Perdana district, six of whom were children of UMW employees benefitted from UMW’s “Bengkel Motivasi Dan Pecutan Akhir SPM 2017”, jointly organised by UMW, Petaling Perdana Education District and Utusan Malaysia at SMK Seksyen 18, Shah Alam.

26 - 29

In an effort to promote the UMW HVM Park to Japanese aerospace players, UMW Development participated in the Aeromart Nagoya 2017 at the Nagoya Trade and Industry Centre, Japan.

28

UMW organised a “Majlis Doa Selamat” in conjunction with the celebration of UMW 100 years anniversary at Sultan Salahuddin Abdul Aziz Shah mosque in Shah Alam, Selangor. The event was attended by 800 invited guests including the Guest-of-Honor Tan Sri Abdul Wahid Omar, Group Chairman of Permodalan Nasional Berhad, former UMW Group Chairman and Presidents as well as UMW staff.

30

33 UMW staff in Sabah participated in a CSR programme, which was a visit to Hospital Wanita dan Kanak-Kanak Sabah. The programme was organised by Group Corporate Communications, in collaboration with Kelab UMW Sabah.



► “Majlis Doa Selamat” in conjunction with the UMW 100 years anniversary

## CALENDAR OF EVENTS

### OCTOBER



► Robocon Competition by KYB Corporation Japan

03 - 07

UMW Toyota, the official vehicle sponsor for the 53<sup>rd</sup> edition of “Jelajah Malaysia” sponsored more than seventy (70) units of Toyota vehicles for this tournament.

05

In conjunction with the celebration of UMW 100 years anniversary, a special Centenary Address was held at UMW Auditorium. The special address was delivered by the Group Chairman, Tan Sri Dato’ Sri Hamad Kama Piah Che Othman. He also launched the “Raikan 100 Tahun UMW” Carnival at Dataran UMW, on the same day.



► “Raikan 100 Tahun UMW” Carnival at Dataran UMW, Shah Alam.

21

KYB-UMW Malaysia Sdn Bhd (**KYB-UMW Malaysia**) participated in the Robocon Competition, which was organised by KYB Corporation Japan at KYB Sagami Plant, Japan. This was the 7<sup>th</sup> participation for KYB-UMW Malaysia since year 2011.

28 - 29

23 UMW Community Champions participated in an educational programme called “Jejak Kembara Ilmu 2017” at Sekolah Kebangsaan Ulu Slim, Perak.

### NOVEMBER



► Recipients of proceeds from the Toyota Classics Concert

01

UMW Toyota collected a total of RM406,000 in proceeds from its annual Toyota Classics Concert. The concert was organised at Kuala Lumpur Convention Centre featuring London-based Royal Philharmonic Orchestra.

24

53 undergraduate students at local universities were awarded scholarships at the Scholarship Awards Ceremony organised by Group Human Resource at UMW Auditorium, Shah Alam.

28

UMW organised UMW Centenary Gala Dinner at Setia City Convention Centre, Setia Alam for its former leaders, business partners, stakeholders and principals who have contributed and supported UMW throughout its long history. The event was attended by more than 800 guests including the Guests-of-Honour, Datuk J. Jayasiri, Secretary General, Ministry of International Trade and Industry and Tan Sri Abdul Wahid Omar, Group Chairman, Permodalan Nasional Berhad.



► YB Datuk Ahmad Maslan, Deputy Minister of International Trade and Industry at the flag-off ceremony

29

UMW Aerospace Sdn Bhd (**UMW Aerospace**) rolled out its maiden fan case for Rolls-Royce Trent 1000 TEN. The event, which was held at UMW Aerospace plant in Serendah, saw YB Datuk Ahmad Maslan, Deputy Minister of International Trade and Industry having the honour of rolling out the maiden fan case bound for Seletar Aerospace Park in Singapore.

### DECEMBER



► Contractors show off their HSE green cards

12

85 UMW Corporation and Manufacturing & Engineering Group employees were honoured at the Long Service Awards Ceremony 2017 held at UMW Auditorium. The awards ceremony was in recognition of their services and valuable contributions to UMW in 20 years.

14

In an effort to improve its contractor management, UMW Group Health, Safety & Environment organised the launch of UMW HSE Green Card and Award Ceremony of the Best HSE Contractors for 2016. The UMW HSE Green Card acts as “HSE Passport” for contractors who work in UMW premises.

# AWARDS & ACCOLADES

NO.	COMPANY	AWARD	PROVIDER
1.	<b>UMW Corporation Sdn Bhd</b>	<b>Asia's Best Employer Brand Awards 2017</b>	Employer Branding Institute (EBI)
2.	<b>UMW Aerospace Sdn Bhd</b>	<b>ISO 9001: 2008 and AS9100C</b> (Technically Equivalent to EM 9100:2009 and JISQ 9100:2009) Manufacturing, machining and assembly of component and precision engine parts for aerospace	DNV GL-Business Assurance, USA
3.	<b>Lubritech Limited, China</b>	<b>MAN Product Approval M3275-1</b> (GRANTT Quasar CH-4 15W40)	MAN Truck & Bus AG
4.	<b>Lubritech Limited, China</b>	<b>Mercedes-Benz Product Approval MB 229.5</b> (GRANTT Stellar 8000 SN 0W40)	Daimler AG
5.	<b>Lubritech Limited, China</b>	<b>Most Improved Technical Partner in China</b>	Infineum (China) Co Ltd



**6**  
**KYB-UMW STEERING MALAYSIA SDN BHD**  
**Product Excellence -**  
**In Compliance With**  
**The Quality Standards**  
**of MMPC & Consistent**  
**Delivery of High Quality**  
**Products from July 2015**  
**to December 2015**  
 Mitsubishi Motors Philippines Corporation (MMPC)

**7**  
**UMW INDUSTRIES (1985) SDN BHD**  
**President Award – Bronze Award**  
 Toyota Industries Corporation

**8**  
**UMW INDUSTRIES (1985) SDN BHD**  
**Platinum Club Recognition Award**  
 Toyota Industries Corporation

**9**  
**UMW INDUSTRIES (1985) SDN BHD**  
**Vision 2020 Award**  
 Toyota Industries Corporation

**10**  
**UMW EQUIPMENT & ENGINEERING PTE LTD**  
**2016 Customer Support Award**  
 Toyota Industries Corporation

# AWARDS & ACCOLADES



11

**UMW TOYOTA MOTOR SDN BHD**  
**Customer Satisfaction Index (CSI) 2017**  
 JD Power

15

**UMW TOYOTA MOTOR SDN BHD**  
**Gold (Automotive)**  
 Putra Brand Awards, The People's Choice

19

**UMW TOYOTA MOTOR SDN BHD**  
**Toyota Fortuner - Bronze**  
 iCar Asia People's Choice Awards 2017

12

**UMW TOYOTA MOTOR SDN BHD**  
**Best MPV of the year TOYOTA SIENTA**  
 VOTY – DSF.my

16

**UMW TOYOTA MOTOR SDN BHD**  
**Toyota Sienta 1.5 V - Best Compact MPV**  
 Carsifu, Editors' Choice Awards 2017

20

**UMW TOYOTA MOTOR SDN BHD**  
 • **No.1 for Customer Satisfaction Index**  
 • **No.1 for (Sales Satisfaction Index)**  
 JD Power Asia Pacific

13

**UMW TOYOTA MOTOR SDN BHD**  
**Best Service Aftersales**  
 VOTY – DSF.my

17

**UMW TOYOTA MOTOR SDN BHD**

- **Toyota Camry Hybrid 2.5 - Sedan and Hatchback (RM160,001 - RM200,000)**
- **Toyota Innova 2.0 - MPV (RM100,001 - RM160,000)**
- **Toyota Hilux Double Cab 2.4G (4X4) - (Below RM120,000)**
- **Toyota Hilux Double Cab 2.8G (4X4) - (Above RM120,000)**

Malaysia Automotive Institute (MAI),  
 Malaysia Car Of The Year 2017

14

**UMW TOYOTA MOTOR SDN BHD**  
**Toyota Sienta - Compact MPV of the Year - Best After Sales**  
 DSF.my Allianz Vehicle of the Year

18

**UMW TOYOTA MOTOR SDN BHD**

- **Toyota Vellfire - Premium MPV Of The Year**
- **Toyota Innova - Mid Range MPV Of The Year**

Carlist.my, People's Choice Award 2017

## AWARDS & ACCOLADES



21

### PERODUA

#### Frost & Sullivan Malaysia Excellence Awards 2017

Perodua AXIA awarded Value-for-Money (1.3L & Below Category) Car of the Year Frost & Sullivan Malaysia

25

### PERODUA

#### Vehicle of the Year 2017 Awards

Perodua AXIA awarded Compact Car of the Year DSF.my Allianz

29

### ASSEMBLY SERVICES SDN BHD

#### Zero Field Action Award

Toyota Daihatsu Engineering & Manufacturing (TDEM)

22

### PERODUA

#### Frost & Sullivan Malaysia Excellence Awards 2017

Perodua BEZZA awarded Car of the Year Frost & Sullivan Malaysia

26

### PERODUA

#### The BrandLaureate Most Favourite Brand Award 2016-2017 : Automotive – Sedan/Compact Cars

The BrandLaureate BestBrand Award

30

### UMW CORPORATION SDN BHD

#### HR Asia – Best Companies To Work For in Asia 2017

HR Asia

23

### PERODUA

#### Frost & Sullivan Malaysia Excellence Awards 2017

Perodua BEZZA awarded Car of the Year Frost & Sullivan Malaysia

27

### PERODUA

#### The BrandLaureate Most Eminent Brand Icon Leadership Award 2017

The BrandLaureate Brand ICON Leadership Awards 2017

31

### UMW AEROSPACE SDN BHD

#### Trusted to Deliver Excellence Award

Rolls-Royce Plc

24

### PERODUA

#### Malaysia Good Design Mark 2016

Perodua BEZZA awarded Malaysia Good Design MRM (Majlis Rekabentuk Malaysia)

28

### ASSEMBLY SERVICES SDN BHD

#### Warranty Reduction Award

Toyota Daihatsu Engineering & Manufacturing (TDEM)

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

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 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Group and of the Company are referred to in Note 1 to the financial statements.

The principal activities of the subsidiaries, joint ventures and associates are disclosed in Note 38, Note 39 and Note 40 respectively.

## RESULTS

	Group RM'000	Company RM'000
Loss for the year	<u>(660,468)</u>	<u>(504,168)</u>
Attributable to:		
Equity holders of the Company	(640,634)	(504,168)
Non-controlling interests	<u>(19,834)</u>	<u>-</u>
	<u>(660,468)</u>	<u>(504,168)</u>

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

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.

## DIVIDEND

No dividend was paid during the financial year and the directors do not recommend any dividend to be paid for the financial year under review.

## DIRECTORS OF THE COMPANY

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Sri Hamad Kama Piah Che Othman # (appointed 1 January 2017)

Badrul Feisal Abdul Rahim #

Dato' Siow Kim Lun @ Siow Kim Lin #

Khalid Sufat #

Tan Sri Hasmah Abdullah

Dato' Eshah Meor Suleiman

Datin Paduka Kartini Hj Abdul Manaf (appointed 15 June 2017)

Salwah Abdul Shukor (appointed 15 June 2017)



## DIRECTORS' REPORT (CONTD.)

### DIRECTORS OF THE COMPANY (CONTD.)

Dr Veerinderjeet Singh Tejwant Singh (appointed 15 June 2017)  
Mohd Shahazwan Mohd Harris (appointed 15 June 2017)  
Lim Tze Seong (appointed 1 January 2018)  
Dr Leong Chik Weng # (retired 25 May 2017)  
Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani # (retired 25 May 2017)  
Dato' Mohd. Nizam Zainordin (retired 25 May 2017)  
Rohaya Mohammad Yusof (resigned 1 January 2018)

# Directors of the Company and certain of its subsidiaries

### DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The name of directors of the Company's subsidiaries since the beginning of the financial year to the date of this report excluding those who are already the directors of the Company, are:

Akira Naito  
Akio Takeyama  
Amri Hasim  
Anas Nasrun Mohd Osman  
Anuar Abd Ani  
A'tikah Ahmad (retired 14 July 2017)  
Atsuhiko Inoko (retired 1 August 2017)  
Azmin Che Yusoff  
Baishali Buragohain  
Chee Cheng Han (retired 28 August 2017)  
Cheow Lip Heng  
Chua Tee Tee  
Dai Peng (appointed 24 November 2017)  
Dato' Ahmad Omar (retired 10 April 2017)  
Dato' Muthukumar Ayarpadde  
Datuk (Dr) Aminar Rashid Salleh  
Ding Poi Bor  
Ding Xiaolin  
Dr Wafi Nazrin Abdul Hamid (appointed 14 July 2017)  
Fadzilah Samion (retired 27 October 2017)  
Fa'izah Mohamed Amin (appointed 28 August 2017)  
Gan Kim Teck  
Goh Li Wei (appointed 26 October 2017)  
Gregory Wayne Disselkoen (retired 1 April 2017)  
Hiroyuki Fukui (retired 1 January 2018)  
Hitoshi Kitagawa (retired 31 March 2017)  
Iichiro Sadamoto  
Iwao Mizuno  
James Jonathan Tng (appointed 26 October 2017)  
Jessie Lau Siew Yen (appointed 14 July 2017)  
Jogendra Nath Buragohain  
Kevin Lee Kok Heng (appointed 16 February 2017)  
Khoo Kay Chock  
Koh Fook Cheong

## DIRECTORS' REPORT (CONTD.)

### DIRECTORS OF THE COMPANY'S SUBSIDIARIES (CONTD.)

Kwong Tai Choy  
Lee Chin Min  
Lee Kuo Wei  
Lee Tak Wah  
Leung Kwok Kuen  
Li Gongke (appointed 24 November 2017)  
Lo Yuk Shun  
Loh Ngie Hie (retired 16 February 2017)  
Masato Kuriyama (retired 1 July 2017)  
Mazuki Abdullah @ Muhammad  
Megat Shahrul Azmir Nordin  
Mohamad Nizam Yaacob (retired 10 April 2017)  
Mohanachandran K P Madhavan Nair  
Mohd Shamsor Mohd Zain  
Muzafar Munzir  
Ng Jun Lip (retired 23 November 2017)  
Oh Kim Hong  
Ooi Koe Leong  
Pauzi Hanipi  
Ravindran Kurusamy  
Roslan Yahaya  
Roza Shahnaz Omar  
Sam Tuck Wah  
Shoji Ishikawa (appointed 1 April 2017)  
Shuichi Ishii (appointed 1 January 2018)  
Subramaniam C Sundram (appointed 25 April 2017)  
Susumu Matsuda (appointed 1 January 2018)  
Tan Mei Fatt  
Tatsuro Takami  
Teh Tin Nee (appointed 16 February 2017)  
Tsai Jung Huei  
Tsuneo Sawada (appointed 1 August 2017)  
Woo Chiew Loong (retired 23 November 2017)  
Wu Xue Wen  
Yap Chong Hong  
Yap Kok Khiang  
Yasuhiko Yokoi  
Yasushi Fuchigami  
Yasushi Minami  
Yuji Tomobuchi  
Zailani Ali (appointed 14 July 2017)  
Zeng Guoyang (appointed 24 November 2017)  
Zulkefli Idris (retired 4 May 2017)

## DIRECTORS' REPORT (CONTD.)

### 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 28 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 the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 43 to the financial statements.

### DIRECTORS' AND OFFICERS' INDEMNITY

The Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016, throughout of year, which provide appropriate insurance cover for the directors of the Company. The amount of insurance premium effected for any director of the Company during the financial year was RM118,050. The directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

### 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			
	1 January 2017	Bought	Sold	31 December 2017
<b>Direct Interest</b>				
Dr Veerinderjeet Singh Tejwant Singh	-	66	-	66

### 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:
- 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
  - 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:
- the amount written off for bad debts or the amount of the allowance for impairment loss on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - 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.

## DIRECTORS' REPORT (CONTD.)

### OTHER STATUTORY INFORMATION (CONTD.)

- (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.
- (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 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 during the financial year are disclosed in Note 41 to the financial statements.

### SUBSEQUENT EVENTS

Subsequent events are as disclosed in Note 42 to the financial statements.

### AUDITORS AND AUDITORS' REMUNERATION

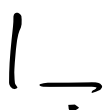
The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 28 to the financial statements.

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group and the Company have agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during the financial year nor since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2018.



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



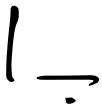
**BADRUL FEISAL ABDUL RAHIM**

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN** and **BADRUL FEISAL 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 123 to 248 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2018.



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



**BADRUL FEISAL ABDUL RAHIM**

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

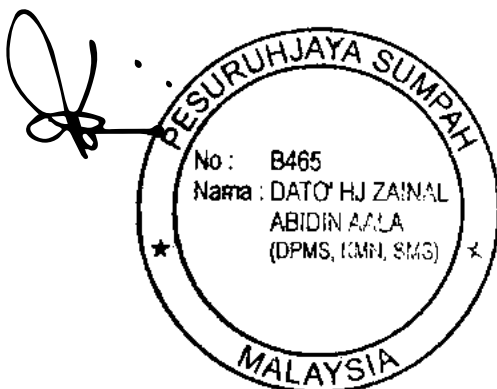
I, **AZMIN CHE YUSOFF**, being the officer primarily responsible for the financial management of UMW Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 123 to 248 are in my opinion correct, and I make this solemn declaration conscientiously 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 CHE YUSOFF**  
at Shah Alam in Selangor Darul Ehsan  
on 10 April 2018



**AZMIN CHE YUSOFF**

Before me,



NO 36, JLN NELAYAN 619/B  
SEKSYEN 19  
40300 SHAH ALAM  
SELANGOR DARUL EHSAN.  
TEL : 019-2565661

# INDEPENDENT AUDITORS' REPORT

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 2017 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 123 to 248.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *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.

### Remeasurement of assets to fair value less costs to sell

As at 31 December 2017, the Group had made a strategic decision to exit from oil and gas industry and hence is actively working on restructuring and recovery options exercise on its oil and gas (unlisted) segment ("Unlisted Segment"). This includes divestment or disposal options on these Unlisted Segment investments. In doing this, the Group had formed a committee to oversee the execution of the exercise.

Accordingly, the assets and liabilities of the Unlisted Segment meets the criteria for classification to non-current asset/disposal group held for sale under MFRS 5 Non-current Assets Held for Sale and Discontinued Operations ("MFRS 5").

# INDEPENDENT AUDITORS' REPORT (CONTD.)

TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

## *Key audit matters (contd.)*

### Remeasurement of assets to fair value less costs to sell (contd.)

MFRS 5 requires an entity to measure a non-current asset that meets the criteria to be classified as held for sale at the lower of its carrying amount and fair value less costs to sell ("FVLCS").

The Group had performed an assessment to estimate the recoverable amounts based on FVLCS of the Unlisted Segment's assets and liabilities. This area was important to our audit as the assessment involves determining the recoverable amounts which involves complex and subjective management judgement and is based on assumptions that are affected by expected future market and economic conditions.

Management has estimated the FVLCS of property, plant and equipment based on professional independent valuations of assets and estimated the FVLCS of investments in associates based on discounted future cash flows.

For FVLCS determined based on professional independent valuations, our procedures include considering the objectivity, independence and expertise of the firm of independent valuers.

Our procedures in relation to the estimates of FVLCS based on discounted future cash flows include:

- (i) reviewing the methodology of valuation;
- (ii) reviewing the underlying key assumptions on which the cash flow projections are based;
- (iii) corroborating the key assumptions with industry analysts' views, where applicable;
- (iv) assessing the reasonableness of the discount factor used; and
- (v) performing sensitivity analysis of the changes on key assumptions.

The Group's conclusion on the assessment of the recoverable amounts and related disclosures are included in Note 18 and Note 32 of the financial statements.

### Provision for warranties

As at 31 December 2017, the provision for warranties amounted to RM206 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 ("MFRS 137").

Our procedures in reviewing the estimates include:

- (i) Obtaining an understanding of the warranty process estimation through enquiry of representatives from the Warranty and Technical Operation team;
- (ii) Discussing the basis of provision and assumptions with the Warranty and Technical Operation team to obtain an understanding of the related data (such as failure rate and claims histories) used as inputs to the provision computation;
- (iii) Evaluating the validity of the actual data used in the provision computations; and
- (iv) Recalculating the mathematical accuracy of the provision workings.

The disclosure on warranty provisions are included in Note 21 of the financial statements.

## INDEPENDENT AUDITORS' REPORT (CONTD.)

TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### *Key audit matters (contd.)*

#### Financial guarantee contracts

In prior year, the Group and the Company has 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.

As at 31 December 2017, in line with the Group's strategic decision to exit from oil and gas industry, the Group has decided to accelerate the settlement of the borrowings and consequently recognised additional provision of RM254 million and RM93 million respectively at Group and at Company.

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. The remeasurement was recognised in accordance with MFRS 137, whereby it is based on the current best estimate.

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.

The disclosure on financial guarantee contracts are included in Note 24 of the financial statements.

#### *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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



## INDEPENDENT AUDITORS' REPORT (CONTD.)

TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.

## INDEPENDENT AUDITORS' REPORT (CONTD.)

TO THE MEMBERS OF UMW HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### *Auditors' responsibilities for the audit of the financial statements (contd.)*

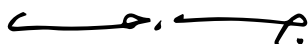
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed on pages 221 to 228.

### OTHER MATTERS

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



#### ERNST & YOUNG

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia  
10 April 2018



#### AHMAD ZAHIRUDIN ABDUL RAHIM

No. 02607/12/2018 J

Chartered Accountant

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,658,103	7,678,533
Investment properties	5	1,496	2,457
Intangible assets	6	-	-
Land use rights	7	2,503	6,482
Leased assets	8	290,244	270,509
Investments in joint ventures	10	51,813	54,875
Investments in associates	11	1,661,497	1,953,223
Deferred tax assets	12	118,771	116,495
Other investments	13	14,770	22,660
Derivative assets	14	-	11,948
Receivables	16	34,621	47,756
Deposits, cash and bank balances	17	-	336,450
		<b>4,833,818</b>	<b>10,501,388</b>
<b>Current assets</b>			
Other investments	13	1,295,416	996,898
Derivative assets	14	11,933	3,470
Inventories	15	1,410,746	1,931,189
Receivables	16	1,021,290	988,467
Tax recoverable		7,833	7,604
Deposits, cash and bank balances	17	1,169,568	1,857,424
		<b>4,916,786</b>	<b>5,785,052</b>
Assets held for sale	18	345,128	-
		<b>5,261,914</b>	<b>5,785,052</b>
<b>TOTAL ASSETS</b>		<b>10,095,732</b>	<b>16,286,440</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTD.)

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	19	584,147	584,147
Share premium	19	-	794,482
Capital reserve		396	396
Hedging reserve	20	1	3,099
Foreign currency translation reserve	20	10,201	437,793
Retained profits		2,452,503	2,898,645
		<b>3,047,248</b>	4,718,562
Non-controlling interests		1,131,182	2,145,713
<b>Total equity</b>		<b>4,178,430</b>	6,864,275
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	41,499	46,368
Provision for warranties	21	153,209	104,203
Long term borrowings	22	2,069,717	3,715,777
Payables	24	-	803,805
		<b>2,264,425</b>	4,670,153
<b>Current liabilities</b>			
Derivative liabilities	14	6,283	95,815
Provision for warranties	21	53,095	97,270
Provision for taxation		41,905	40,956
Short term borrowings	23	691,857	2,639,329
Payables	24	2,795,538	1,878,642
Liabilities associated with assets held for sale	18	64,199	-
		<b>3,652,877</b>	4,752,012
<b>Total liabilities</b>		<b>5,917,302</b>	9,422,165
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,095,732</b>	16,286,440

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 2017

	Note	2017 RM'000	2016 Restated RM'000
<b><u>Continuing operations</u></b>			
Revenue	25	11,066,638	10,436,797
Other operating income	26	128,604	99,335
Changes in inventories		(185,122)	44,758
Finished goods purchased		(8,712,967)	(8,037,732)
Raw materials and consumables used		(252,482)	(379,718)
Employee benefits	27	(801,829)	(785,793)
Depreciation and amortisation		(265,330)	(229,287)
Other operating expenses		(853,809)	(1,632,914)
Profit/(loss) from operations		123,703	(484,554)
Finance costs	29	(118,961)	(44,252)
Investment income	30	79,831	63,094
Share of results of associates and joint ventures		182,000	183,615
Profit/(loss) before zakat and taxation	28	266,573	(282,097)
Zakat		(6,919)	(8,560)
Income tax expense	31	(114,760)	(124,970)
Profit/(loss) from continuing operations, net of tax		144,894	(415,627)
<b><u>Discontinued operations</u></b>			
Loss from discontinued operations, net of tax	32	(805,362)	(1,854,150)
Loss for the year		(660,468)	(2,269,777)
<b>Other comprehensive loss</b>			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(424,081)	(14,544)
Fair value (loss)/gain on cash flow hedge		(3,098)	5,559
<b>Other comprehensive loss for the year, net of tax</b>		<b>(427,179)</b>	<b>(8,985)</b>
<b>Total comprehensive loss for the year</b>		<b>(1,087,647)</b>	<b>(2,278,762)</b>
<b>Loss for the year attributable to:</b>			
Equity holders of the Company		(640,634)	(1,658,039)
Non-controlling interests		(19,834)	(611,738)
		(660,468)	(2,269,777)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(1,071,324)	(1,652,269)
Non-controlling interests		(16,323)	(626,493)
		(1,087,647)	(2,278,762)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 Restated RM'000
<b>Basic/diluted earnings/(loss) per share attributable to equity holders of the Company (sen):</b>	33		
Continuing operations		3.1	(45.9)
Discontinued operations		<b>(57.9)</b>	(96.0)
		<b>(54.8)</b>	<b>(141.9)</b>

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 2017

	← Non-distributable	→ Distributable							
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Capital reserve RM'000	Hedging reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1 January 2016</b>	584,147	794,482	445,306	396	-	4,760,127	6,584,458	2,799,413	9,383,871
Loss for the year	-	-	-	-	-	(1,658,039)	(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)
Total comprehensive income/(loss) for the year	-	-	2,671	-	3,099	(1,658,039)	(1,652,269)	(626,493)	(2,278,762)
<b>Transactions with owners:</b>									
Dividends (Note 34)	-	-	-	-	-	(116,829)	(116,829)	(95,845)	(212,674)
Acquisitions of non-controlling interest (Note 9)	-	-	(10,184)	-	-	(86,614)	(96,798)	68,638	(28,160)
Total transactions with owners	-	-	(10,184)	-	-	(203,443)	(213,627)	(27,207)	(240,834)
<b>At 31 December 2016</b>	584,147	794,482	437,793	396	3,099	2,898,645	4,718,562	2,145,713	6,864,275

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

	← Non-distributable		→ Distributable		Total equity RM'000				
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Capital reserve RM'000		Hedging reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000
<b>At 1 January 2017</b>	584,147	794,482	437,793	396	3,099	2,898,645	4,718,562	2,145,713	6,864,275
Loss for the year	-	-	-	-	-	(640,634)	(640,634)	(19,834)	(660,468)
Other comprehensive (loss)/ income for the year	-	-	(427,592)	-	(3,098)	-	(430,690)	3,511	(427,179)
Total comprehensive loss for the year	-	-	(427,592)	-	(3,098)	(640,634)	(1,071,324)	(16,323)	(1,087,647)
<b>Transactions with owners:</b>									
Acquisitions of non-controlling interest (Note 9)	-	-	-	-	-	26,494	26,494	(30,070)	(3,576)
Dividends (Note 34)	-	-	-	-	-	-	-	(75,922)	(75,922)
Transfer in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017 (Note 19)	794,482	(794,482)	-	-	-	-	-	-	-
Effects of capital reduction (Note 41(a))	(794,482)	-	-	-	-	167,998	(626,484)	(892,216)	(1,518,700)
Total transactions with owners	-	(794,482)	-	-	-	194,492	(599,990)	(998,208)	(1,598,198)
<b>At 31 December 2017</b>	584,147	-	10,201	396	1	2,452,503	3,047,248	1,131,182	4,178,430

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 2017

	2017 RM'000	2016 Restated RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before zakat and taxation:		
- Continuing operations	266,573	(282,097)
- Discontinued operations	(803,407)	(1,848,128)
Adjustments for:		
Amortisation of financial guarantee contracts	(6,319)	(17,330)
Depreciation and amortisation	412,149	569,516
Net impairment/(reversal of impairment) losses on:		
- receivables	(6,276)	252,213
- property, plant and equipment and leased assets	1,439	1,165,383
- investments in joint ventures	-	53,060
- goodwill	-	25,228
Write down to fair value less costs to sell:		
- property, plant and equipment	24,596	-
- investments in associates	261,703	-
Dividend income from investments	(3,724)	(4,847)
Net loss on disposal of investments	126,914	7,901
Interest expense from:		
- Continuing operations	118,961	44,252
- Discontinued operations	98,494	141,236
Interest income	(84,343)	(75,548)
Net gain on disposal of property, plant and equipment and leased assets	(22,163)	(21,292)
Net provision of inventories written down	83,058	33,134
Property, plant and equipment and leased assets written off	5,795	7,670
Net provision for warranties	23,293	73,119
Net fair value losses on financial assets held for trading	5,918	1,698
Remeasurement of financial guarantee contracts	253,972	704,991
Share of results of associates and joint ventures	(151,047)	(156,382)
Net fair value gain on derivatives	(91,552)	(171,751)
Net unrealised foreign exchange gain	(118,658)	(16,281)
Operating profit before working capital changes	395,376	485,745
Receivables	289,830	564,646
Inventories	209,307	(74,251)
Provision for warranties	(17,274)	(13,175)
Payables	617,462	(276,479)
Cash generated from operating activities	1,494,701	686,486
Interest paid	(233,468)	(186,081)
Zakat and taxes paid	(131,921)	(209,672)
Net cash generated from operating activities	1,129,312	290,733

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RM'000	Restated RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow on acquisition of additional shares	(4,550)	(17,745)
Net cash outflow from disposal of a subsidiary	(929,926)	-
Purchase of investment in a joint venture	-	(4,239)
Additional investment in an associate	(224)	-
Purchase of property, plant and equipment and leased assets	(869,760)	(1,181,566)
Proceeds from disposal of property, plant and equipment and leased assets	68,545	47,338
Proceeds from disposal of other investments	1,270,401	2,087,281
Purchase of other investments	(1,568,979)	(1,891,538)
Interest received	85,862	75,548
Dividends received from associates and other investments	97,962	83,764
Withdrawal of deposits	-	30,000
Placement of deposits pledged with banks	-	(1,325)
Net cash used in investing activities	<b>(1,850,669)</b>	<b>(772,482)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of long term borrowings	953,927	2,011,341
Repayment of long term borrowings	(462,105)	(1,171,384)
Net movement in short term borrowings	(296,985)	(459,598)
Repayment of finance lease payables	-	(253)
Dividends paid to equity holders of the Company	-	(116,829)
Dividends paid to non-controlling interests	(75,922)	(95,845)
Placement of restricted cash deposits in licensed banks	-	(558,275)
Net cash generated from/(used in) financing activities	<b>118,915</b>	<b>(390,843)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(602,442)</b>	<b>(872,592)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>176,617</b>	<b>(141,172)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>1,607,294</b>	<b>2,621,058</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>1,181,469</b>	<b>1,607,294</b>
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	484,626	519,157
Deposits with licensed banks - non-current (Note 17)	-	336,450
Deposits with licensed banks - current (Note 17)	684,942	1,338,267
Deposits, cash and bank balances attributable to assets held for sale (Note 17)	24,867	-
	<b>1,194,435</b>	<b>2,193,874</b>
Less: Bank overdrafts (Note 23)	(6,537)	(22,681)
Less: Deposits with a maturity of more than 3 months (Note 17)	(2,615)	(1,000)
Less: Restricted cash (Note 17)	-	(558,275)
Less: Deposits pledged with banks (Note 17)	(3,814)	(4,624)
	<b>1,181,469</b>	<b>1,607,294</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	4	822	9
Investments in subsidiaries	9	1,232,004	1,941,009
Investments in an associate	11	26,024	25,800
Due from subsidiaries	16	254,469	714,448
		<b>1,513,319</b>	<b>2,681,266</b>
<b>Current assets</b>			
Other investments	13	990,071	505,299
Derivative assets	14	-	3,173
Receivables	16	4,327	377
Due from subsidiaries	16	15,337	17,946
Deposits, cash and bank balances	17	26,553	3,650
		<b>1,036,288</b>	<b>530,445</b>
<b>TOTAL ASSETS</b>		<b>2,549,607</b>	<b>3,211,711</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	19	584,147	584,147
Share premium	19	-	794,482
Accumulated losses		(451,326)	(115,156)
<b>Total equity</b>		<b>132,821</b>	<b>1,263,473</b>
<b>Non-current liabilities</b>			
Long term borrowings	22	1,799,838	1,099,837
Payables	24	-	504,662
		<b>1,799,838</b>	<b>1,604,499</b>
<b>Current liabilities</b>			
Derivative liabilities	14	-	85,132
Short term borrowings	23	-	189,982
Payables	24	616,948	68,625
		<b>616,948</b>	<b>343,739</b>
<b>Total liabilities</b>		<b>2,416,786</b>	<b>1,948,238</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,549,607</b>	<b>3,211,711</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Revenue	25	<b>237,669</b>	631,579
Other operating income	26	<b>82,087</b>	208,546
Depreciation		<b>(38)</b>	(7)
Other operating expenses		<b>(798,627)</b>	(1,305,886)
Loss from operations		<b>(478,909)</b>	(465,768)
Finance costs	29	<b>(104,155)</b>	(36,302)
Investment income	30	<b>88,815</b>	55,931
Loss before zakat and taxation	28	<b>(494,249)</b>	(446,139)
Zakat		<b>(6,919)</b>	(8,560)
Income tax expense	31	<b>(3,000)</b>	(2,541)
Loss for the year, representing total comprehensive loss for the year		<b>(504,168)</b>	(457,240)

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 2017

	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 2016</b>	584,147	794,482	458,913	1,837,542
<b>Total comprehensive loss</b>	-	-	(457,240)	(457,240)
<b>Transactions with owners:</b>				
Dividends (Note 34)	-	-	(116,829)	(116,829)
At 31 December 2016	584,147	794,482	(115,156)	1,263,473
<b>At 1 January 2017</b>	<b>584,147</b>	<b>794,482</b>	<b>(115,156)</b>	<b>1,263,473</b>
<b>Total comprehensive loss</b>	-	-	<b>(504,168)</b>	<b>(504,168)</b>
<b>Transactions with owners:</b>				
Transfer in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017 (Note 19)	794,482	(794,482)	-	-
Effects of capital reduction (Note 41(a))	(794,482)	-	167,998	(626,484)
<b>At 31 December 2017</b>	<b>584,147</b>	<b>-</b>	<b>(451,326)</b>	<b>132,821</b>

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 2017

	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before zakat and taxation	<b>(494,249)</b>	(446,139)
Adjustments for:		
Amortisation of financial guarantee contracts	-	(6,421)
Interest expense	<b>104,155</b>	36,302
Net gain on sale of money market fund	<b>(118)</b>	(1,284)
Loss on disposal of property, plant and equipment	<b>230</b>	-
Loss on liquidation and divestment of subsidiaries	<b>4,245</b>	-
Investment income	<b>(88,815)</b>	(55,931)
Dividend income from subsidiaries	-	(631,579)
Dividend income from associate company	<b>(403)</b>	-
Deemed distribution from a subsidiary	<b>(237,266)</b>	-
Depreciation	<b>38</b>	7
Remeasurement of financial guarantee contracts	<b>330,686</b>	524,483
Net fair value (gain)/loss on financial assets held for trading	<b>(10)</b>	857
Net impairment on investment in subsidiaries	<b>78,276</b>	413,690
Net allowance for impairment loss on amounts due from subsidiaries	<b>289,890</b>	92,296
Allowance for impairment loss on amounts due from joint venture	-	81,580
Net unrealised foreign exchange gain	<b>(3,796)</b>	(15,908)
Net fair value gain on derivatives	<b>(81,959)</b>	(191,354)
Operating loss before working capital changes	<b>(99,096)</b>	(199,401)
Receivables	<b>(3,994)</b>	(81,599)
Amounts due from subsidiaries	<b>157,019</b>	(589,892)
Payables	<b>431</b>	336
Cash generated from/(used in) operations	<b>54,360</b>	(870,556)
Interest paid	<b>(76,886)</b>	(26,293)
Zakat and taxes paid	<b>(9,936)</b>	(9,960)
Net cash used in operating activities	<b>(32,462)</b>	(906,809)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>30,911</b>	21,219
Dividends received	<b>403</b>	209,883
Purchase of other investments	<b>(1,132,388)</b>	(1,365,490)
Purchase of property, plant and equipment	<b>(1,316)</b>	(3)
Proceeds from disposal of property, plant and equipment	<b>235</b>	-
Proceeds from disposal of other investments	<b>647,744</b>	1,483,525
Additional investment in an associate	<b>(224)</b>	-
Net cash (used in)/generated from investing activities	<b>(454,635)</b>	349,134

## STATEMENT OF CASH FLOWS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	700,000	1,100,000
Repayment of borrowings	(190,000)	(440,000)
Dividends paid to equity holders of the Company	-	(116,829)
Net cash generated from financing activities	<u>510,000</u>	<u>543,171</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>22,903</b>	<b>(14,504)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>3,650</b>	<b>18,154</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b><u>26,553</u></b>	<b><u>3,650</u></b>
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	6,135	3,650
Deposits with licensed banks (Note 17)	20,418	-
	<b><u>26,553</u></b>	<b><u>3,650</u></b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 1. CORPORATE INFORMATION

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 3<sup>rd</sup> Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan.

The Company is an investment holding company. The principal activities of the subsidiaries are described in Note 38 to the financial statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 April 2018.

## 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 2016 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.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017 that have been issued by the MASB with initial application date of 1 January 2017:

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

The adoption of the above new and amended standards did not have any significant effect on the financial performance or position of the Group and the Company.



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 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 Group's and the Company's financial statements are disclosed below. The Group and 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 1 (Annual Improvements to MFRSs 2014 - 2016 Cycle)	1 January 2018
• Amendments to MFRS 2 Share Based Payment – Classification and Measurement of Share Based Payment Transactions	1 January 2018
• MFRS 9 Financial Instruments	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	1 January 2018
• Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
• MFRS 16 Leases	1 January 2019
• Amendments to MFRS 3 (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
• Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
• Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
• Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
• Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• Amendments to MFRS 128 Investments in Associates and Joint Ventures – Long Term Interest in Associates and Joint Ventures	1 January 2019
• MFRS 17 Insurance Contracts	1 January 2021

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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**

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

The Group has established a structured implementation program which includes undertaking impact assessment, guideline, training program as well as engaging with relevant experts within UMW Group to ensure readiness and smooth implementation of MFRS 9.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. MFRS 9 also introduced a new impairment model with a forward-looking expected credit loss (**ECL**) model.

Based on the assessment performed, the Group and the Company does not expect the application of MFRS 9 to have a significant impact on its financial statements, other than the disclosure impact which the Group and the Company is finalising.

##### **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 depict 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.

Based on its assessment, the Group and the Company do not expect the application of MFRS 15 to have a significant impact on its financial statements.

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group and the Company have assessed that the impact of some of these disclosures will be significant. In particular, the Group and the Company expect that the notes to the financial statements will be expanded because MFRS 15 requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.3 Standards and interpretations issued but not yet effective (contd.)

##### **MFRS 16: Leases**

MFRS 16 replaces existing leases guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives, and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group and the Company are currently assessing the impact of adopting MFRS 16.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (contd.)

###### (i) Basis of consolidation (contd.)

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.

###### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (contd.)

##### (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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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.)

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (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 dry-docking 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.

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	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 profit or loss 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(z).

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (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(z).

##### (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(z).



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (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.

##### (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 is held primarily for trading purposes are presented as current whereas financial assets that is 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (f) Financial assets (contd.)

###### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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.

###### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (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.

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 profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

**(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.

**(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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (r) Income tax (contd.)

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (s) Revenue recognition (contd.)

- (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.

- (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(y).

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (t) Leases (contd.)

###### (i) Where Group is a lessee (contd.)

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 profit or loss 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.

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 profit or loss as incurred.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (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.

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) Assets held for sale

Assets held for sale and disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal group are measured at the lower of carrying amount and fair value less costs to sell. Any differences are charged to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (x) Assets held for sale (contd.)

Intangible assets, property, plant and equipment and investment properties once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted investees ceases once classified as held for sale.

##### (y) 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.

##### (z) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (z) Impairment of non-financial assets (contd.)

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.

##### (aa) 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 President and 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

##### (bb) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Summary of significant accounting policies (contd.)

##### (bb) Fair value measurement (contd.)

###### (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.

##### (cc) 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.

##### (dd) Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprise of the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation. The comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTD.)

#### 3.1 Judgements made in applying accounting policies (contd.)

##### (i) Impairment of available-for-sale investments (contd.)

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 2017 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.

The carrying amount of financial guarantee contracts at the end of the reporting period is disclosed in Note 24.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTD.)

#### 3.2 Significant accounting estimates (contd.)

##### Key sources of estimation uncertainty (contd.)

##### (ii) 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 2017, the carrying amount of provision for warranties at the end of the reporting period is disclosed in Note 21.

##### (iii) 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.

##### (iv) Impairment of property, plant and equipment

During the current financial year, the Group has recognised impairment losses in respect of rigs and assets in progress 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 2017

### 4. PROPERTY, PLANT AND EQUIPMENT

	* Land and buildings RM'000	Rigs, 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 2016	1,353,409	8,503,729	472,075	439,048	10,768,261
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 from leased assets (Note 8)	-	79	-	-	79
At 31 December 2016/ 1 January 2017	<b>1,980,258</b>	<b>9,028,230</b>	<b>495,747</b>	<b>473,842</b>	<b>11,978,077</b>
Exchange differences	(4,856)	(336,843)	(2,920)	(5,381)	(350,000)
Additions	23,483	98,333	563,744	43,394	728,954
Write-offs	(915)	(8,357)	(4,099)	(5,740)	(19,111)
Disposals	(15,351)	(361,592)	-	(30,409)	(407,352)
Reclassification	143,141	104,141	(281,342)	34,060	-
Reclassified to assets held for sale (Note 18)	(116,867)	(676,560)	(71,467)	(63,311)	(928,205)
Disposal of a subsidiary (Note 9(e))	(75,731)	(6,860,714)	(38,833)	(30,900)	(7,006,178)
At 31 December 2017	<b>1,933,162</b>	<b>986,638</b>	<b>660,830</b>	<b>415,555</b>	<b>3,996,185</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	* Land and buildings RM'000	Rigs, drilling equipment, plant and machinery RM'000	Assets-in-progress RM'000	** Other assets RM'000	Total RM'000
<b>Group (contd.)</b>					
<b>Accumulated depreciation and impairment losses ***</b>					
At 1 January 2016	344,425	2,026,217	-	294,833	2,665,475
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 from leased assets (Note 8)	-	53	-	-	53
At 31 December 2016/ 1 January 2017	<b>400,975</b>	<b>3,491,711</b>	<b>70,366</b>	<b>336,492</b>	<b>4,299,544</b>
Exchange differences	(2,196)	(114,557)	-	(3,579)	(120,332)
Charge for the year	49,924	221,424	-	39,352	310,700
Write-offs	(37)	(8,146)	-	(5,495)	(13,678)
Disposals	(1,151)	(359,429)	-	(18,664)	(379,244)
Impairment losses	-	24,596	1,166	-	25,762
Reclassification	-	(80)	42	38	-
Reclassified to assets held for sale (Note 18)	(28,673)	(606,757)	(67,610)	(40,854)	(743,894)
Disposal of a subsidiary (Note 9(e))	(45,615)	(1,970,279)	(42)	(24,840)	(2,040,776)
At 31 December 2017	<b>373,227</b>	<b>678,483</b>	<b>3,922</b>	<b>282,450</b>	<b>1,338,082</b>
<b>Net carrying amount</b>					
At 31 December 2017	<b>1,559,935</b>	<b>308,155</b>	<b>656,908</b>	<b>133,105</b>	<b>2,658,103</b>
At 31 December 2016	1,579,283	5,536,519	425,381	137,350	7,678,533

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 2016	138,121	259,170	195,931	32,274	664,589	63,324	1,353,409
Exchange differences	-	26	(417)	30	(1,770)	642	(1,489)
Additions	570,200	2,004	13,982	-	22,828	3,966	612,980
Disposals	(123)	(9)	-	-	(15)	-	(147)
Reclassification	1,602	615	(2,544)	-	15,832	-	15,505
At 31 December 2016/ 1 January 2017	<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>
Exchange differences	(60)	5	(551)	(251)	(2,608)	(1,391)	(4,856)
Additions	-	26	8,333	8,228	1,396	5,500	23,483
Write-offs	-	-	-	-	(915)	-	(915)
Disposals	-	-	(9,149)	-	(201)	(6,001)	(15,351)
Reclassification	-	111,921	10,566	757	17,419	2,478	143,141
Reclassified to assets held for sale	(5,406)	(5,511)	(44,514)	(8,703)	(52,733)	-	(116,867)
Disposal of a subsidiary	-	(11,343)	(11,502)	-	(51,208)	(1,678)	(75,731)
At 31 December 2017	<b>704,334</b>	<b>356,904</b>	<b>160,135</b>	<b>32,335</b>	<b>612,614</b>	<b>66,840</b>	<b>1,933,162</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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
<b>Group (contd.)</b>							
<b>Accumulated depreciation and impairment losses</b>							
At 1 January 2016	-	44,625	36,283	13,833	216,447	33,237	344,425
Exchange differences	-	24	219	8	375	234	860
Charge for the year	-	5,035	3,764	796	18,129	1,449	29,173
Disposals	-	(9)	-	-	(15)	-	(24)
Reclassification	-	-	(2,513)	-	2,513	-	-
Impairment losses	-	3,081	7,820	-	15,640	-	26,541
At 31 December 2016/ 1 January 2017	-	<b>52,756</b>	<b>45,573</b>	<b>14,637</b>	<b>253,089</b>	<b>34,920</b>	<b>400,975</b>
Exchange differences	-	4	(302)	(50)	(1,496)	(352)	(2,196)
Charge for the year	-	5,383	1,686	1,049	40,386	1,420	49,924
Write-offs	-	-	-	-	(37)	-	(37)
Disposals	-	-	(449)	-	(201)	(501)	(1,151)
Reclassification	-	10,483	-	5	(10,940)	452	-
Reclassified to assets held for sale	-	(2,135)	(6,473)	(1,326)	(18,739)	-	(28,673)
Disposal of a subsidiary	-	(8,864)	(8,705)	-	(26,471)	(1,575)	(45,615)
At 31 December 2017	-	<b>57,627</b>	<b>31,330</b>	<b>14,315</b>	<b>235,591</b>	<b>34,364</b>	<b>373,227</b>
<b>Net carrying amount</b>							
At 31 December 2017	<b>704,334</b>	<b>299,277</b>	<b>128,805</b>	<b>18,020</b>	<b>377,023</b>	<b>32,476</b>	<b>1,559,935</b>
At 31 December 2016	709,800	209,050	161,379	17,667	448,375	33,012	1,579,283

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

\*\* Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.

\*\*\* Accumulated depreciation and impairment losses:

	Land and buildings RM'000	Rigs,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 2017	33,332	4,998	3,922	303	42,555
At 31 December 2016	33,332	1,436,244	70,366	3,877	1,543,819
<b>Accumulated depreciation</b>					
At 31 December 2017	339,895	673,485	-	282,147	1,295,527
At 31 December 2016	367,643	2,055,467	-	332,615	2,755,725

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Motor vehicle RM'000	Computer equipment RM'000	Other assets RM'000	Total RM'000
<b>Company</b>				
<b>Cost</b>				
At 1 January 2016	-	20	-	20
Additions	-	3	-	3
At 31 December 2016/1 January 2017	-	<b>23</b>	-	<b>23</b>
Additions	<b>1,292</b>	<b>12</b>	<b>12</b>	<b>1,316</b>
Disposal	<b>(465)</b>	<b>(5)</b>	-	<b>(470)</b>
At 31 December 2017	<b>827</b>	<b>30</b>	<b>12</b>	<b>869</b>
<b>Accumulated depreciation</b>				
At 1 January 2016	-	7	-	7
Charge for the year	-	7	-	7
At 31 December 2016/1 January 2017	-	<b>14</b>	-	<b>14</b>
Charge for the year	<b>28</b>	<b>8</b>	<b>2</b>	<b>38</b>
Disposal	-	<b>(5)</b>	-	<b>(5)</b>
At 31 December 2017	<b>28</b>	<b>17</b>	<b>2</b>	<b>47</b>
<b>Net carrying amount</b>				
At 31 December 2017	<b>799</b>	<b>13</b>	<b>10</b>	<b>822</b>
At 31 December 2016	-	9	-	9

- (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	
	2017 RM'000	2016 RM'000
Land and buildings	<b>98,474</b>	5,856
Plant and machinery	<b>476,621</b>	372,901
Office equipment, furniture and fittings, motor vehicles, renovation and improvements	<b>221,217</b>	192,086

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (b) The net carrying amount of plant and equipment held under hire purchase arrangement is RM10,900 (2016: RM2,000).
- (c) Interest expense capitalised during the financial year under assets-in-progress of the Group amounted to RM1,661,000 (2016: RM2,275,000) as disclosed in Note 29.
- (d) The net carrying amount of property, plant and equipment pledged for borrowings (Note 22 and Note 23) are as follows:

	Group	
	2017 RM'000	2016 RM'000
Assets-in-progress and plant and machinery	-	10,858
Land and buildings	2,857	23,127
Others	1,892	1,855
	<b>4,749</b>	<b>35,840</b>

- (e) In the previous financial year, 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, representing write-down of the assets to the recoverable amount was recognised in the statement of comprehensive income, in respect of assets with recoverable amounts as follow:

	Group	
	2017 RM'000	2016 RM'000
At value in use	-	5,194,005
At fair value less cost to sell	-	62,774
Total recoverable amount	-	5,256,779

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.

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%. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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
<b>Group</b>					
<b>Cost</b>					
At 1 January 2016	129	496	7,580	224	8,429
Exchange differences	-	(5)	-	-	(5)
At 31 December 2016/ 1 January 2017	<b>129</b>	<b>491</b>	<b>7,580</b>	<b>224</b>	<b>8,424</b>
Exchange differences	-	(7)	-	-	(7)
Reclassified to assets held for sale (Note 18)	-	(223)	-	-	(223)
At 31 December 2017	<b>129</b>	<b>261</b>	<b>7,580</b>	<b>224</b>	<b>8,194</b>
<b>Accumulated depreciation</b>					
At 1 January 2016	-	149	4,899	209	5,257
Charge for the year	-	6	694	10	710
At 31 December 2016/ 1 January 2017	-	<b>155</b>	<b>5,593</b>	<b>219</b>	<b>5,967</b>
Charge for the year	-	5	751	5	761
Reclassified to assets held for sale (Note 18)	-	(30)	-	-	(30)
At 31 December 2017	-	<b>130</b>	<b>6,344</b>	<b>224</b>	<b>6,698</b>
<b>Net carrying amount</b>					
At 31 December 2017	<b>129</b>	<b>131</b>	<b>1,236</b>	-	<b>1,496</b>
At 31 December 2016	129	336	1,987	5	2,457

Fair value of investment properties as at 31 December 2017 was estimated by the directors to be approximately RM64,870,000 (2016: RM65,087,000).



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 6. INTANGIBLE ASSETS

#### Goodwill on consolidation

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	-	25,228
Impairment (Note 28)	-	(25,228)
At 31 December	-	-

In the previous financial year, the goodwill in respect of a subsidiary in People's Republic of China was fully impaired due to shortfall of the value in use against the carrying amount of goodwill and other assets attributable to the CGU.

### 7. LAND USE RIGHTS

	Leasehold land RM'000
<b>Group</b>	
<b>Cost</b>	
At 1 January 2016	8,889
Exchange differences	(68)
At 31 December 2016/1 January 2017	<u>8,821</u>
Exchange differences	(57)
Disposal of a subsidiary (Note 9(e))	(2,779)
At 31 December 2017	<u>5,985</u>
<b>Accumulated depreciation and impairment losses</b>	
At 1 January 2016	2,128
Exchange differences	(4)
Charge for the year	215
At 31 December 2016/1 January 2017	<u>2,339</u>
Exchange differences	(7)
Charge for the year	1,493
Disposal of a subsidiary (Note 9(e))	(343)
At 31 December 2017	<u>3,482</u>
<b>Net carrying amount</b>	
At 31 December 2017	<u>2,503</u>
At 31 December 2016	<u>6,482</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 8. LEASED ASSETS

Group	Machinery and equipment RM'000
<b>Cost</b>	
At 1 January 2016	657,838
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 2016/1 January 2017	<u>656,795</u>
Exchange differences	<b>(9,452)</b>
Additions	<b>140,806</b>
Disposals	<b>(109,175)</b>
Write-offs	<b>(788)</b>
At 31 December 2017	<u><b>678,186</b></u>
<b>Accumulated depreciation and impairment losses</b>	
At 1 January 2016	370,209
Exchange differences	4,502
Charge for the year	97,845
Disposals	(86,452)
Write-offs	(113)
Impairment losses	456
Reclassified to property, plant and equipment (Note 4)	(53)
Reclassified to inventories	(108)
At 31 December 2016/1 January 2017	<u>386,286</u>
Exchange differences	<b>(6,485)</b>
Charge for the year	<b>99,195</b>
Disposals	<b>(90,901)</b>
Write-offs	<b>(426)</b>
Impairment losses	<b>273</b>
At 31 December 2017	<u><b>387,942</b></u>
<b>Net carrying amount</b>	
At 31 December 2017	<u><b>290,244</b></u>
At 31 December 2016	<u>270,509</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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:

	2017 RM'000	2016 RM'000
Due within one year	136,669	132,582
Due between one and two years	90,889	87,889
Due between two and five years	83,626	72,663
Due after five years	1,880	4,625
	<b>313,064</b>	<b>297,759</b>

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM154,636,000 (2016: RM141,967,000).

### 9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Quoted shares in Malaysia, at cost	-	626,616
Unquoted shares in Malaysia, at cost	1,543,339	1,543,339
Employee Share Options Scheme granted to employees of the subsidiaries	104,850	109,094
Deemed capital contribution	-	78,145
Financial guarantees granted	36,914	36,914
	<b>1,685,103</b>	2,394,108
Less: Accumulated impairment losses	<b>(453,099)</b>	(453,099)
	<b>1,232,004</b>	1,941,009
Market value of quoted shares	-	1,054,180

Details of subsidiaries of the Company are disclosed in Note 38 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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) UMW (Sarawak) Sdn Bhd	15 December 2017	On-going
(ii) Vina Offshore Holdings Pte Ltd	5 May 2017	On-going
(iii) Inobel Sdn Bhd	15 December 2016	* Completed
(iv) U E-Technologies Sdn Bhd	15 December 2016	* Completed
(v) Tracpart Centre Sdn Bhd	29 December 2015	* Completed
(vi) UMW Equipment Rental Services Sdn Bhd	29 December 2015	* Completed
(vii) UMW Vehicle Components Sdn Bhd	29 December 2015	* Completed
(viii) UMW Aero Industries Sdn Bhd	28 June 2016	* Completed

\* Winding up of these companies were completed during the year.

#### (b) Acquisition of subsidiaries

In previous year, the Group acquired the following interests in its 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 (**UITS**), for a total cash consideration of RM2.00. UITS 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 UITS and UTech Americas, Inc did not have a material impact on the financial statement of the Group.

#### (c) Acquisition of additional equity interest in subsidiaries

##### (i) UMW Development Sdn Bhd

On 28 March 2017, UMW Corporation Sdn Bhd (**UMWC**), a wholly-owned subsidiary of the Company, together with its 90%-owned subsidiary, UMW Development Sdn Bhd (**UMWD**), entered into a Share Sale and Purchase Agreement with Permodalan Negeri Selangor Berhad (**PNSB**), for the acquisition by UMWC of PNSB's 200,000 ordinary shares and 800,000 7.4% cumulative redeemable preference shares in UMWD for cash considerations of RM2,961,351 and RM1,588,550 respectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

### (c) Acquisition of additional equity interest in subsidiaries (contd.)

In previous year, the Group acquired the following additional interests in its subsidiaries:

#### (i) Arabian Drilling Services LLC

On 12 April 2016, UMW Petropipe (L) Ltd (**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 LLC (**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, 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 UMWD, increasing its effective equity interest from 51% to 90%, at a consideration of RM17,744,613.

### (d) Subsidiaries with non-controlling interests

Financial information of subsidiaries that have material non-controlling interests are provided below:

#### Proportion of equity interest held by non-controlling interests:

	Effective interest held by non-controlling interests	
	2017	2016
<b>Subsidiary</b>		
UMW Toyota Motor Sdn Bhd	49.00%	49.00%
UMW Oil & Gas Corporation Berhad	-	44.27%

	2017	2016
	RM'000	RM'000

#### Accumulated balances of material non-controlling interests:

UMW Toyota Motor Sdn Bhd	1,403,416	1,367,916
UMW Oil & Gas Corporation Berhad	-	1,001,034
Other individually immaterial subsidiaries	(272,234)	(223,237)
	<b>1,131,182</b>	<b>2,145,713</b>

#### Profit/(loss) for the year attributable to material non-controlling interests:

UMW Toyota Motor Sdn Bhd	102,191	119,677
UMW Oil & Gas Corporation Berhad	(69,243)	(523,912)
Other individually immaterial subsidiaries	(52,782)	(207,503)
	<b>(19,834)</b>	<b>(611,738)</b>

#### Dividends paid to non-controlling interests:

UMW Toyota Motor Sdn Bhd	66,204	87,308
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## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

#### (d) Subsidiaries with non-controlling interests (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 2017:

	UMW Toyota Motor Sdn Bhd RM'000	UMW Oil & Gas Corporation Berhad * RM'000
Revenue	8,973,896	214,186
Profit/(loss) for the year	208,554	(156,410)
Total comprehensive income/(loss)	<u>207,558</u>	<u>(240,247)</u>

#### 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>

\* The results are up to end of June 2017 following the date where the Company ceased to exercise control over UMW Oil & Gas Corporation Berhad (**UMW-OG**).

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

#### (d) Subsidiaries with non-controlling interests (contd.)

Summarised consolidated statement of financial position as at 31 December 2017:

	UMW Toyota Motor Sdn Bhd RM'000
Non-current assets	2,206,554
Current assets	2,200,107
Non-current liabilities	(203,210)
Current liabilities	(1,339,337)
<b>Total equity</b>	<b>2,864,114</b>
Attributable to:	
Equity holders of parent	1,460,698
Non-controlling interests	1,403,416

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 interests	1,367,916	1,001,034

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

#### (d) Subsidiaries with non-controlling interests (contd.)

##### Summarised consolidated cash flow information as at 31 December 2017:

	UMW Toyota Motor Sdn Bhd RM'000
Cash inflows from operating activities	544,660
Cash outflows from investing activities	(565,470)
Cash outflows from financing activities	(85,110)
<b>Net decrease in cash and cash equivalents</b>	<b>(105,920)</b>

##### 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>

#### (e) Disposal of interest in subsidiaries that results in loss of control

- (i) On 30 June 2017, the Group completed the distribution of its entire shareholding in UMW-OG. Details of the capital reduction exercise is disclosed in Note 41(a). The net assets of UMW-OG as at 30 June 2017 were as follows:

	2017 RM'000
Property, plant and equipment (Note 4)	4,965,402
Land use rights (Note 7)	2,436
Other assets and liabilities (net)	(3,322,224)
Non-controlling interests	(892,216)
Net assets disposed	753,398
Fair value of UMW-OG	(626,484)
Net loss on disposal	126,914

The net loss on disposal have been presented under discontinued operations as disclosed in Note 32.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENT IN SUBSIDIARIES (CONTD.)

#### (e) Disposal of interest in subsidiaries that results in loss of control (contd.)

- (ii) On 24 November 2017, UMW Petropipe, had completed the first tranche transfer of 35.59% equity interest in Sichuan Haihua Petroleum Steelpipe Co Ltd (**SCHH**). As a result, the Group ceased to exercise control over SCHH. Details of the transaction is disclosed in Note 42(a).

### 10. INVESTMENTS IN JOINT VENTURES

	2017 RM'000	2016 RM'000
Unquoted shares, at cost plus post acquisition reserves	51,813	247,867
Less: Accumulated impairment losses	-	(192,992)
Carrying amount of investment	<u>51,813</u>	<u>54,875</u>

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.

Joint ventures that are in the oil and gas (unlisted) segment included in the previous financial year, are now reclassified to assets held for sale pursuant to Group's strategic decision to exit from oil and gas industry as disclosed in Note 18.

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:

	2017 RM'000	2016 RM'000
Cash and cash equivalents	10,589	17,078
Other current assets	92,407	327,415
Non-current assets	89,358	523,305
Current liabilities	(77,332)	(257,495)
Non-current liabilities	-	(928,349)
	<u>115,022</u>	<u>(318,046)</u>

#### Reconciliation of net assets to carrying amount as at 31 December:

Group's share of net assets	51,813	188,763
Financial guarantees granted	-	59,104
Less: Accumulated impairment losses	-	(192,992)
Group's carrying amount of interest in joint ventures	<u>51,813</u>	<u>54,875</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 10. INVESTMENTS IN JOINT VENTURES (CONTD.)

#### Summarised statement of comprehensive income:

	2017 RM'000	2016 RM'000
Profit for the year	5,099	2,674
Other comprehensive (loss)/income	(7,028)	3,253
Total comprehensive (loss)/income	<u>(1,929)</u>	<u>5,927</u>
Group's share of profit for the year	3,358	1,678
Group's share of other comprehensive (loss)/income	(4,355)	1,850
Group's share of total comprehensive (loss)/income	<u>(997)</u>	<u>3,528</u>

Details of the joint ventures are disclosed in Note 39.

### 11. INVESTMENTS IN ASSOCIATES

	2017 RM'000	2016 RM'000
<b>Group</b>		
Unquoted shares, at cost plus post acquisition reserves	1,691,096	1,982,822
Less: Accumulated impairment losses	(29,599)	(29,599)
Carrying amount of investment	<u>1,661,497</u>	<u>1,953,223</u>
<b>Company</b>		
Unquoted shares, at cost	<u>26,024</u>	<u>25,800</u>

#### Proportion of material ownership interest held by Group:

Name	Effective interest	
	2017	2016
Perusahaan Otomobil Kedua Sdn Bhd ( <b>Perodua</b> )	38%	38%

Associates that are in the oil and gas (unlisted) segment included in the previous financial year, are now reclassified to assets held for sale pursuant to Group's strategic decision to exit from oil and gas industry as disclosed in Note 18.

During the year, the liquidation of the associates, Lada Motors Sendirian Berhad and Rail-Tech Industries Sdn Bhd which has been placed under members' voluntary liquidation on 1 July 2016 and 15 December 2016, respectively, was completed.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 11. INVESTMENTS IN ASSOCIATES (CONTD.)

Summarised financial information in respect of the Group's material associates is set out below:

	← 2017 →			← 2016 →		
	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	1,795,247	353,161	2,148,408	1,677,243	2,861,056	4,538,299
Non-current assets	3,017,170	5,223,230	8,240,400	2,870,409	5,151,637	8,022,046
Total assets	4,812,417	5,576,391	10,388,808	4,547,652	8,012,693	12,560,345
Current liabilities	882,277	528,100	1,410,377	815,621	1,681,113	2,496,734
Non-current liabilities	-	4,546,038	4,546,038	-	5,060,644	5,060,644
Total liabilities	882,277	5,074,138	5,956,415	815,621	6,741,757	7,557,378
Net assets	3,930,140	502,253	4,432,393	3,732,031	1,270,936	5,002,967

#### Reconciliation of net assets to carrying amount as at 31 December:

Goodwill	-	20,389	20,389	-	62,023	62,023
Group's share of net assets	1,493,453	177,254	1,670,707	1,418,172	451,695	1,869,867
Financial guarantees	-	-	-	-	50,932	50,932
Less: Accumulated impairment losses	-	(29,599)	(29,599)	-	(29,599)	(29,599)
Group's carrying amount of interest in associates	1,493,453	168,044	1,661,497	1,418,172	535,051	1,953,223

#### Summarised statements of comprehensive income:

##### Results

Revenue	9,291,189	538,927	9,830,116	9,045,784	510,744	9,556,528
Profit for the year	440,182	38,260	478,442	463,587	19,916	483,503
Other comprehensive income/(loss)	127	-	127	(123)	-	(123)
Total comprehensive income	440,309	38,260	478,569	463,464	19,916	483,380
Dividends received	92,036	2,202	94,238	78,257	660	78,917
Group's share of profit for the year	167,269	11,373	178,642	176,163	5,774	181,937

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 11. INVESTMENTS IN ASSOCIATES (CONTD.)

The associates have RM3,350,000 (2016: RM116,387,000) of contingent liabilities as at 31 December 2017.

The Group's interest in capital commitments of the associates are as follows:

	2017 RM'000	2016 RM'000
- Approved and contracted for	1,441	28,026
- Approved and not contracted for	4,047	658

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 2017 of these companies have been used.

Details of the associates are disclosed in Note 40.

### 12. DEFERRED TAXATION

	Group	
	2017 RM'000	2016 RM'000
At 1 January	(70,127)	(47,021)
Recognised in profit or loss		
- from continuing operations (Note 31)	(9,334)	(22,803)
- from discontinued operations	-	(1,003)
Disposal of a subsidiary	107	-
Reclassified to assets held for sale (Note 18)	(15)	-
Exchange differences	2,097	700
At 31 December	<u>(77,272)</u>	<u>(70,127)</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	(118,771)	(116,495)
Deferred tax liabilities	41,499	46,368
	<u>(77,272)</u>	<u>(70,127)</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 12. DEFERRED TAXATION (CONTD.)

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 2017	46,368
Recognised in profit or loss	(3,868)
Disposal of a subsidiary	(706)
Reclassified to assets held for sale (Note 18)	(19)
Exchange differences	(276)
At 31 December 2017	<u>41,499</u>
At 1 January 2016	49,187
Recognised in profit or loss	(3,127)
Exchange differences	308
At 31 December 2016	<u>46,368</u>

#### 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 2017	(1,905)	(60,327)	(7,853)	(46,410)	(116,495)
Recognised in profit or loss	(472)	1,837	(3,096)	(3,735)	(5,466)
Disposal of a subsidiary	701	109	-	3	813
Reclassified to assets held for sale (Note 18)	348	861	2,713	(3,918)	4
Exchange differences	(181)	(21)	(1,733)	4,308	2,373
At 31 December 2017	<u>(1,509)</u>	<u>(57,541)</u>	<u>(9,969)</u>	<u>(49,752)</u>	<u>(118,771)</u>
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	<u>(1,905)</u>	<u>(60,327)</u>	<u>(7,853)</u>	<u>(46,410)</u>	<u>(116,495)</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 12. DEFERRED TAXATION (CONTD.)

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	
	2017	2016
	RM'000	RM'000
Unabsorbed tax losses	396,141	392,123
Unutilised capital and reinvestment allowances	46,934	82,181
	443,075	474,304

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.

### 13. OTHER INVESTMENTS

	← 2017 →		← 2016 →	
	Carrying amount	Market value	Carrying amount	Market value
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<b>Current</b>				
<b>Held for trading investments</b>				
Investment in money market fund	1,295,416	1,295,416	996,898	996,898
<b>Non-current</b>				
<b>Available-for-sale financial assets</b>				
Unquoted shares, at cost	5,124	-	5,124	-
Less: Accumulated impairment losses	(822)	-	(822)	-
	4,302	-	4,302	-
<b>Held for trading investments</b>				
Quoted shares outside Malaysia	10,468	10,468	18,358	18,358
Total non-current other investments	14,770	10,468	22,660	18,358
<b>Company</b>				
<b>Current</b>				
<b>Held for trading investments</b>				
Investment in money market fund	990,071	990,071	505,299	505,299

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 14. DERIVATIVES

	Note	2017		2016	
		Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<b>Group</b>					
<b>Current</b>					
Forward currency contracts	(a)	521	6,283	3,470	85,118
Interest rate swaps	(b)	-	-	-	2,590
Cross currency interest rate swaps	(c)	2,262	-	-	-
Embedded derivatives	(d)	9,150	-	-	8,107
		<b>11,933</b>	<b>6,283</b>	3,470	95,815
<b>Non-current</b>					
Interest rate swaps	(b)	-	-	5,560	-
Cross currency interest rate swaps	(c)	-	-	6,388	-
		-	-	11,948	-
<b>Company</b>					
<b>Current</b>					
Forward currency contracts	(a)	-	-	3,173	82,542
Interest rate swaps	(b)	-	-	-	2,590
		-	-	3,173	85,132

The Group and the Company uses forward currency contracts, interest rate 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.

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

	2017 RM'000	2016 RM'000
<b>Notional amounts</b>		
United States Dollar	315,457	286,836
Japanese Yen	111,726	81,185
Euro	23,436	47,867
Singapore Dollar	184	-
Thai Baht	3,217	3,639

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 14. DERIVATIVES (CONTD.)

#### (b) Interest rate swaps

	2017 '000	2016 '000
<b>Notional amounts</b>		
United States Dollar	-	215,327

#### (c) Cross currency interest rate swaps

	2017 '000	2016 '000
<b>Notional amounts</b>		
United States Dollar	2,400	6,800

#### (d) 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 RM488,960,000 (2016: RM484,780,000) 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 RM91,552,000 (2016: net gain of RM171,751,000) and the Company recognised a net gain of RM81,959,000 (2016: net gain of RM191,354,000), 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 44.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 15. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
At cost:		
Equipment, unassembled and completed vehicles, attachments and spares	<b>1,100,835</b>	1,528,306
Land held for sale	<b>88,969</b>	98,752
Other finished goods	<b>113,544</b>	163,473
Work-in-progress	<b>13,121</b>	13,910
Raw materials and consumables	<b>14,082</b>	37,773
	<b>1,330,551</b>	1,842,214
At net realisable value:		
Equipment, unassembled and completed vehicles, attachments and spares	<b>70,895</b>	82,701
Other finished goods	<b>1,440</b>	934
Raw materials and consumables	<b>7,860</b>	5,340
	<b>80,195</b>	88,975
	<b>1,410,746</b>	1,931,189

During the financial year, the Group recognised inventory write downs of RM18.8 million (2016: net reversal of RM3.0 million).

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM9.2 billion (2016: RM8.4 billion).

Inventories of RM56.6 million (2016: RM86.0 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 2017

### 16. RECEIVABLES

The receivables of the Group and the Company are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current:</b>				
Trade receivables	<b>902,122</b>	867,691	-	-
Other receivables	<b>119,168</b>	120,776	<b>4,327</b>	377
Due from subsidiaries	-	-	<b>15,337</b>	17,946
	<b>1,021,290</b>	988,467	<b>19,664</b>	18,323
<b>Non-current:</b>				
Other receivables	<b>34,621</b>	47,756	-	-
Due from subsidiaries	-	-	<b>254,469</b>	714,448
	<b>34,621</b>	47,756	<b>254,469</b>	714,448
Trade receivables (Note a)	<b>902,122</b>	867,691	-	-
Other receivables (Note b)	<b>153,789</b>	168,532	<b>4,327</b>	377
Due from subsidiaries (Note c)	-	-	<b>269,806</b>	732,394
Total trade and other receivables	<b>1,055,911</b>	1,036,223	<b>274,133</b>	732,771
Total trade and other receivables (current and non-current)	<b>1,055,911</b>	1,036,223	<b>274,133</b>	732,771
Less: Included within other receivables:				
Accrued income (Note b)	<b>(5,642)</b>	(14,068)	-	(262)
Prepayments (Note b)	<b>(23,015)</b>	(28,253)	<b>(13)</b>	(62)
Add: Deposits, cash and bank balances (Note 17)	<b>1,169,568</b>	2,193,874	<b>26,553</b>	3,650
<b>Total loans and receivables</b>	<b>2,196,822</b>	3,187,776	<b>300,673</b>	736,097

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 16. RECEIVABLES (CONTD.)

#### (a) Trade receivables

	Group	
	2017	2016
	RM'000	RM'000
Third parties	<b>809,688</b>	927,018
Allowance for impairment	<b>(29,430)</b>	(162,603)
	<b>780,258</b>	764,415
Due from associates and joint ventures	<b>13,624</b>	15,027
Due from a corporate shareholder of a subsidiary	<b>108,240</b>	88,249
	<b>902,122</b>	867,691

The Group's normal trade credit terms range from 1 day to 120 days (2016: 1 day to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

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 (2016: 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	
	2017	2016
	RM'000	RM'000
(i) Age analysis of trade receivables		
(a) Not due and not impaired	<b>743,059</b>	678,181
(b) Overdue but not impaired:		
1 - 30 days overdue but not impaired	<b>85,130</b>	110,926
31 - 60 days overdue but not impaired	<b>36,721</b>	40,881
61 - 90 days overdue but not impaired	<b>20,254</b>	10,826
91 - 180 days overdue but not impaired	<b>14,229</b>	9,004
More than 180 days overdue but not impaired	<b>2,729</b>	17,873
	<b>159,063</b>	189,510
(c) Impaired	<b>29,430</b>	162,603
Total trade receivables	<b>931,552</b>	1,030,294

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 RM1.0 million (2016: RM9.9 million) are secured by bank guarantee of RM1.1 million (2016: RM3.5 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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>2017</b>			
Trade receivables	13,362	16,068	29,430
Less: Allowance for impairment	(13,362)	(16,068)	(29,430)
	-	-	-
<b>2016</b>			
Trade receivables	145,591	17,012	162,603
Less: Allowance for impairment	(145,591)	(17,012)	(162,603)
	-	-	-
Movement in allowance for impairment:			
At 1 January 2017	145,591	17,012	162,603
Utilised	(1,924)	-	(1,924)
Reversal of net impairment loss for the year	(214)	(844)	(1,058)
Exchange differences	(12,918)	(100)	(13,018)
Reclassified to assets held for sale (Note 18)	(117,173)	-	(117,173)
At 31 December 2017	13,362	16,068	29,430
At 1 January 2016	16,182	20,475	36,657
Utilised	(1,882)	(49)	(1,931)
Net impairment loss for the year	121,437	(4,027)	117,410
Exchange differences	9,854	613	10,467
At 31 December 2016	145,591	17,012	162,603

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 2017

### 16. RECEIVABLES (CONTD.)

#### (b) Other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current:</b>				
Accrued income	5,642	14,068	-	262
Deposits	20,429	19,842	7	7
Deposits for acquisition of assets	16,215	21,863	-	-
Prepayments	23,015	28,253	13	62
Amounts due from joint ventures	81,580	81,580	81,580	81,580
Deferred consideration	13,135	6,000	-	-
Sundry receivables	166,868	162,420	4,307	46
	<b>326,884</b>	<b>334,026</b>	<b>85,907</b>	<b>81,957</b>
<b>Non-current:</b>				
Deferred consideration	34,621	47,756	-	-
	<b>361,505</b>	<b>381,782</b>	<b>85,907</b>	<b>81,957</b>
Allowance for impairment	(207,716)	(213,250)	(81,580)	(81,580)
	<b>153,789</b>	<b>168,532</b>	<b>4,327</b>	<b>377</b>

Deferred consideration relates to proceeds from disposal of investment which is collectible over a six-year period (from year 2017 to 2022) and is discounted to its present value using a discount rate that reflect current market assessments of the time value of money and risks specific to the debtor.

	Group	
	2017 RM'000	2016 RM'000
Movement in allowance for impairment:		
At 1 January	213,250	119,148
Charge for the year	782	134,803
Utilised	(11)	(809)
Writeback of impairment loss	(6,000)	(40,712)
Exchange differences	(305)	820
At 31 December	<b>207,716</b>	<b>213,250</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 16. RECEIVABLES (CONTD.)

#### (c) Due from subsidiaries

	Company	
	2017 RM'000	2016 RM'000
Amount due from subsidiaries	1,112,880	1,285,578
Allowance for impairment	(843,074)	(553,184)
	<b>269,806</b>	<b>732,394</b>
Non-current	254,469	714,448
Current	15,337	17,946
	<b>269,806</b>	<b>732,394</b>
Movement in allowance for impairment:		
At 1 January	553,184	460,888
Charge for the year	303,049	92,296
Writeback of impairment loss	(13,159)	-
At 31 December	<b>843,074</b>	<b>553,184</b>

The amounts due from subsidiaries are unsecured, non-trade in nature, bear interest ranging from 2.45% to 10.37% (2016: 2.45% to 9.92%) per annum and are repayable within 1 to 5 years.

Recoverability of amounts due from subsidiaries had been reassessed during the year and additional provision of RM303 million was recognised during the year.

Receivables of the Group amounting to RM16,700,000 (2016: RM22,860,000) are pledged to banks for credit facilities granted to an overseas subsidiary (Note 22).

### 17. DEPOSITS, CASH AND BANK BALANCES

	Group	
	2017 RM'000	2016 RM'000
<b>Non-current:</b>		
Deposits with a licensed bank	-	336,450
<b>Current:</b>		
Cash and bank balances	484,626	519,157
Deposits with licensed banks	684,942	1,338,267
	<b>1,169,568</b>	<b>1,857,424</b>
Deposits, cash and bank balances	<b>1,169,568</b>	<b>2,193,874</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 17. DEPOSITS, CASH AND BANK BALANCES (CONTD.)

Included in the previous financial year deposits with licensed banks were RM221,825,000 which were not available for general use due to restrictions by the lenders in respect of revolving credits of USD50,000,000 (RM224,300,000) obtained by the Group as disclosed in Note 23. These deposits were 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 consolidated statement of cash flows.

Included in the previous financial year non-current deposit with licensed bank was an amount of USD75,000,000 (RM336,450,000) with maturity of 5 years obtained by the Group as disclosed in Note 22 which was 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 the previous financial year deposits with licensed banks and bank balances of the Group were RM4,624,000 that had been pledged to banks for credit facilities granted to overseas subsidiaries as disclosed in Note 23 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	
	2017 RM'000	2016 RM'000
Deposits, cash and bank balances	1,169,568	2,193,874
Add: Deposits, cash and bank balances attributable to assets held for sale (Note 18)	24,867	-
	<b>1,194,435</b>	2,193,874
Less: Deposits with a maturity of more than 3 months	(2,615)	(1,000)
Less: Restricted cash	-	(558,275)
Less: Deposits pledged with banks	(3,814)	(4,624)
Less: Bank overdrafts (Note 23)	(6,537)	(22,681)
Cash and cash equivalents	<b>1,181,469</b>	1,607,294

	Company	
	2017 RM'000	2016 RM'000
Cash and bank balances	6,135	3,650
Deposits with licensed banks	20,418	-
	<b>26,553</b>	3,650

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 17. DEPOSITS, CASH AND BANK BALANCES (CONTD.)

The range of interest rates of deposits at the reporting date were as follows:

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Deposits with licensed banks	<b>0.40 - 4.00</b>	0.13 - 8.00	<b>1.35 - 3.35</b>	-

The range of maturities of deposits as at the reporting date were as follows:

	Range of maturities			
	Group		Company	
	2017 Days	2016 Days	2017 Days	2016 Days
Deposits with licensed banks	<b>5 - 92</b>	3 - 240	<b>18 - 29</b>	-

### 18. ASSETS HELD FOR SALE

#### (a) Oil and gas (unlisted) segment

Following the Group's strategic decision to exit from oil and gas industry within one year, the Group is actively implementing action plans towards this direction. The Board of Directors (**Board**) had on 28 September 2017 established a Board Committee, known as the Value Group Execution Committee (**VGEC**), to provide strategic guidance and direction to management and to make recommendation to the Board on proposed action plans/resolutions/strategies to achieve the intended objective of exiting the investments under the oil and gas (unlisted) segment.

With the formation of the VGEC and the decision to completely exit from oil and gas industry within the next one year, the oil and gas (unlisted) segment as at 31 December 2017 has been classified as a disposal group. The assets of the disposal group has been presented as "Assets held for sale" and the liabilities of the disposal group has been presented as "Liabilities associated with assets held for sale".

#### Write down of property, plant and equipment and investments in associates

Following the classification of assets and liabilities of the disposal group as "Assets held for sale", a write down of RM286,299,000 was recognised to reduce the carrying amount of the assets to fair value less costs to sell as follows:

	2017 RM'000
Property, plant and equipment	24,596
Investments in associates	261,703
Write down to fair value less costs to sell	<b>286,299</b>

The write down has been recognised in discontinued operations in the statement of comprehensive income as disclosed in Note 32.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 18. ASSETS HELD FOR SALE (CONTD.)

#### (a) Oil and gas (unlisted) segment (contd.)

The assets and liabilities of the disposal group as at 31 December 2017 are as follows:

	2017 RM'000
Property, plant and equipment	117,691
Investment properties	193
Investments in joint ventures and associates	76,598
Deferred tax assets	4
Other investments	1
Inventories	16,976
Receivables	28,845
Deposits, cash and bank balances (Note 17)	24,867
Total assets of disposal group held for sale	<u>265,175</u>
Provision for warranties	526
Deferred tax liabilities	19
Payables	62,200
Taxation	(20)
Total liabilities of disposal group held for sale	<u>62,725</u>

Included in deposits, cash and bank balances is RM3,814,000 that had been pledged to banks for credit facilities granted to overseas subsidiaries as disclosed in Note 23 which are not immediately available for use in the business.

#### (b) UMW Toyota Motor Sdn Bhd (UMWT)

On 26 October 2017, the Group announced the decision to dispose a majority of the branches currently owned and operated by UMWT to existing Toyota dealers from January 2018 onwards.

The decision is consistent with the Group's strategy to allow UMWT to increase intensity on high value-added upstream activities such as product development, marketing and dealer network support, while dealers continue to dedicate themselves towards delivering customer satisfaction.

As at 31 December 2017, the corresponding assets and liabilities related to the disposal of branches have been presented as "Assets held for sale" and "Liabilities associated with assets held for sale".

	2017 RM'000
Property, plant and equipment	66,620
Inventories	13,333
Total assets held for sale	<u>79,953</u>
Deposits	1,474
Total liabilities associated with assets held for sale	<u>1,474</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 19. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
<b>Authorised</b>				
At 1 January	2,000,000	2,000,000	1,000,000	1,000,000
Less: Effects of implementation of Companies Act 2016	(2,000,000)	-	(1,000,000)	-
At 31 December	-	2,000,000	-	1,000,000
<b>Issued and fully paid</b>				
At 1 January	1,168,294	1,168,294	584,147	584,147
Add: Effects of implementation of Companies Act 2016	-	-	794,482	-
Less: Effects of capital reduction (Note 41(a))	-	-	(794,482)	-
At 31 December	1,168,294	1,168,294	584,147	584,147

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.

The Companies Act 2016 (**the Act**), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM794,482,000 has become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any shareholders as a result of this transition.

### 20. RESERVE

#### (i) Hedging reserve

The hedging reserve relates to cash flow hedge reserve of an associate. 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 21. PROVISION FOR WARRANTIES

	<b>Group RM'000</b>
At 1 January 2016	141,147
Charged to profit or loss	74,669
Utilised during the year	(13,175)
Reversed during the year	(1,550)
Exchange differences	382
At 31 December 2016/1 January 2017	<b>201,473</b>
Charged to profit or loss	<b>26,287</b>
Utilised during the year	<b>(17,274)</b>
Reversed during the year	<b>(2,994)</b>
Exchange differences	<b>(1,188)</b>
At 31 December 2017	<b>206,304</b>
<b>At 31 December 2017</b>	
<b>Current</b>	<b>53,095</b>
<b>Non-current:</b>	
Later than 1 year but not later than 2 years	31,465
Later than 2 years but not later than 8 years	121,744
	<b>153,209</b>
	<b>206,304</b>
<b>At 31 December 2016</b>	
<b>Current</b>	97,270
<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	93,031
	104,203
	201,473

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 21. PROVISION FOR WARRANTIES (CONTD.)

The Group gives one to five 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 three years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred between one 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.

### 22. LONG TERM BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Secured</b>				
Term loan	222,254	991,047	-	-
Less: Amount payable within one year (Note 23)	(55,384)	-	-	-
	<b>166,870</b>	991,047	-	-
<b>Unsecured</b>				
Sukuk	1,799,838	1,289,819	1,799,838	1,289,819
Term loans	103,009	1,624,893	-	-
	<b>1,902,847</b>	2,914,712	<b>1,799,838</b>	1,289,819
Less: Amount payable within one year (Note 23)	-	(189,982)	-	(189,982)
	<b>1,902,847</b>	2,724,730	<b>1,799,838</b>	1,099,837
<b>Total long term borrowings</b>	<b>2,069,717</b>	3,715,777	<b>1,799,838</b>	1,099,837

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 22. LONG TERM BORROWINGS (CONTD.)

The maturity and exposure to interest rate risk of the total 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>Group</b>						
<b>31 December 2017</b>						
<b>Secured</b>						
- Floating rate	3.5 - 4.3	55,384	55,384	111,486	-	222,254
<b>Unsecured</b>						
- Floating rate	3.8 - 4.0	-	7,081	45,927	-	53,008
- Fixed rate	4.5 - 5.2	-	349,970	1,119,552	380,317	1,849,839
		-	357,051	1,165,479	380,317	1,902,847
		55,384	412,435	1,276,965	380,317	2,125,101
<b>31 December 2016</b>						
<b>Secured</b>						
- Floating rate	2.0 - 3.6	-	111,151	823,203	56,693	991,047
<b>Unsecured</b>						
- Floating rate	2.6 - 3.9	-	236,366	931,830	445,128	1,613,324
- Fixed rate	3.9 - 5.2	189,982	10,770	749,883	350,753	1,301,388
		189,982	247,136	1,681,713	795,881	2,914,712
		189,982	358,287	2,504,916	852,574	3,905,759

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 22. LONG TERM BORROWINGS (CONTD.)

The maturity and exposure to interest rate risk of the total borrowings are as follows (contd.):

	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 2017</b>						
<b>Unsecured</b>						
- Fixed rate	4.5 - 5.2	-	349,970	1,099,908	349,960	1,799,838
<b>31 December 2016</b>						
<b>Unsecured</b>						
- Fixed rate	3.9 - 5.2	189,982	-	749,883	349,954	1,289,819

\* Range of Weighted Average Effective Interest Rate (RWAEIR)

The secured long term borrowings of the Group for the financial years 2017 and 2016 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 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.

Included in the secured term loan of previous year was an amount of USD165,000,000 (RM740,190,000) which is fully repayable on 30 June 2021. The said secured term loan was 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) was 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 2017

### 22. LONG TERM BORROWINGS (CONTD.)

Change in liabilities arising from financing activities

	At 1 January 2017 RM'000	Disposal of a subsidiary RM'000	Net addition/ (repayment) RM'000	Others RM'000	At 31 December 2017 RM'000
<b>Group</b>					
Overdrafts	22,681	-	(16,144)	-	6,537
Revolving credit	1,929,062	(1,227,617)	(180,588)	-	520,857
Bankers' acceptance	27,430	-	41,523	-	68,953
Sukuk	1,289,819	-	510,000	19	1,799,838
Other term loans	3,086,114	(2,544,901)	(159,954)	(15,870)	365,389
	<b>6,355,106</b>	<b>(3,772,518)</b>	<b>194,837</b>	<b>(15,851)</b>	<b>2,761,574</b>
<b>Company</b>					
Sukuk	<b>1,289,819</b>	-	<b>510,000</b>	<b>19</b>	<b>1,799,838</b>

Others comprise of unamortised transaction cost and foreign exchange adjustments.

### 23. SHORT TERM BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
<b>Secured</b>		
Short term loan	24,656	86,370
Bankers' acceptances and revolving credits	172,740	203,689
Trust receipts	3,607	2,206
Bank overdrafts (Note 17)	6,537	3,672
Long term loans payable within one year (Note 22)	55,384	-
	<b>262,924</b>	<b>295,937</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 23. SHORT TERM BORROWINGS (CONTD.)

	Group	
	2017 RM'000	2016 RM'000
<b>Unsecured</b>		
Short term loan	9,722	381,597
Bankers' acceptances and revolving credits	417,070	1,752,804
Trust receipts	2,141	-
Bank overdrafts (Note 17)	-	19,009
Long term loans payable within one year (Note 22)	-	189,982
	<b>428,933</b>	<b>2,343,392</b>
<b>Total short term borrowings</b>	<b>691,857</b>	<b>2,639,329</b>

	Company	
	2017 RM'000	2016 RM'000
<b>Unsecured</b>		
Long term loans payable within one year (Note 22)	-	189,982

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, were as follows:

	Group	
	2017 %	2016 %
Short term loan	2.5 - 3.5	2.5 - 6.6
Bank overdrafts	5.4 - 8.0	1.6 - 8.6
Trust receipts	2.4 - 2.6	0.7 - 3.2
Bankers' acceptances	3.4 - 4.0	2.5 - 4.4
Revolving credits	1.8 - 14.5	1.4 - 14.5



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 24. PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current:</b>				
Trade payables:				
Trade payables	451,405	629,592	-	-
Bill payables	9,029	27,722	-	-
Customer deposits	34,354	36,260	-	-
Related parties	454,695	345,328	-	-
Other payables:				
Accruals	463,294	423,930	18,555	16,529
Financial guarantee contracts	981,934	88,181	596,601	49,399
Sundry payables	400,827	327,629	1,792	2,697
	<b>2,795,538</b>	<b>1,878,642</b>	<b>616,948</b>	<b>68,625</b>
<b>Non-current:</b>				
Other payables:				
Financial guarantee contracts	-	803,805	-	504,662
Total trade and other payables	<b>2,795,538</b>	<b>2,682,447</b>	<b>616,948</b>	<b>573,287</b>
Add:				
Long term borrowings (Note 22)	2,069,717	3,715,777	1,799,838	1,099,837
Short term borrowings (Note 23)	691,857	2,639,329	-	189,982
<b>Total financial liabilities carried at amortised costs</b>	<b>5,557,112</b>	<b>9,037,553</b>	<b>2,416,786</b>	<b>1,863,106</b>

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.

In the previous financial year, the Group had remeasured the financial guarantee liability in respect of borrowings of a joint venture as a result of it becoming probable that the joint venture was no longer expected to be able to meet its repayment obligations. Consequently, an expense of RM705 million was recognised in 2016 based on present value of expected cash outflows. During the year, the Group has decided to accelerate the settlement of the borrowings and as a result, an additional provision of RM254 million was recognised. The provision was reclassified as a current liability.

Trade creditors are non-interest bearing and are normally settled within 1 day to 90 days (2016: 1 day to 90 days) terms.

Sundry payables are non-interest bearing and are normally settled within 30 days to 365 days (2016: 30 days to 365 days) terms.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 25. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross dividend income from				
- subsidiaries	-	-	-	631,579
- associates	-	-	403	-
Deemed distribution from a subsidiary (Note 28)	-	-	237,266	-
Sales of goods and services	11,060,602	10,430,456	-	-
Rental income from investment properties	6,036	6,341	-	-
	<b>11,066,638</b>	<b>10,436,797</b>	<b>237,669</b>	<b>631,579</b>

### 26. OTHER OPERATING INCOME

Included in other operating income are:

	Group	
	2017 RM'000	2016 RM'000
Net gain on disposal of property, plant and equipment and leased assets	21,583	21,490
Net gain on disposal of investments	128	-
Bad debts recovered	345	141
Rental income from operating leases	2,364	2,063
Commissions	33,353	34,675
Amortisation of financial guarantee contracts	6,319	17,330
	Company	
	2017 RM'000	2016 RM'000
Net fair value gain on financial assets held for trading	10	-
Net gain on sale of money market fund	118	1,284
Amortisation of financial guarantee contracts	-	6,421

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 27. EMPLOYEE BENEFITS

	Group	
	2017	2016
	RM'000	RM'000
<b>Staff costs</b>		
Wages and salaries	612,495	623,831
Social security costs	6,493	6,182
Termination benefits	24,501	138
Pension costs - defined contribution plan	75,006	73,675
Other staff related expenses	83,334	81,967
	<b>801,829</b>	<b>785,793</b>

### 28. PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION

Profit/(loss) before zakat and taxation are derived after charging/(crediting):

	2017	2016
	RM'000	RM'000
<b>Group</b>		
Executive director:		
- salaries and other emoluments	1,759	1,397
- defined contribution plan	253	222
- benefits-in-kind	104	103
Non-executive directors:		
- fees	1,578	1,617
- other emoluments	395	434
- benefits-in-kind	647	564
- retirement gratuities	318	500
Rental of offices	33,301	24,741
Auditors' remuneration:		
Statutory audit:		
- auditors' of the Company	2,108	2,157
- other auditors	428	389
Other services:		
- auditors' of the Company	2,098	1,025
Net provision/(reversal) of inventories written down	18,769	(3,047)
Royalty	11,198	8,758
Property, plant and equipment and leased assets written off	5,795	7,670

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 28. PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION (CONTD.)

Profit/(loss) before zakat and taxation are derived after charging/(crediting) (contd.):

	2017 RM'000	2016 RM'000
<b>Group (contd.)</b>		
Net impairment/(reversal of net impairment) losses of:		
- property, plant and equipment	1,166	2,755
- leased assets	273	456
- receivables	(6,863)	122,894
- investments in joint ventures	-	53,060
- goodwill	-	25,228
Net loss on disposal of investments	-	7,901
Net foreign exchange (gains)/losses	(47,153)	153,486
Provision for warranties, net of reversal	23,293	73,119
Recovery of warranties previously paid	(30,284)	(5,401)
Net fair value losses on financial assets held for trading	5,918	1,698
Net fair value gain on derivatives	(91,552)	(171,751)
Remeasurement of other receivables	-	7,233
Remeasurement of financial guarantee contracts (Note 24)	253,972	704,991
<b>Company</b>		
Non-executive directors:		
- fees	1,555	1,381
- other emoluments	337	270
- benefits-in-kind	646	433
- retirement gratuities	318	500
Auditors' remuneration:		
- statutory audit	182	182
- other services	469	-
Net impairment on investment in subsidiaries	78,276	413,690

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 28. PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION (CONTD.)

Profit/(loss) before zakat and taxation are derived after charging/(crediting) (contd.):

	2017 RM'000	2016 RM'000
<b>Company (contd.)</b>		
Remeasurement of financial guarantee contracts		
- subsidiary *	237,266	-
- joint venture	93,420	524,483
Net allowance for impairment losses on amount due from:		
- subsidiaries	289,890	92,296
- joint venture	-	81,580
Loss on disposal of property, plant and equipment	230	-
Net fair value losses on financial assets held for trading	-	857
Net fair value gain on derivatives	(81,959)	(191,354)
Net foreign exchange losses	<b>73,363</b>	178,112

- \* Pursuant to Group's strategic decision to exit from oil and gas industry as disclosed in Note 18, the Company has remeasured the financial guarantee contracts in respect of borrowings of certain subsidiaries in the oil and gas (unlisted) segment and recognised an expense of RM237,266,000. These guarantees were given as security for borrowings of the Company's fellow subsidiaries. A subsidiary of the Company and a fellow guarantor, UMWC, has undertaken to bear the Company's obligation in respect of these financial guarantees. Accordingly, the Company has recorded a deemed distribution from the subsidiary of RM237,266,000 as revenue.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 28. PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION (CONTD.)

#### Directors Remuneration 2017

	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 Abdul Rahim	1,759	253	-	-	104	-
<b>Non-executive directors:</b>						
Tan Sri Dato' Sri Hamad Kama Piah Che Othman (appointed 1 January 2017)	-	-	304	58	145	-
Dr Leong Chik Weng (retired 25 May 2017)	-	-	73	32	90	100
Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani (retired 25 May 2017)	-	-	61	20	107	100
Dato' Siow Kim Lun @ Siow Kim Lin	-	-	152	58	22	-
Dato' Mohd. Nizam Zainordin (retired 25 May 2017)	-	-	62	20	86	100
Khalid Sufat	-	-	151	59	25	-
Rohaya Mohammad Yusof (resigned 1 January 2018)	-	-	150	14	88	18
Tan Sri Hasmah Abdullah	-	-	151	41	37	-
Dato' Eshah Meor Suleiman	-	-	150	26	27	-
Datin Paduka Kartini Hj Abdul Manaf (appointed 15 June 2017)	-	-	81	22	-	-
Dr Veerinderjeet Singh Tejwant Singh (appointed 15 June 2017)	-	-	81	14	6	-
Saiwah Abdul Shukor (appointed 15 June 2017)	-	-	81	11	6	-
Mohd Shahazwan Mohd Harris (appointed 15 June 2017)	-	-	81	20	8	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 28. PROFIT/(LOSS) 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 Abdul Rahim	1,397	222	-	-	103	-
<b>Non-executive directors:</b>						
Tan Sri Asmat Kamaludin	-	-	448	42	376	500
Dr Leong Chik Weng	-	-	224	115	22	-
Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani	-	-	152	45	56	-
Dato' Siow Kim Lun @ Siow Kim Lin	-	-	154	73	20	-
Dato' Mohd. Nizam Zainordin	-	-	154	47	22	-
Khalid Sufat	-	-	152	54	24	-
Rohaya Mohammad Yusof	-	-	150	15	20	-
Tan Sri Hasmah Abdullah	-	-	152	42	20	-
Dato' Eshah Meor Suleiman (appointed 17 October 2016)	-	-	31	1	4	-

**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 2017

### 29. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense				
- Bank borrowings	125	9,419	-	-
- Sukuk	77,494	36,059	77,494	36,059
- Unwinding of discount *	42,176	-	26,544	-
- Others	827	1,049	117	243
	<b>120,622</b>	<b>46,527</b>	<b>104,155</b>	<b>36,302</b>
Less: Interest expense capitalised in assets-in-progress	(1,661)	(2,275)	-	-
Net interest expense	<b>118,961</b>	<b>44,252</b>	<b>104,155</b>	<b>36,302</b>

\* Unwinding of discount arises from financial guarantee contracts measured based on present value of discounted cash flows.

### 30. INVESTMENT INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investment income comprises:				
<b>Gross dividend income from:</b>				
- Available-for-sale financial assets				
- Unquoted investments	3,724	3,613	-	-
<b>Interest income from:</b>				
- Loans and receivables				
- Subsidiaries	-	-	69,243	43,173
- Others	45,779	39,873	1,848	1,523
<b>Distribution income from:</b>				
- Quoted investments in money market funds	30,328	19,608	17,724	11,235
	<b>79,831</b>	<b>63,094</b>	<b>88,815</b>	<b>55,931</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. INCOME TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax:				
Malaysian taxes	<b>116,382</b>	140,427	<b>3,000</b>	2,100
Overseas taxes	<b>13,563</b>	15,919	-	-
RPGT/WHT *	<b>346</b>	834	-	128
	<b>130,291</b>	157,180	<b>3,000</b>	2,228
(Over)/under provision in prior year:				
Malaysian taxes	<b>(9,128)</b>	(11,683)	-	313
Overseas taxes	<b>2,931</b>	2,276	-	-
	<b>(6,197)</b>	(9,407)	-	313
	<b>124,094</b>	147,773	<b>3,000</b>	2,541
Deferred taxation (Note 12):				
Relating to origination and reversal of temporary differences	<b>(19,626)</b>	(24,707)	-	-
Under provision in prior years	<b>10,292</b>	1,904	-	-
	<b>(9,334)</b>	(22,803)	-	-
	<b>114,760</b>	124,970	<b>3,000</b>	2,541

\* Real Property Gain Tax/Withholding tax

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) 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 2017

### 31. INCOME TAX EXPENSE (CONTD.)

Reconciliations of income tax expense applicable to profit/(loss) 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:

	2017 RM'000	2016 RM'000
<b>Group</b>		
Profit/(loss) before zakat and taxation	<b>266,573</b>	(282,097)
Taxation at Malaysian statutory rate of 24% (2016: 24%)	<b>63,978</b>	(67,703)
Effect of different tax rates in other jurisdictions	<b>230</b>	189
Tax incentives	<b>(100)</b>	(95)
Income not subject to tax	<b>(133,455)</b>	(344,892)
Expenses not deductible for tax purposes	<b>231,187</b>	592,571
Utilisation of current year's reinvestment allowances	<b>(3,732)</b>	(2,564)
Utilisation of previously unrecognised tax losses	<b>(6,163)</b>	(34,765)
Deferred tax assets not recognised	<b>2,400</b>	33,800
Underprovision of deferred tax in prior years	<b>10,292</b>	1,904
Over provision of income tax expense in prior year	<b>(6,197)</b>	(9,407)
Effect of share of profits of associates and joint ventures	<b>(43,680)</b>	(44,068)
Tax expense for the year	<b>114,760</b>	124,970
<b>Company</b>		
Loss before zakat and taxation	<b>(494,249)</b>	(446,139)
Taxation at Malaysian statutory rate of 24% (2016: 24%)	<b>(118,620)</b>	(107,073)
Income not subject to tax	<b>(110,196)</b>	(161,746)
Expenses not deductible for tax purposes	<b>231,816</b>	271,047
Under provision of income tax expense in prior year	-	313
Tax expense for the year	<b>3,000</b>	2,541

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 32. DISCONTINUED OPERATIONS

#### (a) Distribution of entire shareholding in UMW-OG

In June 2017, the Company obtained an order from the High Court of Malaya confirming the special resolutions for the distribution of its entire shareholding in UMW-OG. With the granting of the order, the Company ceased to exercise control over UMW-OG.

As UMW-OG constituted a separate major line of business of the Group, the current and prior year results of UMW-OG has been reclassified as discontinued operations.

#### (b) Strategic decision to exit from oil and gas industry

Following the classification of the corresponding assets and liabilities of investments under the oil and gas (unlisted) segment to “Assets held for sale” and “Liabilities associated with assets held for sale” as disclosed in Note 18, the results of the oil and gas (unlisted) segment and the consequent write down of its assets to fair value less costs to sell has been classified as discontinued operations since the disposal group represent a separate major line of business of the Group.

#### Loss from discontinued operations, net of tax:

	Group	
	2017 RM'000	2016 RM'000
Loss from discontinued operations, net of tax	(392,149)	(1,854,150)
Loss on disposal of a subsidiary (Note 9(e))	(126,914)	-
Write down to fair value less costs to sell (Note 18(a)):		
- property, plant and equipment	(24,596)	-
- investments in associates	(261,703)	-
	<b>(805,362)</b>	<b>(1,854,150)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 32. DISCONTINUED OPERATIONS (CONTD.)

The results of the discontinued operations are presented below:

	Group	
	2017 RM'000	2016 RM'000
Revenue	334,775	521,718
Other operating income	2,906	-
Changes in inventories	(83,417)	(9,353)
Finished goods purchased	(81,076)	(71,169)
Raw materials and consumables used	(57,131)	(91,772)
Employee benefits	(117,911)	(192,674)
Depreciation and amortisation	(146,819)	(340,229)
Other operating expenses	(120,310)	(1,513,481)
Loss from operations	(268,983)	(1,696,960)
Finance costs	(98,494)	(141,236)
Investment income	8,236	17,301
Share of results of associates and joint ventures	(30,953)	(27,233)
Loss before taxation	(390,194)	(1,848,128)
Income tax expense	(1,955)	(6,022)
Loss for the year from discontinued operations	(392,149)	(1,854,150)
<b>Loss for the year attributable to:</b>		
Equity holders of the Company	(262,721)	(1,121,545)
Non-controlling interests	(129,428)	(732,605)
	(392,149)	(1,854,150)

Loss before taxation are derived after charging/(crediting):

	Group	
	2017 RM'000	2016 RM'000
Auditors' remuneration:		
Statutory audit:		
- auditors' of the Company	669	845
- other auditors	217	74
Net (gain)/loss on disposal of property, plant and equipment and leased assets	(580)	198
Net impairment of property, plant & equipment	-	1,162,172
Net impairment losses on receivables	587	129,319
Inventories written down, net	64,289	36,181
Rental of offices and rigs	15,055	32,140
Net foreign exchange losses/(gains)	2,586	(29,384)

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 32. DISCONTINUED OPERATIONS (CONTD.)

#### Net cash flows generated from/(used in) discontinued operations:

	Group	
	2017 RM'000	2016 RM'000
Net cash (used in)/generated from operating activities	(86,651)	208,025
Net cash generated from/(used in) investing activities	5,384	(557,706)
Net cash (used in)/generated from financing activities	(233,499)	30,526
Net cash outflow	<b>(314,766)</b>	<b>(319,155)</b>

### 33. 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	
	2017	2016
Net profit/(loss) attributable to equity holders (RM'000)		
Continuing operations	35,300	(536,494)
Discontinued operations	(675,934)	(1,121,545)
	<b>(640,634)</b>	<b>(1,658,039)</b>
Weighted average number of ordinary shares of RM0.50 in issue ('000)	<b>1,168,294</b>	1,168,294
Basic/diluted earnings/(loss) per share of RM0.50 (sen)		
Continuing operations	3.1	(45.9)
Discontinued operations	(57.9)	(96.0)
	<b>(54.8)</b>	<b>(141.9)</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 34. DIVIDENDS

	Amount		Net dividend per share	
	2017 RM'000	2016 RM'000	2017 Sen	2016 Sen

#### In respect of the financial year ended 31 December 2015:

- Second interim single-tier dividend of 20%	-	116,829	-	10.0
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### 35. COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000

#### (a) Capital commitments

Approved and contracted for:

- land and buildings	194,473	96,141
- equipment, plant and machinery	330,543	25,259
- others	20,876	29,763
	<b>545,892</b>	<b>151,163</b>

Approved but not contracted for:

- land and buildings	234,929	985,572
- equipment, plant and machinery	508,178	685,318
- others	190,462	253,689
	<b>933,569</b>	<b>1,924,579</b>

Total capital commitments

**1,479,461**      2,075,742

#### (b) Commitments under non-cancellable operating leases

Amount payable within 1 year	20,230	15,750
Amount payable later than 1 year but not more than 2 years	28,048	26,412
Amount payable later than 2 years but not more than 5 years	34,520	38,251
Amount payable after 5 years	26,800	33,939

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 36. CONTINGENT LIABILITIES

As at the reporting date, the Group has the following contingent liabilities for which no liability is expected to arise:

	Group	
	2017	2016
	RM'000	RM'000
<b>Unsecured</b>		
Performance bonds in favour of third parties	13,220	169,680

### 37. 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.

Following the completion of the distribution of entire shareholding in UMW-OG in June 2017 and the Group's strategic decision to exit from oil and gas industry, current year results of oil and gas listed and unlisted segments have been re-presented as discontinued operations.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 37. SEGMENT REPORTING (CONTD.)

#### (a) Business segments

	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Oil and gas (listed) (Discontinued) RM'000	Oil and gas (unlisted) (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
<b>2017</b>									
<b>Revenue:</b>									
External customers	8,969,192	1,442,927	618,174	214,186	120,589	36,345	(334,775)	I	11,066,638
Inter-segment	2,990	15,974	26,901	-	-	53,649	(99,514)	II	-
Total revenue	8,972,182	1,458,901	645,075	214,186	120,589	89,994	(434,289)		11,066,638
<b>Results:</b>									
Depreciation and amortisation	(119,687)	(111,758)	(19,521)	(129,344)	(17,475)	(14,364)	146,819	I	(265,330)
Impairment loss of property, plant and equipment	-	-	-	-	(24,596)	(1,166)	24,596	I	(1,166)
Remeasurement of financial guarantee contracts	-	-	-	-	-	(253,972)	-		(253,972)
Share of results of associates and joint ventures	167,192	-	3,851	197	(31,150)	10,957	30,953	I	182,000



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 37. SEGMENT REPORTING (CONTD.)

### (a) Business segments (contd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Oil and gas (listed) (Discontinued) RM'000	Oil and gas (unlisted) (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
<b>2017 (contd.)</b>									
<b>Results (contd.):</b>									
Segment profit/(loss) before zakat and taxation	446,059	141,831	(17,709)	(283,204)	(520,203)	(303,608)	803,407	I	266,573
Zakat	-	-	-	-	-	(6,919)	-		(6,919)
Income tax expense	(73,009)	(26,612)	(11,855)	(120)	(1,835)	(3,284)	1,955	I	(114,760)
Segment profit/(loss) after zakat and taxation	373,050	115,219	(29,564)	(283,324)	(522,038)	(313,811)	805,362	I	144,894
<b>Assets:</b>									
Investments in associates and joint ventures	1,507,300	-	47,470	-	76,598	158,540	(76,598)	I	1,713,310
Additions to non-current assets	576,148	147,259	84,266	3,522	16,967	41,242	-	III	869,404
Segment assets	5,884,779	1,321,151	750,150	-	265,175	1,874,477	-		10,095,732
<b>Liabilities:</b>									
Segment liabilities	1,506,047	434,947	383,522	-	62,725	3,530,061	-		5,917,302

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 37. SEGMENT REPORTING (CONTD.)

### (a) Business segments (contd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Oil and gas (listed) (Discontinued) RM'000	Oil and gas (unlisted) (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
<b>2016</b>									
<b>Revenue:</b>									
External customers	8,449,436	1,362,394	576,886	321,053	200,665	48,081	(521,718)	I	10,436,797
Inter-segment	1,520	20,421	24,574	-	-	28,560	(75,075)	II	-
Total revenue	8,450,956	1,382,815	601,460	321,053	200,665	76,641	(596,793)		10,436,797
<b>Results:</b>									
Depreciation and amortisation	(97,936)	(110,517)	(11,278)	(291,191)	(49,038)	(9,556)	340,229	I	(229,287)
Impairment loss of property, plant and equipment	-	-	-	(780,265)	(381,907)	(2,755)	1,162,172	I	(2,755)
Remeasurement of financial guarantee contracts	-	-	-	-	-	(704,991)	-		(704,991)
Share of results of associates and joint ventures	176,042	-	2,050	419	(27,653)	5,523	27,234	I	183,615

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 37. SEGMENT REPORTING (CONTD.)

### (a) Business segments (contd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Oil and gas (listed) (Discontinued) RM'000	Oil and gas (unlisted) (Discontinued) 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)	(666,865)	(949,267)	1,848,129	I	(282,097)
Zakat	-	-	-	-	-	(8,560)	-		(8,560)
Income tax expense	(78,689)	(30,326)	(12,741)	(2,183)	(3,838)	(3,214)	6,021	I	(124,970)
Segment profit/(loss) after zakat and taxation	418,242	115,294	11,878	(1,183,447)	(670,703)	(961,041)	1,854,150	I	(415,627)
Assets:									
Investments 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	-	III	1,183,841
Segment assets	5,474,794	1,329,183	625,184	6,548,911	922,116	1,386,252	-		16,286,440
Liabilities:									
Segment liabilities	1,233,262	348,567	189,339	3,974,006	1,094,925	2,582,066	-		9,422,165

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 37. 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) The amounts relating to the oil and gas (listed) and oil and gas (unlisted) segments have been excluded to arrive at amounts shown in the consolidated statement of comprehensive income as they are presented separately in the statement of comprehensive income within one line item, "loss from discontinued operations, net of tax".
- (ii) Inter-segment revenues are eliminated on consolidation.
- (iii) Additions to non-current assets consist of:

	Note	2017 RM'000	2016 RM'000
Property, plant and equipment	4	728,598	1,083,296
Leased assets	8	140,806	100,545
		<b>869,404</b>	<b>1,183,841</b>

#### (b) Geographical segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
<b>2017</b>			
Revenue from external customers	10,329,121	737,517	11,066,638
Non-current assets	2,746,508	205,838	2,952,346
<b>2016</b>			
Revenue from external customers	9,700,698	736,099	10,436,797
Non-current assets	6,978,286	979,695	7,957,981

Non-current assets stated above consist of the following items as presented in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Property, plant and equipment	2,658,103	7,678,533
Investment properties	1,496	2,457
Land use rights	2,503	6,482
Leased assets	290,244	270,509
	<b>2,952,346</b>	<b>7,957,981</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. SUBSIDIARIES

(i) The following are the subsidiaries of the Company:

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (a) Subsidiaries incorporated in Malaysia

##### Direct subsidiaries of the Company:

UMW Corporation Sdn Bhd	100	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	100	100	Investment holding.
UMW Australia Ventures (L) Ltd	100	100	Investment holding.
UMW Oil & Gas Berhad	100	100	Investment holding.
UMW Oil & Gas Corporation Berhad ^	-	55.73	Investment holding and provision of full corporate management, administrative and professional services as well as financial support to its subsidiary companies.

^ Listed on Main Market of Bursa Malaysia Securities Berhad

##### Indirect subsidiaries of the Company:

UMW Malaysian Ventures Sdn Bhd	-	55.73	Investment holding.
UMW Industries (1985) Sdn Bhd	100	100	Distribution of industrial and material handling equipment and related spares.
UMW (East Malaysia) Sdn Bhd	100	100	Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak.
UMW Equipment Sdn Bhd	100	100	Distribution of industrial, heavy and material handling equipment and related spares in Peninsular Malaysia.
UMW Advantech Sdn Bhd	100	100	Manufacturing and distribution of filters, plastic engineering products and spare parts for various automotive and industrial applications.
UMW Industrial Power Sdn Bhd	100	100	Trading of industrial and power equipment and related parts.
UMW Offshore Investment (L) Ltd	100	100	Investment holding.
UMW Linepipe (L) Ltd	100	100	Investment holding.
UMW Drilling Co Ltd	-	55.73	Ownership and leasing of rig.
UMW Oilfield International (L) Ltd	60	60	Supply of oil and gas products and investment holding.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (a) Subsidiaries incorporated in Malaysia (contd.)

##### Indirect subsidiaries of the Company (contd.):

UMW Oilpipe Services (Turkmenistan) Ltd	-	28.42	Provision of threading, inspection, repair and maintenance services for OCTG.
UMW China Ventures (L) Ltd	100	100	Investment holding.
UMW Autocorp Sdn Bhd	100	100	Investment holding.
Kelang Pembena Kereta2 Sendirian Berhad	100	100	Dormant.
UMW Lubricant International Sdn Bhd	100	100	Marketing, selling and distribution of "Repsol" branded lubricants.
U-TravelWide Sdn Bhd	100	100	Provision of travel agency services.
Otomobil Sejahtera Sdn Bhd	100	100	Importing and retailing of passenger and commercial vehicles.
UMW M&E Sdn Bhd	100	100	Investment holding.
UMW Fabritech Sdn Bhd	70	70	Dormant.
UMW Oilfield International (M) Sdn Bhd	100	100	Supply of oil and gas products.
Lubetech Sdn Bhd	100	100	Blending and packaging of lubricants.
UMW Pennzoil Distributors Sdn Bhd	100	100	Marketing, selling and distribution of "Pennzoil" branded lubricants.
UMW Workover Sdn Bhd	-	55.73	Provision of workover operations for the oil and gas industry.
UMW JDC Drilling Sdn Bhd	-	47.36	Provision of drilling operations for the oil and WWgas industry.
KYB-UMW Malaysia Sdn Bhd	52.1	52.1	Manufacture and assembly of vehicle shock absorbers.
KYB-UMW Steering Malaysia Sdn Bhd	52.1	52.1	Manufacture and assembly of power steering pumps for motor vehicle.
UMW Development Sdn Bhd	100	90	Investment holding and property development.
UMW Toyota Motor Sdn Bhd	51	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	51	51	Assembly of passenger and commercial vehicles.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (a) Subsidiaries incorporated in Malaysia (contd.)

##### Indirect subsidiaries of the Company (contd.):

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	-	55.73	Provision of threading, inspection, repair and maintenance services for OCTG.
UMW Drilling 2 (L) Ltd	-	55.73	Ownership and leasing of rig.
UMW Drilling 3 (L) Ltd	-	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.
UMW Offshore Drilling Sdn Bhd	-	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 Industrial Power Services Sdn Bhd (formerly known as 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	-	55.73	Ownership and leasing of rig.
UMW M&E Limited	<b>100</b>	100	Investment holding.
UMW Drilling Academy Sdn Bhd	-	55.73	Provision of training and course in relation to oil and gas drilling activities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group		Principal activities
	Effective interest		
	2017	2016	
	%	%	

#### (a) Subsidiaries incorporated in Malaysia (contd.)

##### Indirect subsidiaries of the Company (contd.):

UMW Rig Asset (L) Ltd	-	55.73	Investment holding.
UMW Drilling 5 (L) Ltd	-	55.73	Ownership and leasing of rig.
UMW Drilling 6 (L) Ltd	-	55.73	Ownership and leasing of rig.
UMW Drilling 7 (L) Ltd	-	55.73	Ownership and leasing of rig.
UMW Drilling 8 (L) Ltd	-	55.73	Ownership and leasing of rig.
UMW Grantt International Sdn Bhd	<b>100</b>	100	Manufacturing, distributing, selling and trading of lubricants, greases and specialty products.
UMW Technology Sdn Bhd	<b>100</b>	100	Investing in technology companies.
UMW IT Services Sdn Bhd	<b>100</b>	100	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.

#### (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.
PFP Singapore Pte Ltd *	<b>100</b>	100	Dormant.
UMW Standard 1 Pte Ltd	-	55.73	Dormant.
UMW Standard 3 Pte Ltd	-	55.73	Dormant.
UMW Singapore Ventures Pte Ltd *	-	55.73	Investment holding.
UMW Marine and Offshore Pte Ltd *	<b>100</b>	100	Dormant.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (c) Subsidiary incorporated in Papua New Guinea

##### Indirect subsidiary of the Company:

UMW Niugini Limited *	94.4	94.4	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 *	-	55.73	Provision of threading, inspection, repair and maintenance services for OCTG.
UMW Industrial Equipment (Shanghai) Co Ltd *	100	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 *	100	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
Vision Fleet Equipment Leasing (Shanghai) Co Ltd *	100	100	Rental and fleet management services mainly for products distributed by the UMW Group in China.
PFP (Shenzhen) Piping Materials Co Ltd *	100	100	Dormant.
UMW Coating Technologies (Tianjin) Co Ltd *	100	100	Provision of oil and gas related equipment and pipe coating services.
Sichuan Haihua Petroleum Steel Pipe Co Ltd *	40	75.6	Manufacturing of oil, gas, water and other liquid form of transmission pipes, and provision of antiseptic coating services for steel pipes.

#### (e) Subsidiary incorporated in Thailand

##### Indirect subsidiary of the Company:

UOT (Thailand) Limited *	-	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 2017

### 38. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (f) Subsidiary incorporated in the Republic of Vietnam

##### Indirect subsidiary of the Company:

UMW Equipment Systems (Vietnam) Company Limited *	100	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 **	100	100	Importation and distribution of industrial and heavy equipment and related parts.
UMW Engineering Services Limited **	100	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	70	70	Investment holding.
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#### (i) Subsidiaries incorporated in Australia

##### Indirect subsidiaries of the Company:

PFP Holdings Pty Ltd	100	100	International trading of a complete range of piping and pressure vessel components.
PFP (Aust) Holdings Pty Ltd	100	100	Investment holding.
Australasia Piping Products Pty Ltd	100	100	Dormant.
PFP (Aust) Pty Ltd	100	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 2017

### 38. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2017 %	2016 %	
<b>(j) Subsidiary incorporated in India</b>			
<b>Indirect subsidiary of the Company:</b>			
Jaybee Drilling Private Limited #	45	45	Onshore drilling activities in India.
<b>(k) Subsidiary incorporated in Taiwan</b>			
<b>Indirect subsidiary of the Company:</b>			
PFP Taiwan Co Ltd *	75	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 WLL *	100	100	Investment holding.
<b>(m) Subsidiary incorporated in Oman</b>			
<b>Indirect subsidiary of the Company:</b>			
Arabian Drilling Services LLC *	70	70	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	-	55.73	Dormant.
Offshore Driller 4 Ltd	-	55.73	Dormant.
UMW Offshore Driller Ltd	-	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 2017

### 38. SUBSIDIARIES (CONTD.)

(i) The following are the subsidiaries of the Company (contd.):

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (o) Subsidiary incorporated in the Republic of Indonesia

##### Indirect subsidiary of the Company:

PT UMW International	100	100	Engaged in lubricants supply and equipment.
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#### (p) Subsidiary incorporated in United States of America

##### Indirect subsidiary of the Company:

UTech Americas Inc	100	100	Investment holding.
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(ii) The following companies are under members' voluntary liquidation/deregistration:

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (a) Subsidiaries incorporated in Malaysia

##### Indirect subsidiaries of the Company:

U E-Technologies Sdn Bhd	-	100	Dormant.
Inobel Sdn Bhd	-	100	Dormant.
UMW Vehicle Components Sdn Bhd	-	100	Dormant.
Tracpart Centre Sdn Bhd	-	100	Dormant.
UMW (Sarawak) Sdn Bhd	100	100	Dormant.
Vina Offshore Holdings Pte Ltd *	70	70	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 2017

### 39. JOINT VENTURES

Company	Group Effective interest		Principal activities
	2017 %	2016 %	
<b>(a) Joint venture incorporated in the Republic of Singapore</b>			
Tubulars International Pte Ltd	30	30	Investment holding.
<b>(b) Joint venture incorporated in Hong Kong</b>			
Lubritech International Holdings Limited	60	60	Investment holding.
<b>(c) Joint venture incorporated in India</b>			
United Seamless Tubulaar Private Limited	37.9	37.9	Dormant.
<b>(d) Joint venture incorporated in People's Republic of China</b>			
Lubritech Limited	60	60	Production and distribution lubricants, import, export and wholesale of lubricants and greases (domestic sales), warehousing and logistic services.
<b>(e) Joint venture incorporated in the Republic of Indonesia</b>			
PT Pusaka Bersatu	49	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	50	50	Technology co-working business in North America.

Other than United Seamless Tubulaar 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 2017

### 40. ASSOCIATES

(i) The following are the associates of the Company:

Company	Group Effective interest		Principal activities
	2017 %	2016 %	
<b>(a) Associates incorporated in Malaysia</b>			
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	Manufacture and assembly of motor vehicles and other related activities.
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	Provision of lease and hire purchase financing for both conventional and Islamic.
Held through Toyota Capital Malaysia Sdn Bhd:			
Toyota Capital Acceptance Malaysia Sdn Bhd	<b>30</b>	30	Dormant.
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 leasing services.
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.
<b>(b) Associates incorporated in People's Republic of China</b>			
Shanghai Tube-Cote Petroleum Pipe Coating Co Ltd	<b>49</b>	49	Production of internal and external anti-corrosive material for pipes, architectural anti-corrosive materials, related chemical products and pipe coatings; steel processing; selling of self-produced products; provision of technical consulting and after-sales services for related products.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 40. ASSOCIATES (CONTD.)

(i) The following are the associates of the Company (contd.):

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### (b) Associates incorporated in People's Republic of China (contd.)

Zhongyou BSS (Qinhuangdao) Petropipe Co Ltd	<b>34.3</b>	34.3	Manufacturing of oil and gas transmission pipes, manufacturing and anticorrosion coating of pipes, providing pipe manufacturing and anticorrosion coating services, selling self-produced products including large diameter longitudinal-welded pipes, spiral-welded pipes, bend-pipes etc., which primarily use for construction of oil and gas pipelines etc.
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.

#### (c) Associate incorporated in Thailand

Oil-Tex (Thailand) Company Limited	-	20	Provision of logistic services for the oil and gas industry.
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#### (d) Associate incorporated in the Cayman Islands

WSP Holdings Limited	<b>22.5</b>	22.5	Investment holding.
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(ii) The following companies are under members' voluntary liquidation/deregistration:

Company	Group Effective interest		Principal activities
	2017 %	2016 %	

#### Associates incorporated in Malaysia

Rail-Tech Industries Sdn Bhd	-	50	Dormant.
Lada Motors Sendirian Berhad	-	40	Dormant.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 41. SIGNIFICANT EVENTS

- (a) On 19 January 2017, the Company announced the proposed distribution of its entire shareholding in UMW-OG of 1,204,777,400 ordinary shares of RM0.50 each, representing 55.73% of the issued and paid-up share capital of UMW-OG to the entitled shareholders of the Company (**Proposed Distribution**).

To facilitate the Proposed Distribution, the Company will undertake a bonus issue of 1,204,777,400 Redeemable Preference Shares (**RPS**) of RM0.01 each to the Company's shareholders after receipt of all relevant approvals for the Proposed Distribution on the basis of approximately 1.03 RPS for each existing ordinary share of RM0.50 each in the Company (**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 the Company (**Distribution Shares**) to its entitled shareholders.

On 27 February 2017, the Company announced that in view of the enforcement of the new Companies Act 2016 on 31 January 2017, all amounts standing to the credit of the Company's share premium account will become part of the Company's share capital. The immediate impact is that the Company will no longer be able to carry out the mechanism under the Proposed Distribution as set out in the proposal. Hence, 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 the 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 Proposed Distribution and Proposed Capital Reduction (collectively referred to as "Proposals") were subject to the following being obtained:-

- Approval of the shareholders of the Company at an extraordinary general meeting (**EGM**) to be convened;
- Confirmation from the High Court for the Proposals via an order; and
- Approvals/consents of any other relevant authorities and/or parties, if required.

The Proposed Capital Reduction is conditional upon the Proposed Distribution.

On 4 May 2017, the Company announced that its shareholders have approved all the resolutions in relation to the Proposals at the EGM held earlier. On 14 June 2017, the Company announced that the High Court of Malaya had on 13 June 2017 granted an order confirming the special resolutions for the Proposed Distribution and the Proposed Capital Reduction. With the granting of the order, the Company ceased to exercise control over UMW-OG.

On 11 July 2017, the Company announced that the Proposals have been completed, following the lodgement of a sealed copy of the order from the High Court of Malaya confirming the special resolutions for the Proposals on 5 July 2017 and the crediting of the Distribution Shares into the accounts of the entitled shareholders of the Company on 11 July 2017.

The reduction in capital of RM794,482,000 was accounted for in equity of the Group and Company as follows:

	RM'000
Deemed distribution of UMW-OG shares at market value	626,484
Set off against accumulated losses	167,998
	<u>794,482</u>

- (b) On 28 March 2017, UMW Corporation Sdn Bhd (**UMWC**), a wholly-owned subsidiary of the Company, together with its 90%-owned subsidiary, UMW Development Sdn Bhd (**UMWD**), entered into a Share Sale and Purchase Agreement (**SSPA**) with Permodalan Negeri Selangor Berhad (**PNSB**), for the acquisition by UMWC of PNSB's 200,000 ordinary shares and 800,000 7.4% Cumulative Redeemable Preference Shares (**CRPS**) (collectively referred to as "Sale Shares") in UMWD for cash considerations of RM2,961,351 and RM1,588,550 respectively.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 41. SIGNIFICANT EVENTS (CONTD.)

(b) (contd.)

In consideration of PNSB agreeing to sell the Sale Shares to UMWC, UMWC warrants to repay the shareholder advances granted to UMWD by PNSB amounting to RM869,587, together with any interest accrued, which remained owing as at the date of the SSPA (**PNSB Advances**), for and on behalf of UMWD. In return, UMWD warrants to repay UMWC the amount at such time and in such manner to be agreed upon between the parties.

On 10 April 2017, the Sale Shares held by PNSB in UMWD were transferred to UMWC, resulting in UMWD becoming a wholly-owned subsidiary of UMWC. Subsequently, both parties decided to settle the liabilities due from UMWD to UMWC of RM241,156,779 as at 30 April 2017 via the issuance of redeemable convertible preference shares (**RCPS**) by UMWD to UMWC.

On 25 May 2017, UMWC and UMWD entered into a new Settlement Agreement (**New Settlement Agreement**) to effect the revised mode of settlement of all liabilities due from UMWD to UMWC, i.e., via RCPS. The New Settlement Agreement supersedes the First Settlement Agreement entered into between the parties on 27 November 2015 wherein the mode of settlement of the liabilities was to be via a transfer of several parcels of land belonging to UMWD to UMWC. With the issuance of the RCPS, all liabilities due from UMWD to UMWC will be deemed to be fully settled.

(c) On 29 August 2017, the Company announced that its wholly-owned subsidiary, UMWC, entered into a Letter of Intent (**LOI**) with Komatsu Ltd (**Komatsu**) (UMWC and Komatsu collectively known as "**the Parties**"). The LOI expresses the intentions of the Parties to form a strategic partnership premised on the long standing business relationship between UMW and Komatsu (**Proposed Collaboration**).

The LOI, which is in a non-legally binding form, is for the Parties to confirm their interests in establishing a Joint Venture Company (**JVC**) for the Heavy Equipment business in UMW. The Company and Komatsu intend to hold 74% and 26% of the issued and paid up share capital of the JVC, respectively. The Parties hereafter will continue with their negotiations to ensure that a definitive and binding agreement is executed.

### 42. SUBSEQUENT EVENTS

(a) On 29 May 2017, UMW Petropipe (L) Ltd (**UPP**), a wholly-owned subsidiary of the Company, had entered into an Equity Transfer Agreement (**ETA**) with Sichuan Jinyang Antisepsis Engineering Co Ltd (**Jinyang**), Elite International Investment (HK) Ltd (**Elite**) and Sichuan Gangrong Energy Co Ltd (**SGEC**), for the proposed disposal by UPP of its entire 75.59% equity interest in Sichuan Haihua Petroleum Steelpipe Co Ltd (**SCHH**), to SGEC, Jinyang and Elite (**Proposed Disposal**), for a total consideration of RMB9.00, in the following tranches:

Transferor	Transferee/(s)	Equity interest to be transferred (%)
<b>1<sup>st</sup> Tranche</b>		
UPP	SGEC	35.59
<b>2<sup>nd</sup> Tranche</b>		
UPP	SGEC	32.4
	Jinyang	5.06
	Elite	2.54
<b>Total</b>		<b>75.59</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 42. SUBSEQUENT EVENTS (CONTD.)

(a) (contd.)

The Proposed Disposal is undertaken in line with the Company's strategic plan to exit from its investments in the oil and gas sector. Subject to the fulfilment of the conditions precedent in the ETA, registration of transfers of equity interests will be made with relevant authorities in the People's Republic of China accordingly. Upon completion of the registration for the first tranche transfer of UPP's 35.59% equity interest, SCHH will cease to be a subsidiary in the UMW Group, and upon completion of the registration for the second tranche transfer of UPP's 40% equity interest, UMW Group will no longer have any interest in SCHH.

On 24 November 2017, with the completion of the first tranche of the transfer, the Company ceased to exercise control over SCHH.

On 8 February 2018, the second tranche of the transfer has been completed and the Group ceased to have any interest in SCHH.

(b) On 9 March 2018, the Company announced on the separate conditional offers to the following parties:

- (i) Med-Bumikar Mara Sdn Bhd (**Med-Bumikar**) and its wholly-owned subsidiary, Central Shore Sdn Bhd (**CSSB**), for the acquisition of their collective 50.07% equity interest in MBMR Resources Berhad (**MBMR**); and
- (ii) PNB Equity Resources Corporation Sdn Bhd (**PERC**) for the acquisition of PERC's 10.00% equity interest in Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**).

The conditional offer to Med-Bumikar and CSSB for all their 195,717,751 MBMR Shares (**MBMR Sale Shares**), collectively representing 50.07% equity interest in MBMR and the resultant proposed mandatory take-over offer for all the remaining MBMR Shares not already owned by UMWH and persons acting concert with it, if any, after the Proposed MBMR Acquisition (**Proposed MO**).

The conditional offer is at a price of approximately RM501.0 million or RM2.56 per MBMR Sale Share, valuing MBMR at approximately RM1.0 billion (based on 100% equity value), to be settled in cash (**MBMR Offer**).

If the MBMR Offer is accepted and subject to the completion of the Proposed MBMR Acquisition, the Company's shareholding in MBMR will increase from nil to 50.07% and UMWH will then be obliged to extend the Proposed MO pursuant to Section 218(2) of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions. UMWH does not intend to maintain the listing status of MBMR on the Main Market of Bursa Malaysia Securities Berhad (**Bursa Securities**) subsequent to the Proposed MO.

On 13 March 2018, the Company announced to undertake the Proposed Rights Issue to raise the necessary proceeds to primarily repay a bridging facility to be obtained by the Company to finance the Proposed MO.

On 26 March 2018, the Company announced that it has been notified by Med-Bumikar and CSSB, that they have separately rejected the conditional offer made by the Company for the Proposed MO. Accordingly, the Company has notified Med-Bumikar and CSSB respectively in writing of its decision to extend the period for which the MBMR Offer shall continue to be valid, from 28 March 2018 to 30 April 2018.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 42. SUBSEQUENT EVENTS (CONTD.)

(b) (contd.)

On 3 April 2018, the Company announced that it has been notified by Med-Bumikar and CSSB, that they stand firm by their decisions and would not consider the MBMR Offer. Notwithstanding the position taken by the board of directors of Med-Bumikar and CSSB, the Company remains interested to re-engage discussion should Med-Bumikar, CSSB and their shareholders wish to reconsider the MBMR Offer.

(c) On 22 March 2018, the Company announced that it has received acknowledgement receipt from the Securities Commission Malaysia (**SC**) pursuant to the Company's lodgement of the Perpetual Sukuk Programme with the SC under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The issuance of the Perpetual Sukuk is expected to improve the Company's borrowings structure by enabling the Company to access the capital markets for longer tenure funding. The proceeds raised from the Perpetual Sukuk Programme shall be utilised by the Company and/or its subsidiaries, associated companies and/or jointly controlled entities to refinance its existing financing/debt obligations (whether in whole or in part), and/or to finance working capital requirements, investments, capital expenditure and/or its general corporate purposes. In any case, all utilisation of proceeds raised under the Perpetual Sukuk Programme shall be Shariah-compliant.

(d) In relation to deferred consideration disclosed in Note 16, on 30 March 2018, the Company entered into a Supplemental Agreement No. 8 (**SA no 8**) with the debtor for variations to the manner of payment of the deferred consideration. The deferred consideration would be received in fifty eight staggered payments over a five year period (from year 2018 to 2022). SA no 8 has variations to the monthly instalments and has interest element to compensate for the loss subsequent to the change from the initial quarterly instalment payments to monthly instalment payments.

### 43. 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	2017 RM'000	2016 RM'000
UMW Industries (1985) Sdn Bhd	)	Lease rental	<b>8,250</b>	9,689
KYB-UMW Malaysia Sdn Bhd and its subsidiary	) )	Sale of shock absorbers	<b>48,090</b>	49,746
U-TravelWide Sdn Bhd	)	Air tickets	<b>6,383</b>	4,027
UMW Toyota Motor Sdn Bhd and subsidiaries	) )	Perodua Group * Sale of goods and services	<b>124,335</b>	108,043
UMW Industrial Power Sdn Bhd	) )	Sale of goods and services	<b>1,264</b>	3,134
UMW Advantech Sdn Bhd	) )	Sale of goods and services	<b>29,454</b>	29,750
Lubetech Sdn Bhd	) )	Sale of goods and services	<b>14,996</b>	19,054

\* Comprises Perusahaan Otomobil Kedua Sdn Bhd, its subsidiaries and associates.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

- (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 (contd.):

Group companies	Transacting parties	Nature of transactions	2017 RM'000	2016 RM'000
UMW JDC Drilling Sdn Bhd	) Japan Drilling ) Co Ltd and its ) subsidiaries	Purchase of goods and services Bare boat charter	-	16,359
UMW Corporation Sdn Bhd	) Toyota Capital	Purchase of goods and services	<b>2,818</b>	5,853
UMW Oil & Gas Corporation Berhad	) Malaysia Sdn ) Bhd and its ) subsidiaries	Purchase of goods and services	<b>509</b>	1,073
UMW Holdings Berhad	)	Purchase of goods and services	<b>532</b>	537

- (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	2017 RM'000	2016 RM'000
UMW Toyota Motor Sdn Bhd and its subsidiaries	Toyota Motor Corporation, Japan and its subsidiaries	Sale of goods and services Purchase of goods and services	<b>731,349</b>	790,709
	UMW Toyotsu Motors Sdn Bhd	Sale of goods Purchase of goods and services	<b>117,953</b>	104,803
			<b>4,971</b>	5,098

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(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	2017 RM'000	2016 RM'000
KYB-UMW Malaysia Sdn Bhd and its subsidiary	Kayaba Industry Co Ltd, Japan and its subsidiaries	Sale of goods and services	<b>70,889</b>	70,151
		Purchase of goods and services	<b>10,130</b>	9,061
	Toyota Tsusho Corporation, Japan and its affiliated company	Sale of goods and services	<b>225</b>	740
		Purchase of goods and services	<b>38,082</b>	45,735

(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	2017 RM'000	2016 RM'000
UMW Sher (L) Ltd	)	Bare boat charter	<b>8,598</b>	18,855
	)			
	) Jaybee Energy	Purchase of goods and services	<b>12,999</b>	19,032
Jaybee Drilling Pvt Ltd	) Pte Ltd			
	)			
	)			

(e) Transactions by the Group with a former non-executive director of the Company and with a company in which he has interests are as follows:

Group companies	Transacting parties	Nature of transactions	2017 RM'000	2016 RM'000
UMW Holdings Berhad	) Dr Leong Chik Weng/e-Lock Corporation	Purchase of goods and services	<b>33</b>	25
		Payment for performance guarantee	<b>224</b>	-
UMW Corporation Sdn Bhd	) Sdn Bhd, a Company in which Dr Leong Chik Weng has an interest	Purchase of goods and services	<b>42</b>	456

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

- (e) Transactions by the Group with a former non-executive director of the Company and with a company in which he has interests are as follows (contd.):

Group companies	Transacting parties	Nature of transactions	2017 RM'000	2016 RM'000
UMW Oil & Gas Corporation Berhad	) Dr Leong Chik	Purchase of services	95	54
	) Weng/e-Lock Corporation			
UMW IT Services Sdn Bhd	) Sdn Bhd, a Company in which Dr Leong Chik Weng has an interest	Purchase of services	1,729	-

- (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.

	2017 RM'000	2016 RM'000
Salaries, wages and allowances	11,659	16,851
Provision for unutilised leave	99	(1)
Pension costs - defined benefit plan	1,411	2,098
Benefits-in-kind	1,170	1,942
	<b>14,339</b>	<b>20,890</b>

### 44. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 44. FAIR VALUE DISCLOSURES (CONTD.)

#### Determination of fair value (contd.)

##### 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 2017 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.

#### (i) Financial instruments not carried at fair value

	Note	2017		2016	
		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	4,302	*	4,302	*
<b>Financial liabilities</b>					
Long term borrowings					
- Fixed rate borrowings	22	50,001	50,001	11,569	11,569
- Fixed rate Sukuk	22	1,799,838	1,605,978	1,099,837	1,029,963
		<b>1,849,839</b>	<b>1,655,979</b>	1,111,406	1,041,532

	Note	2017		2016	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Company</b>					
<b>Financial liabilities</b>					
Long term borrowings					
- Fixed rate Sukuk	22	1,799,838	1,605,978	1,099,837	1,029,963

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 44. FAIR VALUE DISCLOSURES (CONTD.)

#### Determination of fair value (contd.)

##### (i) Financial instruments not carried at fair value (contd.)

- \* 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.

##### (ii) Financial instruments carried at fair value

	2017 RM'000	2016 RM'000
<b>Financial assets:</b>		
<b>Group</b>		
Quoted investment in money market fund	1,295,416	996,898
Quoted shares outside Malaysia	10,468	18,358
Forward currency contracts	521	3,470
Embedded derivatives	9,150	-
Interest rate swaps	-	5,560
Cross currency interest rate swaps	2,262	6,388
<b>Company</b>		
Quoted investment in money market fund	990,071	505,299
Forward currency contracts	-	3,173
<b>Financial liabilities:</b>		
<b>Group</b>		
Forward currency contracts	6,283	85,118
Embedded derivatives	-	8,107
Interest rate swaps	-	2,590
<b>Company</b>		
Forward currency contracts	-	82,542
Interest rate swaps	-	2,590



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 44. FAIR VALUE DISCLOSURES (CONTD.)

### Determination of fair value (contd.)

#### (iii) Assets valued at fair value less costs to sell upon classification to held for sale

	2017 RM'000	2016 RM'000
Investments in associates	76,598	-
Property, plant and equipment	27,294	-

### 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	
	Level	Note	2017 RM'000	2016 RM'000

#### Assets measured at fair value:

##### Group

Quoted investment in money market fund	1	13	1,295,416	996,898
Quoted shares outside Malaysia	1	13	10,468	18,358
Embedded derivatives	2	14	9,150	-
Forward currency contracts	2	14	521	3,470
Interest rate swaps	2	14	-	5,560
Cross currency interest rate swaps	2	14	2,262	6,388

##### Company

Quoted investment in money market fund	1	13	990,071	505,299
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#### Assets for which fair values are disclosed:

##### Group

Investment properties	3	5	64,870	65,087
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## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 44. FAIR VALUE DISCLOSURES (CONTD.)

#### Fair value hierarchy (contd.)

	Level	Note	Fair value	
			2017 RM'000	2016 RM'000
<b>Assets valued at fair value less costs to sell upon classification to held for sale:</b>				
<b>Group</b>				
Investments in associates	3	18	76,598	-
Property, plant and equipment	3		27,294	-
<b>Liabilities measured at fair value:</b>				
<b>Group</b>				
Forward currency contracts	2	14	6,283	85,118
Embedded derivatives	2	14	-	8,107
Interest rate swaps	2	14	-	2,590
<b>Company</b>				
Forward currency contracts	2	14	-	82,542
Interest rate swaps	2	14	-	2,590
<b>Liabilities for which fair values are disclosed:</b>				
<b>Group</b>				
Long term borrowings				
- Fixed rate borrowings	2	22	50,001	11,569
- Fixed rate Sukuk	2	22	1,605,978	1,029,963
<b>Company</b>				
Long term borrowings				
- Fixed rate Sukuk	2	22	1,605,978	1,029,963

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 44. 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 (2016: 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.

Property, plant and equipment and investments in associates that have been reclassified as assets held for sale were written down to fair value less costs to sell. Fair value of the rigs were based on valuation performed by independent professional valuer using market comparable approach that reflects recent transactions prices of similar assets. Fair value of investments in associates were estimated by management based on discounted future cash flows. The significant observable inputs for these valuations comprise of companies' budgets and assumptions of future growth rate.

### 45. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short term borrowings	<b>691,857</b>	2,639,329	-	189,982
Long term borrowings	<b>2,069,717</b>	3,715,777	<b>1,799,838</b>	1,099,837
Total borrowings	<b>2,761,574</b>	6,355,106	<b>1,799,838</b>	1,289,819
Total equity	<b>4,178,430</b>	6,864,275	<b>132,821</b>	1,263,473
Gearing ratio	<b>66%</b>	93%	<b>&gt; 100%</b>	> 100%

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 46. 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 Risk Management Committee at the Board level
- (ii) The Management Risk Committee at corporate management level
- (iii) Group Risk Management Division at corporate management level
- (iv) The Risk Management Unit at the respective operating units

Responsibilities of the Risk Management Committee include:

- (i) to monitor the role, effectiveness and efficiency of the Management Risk Committee, Group Risk Management Division 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 Management Risk Committee comprises members of the Management Committee. This Committee identifies and assesses risks, and makes recommendations on risk management to the Risk Management Committee at the Board level.

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 2017

### 46. 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 profit/(loss) 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:

		2017	2016
		RM'000	RM'000
		Effect on profit/(loss) after tax	
US Dollar	+ 10%	(23,463)	(25,147)
	- 10%	23,463	25,147
Japanese Yen	+ 10%	3,804	4,511
	- 10%	(3,804)	(4,511)
Euro	+ 10%	1,714	2,409
	- 10%	(1,714)	(2,409)

#### (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 2017

### 46. 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 profit/(loss) 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	2017 RM'000 Effect on profit/(loss) after tax	2016 RM'000
Ringgit Malaysia interest rates	+ 50	(173)	(1,985)
	- 50	173	1,985
US Dollar interest rates	+ 50	(5,111)	(8,049)
	- 50	5,111	8,049

#### (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 RM158,106,000 (2016: RM240,583,000) and Nil (2016: RM310,746,000) 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 2017

## 46. 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.

	← 2017 →				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	1,813,604	-	-	-	1,813,604
Derivatives:					
- Forward contracts (gross payments)	6,283	-	-	-	6,283
Financial guarantee contracts	981,934	-	-	-	981,934
Borrowings	655,884	374,301	1,220,615	397,290	2,648,090
Total undiscounted financial liabilities	<b>3,457,705</b>	<b>374,301</b>	<b>1,220,615</b>	<b>397,290</b>	<b>5,449,911</b>
<b>Company</b>					
<b>Financial liabilities:</b>					
Trade and other payables	20,347	-	-	-	20,347
Financial guarantee contracts	596,601	-	-	-	596,601
Borrowings	-	366,944	1,153,253	366,933	1,887,130
Total undiscounted financial liabilities	<b>616,948</b>	<b>366,944</b>	<b>1,153,253</b>	<b>366,933</b>	<b>2,504,078</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 46. FINANCIAL RISK MANAGEMENT (CONTD.)

#### (d) Liquidity risk (contd.)

	← 2016 →				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	1,790,461	-	-	-	1,790,461
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	88,181	83,077	636,065	347,181	1,154,504
Borrowings	2,733,161	379,670	2,546,589	885,457	6,544,877
Total undiscounted financial liabilities	<u>4,707,618</u>	<u>462,747</u>	<u>3,182,654</u>	<u>1,232,638</u>	<u>9,585,657</u>

#### Company

##### Financial liabilities:

Trade and other payables	19,226	-	-	-	19,226
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
Total undiscounted financial liabilities	<u>471,316</u>	<u>85,099</u>	<u>1,252,842</u>	<u>641,120</u>	<u>2,450,377</u>

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 2017.

#### (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 funds 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 profit/(loss) net of tax would have been RM12,954,000 (2016: RM9,969,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments.



# STATISTICS ON SHAREHOLDINGS

AS AT 30 MARCH 2018

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	503	20	523	9.69	9,998	629	10,627	0.00
100 to 1,000	1,572	81	1,653	30.62	1,060,993	49,887	1,110,880	0.09
1,001 to 10,000	1,953	216	2,169	40.18	7,590,960	887,497	8,478,457	0.73
10,001 to 100,000	481	286	767	14.21	14,135,948	10,696,204	24,832,152	2.13
100,001 to less than 5% of issued shares	129	153	282	5.23	282,029,478	120,269,970	402,299,448	34.43
5% and above of issued shares	4	0	4	0.07	731,562,368	0	731,562,368	62.62
<b>Total</b>	<b>4,642</b>	<b>756</b>	<b>5,398</b>	<b>100.00</b>	<b>1,036,389,745</b>	<b>131,904,187</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	3,782	192	18,262,280	2,068,984	1.56	0.18
2. Body Corporate						
(a) Banks/finance companies	55	2	812,883,108	31,306	69.58	0.00
(b) Investment trusts/ foundations/charities	2	0	6,278	0	0.00	0.00
(c) Industrial and commercial companies	82	8	5,258,639	3,152,922	0.45	0.27
3. Government agencies/ institutions	2	0	199,084	0	0.02	0.00
4. Nominees	717	554	199,773,688	126,650,975	17.10	10.84
5. Others	2	0	6,668	0	0.00	0.00
<b>Total</b>	<b>4,642</b>	<b>756</b>	<b>1,036,389,745</b>	<b>131,904,187</b>	<b>88.71</b>	<b>11.29</b>

## DIRECTORS' INTERESTS IN THE COMPANY

Save as disclosed in the Directors' Report of the Audited Financial Statements as set out on page 115, none of the Directors of the Company has any interest, direct or indirect, in shares of the Company or in shares of its related corporation.

## STATISTICS ON SHAREHOLDINGS

AS AT 30 MARCH 2018

### TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares	%
1.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	475,644,700	40.71
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	103,113,368	8.83
3.	Permodalan Nasional Berhad	84,778,900	7.26
4.	Kumpulan Wang Persaraan (Diperbadankan)	68,025,400	5.82
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)	26,285,000	2.25
8.	Lembaga Tabung Haji	22,633,400	1.94
9.	AmanahRaya Trustees Berhad - AS 1Malaysia	21,790,700	1.86
10.	Cartaban Nominees (Asing) Sdn Bhd - Exempt An For State Street Bank & Trust Company (West CLT OD67)	11,252,026	0.96
11.	AmanahRaya Trustees Berhad - Amanah Saham Didik	10,910,400	0.93
12.	Amsec Nominees (Tempatan) Sdn Bhd - Mtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	9,758,400	0.84
13.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	7,945,200	0.68
14.	AmanahRaya Trustees Berhad - Public Islamic Select Enterprises Fund	7,159,400	0.61
15.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	7,000,000	0.60
16.	AmanahRaya Trustees Berhad - Public Islamic Dividend Fund	6,524,400	0.56
17.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	6,161,600	0.53
18.	Citigroup Nominees (Asing) Sdn Bhd - Exempt An For Citibank New York (Norges Bank 14)	5,347,000	0.46
19.	Citigroup Nominees (Asing) Sdn Bhd - UBS AG	5,225,660	0.45
20.	Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited For Government of Singapore (C)	5,073,900	0.43

## STATISTICS ON SHAREHOLDINGS

AS AT 30 MARCH 2018

### TOP 30 SECURITIES ACCOUNT HOLDERS (CONTD.)

No.	Name	No. of Shares	%
21.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board (CIMB PRIN)</i>	4,927,200	0.42
22.	AmanahRaya Trustees Berhad - <i>Public Ittikal Sequel Fund</i>	4,812,400	0.41
23.	Citigroup Nominees (Asing) Sdn Bhd - <i>Exempt An For Citibank New York (Norges Bank 9)</i>	4,773,600	0.41
24.	Citigroup Nominees (Asing) Sdn Bhd - <i>CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	4,204,106	0.36
25.	HSBC Nominees (Asing) Sdn Bhd - <i>HSBC BK PLC For Kuwait Investment Office (KIO)</i>	4,000,000	0.34
26.	AmanahRaya Trustees Berhad - <i>Public Savings Fund</i>	3,586,400	0.31
27.	AmanahRaya Trustees Berhad - <i>Public Dividend Select Fund</i>	3,535,100	0.30
28.	Cartaban Nominees (Asing) Sdn Bhd - <i>BCSL Client AC PB Cayman Clients</i>	3,493,500	0.30
29.	HSBC Nominees (Asing) Sdn Bhd - <i>JPMCB NA For Vanguard Emerging Markets Stock Index Fund</i>	3,477,620	0.30
30.	Hong Leong Assurance Berhad - <i>As Beneficial Owner (LIFE PAR)</i>	2,893,400	0.25
<b>TOTAL</b>		<b>996,790,980</b>	<b>85.32</b>

### SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares	%
1.	AmanahRaya Trustees Berhad - <i>Amanah Saham Bumiputera</i>	475,644,700	40.71
2.	Employees Provident Fund Board *	109,928,668	9.41
3.	Permodalan Nasional Berhad	84,778,900	7.26
4.	Yayasan Pelaburan Bumiputera #	84,778,900	7.26
5.	Kumpulan Wang Persaraan (Diperbadankan) ^	73,416,600	6.28

\* Held under multiple securities accounts of its nominees.

# Deemed interested by virtue of its shareholding in Permodalan Nasional Berhad pursuant to Section 8 of the Companies Act 2016.

^ Includes all shares held under multiple securities accounts of its nominees.

# ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with Appendix 9C of the Main Market Listing Requirements (**MMLR**) -

## UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds raised from corporate proposals during the financial year.

## NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2017 by the Company's external auditors or their affiliates is disclosed in Notes 28 and 32 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 the interest of Directors and Major Shareholders, either subsisting as at 31 December 2017, or entered into since the end of the previous financial year ended 31 December 2016, are as follows -

1. Joint Venture Agreement dated 2 February 1993 between UMW Corporation Sdn Bhd (**UMWC**), PNB Equity Resource Corporation Sdn Bhd (**PERC**), 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**), PERC, 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 (**PEMS**) 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.

Supplemental Agreement dated 22 April 2013 between UMWC, PERC, 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.

PERC 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. 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 21.73% 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 the interest of Directors and Major Shareholders during the financial year ended 31 December 2017.

## ADDITIONAL COMPLIANCE INFORMATION

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the AGM of the Company held on 25 May 2017, 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 MMLR, details of RRPT conducted during the financial year ended 31 December 2017 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 ( <b>TMC</b> )	<p>Denso International Asia Pte Ltd Singapore (<b>DIA</b>) has 72.73% equity interest in Denso (Malaysia) Sdn Bhd (<b>Denso</b>). DIA is a wholly-owned subsidiary of Denso Corporation, Japan, a company in which TMC has 23.89% equity interest.</p> <p>TMC has direct interests in UMW Toyota Motor Sdn Bhd (<b>UMWT</b>) and its subsidiaries by virtue of its direct 39% shareholding in UMWT, a 51%-owned subsidiary of UMW Corporation Sdn Bhd (<b>UMWC</b>), which is in turn a wholly-owned subsidiary of UMW Holdings Berhad (<b>UMWH</b>).</p> <p>In addition, TMC also has an indirect interest in UMWT through its associated company, Toyota Tsusho Corporation, Japan (<b>TTC</b>), by virtue of TTC's 10% direct shareholding in UMWT.</p> <p>TMC has indirect interest in Daihatsu Perodua Engine Manufacturing Sdn Bhd (<b>DPEM</b>), an 18.62%-owned associated company of UMWC, vide its wholly-owned subsidiary, Daihatsu Motor Co Ltd Japan (<b>DMC</b>). DMC in turn, has 51% equity interest in DPEM.</p> <p>UMWT has 100% equity interest in Assembly Services Sdn Bhd (<b>ASSB</b>).</p>	<ul style="list-style-type: none"> <li>• Sale of vehicle parts by Denso to UMWT, a subsidiary of UMWC</li> <li>• Sale of vehicle parts by Denso to ASSB, a wholly-owned subsidiary of UMWT</li> <li>• Sale of engines by DPEM to ASSB, a wholly-owned subsidiary of UMWT</li> </ul>	<p>436,856</p> <p>134,634</p> <p>111,879</p>
TMC	<p>TMC has 22.5% equity interest in JTEKT Corporation, Japan, which in turn has 90% equity interest in JTEKT Automotive (Malaysia) Sdn Bhd (<b>JAMSB</b>).</p> <p>UMWT has 10% equity interest in JAMSB.</p>	<ul style="list-style-type: none"> <li>• Sale of vehicle spare parts/local parts by JAMSB to UMWT, a subsidiary of UMWC</li> </ul>	133,664

## ADDITIONAL COMPLIANCE INFORMATION

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONTD.)

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 TTC.</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>254,502</p> <p>106,362</p>
TMC/TTC	<p>TMC has an indirect interest in UMW Toyotsu Motors Sdn Bhd (<b>UMW Toyotsu</b>) through its associated company, 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, 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>	117,953
TMC	<p>TMC has 100% equity interest in Toyota Motor Asia Pacific Pte Ltd (<b>TMAP</b>).</p> <p>UMWT has 100% equity interest in ASSB.</p>	<ul style="list-style-type: none"> <li>Sale of machineries, equipment, machine parts, sample parts, provision of technical support, system implementation and training by TMC to ASSB for establishment of ASSB's new plant</li> <li>Sale of machineries, equipment, machine parts, sample parts, provision of technical support, system implementation and training by TMAP to ASSB for establishment of ASSB's new plant</li> </ul>	<p>13,292</p> <p>1,617</p>

# TOP TEN PROPERTIES HELD BY THE UMW GROUP

AS AT 31 DECEMBER 2017

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)
<b>1. 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	6	-	28.12.2008	650,786,430
<b>2. Ulu Selangor</b> Part of Lot 29138 Mukim Serendah Ulu Selangor, Selangor	Industrial Land	Office, Training Facilities and Workshop	Leasehold 99 years expiring 05.06.2094	Land - 95,263.0 Built-up - 24,661.5	1	-	01.08.2016	100,838,637
<b>3. 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
<b>4. 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	13	-	06.08.1985	37,802,010
<b>5. 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	2	-	27.07.2015	35,701,048
<b>6. 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	10	-	28.03.2006	34,875,951
<b>7. 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	10	-	29.12.2003	33,629,008
<b>8. Temerloh</b> Lot 759 Mukim of Mentakab District of Temerloh Pahang	Industrial Land	Showroom, Body & Paint, Parts & Service Centre	Freehold	Land - 14,285.4 Built-up - 5,992.0	3 months	-	30.04.2015	29,940,369
<b>9. 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	10	-	28.09.2005	27,944,504
<b>10. 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	26,721,818

## **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, statutory authorities and/or industry regulators and to whom we are compelled or required to do so under law;
- 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 Melayu 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 penyeliaan, yang mungkin termasuk tetapi tidak terhad kepada -

- i. identiti anda termasuk gambar, tandatangan, nama, nombor telefon, 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/isytiharkan 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 tadbir urus korporat Kumpulan UMW (termasuk audit, penyiasatan dalaman, pematuhan, pengurusan risiko, laporan konflik kepentingan, laporan pengurusan dan proses-proses sekuriti);
- x. bagi tujuan pengesahan 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 media sosial 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, menyiasat 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) berikutan 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 hak, peserta, sub-peserta atau penerima pindahan bagi mana-mana hak atau obligasi kami, berpotensi atau sebenar; 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, pembedan 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 -

Setiasaha 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 pengesahan dan tujuan penyimpanan rekod. Kumpulan UMW akan berusaha menangani isu anda secepat mungkin selepas menerima permohonan anda. Sebarang permintaan untuk akses atau pembedan 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 Melayu 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 36<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, 24 May 2018 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy(ies) is/are to vote as indicated below -

NO.	AGENDA	RESOLUTION	FOR	AGAINST
1	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon			
	<b>ORDINARY BUSINESS</b>			
2	Re-election of the following Directors pursuant to Article 109 of the Company's Constitution - (a) Datin Paduka Kartini Hj Abdul Manaf (b) Salwah Abdul Shukor (c) Dr Veerinderjeet Singh a/l Tejwant Singh (d) Mohd Shahazwan Mohd Harris (e) Lim Tze Seong	1		
		2		
		3		
		4		
		5		
3	Re-election of Khalid Sufat pursuant to Articles 123 and 125 of the Company's Constitution	6		
4	Re-election of Dato' Siow Kim Lun @ Siow Kim Lin as a Senior Independent Non-Executive Director	7		
5	Approval of the payment of Directors' fees from 25 May 2018 to the next AGM of the Company	8		
6	Approval of the benefits payable to Non-Executive Directors from 25 May 2018 to the next AGM of the Company	9		
7	Re-appointment of Messrs Ernst & Young as Auditors for the financial year ending 31 December 2018 and authorising Directors to fix their remuneration	10		
	<b>SPECIAL BUSINESS</b>			
8	Proposed Shareholders' Mandate for recurrent related party transactions	11		
9	Proposed adoption of the new Constitution of the Company	12		

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 -**

1. Please indicate with an "X" in the appropriate spaces provided above 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.

2. 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 a 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 a 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 \_\_\_\_\_ 2018

\_\_\_\_\_  
Signature of Member(s)/Common Seal

## NOTES

1. A member of the Company entitled to attend and vote at the meeting is entitled to 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 to set for the taking of the poll or before any adjournment thereof.
5. A corporation which is a member, may by resolution of its directors or other governing body authorises such person as it thinks fit to act as its representative at the meeting, in accordance with Article 95 of the Company's Constitution.
6. Only members whose names appear in the ROD as at 17 May 2018 shall be entitled to attend and vote at the meeting or appoint proxies to attend and vote on his/her behalf.
7. 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.

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

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

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

No. 10, Jalan Utas (15/7),  
40200 Shah Alam,  
Selangor Darul Ehsan, Malaysia.

Tel: (603) 5163 5000  
Fax: (603) 5519 3890